Landsec

Half-yearly results for the six months ended 30 September 2017

14 November 2017

Forward-looking statements

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

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

Any forward-looking statements made in these half-yearly results, the latest Annual Report or Landsec's website, or made subsequently, which are attributable to the Company or any other member of the Group, or persons acting on their behalf, are expressly qualified in their entirety by the factors referred to above. Each forward-looking statement speaks only as of the date it is made. Except as required by its legal or statutory obligations, the Company does not intend to update any forward-looking statements.

Nothing contained in these half-yearly results, the latest Annual Report or Landsec's website should be construed as a profit forecast or an invitation to deal in the securities of the Company.

Half-yearly results for the six months ended 30 September 2017

14 November 2017

“Landsec reports a strong operational performance in the first half, with our highest levels of leasing activity since the global financial crisis, opportunistic buying and profitable disposals. We’ve continued the active management of our balance sheet, returning £475m of capital to shareholders and also lowering our cost of debt and lengthening its duration”, said Landsec’s Chief Executive, Robert Noel.

“Revenue profit is up 5.2% and adjusted diluted earnings per share are up 5.8%. While the valuation of the Combined Portfolio is little changed, adjusted diluted net asset value per share is up 1.1% as the cost of debt management has been more than offset by the effect of the 15 for 16 share consolidation accompanying the return of capital.

“In London, the sale of 20 Fenchurch Street, EC3 at an exceptional price demonstrated our disciplined approach to managing capital. The sale crystallised a 170% profit on cost and significant value for shareholders. At 21 Moorfields, EC2, the quality of our product, our reputation for delivery and the strength of our partnership approach saw us secure a significant pre-let in the City of London, with Deutsche Bank committing to a minimum of 469,000 sq ft.

“In Retail, we launched Westgate Oxford, the largest retail and leisure destination to open in the UK this year – another example of our continual focus on delivering the best experience for our customers. During the period, we completed the acquisition of three outlet destinations, demonstrating our commitment to this growing and resilient sector, and establishing our position as the largest owner-manager of outlets in the UK.

“The headwinds of Brexit are beginning to show in the economy. However, our balance sheet is healthy and we have the talent, firepower and experience to thrive.”

Results summary

	Six months ended 30 September 2017	**Six months ended 30 September 2016**	**Change**
Revenue profit(1)(2)	£203m	£193m	Up 5.2%
Valuation deficit(1)(2)	£(19)m	£(260)m	Down 0.1%(3)
Loss before tax	£(33)m	£(95)m	
Basic loss per share	(4.3)p	(12.1)p	
Adjusted diluted earnings per share(1)(2)	25.7p	24.3p	Up 5.8%
Dividend per share	19.7p	17.9p	Up 10.1%
	30 September 2017	**31 March 2017**	
Basic net assets per share	1,468p	1,458p	Up 0.7%
Adjusted diluted net assets per share(1)	1,432p	1,417p	Up 1.1%
Group LTV ratio(1)(2)	21.8%	22.2%	
Pro forma Group LTV ratio(1)(2)(4)	25.1%	n/a	

1. An alternative performance measure. The Group uses a number of financial measures to assess and explain its performance, some of which are considered to be alternative performance measures as they are not defined under IFRS. For further details, see table 15 in the Business analysis section.
2. Including our proportionate share of subsidiaries and joint ventures, as explained in the Financial review.
3. The % change for the valuation deficit represents the decrease in value of the Combined Portfolio over the six month period, adjusted for net investment.
4. Pro forma Group LTV is adjusted for the £475m capital distribution to shareholders, which was paid in October 2017.

Activity

— £9m of investment lettings
— £6m of development lettings
— Pre-letting of 21 Moorfields, EC2 to Deutsche Bank
— Acquisitions, development and refurbishment expenditure(1) of £463m
— Disposals(1) of £830m
— £775m (nominal) of bonds repurchased and £1bn of new issuance
— Capital distribution to shareholders of £475m accompanied by a 15 for 16 share consolidation(2)
— Supported the 1,000th person from a disadvantaged background into employment through our award winning Community Employment Programme, which we launched in 2011

Performance

— Ungeared total property return(1) of 2.5% (IPD Quarterly Universe 5.0%)
— Total business return(3) of 2.5%
— Combined Portfolio(3) valued at £14.2bn, with a valuation deficit(3) of 0.1%
— Voids in the like-for-like portfolio(1)(4): 2.9% (31 March 2017: 2.9%)

Financials

— Group LTV ratio(3) at 21.8% (31 March 2017: 22.2%), based on adjusted net debt(3) of £3.2bn (31 March 2017: £3.3bn)
— Pro forma Group LTV ratio(2)(3) at 25.1%, based on pro forma adjusted net debt of £3.6bn(2)(3)
— Weighted average maturity of debt at 15.1 years (31 March 2017: 9.4 years)
— Weighted average cost of debt at 3.8% (31 March 2017: 4.2%) and pro forma(2) 3.4%
— Cash and available facilities of £1.8bn
— First half dividend of 19.7p, up 10.1%

Development

— Nova, Victoria, SW1, now 75% let or in solicitors' hands
— Successful launch of Westgate Oxford, now 93% let or in solicitors' hands
— Selly Oak, Birmingham, now also 93% pre-let or in solicitors' hands and student accommodation pre-sold
— Exchanged an agreement to lease with Deutsche Bank at 21 Moorfields, EC2, for a minimum of 469,000 sq ft

Recognition

— Winner: Refurbished / Recycled Workplace 2017 at the National BCO Awards for 20 Eastbourne Terrace, W2
— Winner: Impact on the Environment 2017 at the BIFM Awards for the London Portfolio
— Awarded a position in this year's Climate A List by CDP, in which only 5% of companies participating in its climate change programme are featured
— Achieved highest ranking in the Dow Jones Sustainability Index (UK Real Estate sector), with a score in the 92nd centile
— WELL™ Silver Certification awarded by The International WELL Building Institute for 100 Victoria Street, SW1
— BREEAM 2014 Outstanding awarded for 100 Victoria Street, SW1, the highest rated office fit out globally

1. For further details, see the Business analysis section.
2. All accounting entries for the capital distribution to shareholders and share consolidation have been included in these half-yearly results, following approval by shareholders on 27 September 2017. Pro forma figures for Group LTV, adjusted net debt and weighted average cost of debt are adjusted for the capital distribution, which was paid in October 2017.
3. An alternative performance measure. The Group uses a number of financial measures to assess and explain its performance, some of which are considered to be alternative performance measures as they are not defined under IFRS. For further details, see table 15 in the Business analysis section.
4. Like-for-like voids now exclude the screen at Piccadilly Lights, W1. Comparative figures have been restated. For further details, see the London Portfolio section.

All measures above are presented on a proportionate basis, as explained in the Financial review.

Chief Executive's statement

Landsec has continued to work at pace and execute well. We delivered our highest levels of leasing activity since the global financial crisis. We acquired three retail outlet destinations. We crystallised exceptional returns on one of our largest developments, returning surplus capital to shareholders. We also continued to reduce the cost of our debt and extend its duration. Last month we opened a world-class 800,000 sq ft retail and leisure destination and we supported the 1,000th person from a disadvantaged background into employment through our Community Employment Programme.

Revenue profit is up 5.2% compared with the same period last year and adjusted diluted earnings per share are up 5.8% to 25.7p. We sold 20 Fenchurch Street, EC3 in July. The scheme cost us £237m to build and was sold for £634m (our share) – an exceptional price for an exceptional asset. Following the sale, we returned £475m to shareholders through a 60p per share capital payment, together with a 15 for 16 share consolidation.

As a result of the share consolidation, although the value of the Combined Portfolio is down 0.1% and we incurred exceptional costs associated with our debt management, adjusted diluted net asset value per share is up by 1.1% to 1,432p. The capital payment, supported overwhelmingly by shareholders, was made just after the half-year. Pro forma for the payment, loan-to-value at the half-year was 25.1% and our weighted average cost of debt has been reduced to 3.4%.

The central London leasing market has been busier than we expected, supported by a noticeable increase in take-up by the serviced office sector, although we continue to see slightly weaker rental values. Despite this, the pace within the business is producing positive results. Nova, SW1 – the last of our recently completed speculative schemes – is now 75% let or in solicitors' hands. And we pre-let a minimum of 469,000 sq ft at 21 Moorfields, EC2 to Deutsche Bank, which speaks volumes for the quality of our developments and the customer relationships we build.

As we signalled in May, retailers are being challenged by increased costs coupled with pressure on disposable income. Our portfolio is relatively well insulated from these dynamics but we are not immune. Despite these conditions, we continue to find opportunities. We acquired three retail outlet destinations for £333m and are now the UK's leading owner-manager of outlets. Ownership with management is key: it enables us to quickly enhance the offer, giving savvy customers an even richer experience when they shop.

Last month, we launched Westgate Oxford in partnership with The Crown Estate and Oxford City Council. Some 90 retailers will be open for Christmas trading, with the majority new to Oxford. We engaged with our customers, partners and the local community throughout the development and their support was essential in helping to deliver this complex, ground-breaking asset.

Negotiations with the EU are moving more slowly than businesses would have hoped. Coupled with political uncertainty, this is leading to caution. In Retail, having transformed our portfolio over the last few years, we will continue to use our skills to enhance the experience at our destinations. In London, we are happy not to be delivering speculative buildings in the short term. Over the next six months, we will continue to focus on asset management and preparations for future investment and development. We have the talent, firepower and experience needed to act swiftly when we spot the right opportunity.

Robert Noel
Chief Executive

Financial review

Overview

Table 1: Highlights

	Six months ended 30 September 2017	Six months ended 30 September 2016
Revenue profit(1)	**£203m**	£193m
Valuation deficit(1)	**£(19)m**	£(260)m
Loss before tax	**£(33)m**	£(95)m
Basic loss per share	**(4.3)p**	(12.1)p
Adjusted diluted earnings per share(1)	**25.7p**	24.3p
Dividend per share	**19.7p**	17.9p
	30 September 2017	31 March 2017
Combined Portfolio(1)	**£14.2bn**	£14.4bn
Basic net assets per share	**1,468p**	1,458p
Adjusted diluted net assets per share	**1,432p**	1,417p
Adjusted net debt(1)	**£3.2bn**	£3.3bn
Group LTV ratio(1)	**21.8%**	22.2%
Pro forma Group LTV ratio(1)(2)	**25.1%**	n/a

1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information below.
2. Pro forma Group LTV is adjusted for the £475m capital distribution to shareholders, which was paid in October 2017.

In the property markets in which we operate, valuations were broadly unchanged as investor demand for well-let prime assets remained strong. Despite the backdrop of increasing political and economic uncertainty, high quality income remained attractive in a low interest rate environment. This was evidenced by the sale of our 50% share of 20 Fenchurch Street, EC3 at record pricing. As this was an unplanned disposal and we already had low gearing with plenty of firepower, we chose to return the majority of the proceeds to shareholders in the form of a capital distribution, accompanied by a 15 for 16 share consolidation.

During the period, we took advantage of strong demand for long dated bonds, issuing a total of £1bn of 20 and 40 year notes as part of a debt management exercise to lock into low long-term interest rates and lengthen the overall term of our debt. We also redeemed the Queen Anne's Gate Bond in its entirety.

Over the six months, our assets fell in value by 0.1% or £19m (including our proportionate share of subsidiaries and joint ventures) compared with a £260m reduction in the first six months of last year. This marginal decline in asset values, together with the costs associated with the redemption of certain outstanding bonds, is behind the loss per share of 4.3p (12.1p loss in the comparative period). Basic and adjusted diluted net assets per share have increased as a result of the share consolidation associated with the £475m return of capital to shareholders. The Group has delivered good underlying earnings growth; revenue profit was up 5.2% from £193m to £203m and adjusted diluted earnings per share were up 5.8% at 25.7p.

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 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 £14.2bn, is an example of this approach, reflecting the economic interest we have in our properties regardless of our ownership structure. We consider this presentation provides a better explanation to stakeholders of the activities and performance of the Group, as it aggregates the results of all of the Group's property interests which under IFRS are required to be presented across a number of line items in the statutory financial statements.

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

Most of the measures discussed in this Financial review are presented on a proportionate basis. Measures presented on a proportionate basis are alternative performance measures as they are not defined under IFRS. For further details see table 15 in the Business analysis section.

Income statement

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

We present two measures of earnings per share; the IFRS measure of earnings per share is based on the total profit for the period attributable to owners of the parent, while adjusted diluted earnings per share is based on tax-adjusted revenue profit, referred to as adjusted earnings.

Table 2: Income statement

	Six months ended 30 September 2017 £m	Six months ended 30 September 2016 £m
Revenue profit (see table 3)	**203**	193
Capital and other items (see table 6)	**(236)**	(288)
Loss before tax	**(33)**	(95)
Taxation	**(1)**	(1)
Loss attributable to shareholders	**(34)**	(96)
Basic loss per share	**(4.3p)**	(12.1p)
Adjusted diluted earnings per share	**25.7p**	24.3p

Our loss before tax was £33m, down from a loss of £95m in the comparative period, largely due to a reduction in Capital and other items. While the valuation deficit was significantly smaller this period, we incurred higher costs associated with the redemption of some of our bonds. The smaller loss before tax drives a 7.8p reduction in loss per share from 12.1p in the comparative period to 4.3p in the six months ended 30 September 2017. Adjusted diluted earnings per share increased by 5.8% from 24.3p to 25.7p in this period as a result of an increase in revenue profit from £193m to £203m.

The reasons behind the movements in each component of our income statement are discussed in more detail below.

Revenue profit

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

Table 3: Revenue profit

	Six months ended 30 September 2017			Six months ended 30 September 2016			
	Retail Portfolio	**London Portfolio**	**Total**	Retail Portfolio	London Portfolio	Total	**Change**
	£m	**£m**	**£m**	£m	£m	£m	**£m**
Gross rental income[1]	**171**	**154**	**325**	169	145	314	**11**
Net service charge expense	**(5)**	**-**	**(5)**	(2)	-	(2)	**(3)**
Net direct property expenditure	**(7)**	**(10)**	**(17)**	(8)	(6)	(14)	**(3)**
Net rental income	**159**	**144**	**303**	159	139	298	**5**
Indirect costs	**(11)**	**(9)**	**(20)**	(11)	(7)	(18)	**(2)**
Segment profit before finance expense	**148**	**135**	**283**	148	132	280	**3**
Net unallocated expenses			**(19)**			(18)	**(1)**
Net finance expense			**(61)**			(69)	**8**
Revenue profit			**203**			193	**10**

1. Includes finance lease interest, after rents payable.

Revenue profit increased by £10m from £193m in the comparative period to £203m for the six months ended 30 September 2017. This was the result of a £5m increase in net rental income for the period and a lower net finance expense, partly offset by higher indirect costs. The movements are explained in more detail below.

Net rental income

Table 4: Net rental income[1]

	£m
Net rental income for the six months ended 30 September 2016	**298**
Net rental income movement in the period:	
Like-for-like investment properties	**(5)**
Proposed developments	**-**
Development programme	**3**
Completed developments	**7**
Acquisitions since 1 April 2016	**9**
Sales since 1 April 2016	**(9)**
Non-property related income	**-**
	5
Net rental income for the six months ended 30 September 2017	**303**

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

Net rental income increased by £5m in the six months ended 30 September 2017 as rental income growth from our development portfolio and acquisitions was only partly offset by the impact of properties sold since 1 April 2016 and a decline in like-for-like income. Significant disposals included 20 Fenchurch Street, EC3 and The Junction Centre, Clapham sold in the current period, as well as The Printworks, Manchester and The Cornerhouse, Nottingham, both sold in the prior year. The impact of recent disposals will continue to be felt in the remainder of the year as we recognised £8m of net rental income this period from assets we have now sold. Our developments generated £10m of additional rent following the completion of Nova, Victoria, SW1, 20 Eastbourne Terrace, W2 and 1 New Street Square, EC4. Like-for-like net rental income declined by £5m primarily due to lower surrender premiums received in Retail and reduced income at Piccadilly Lights, W1 while under refurbishment.

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

Net indirect expenses

The indirect costs of the London and Retail portfolios and net unallocated expenses should be considered together as collectively they represent the net indirect expenses of the Group including joint ventures. In total, net indirect expenses were £39m, up from £36m in the comparative period. The £3m increase is the result of higher staff costs, in particular due to share-based payment charges, depreciation and administration costs.

Net finance expense (included in revenue profit)

Table 5: Net finance expense[(1)]

	£m
Net finance expense for the six months ended 30 September 2016	**69**
Impact of:	
Refinancing	**(19)**
Lower capitalised interest	**11**
Net finance expense for the six months ended 30 September 2017	**61**

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

Our net finance expense has decreased by £8m to £61m, primarily due to interest savings following the repurchase of medium term notes in the year to 31 March 2017 and the redemption of the £273m Queen Anne's Gate (QAG) Bond this period. This has been partly offset by lower capitalised interest following the completion of developments.

Capital and other items

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

Table 6: Capital and other items[(1)]

	Six months ended 30 September 2017 £m	Six months ended 30 September 2016 £m
Valuation and profits on disposals		
Valuation deficit	**(19)**	(260)
Movement in impairment of trading properties	**(1)**	10
Profit on disposal of investment properties	**2**	11
Profit on disposal of trading properties	**16**	2
Profit/(loss) on disposal of investment in joint venture	**66**	(2)
Net finance expense	**(8)**	(33)
Exceptional items		
Head office relocation	**-**	2
Redemption of medium term notes (MTNs)	**(173)**	(10)
Amortisation of bond exchange de-recognition adjustment on redeemed MTNs	**(57)**	(7)
Redemption of QAG Bond	**(62)**	-
Other	**-**	(1)
Capital and other items	**(236)**	(288)

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

Valuation of investment properties

Our Combined Portfolio declined in value by 0.1% or £19m compared with a decrease in the comparative period of £260m. A breakdown of valuation movements by category is shown in table 7.

Table 7: Valuation analysis

	Market value 30 September 2017	Valuation movement	Rental value change[1]	Net initial yield	Equivalent yield	Movement in equivalent yield
	£m	%	%	%	%	bps
Shopping centres and shops	3,635	(0.7)	(0.7)	4.3	4.8	2
Retail parks	861	0.4	(0.6)	5.5	5.6	(4)
Leisure and hotels	1,371	(0.1)	0.7	5.0	5.4	-
London offices	4,468	(0.8)	(0.5)	4.1	4.6	(1)
Central London shops	1,347	0.3	0.7	2.6	4.1	2
Other (Retail and London)	60	(5.2)	0.7	1.5	3.5	(12)
Total like-for-like portfolio	**11,742**	**(0.5)**	**(0.3)**	**4.2**	**4.8**	-
Proposed developments	110	19.4	n/a	-	n/a	n/a
Development programme	663	3.4	n/a	0.1	4.5	n/a
Completed developments	1,379	0.4	(1.1)	0.5	4.2	(2)
Acquisitions	337	(2.2)	n/a	6.0	6.0	n/a
Total Combined Portfolio	**14,231**	**(0.1)**	**(0.4)**	**3.7**	**4.7**	**6**

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

Over the six months to 30 September 2017, there was little movement in the valuation of most categories of our Combined Portfolio. Overall values were down 0.1%, with the like-for-like portfolio down 0.5%. With the wider market experiencing limited rental value change and yield shift in the property sectors in which we operate, changes to individual asset values generally have a greater impact than market movements.

Within the like-for-like portfolio, our shopping centres fell in value by 0.7% as gains on most assets were pulled down by valuation declines at two of our larger centres. The value of our Retail parks was up slightly due to a 4 basis points tightening in yields as investor appetite improved for this asset class. Our Leisure and hotel assets saw almost no change in overall value while London offices were down 0.8% as rental values showed a small decline.

Outside the like-for-like portfolio, our pre-letting to Deutsche Bank at 21 Moorfields, EC2 was behind the increase in the value of proposed developments. The development programme saw a 3.4% increase in values on the back of letting progress while completed developments showed little change. The requirement to adjust for future purchaser’s costs was behind the 2.2% fall in the value of our acquisitions, partly offset by rental growth.

Profits on disposals

Profits on disposals relate to the sale of investment properties, trading properties and joint ventures. We made a total profit on disposals of £84m, up from £11m in the comparative period. The profit on disposal of trading properties of £16m primarily relates to the sale of residential units at Nova and Kings Gate, both SW1. The £66m profit on disposal of investment in joint venture is the profit recognised on the sale of 20 Fenchurch Street, EC3.

Net finance expense (included in Capital and other items)

This largely comprises the amortisation of the bond exchange de-recognition adjustment (as explained in the Notes to the financial statements) partly offset by the fair value movement on interest-rate swaps.

Exceptional items

During the period, we have classified three items totalling £292m as exceptional. They are excluded from revenue profit by virtue of their exceptional nature, but form part of our loss before tax.

Between April and May 2017, the Group repurchased and redeemed the entire £273m Queen Anne’s Gate Bond for a total premium of £62m including costs.

In September 2017, we purchased some of our medium term notes with a nominal value of £502m, at an additional cost of £173m. This additional cost and the unamortised bond exchange de-recognition adjustment of £57m associated with the redeemed notes have been charged to the income statement as a finance expense. Further details are given in the Financing section below.

Taxation

As a consequence of the Group's REIT status, income and capital gains from the qualifying property rental business are exempt from corporation tax. Profits on non-qualifying activities, such as residential sales, are subject to corporation tax. This period, we were able to offset taxable gains on non-qualifying disposals with brought forward losses. In the period, there was a current tax charge of £1m (2016: £1m).

Balance sheet

Table 8: Balance sheet

	30 September 2017 **£m**	31 March 2017 £m
Combined Portfolio	**14,231**	14,439
Adjusted net debt	**(3,150)**	(3,261)
Capital distribution payable	**(475)**	-
Other net assets	**7**	28
Adjusted net assets	**10,613**	11,206
Fair value of interest-rate swaps	**3**	(4)
Bond exchange de-recognition adjustment	**247**	314
Net assets	**10,863**	11,516
Net assets per share	**1,468p**	1,458p
Adjusted diluted net assets per share	**1,432p**	1,417p

Our net assets principally comprise the Combined Portfolio less net debt, although this period we also need to deduct the capital distribution which is recorded as a creditor. We calculate an adjusted measure of net assets, which is lower than our net assets reported under IFRS due to an adjustment to increase our net debt to its nominal value. We believe this better reflects the underlying net assets attributable to shareholders as it more accurately reflects the future cash flows associated with our debt instruments. Both our net assets and our adjusted net assets declined over the period due to the premiums paid to redeem bonds and the impact of our commitment to return £475m to shareholders by way of a capital distribution.

At 30 September 2017, our net assets per share were 1,468p, an increase of 10p or 0.7% from 31 March 2017. Adjusted diluted net assets per share were 1,432p, an increase of 15p or 1.1%. These increases were driven by the impact of the share consolidation which accompanied the decision to return capital to shareholders.

Table 9 summarises the key components of the £593m decrease in our adjusted net assets over the period.

Table 9: Movement in adjusted net assets[1]

	£m	Diluted per share pence
Adjusted net assets at 31 March 2017	**11,206**	**1,417**
Revenue profit	**203**	**26**
Valuation deficit	**(19)**	**(2)**
Profits on disposals	**84**	**10**
Dividends	**(163)**	**(21)**
Redemption of medium term notes	**(173)**	**(22)**
Redemption of QAG Bond	**(62)**	**(8)**
Other	**12**	**1**
Capital distribution payable	**(475)**	**(60)**
Impact of share consolidation	**n/a**	**91**
Adjusted net assets at 30 September 2017	**10,613**	**1,432**

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

Net debt and gearing

Table 10: Net debt and gearing

	30 September 2017	31 March 2017
Net debt	**£2,926m**	£2,905m
Adjusted net debt[1]	**£3,150m**	£3,261m
Gearing	**26.9%**	25.2%
Adjusted gearing[2]	**29.7%**	29.1%
Group LTV[1]	**21.8%**	22.2%
Pro forma Group LTV[3]	**25.1%**	n/a
Security Group LTV	**24.5%**	28.3%
Weighted average cost of debt[1]	**3.8%**	4.2%

1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information above.
2. Adjusted net debt divided by adjusted net assets.
3. Pro forma for the £475m capital distribution to shareholders, paid in October 2017.

Over the period, our net debt increased by £21m to £2,926m. The main elements behind this increase are set out in our statement of cash flows and note 14 to the financial statements.

Adjusted net debt was down £111m to £3,150m. For a reconciliation of net debt to adjusted net debt, see note 13 to the financial statements. Table 11 sets out the main movements behind the decrease in our adjusted net debt.

Table 11: Adjusted net debt[1]

	Six months ended 30 September 2017 £m	Year ended 31 March 2017 £m
Adjusted net debt at the beginning of the period	**3,261**	3,239
Operating cash inflow	**(172)**	(379)
Dividends paid	**150**	289
Acquisitions	**332**	26
Development/refurbishment capital expenditure	**115**	288
Disposals	**(857)**	(410)
Redemption of medium term notes	**173**	140
Redemption of QAG Bond	**62**	-
Loan repayment by joint venture	**85**	-
Settlement of interest-rate swaps	**16**	33
Other	**(15)**	35
Adjusted net debt at the end of the period	**3,150**	3,261

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

Net operating cash inflow was £172m, substantially offset by dividend payments of £150m. Capital expenditure was £115m (£97m on investment properties and £18m on trading properties), largely relating to our development programme. Net cashflows from disposals totalled £857m; £114m from the disposal of investment properties, £110m from the disposal of trading properties and £633m from the disposal of investments in joint ventures. We incurred an additional £173m to repurchase the medium term notes and £62m for the redemption of the QAG Bond.

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 decreased from 22.2% at 31 March 2017 to 21.8% at 30 September 2017. Adjusting for the £475m capital distribution to shareholders which occurred in October 2017, the Group LTV increases to 25.1%. The decrease in our Security Group LTV from 28.3% to 24.5% is primarily due to a permitted change in the calculation method, which now allows bonds purchased and held within the Security Group to be offset against debt outstanding.

Financing

At 30 September 2017, our committed revolving facilities totalled £1,940m (31 March 2017: £1,940m). The pricing of our facilities which fall due in more than one year are between LIBOR +75 basis points and LIBOR +80 basis points. Borrowings under our commercial paper programme typically have a maturity of less than three months, currently carry a weighted average interest rate of LIBOR +32 basis points and are unsecured. Overall, the amounts drawn under the syndicated bank debt and commercial paper programme totalled £326m (31 March 2017: £441m).

Between April and May 2017, the Group repurchased and redeemed all £273m of the outstanding QAG Bond for an additional cost of £62m. In addition, on 22 September 2017, we conducted a tender exercise which resulted in us buying back £502m (nominal value) of medium term notes (MTNs). Further details are set out in the table below and note 14 to the financial statements. In conjunction with the tender offer, we issued a £500m MTN paying a coupon of 2.625% with an expected maturity of 2037 and a £500m MTN paying a coupon of 2.750% with an expected maturity of 2057.

Table 12: Purchase of medium term notes

	Medium term note series		
	A6	**A11**	**Total**
	£m	**£m**	**£m**
Nominal value purchased	219	283	502
Premium paid	69	102	171
Fees / unamortised finance fees written off	1	1	2
	70	103	173
Amortisation of bond exchange de-recognition adjustment	57	-	57
Redemption of medium term notes – total cost	**127**	**103**	**230**

A premium to par of £171m was paid on the MTN purchases, reflecting future gross coupon savings of £356m. Taking into account the interest cost of the longer dated notes issued to fund the purchases, we estimate the Group's net interest saving next year will be £8m. This saving will be offset by a £6m increase in interest expense as a result of replacing over £300m of cheaper short-term debt with the new longer dated notes.

The Group's debt (on a proportionate basis) has a weighted average maturity of 15.1 years (up from 9.4 years at 31 March 2017), a weighted average cost of 3.8% (3.4% pro forma for the £475m capital distribution and down from 4.2% at 31 March 2017) and 97% is at fixed interest rates. At 30 September 2017, we had £1.8bn of cash and available facilities. This gives the business considerable flexibility to deploy capital quickly should acquisition opportunities arise.

Dividend

We will be paying a second quarterly dividend of 9.85p per share on 5 January 2018 to shareholders registered at the close of business on 1 December 2017. This will be paid wholly as an ordinary dividend. Taken together with the first quarterly dividend of 9.85p per share, paid wholly as a Property Income Distribution on 6 October 2017, our first half dividend will be 19.7p per share (six months ended 30 September 2016: 17.9p), representing a total payment of £151m (six months ended 30 September 2016: £141m). This 10.1% increase in the half-year dividend is a reflection of last year’s 10.1% increase in the total dividend and should not be viewed as a forecast of how this year’s total dividend might change.

Martin Greenslade
Chief Financial Officer

London Portfolio

At a glance

— Valuation unchanged[1]
— Ungeared total property return of 2.7%
— The portfolio underperformed its IPD Quarterly Universe sector benchmark at 4.1%
— £2m of investment lettings, £18m of rent reviews, £4m of development lettings and a pre-letting to Deutsche Bank at 21 Moorfields, EC2
— Like-for-like voids[2]: 3.3% (31 March 2017: 3.0%)

During the period, take-up of office space in central London has been strong, supported by pre-lets and a significant rise in take-up by the serviced office sector. The investment market has also remained active with the level of transactions this calendar year already at the level of the whole of 2016. Record pricing of trophy assets like 20 Fenchurch Street, EC3 have supported capital values despite a weaker outlook for rental values.

Buy

We made no material acquisitions during the period.

Develop

Our £3bn speculative development programme reached its conclusion with the completion of Nova, Victoria, SW1 in April. We have made good progress on lettings, with the scheme now 75% let or in solicitors' hands as we continue to attract great businesses to Victoria.

At The Zig Zag Building, SW1, lettings to Navig8 and Joe and the Juice have taken this building to 95% let. At Kings Gate, SW1 three apartments were sold during the six months leaving just two of the 100 apartments available, and at Nova, four apartments were sold leaving 18 of the 170 to sell.

At 20 Eastbourne Terrace, W2, the remaining 12,000 sq ft was let during the period. This 93,000 sq ft 18-storey tower overlooking Paddington Crossrail station set new benchmark rents and recently won the BCO Refurbished/ Recycled Workplace 2017 National award.

In the City, we exchanged an agreement for lease with Deutsche Bank at 21 Moorfields, EC2. We have submitted a planning application to provide a 564,000 sq ft state of the art building and Deutsche Bank will take a minimum of 469,000 sq ft. This deal demonstrates the strength of the relationships we build with our customers, the quality of our product and our reputation for delivery.

We continue to work up future developments: progressing our plans for the island site behind Piccadilly Lights, W1 where the completion of the new single screen has freed up a 142,000 sq ft development opportunity; 200,000 sq ft at Nova East, SW1; and a potential 500,000 sq ft of mixed use development in Southwark, SE1.

Manage

During the period, we completed £2m of investment lettings and £18m of rent reviews at 20% above passing rent.

We have completed significant rent reviews at Moorgate Hall, EC2 and Westminster City Hall, SW1 and almost completed the current phase of reviews at Cardinal Place, SW1 and One New Change, EC4.

In addition, at One New Change, we have seized opportunities to reconfigure units. We have split a Banana Republic unit and let it to Molton Brown, Nespresso and Body Shop and completed the letting of the former

1. On a proportionate basis.
2. Like-for-like voids now exclude the screen at Piccadilly Lights, W1. Comparative figures have been restated.

Superdry unit to Whatever It Takes Fitness, which will open as a gym. This activity has added to the retail offer and increased the passing rents on these units by 61%.

Our refurbishment of Piccadilly Lights, W1 completed on time and budget and went live at the end of last month. We have added short-term lettings to L'Oréal, Hunter/Stella McCartney and Ebay to Coca-Cola, Samsung and Hyundai, completing the line up. The shorter lettings are in response to customer demand for flexibility but they carry an associated letting risk.

For the purposes of reporting our void rate, we generally treat space let for an initial term of less than one year as void. This approach is not appropriate for the new single screen at Piccadilly Lights, which will always carry advertising although the number and duration of our agreements with advertisers will vary at different points in time. Accordingly, we have excluded the screen from our void reporting. On this revised basis, our like-for-like void rate was 3.3% at 30 September 2017 (6.8% before the revision) up from 3.0% at 31 March 2017 (6.6%).

Sell

In August, we completed the sale of our 50% interest in 20 Fenchurch Street, EC3 at a headline price of £1.28bn (100%), reflecting a net initial yield to the purchaser of 3.4% and showing a 12% premium to our March 2017 book value. The sale crystallised a profit on cost of £400m (our share), or 170%, and a 25.9% ungeared IRR since commencement of the development in 2010.

Net rental income

Table 13: Net rental income[1]

	30 September 2017 £m	30 September 2016 £m	**Change £m**
Like-for-like investment properties	**107**	111	**(4)**
Proposed developments	**-**	-	**-**
Development programme	**3**	-	**3**
Completed developments	**24**	17	**7**
Acquisitions since 1 April 2016	**-**	-	**-**
Sales since 1 April 2016	**8**	10	**(2)**
Non-property related income	**2**	1	**1**
Net rental income	**144**	139	**5**

1. On a proportionate basis.

Net rental income in the London Portfolio has increased by £5m from £139m to £144m, with additional income from recently completed developments being partly offset by lower income from the like-for-like portfolio and disposals.

Income from our developments contributed an additional £10m in the period, principally at 1 New Street Square, EC4; Nova, Victoria, SW1; and 20 Eastbourne Terrace, W2. The decrease in the like-for-like portfolio of £4m reflects reduced income at Piccadilly Lights, W1 during the refurbishment period, partly offset by new lettings in the second half of last year and completed rent reviews. Properties disposed of since 1 April 2016 principally relates to 20 Fenchurch Street, EC3, where no further income will be received in the second half of the year, compared with £8m in the first half.

Outlook

Despite the current uncertain political and economic climate, we have seen higher than expected levels of activity in both the investment and occupational market during 2017. However, with more assets being offered for sale and a weaker outlook for rental values, capital valuations will be tested. Reduced business confidence is likely to have an impact on occupational demand.

Retail Portfolio

At a glance

- Valuation deficit of 0.3%[1]
- Ungeared total property return of 2.2%
- The portfolio outperformed its IPD Quarterly Universe sector benchmark at 1.8%
- £7m of investment lettings and £2m of development lettings
- Like-for-like voids: 2.6% (31 March 2017: 2.8%) and units in administration: 0.3% (31 March 2017: 0.4%)

Key indicators

- Footfall in our shopping centres was down 1.8% (national benchmark down 2.7%)
- Same centre non-food retail sales, taking into account new lettings and occupier changes, were up 1.1% (national benchmark down 1.1%; including online, up 1.1%)
- Same store non-food retail sales were also up 1.1% (national benchmark down 1.6%)
- Retailers' rent to sales ratio in our portfolio was 10.0%, with total occupancy costs (including rent, rates, service charges and insurance) representing 17.2% of sales

Our retail strategy is focused on destinations that offer the most vibrant and engaging experiences for retailers and consumers. The opening of Westgate Oxford and the acquisition of three new outlet destinations has further strengthened our portfolio.

Buy

During the period, we acquired a portfolio of three outlet destinations for £333m. This accretive acquisition, alongside our existing outlet centres at Gunwharf Quays, Portsmouth, and The Galleria, Hatfield, establishes our position as the leading owner-manager of outlets in the UK.

Develop

Last month, Westgate Oxford opened its doors to the public. This 800,000 sq ft development in joint venture with The Crown Estate was delivered on time and on budget. The scheme is now 93% let or in solicitors' hands and brings 60 new retailers to the city of Oxford. We welcomed more than 100,000 visitors to the centre on opening day and early trading has been strong. Westgate Oxford also supports local disadvantaged people through our Community Employment Programme.

At White Rose, Leeds, we opened our 65,000 sq ft leisure extension, consisting of an IMAX cinema and six restaurant units, all let before completion.

At Selly Oak, Birmingham, we are now on site at this retail and student housing scheme. We pre-sold the student housing to Unite and the retail space is now 93% pre-let or in solicitors' hands.

Manage

We continue to actively manage our portfolio guided by our ethos that 'Everything is experience'.

Having a relevant and appealing brand mix at our centres is an important part of ensuring that our destinations continue to excite and engage our customers. At Bluewater, Kent, for example, we have started construction of a new 62,000 sq ft store for Primark, exchanged an agreement to more than double the size of Apple's store, and

1. On a proportionate basis.

welcomed 11 new brands including Missguided and Kate Spade with their first stores outside London. St David's, Cardiff, Trinity Leeds and Buchanan Galleries, Glasgow have also introduced a number of new brands, and the Southside, Wandsworth extension is now almost fully let. At our outlet destinations, we are building larger units for four customers who have outgrown their existing space and have introduced numerous exciting new brands, including: Original Penguin at Clarks Village, Street; Reiss at Braintree; and Furla at Gunwharf Quays, Portsmouth.

Over the past few years, food, beverage and leisure operators have expanded rapidly throughout the UK. With the current uncertainty surrounding rising costs and pressure on disposable income, many operators have put their expansion plans on hold, and thus leasing activity has slowed. Despite this, the catering and leisure elements within all our destinations remain virtually fully let, and we recently completed a transaction with Cine UK in which they committed to upgrade and refurbish their cinemas and increased their lease lengths to 25 years at four of our centres.

We are delivering a number of innovations across our portfolio to add to the customer and consumer experience. Initiatives include introducing 'smart' parking to our centre car parks, installing more energy efficient LED lighting systems, and digital innovations such as Bluewater's new online shopping portal are underway throughout our portfolio. At White Rose, Leeds, we completed the installation of the biggest solar photovoltaic (PV) system at a retail site in the UK, and the 3,000 rooftop panels will supply 39% of the daytime electricity used in the centre's common parts, enhancing White Rose's sustainability credentials and reducing occupational costs.

Our voids remain low and have decreased slightly to 2.6%. These voids are mainly within our shopping centres, as our retail parks, hotels and leisure destinations remain almost fully let.

Sell

There were no major disposals during the period.

Net rental income

Table 14: Net rental income[1]

	30 September 2017 £m	30 September 2016 £m	**Change £m**
Like-for-like investment properties	**146**	147	**(1)**
Proposed developments	**-**	-	**-**
Development programme	**-**	-	**-**
Completed developments	**-**	-	**-**
Acquisitions since 1 April 2016	**9**	-	**9**
Sales since 1 April 2016	**-**	7	**(7)**
Non-property related income	**4**	5	**(1)**
Net rental income	**159**	159	**-**

1. On a proportionate basis.

Net rental income at £159m is in line with the comparative period. The acquisition of three outlet centres has resulted in a £9m increase to net rental income which is largely offset by a £7m reduction from assets sold. These include our 50% share of The Junction Centre, Clapham and three Accor hotels this period, and The Cornerhouse, Nottingham, Printworks, Manchester and four Accor hotels all sold in the second half of last year. The £1m reduction in our like-for-like portfolio is mainly due to lower surrender receipts and an increase in car park rates, partly offset by additional income following the opening of the White Rose leisure extension and a reduction in bad debt provisions.

Outlook

We have continued to strengthen our portfolio: launching Westgate Oxford; enhancing and expanding space at our regionally dominant centres; and acquiring earnings accretive assets with the potential for growth. Consumers and retailers continue to face an uncertain outlook as rising costs put pressure on disposable incomes and retail margins. Achieving rental growth will be challenging while these conditions continue, but we believe the best destinations will be more resilient as they enable retailers to develop and deliver their multichannel offer and to engage with their customers.

Principal risks and uncertainties

The principal risks of the business are set out on pages 44-45 of the 2017 Annual Report alongside their potential impact and related mitigations. These risks fall into nine categories: customers; market cyclicality; disruption; people and skills; major health and safety incident; security threat or attack; cyber threat or attack; sustainability; and development.

The Board has reviewed the principal risks in the context of the second half of the current financial year. The Board believes there has been no material change to the risks outlined in the 2017 Annual Report and that the existing mitigation actions remain appropriate to manage them.

Statement of Directors' Responsibilities

Each of the Directors, whose names and functions appear below, confirm to the best of their knowledge that the condensed consolidated interim financial statements have been prepared in accordance with IAS 34, 'Interim Financial Reporting', as issued by the IASB and adopted by the European Union and that the interim management report herein includes a fair review of the information required by the Disclosure and Transparency Rules (DTR), namely:

— DTR 4.2.7 (R): an indication of important events that have occurred during the six month period ended 30 September 2017 and their impact on the condensed interim financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

— DTR 4.2.8 (R): any related party transactions in the six month period ended 30 September 2017 that have materially affected, and any changes in the related party transactions described in the 2017 Annual Report that could materially affect, the financial position or performance of the enterprise during that period.

The Directors of Land Securities Group PLC as at the date of this announcement are as set out below:

Dame Alison Carnwath, Chairman*
Robert Noel, Chief Executive
Martin Greenslade, Chief Financial Officer
Edward Bonham Carter, Senior Independent Director*
Chris Bartram*
Simon Palley*
Stacey Rauch*
Cressida Hogg*
Nicholas Cadbury*

*Non-executive Directors

A list of the current Directors is maintained on the Land Securities Group PLC website at: www.landsec.com.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

By order of the Board

Tim Ashby
Group General Counsel and Company Secretary
13 November 2017

Independent review report to Land Securities Group PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2017 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related notes to the financial statements 1 to 17. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
London
13 November 2017

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 auditor does not involve consideration of these matters and, accordingly, the auditor accepts 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.

Financial statements

Unaudited income statement		Six months ended 30 September 2017			Six months ended 30 September 2016		
	Notes	Revenue profit £m	Capital and other items £m	Total £m	Revenue profit £m	Capital and other items £m	Total £m
Revenue	5	**366**	**30**	**396**	353	23	376
Costs	6	**(123)**	**(22)**	**(145)**	(112)	(10)	(122)
		243	**8**	**251**	241	13	254
Profit on disposal of investment properties		**-**	**1**	**1**	-	9	9
Profit/(loss) on disposal of investment in joint venture		**-**	**66**	**66**	-	(2)	(2)
Net deficit on revaluation of investment properties	10	**-**	**(29)**	**(29)**	-	(278)	(278)
Operating profit/(loss)		**243**	**46**	**289**	241	(258)	(17)
Share of post-tax profit from joint ventures	12	**5**	**18**	**23**	13	20	33
Finance income	7	**19**	**5**	**24**	18	-	18
Finance expense	7	**(64)**	**(305)**	**(369)**	(79)	(50)	(129)
Loss before tax		**203**	**(236)**	**(33)**	193	(288)	(95)
Taxation		**-**	**(1)**	**(1)**	-	(1)	(1)
Loss attributable to shareholders		**203**	**(237)**	**(34)**	193	(289)	(96)
Earnings per share attributable to shareholders:							
Basic loss per share	4			**(4.3)p**			(12.1)p
Diluted loss per share	4			**(4.3)p**			(12.1)p

Unaudited statement of comprehensive income	Six months ended 30 September 2017 Total £m	Six months ended 30 September 2016 Total £m
Loss attributable to shareholders	**(34)**	(96)
Items that may be subsequently reclassified to the income statement:		
Fair value gain on cash flow hedges arising during the period	**19**	-
Items that will not be subsequently reclassified to the income statement:		
Net re-measurement loss on defined benefit pension scheme	**(1)**	(11)
Deferred tax credit on re-measurement above	**-**	2
Other comprehensive income/(loss) attributable to shareholders	**18**	(9)
Total comprehensive loss attributable to shareholders	**(16)**	(105)

Unaudited balance sheet	Notes	**30 September 2017 £m**	31 March 2017 £m
Non-current assets			
Investment properties	10	**12,503**	12,144
Intangible assets		**35**	36
Net investment in finance leases		**164**	165
Investments in joint ventures	12	**1,147**	1,734
Trade and other receivables		**150**	123
Other non-current assets		**51**	51
Total non-current assets		**14,050**	14,253
Current assets			
Trading properties	11	**111**	122
Trade and other receivables		**490**	418
Monies held in restricted accounts and deposits		**9**	21
Cash and cash equivalents		**205**	30
Total current assets		**815**	591
Total assets		**14,865**	14,844
Current liabilities			
Borrowings	14	**(349)**	(404)
Trade and other payables		**(792)**	(302)
Other current liabilities		**(5)**	(7)
Total current liabilities		**(1,146)**	(713)
Non-current liabilities			
Borrowings	14	**(2,789)**	(2,545)
Trade and other payables		**(24)**	(25)
Other non-current liabilities		**(6)**	(9)
Redemption liability		**(37)**	(36)
Total non-current liabilities		**(2,856)**	(2,615)
Total liabilities		**(4,002)**	(3,328)
Net assets		**10,863**	11,516
Equity			
Capital and reserves attributable to shareholders			
Ordinary shares		**80**	80
Share premium	15	**317**	791
Capital redemption reserve		**31**	31
Own shares		**(11)**	(9)
Share-based payments		**9**	8
Retained earnings		**10,437**	10,615
Total equity		**10,863**	11,516

The financial statements on pages 21 to 42 were approved by the Board of Directors on 13 November 2017 and were signed on its behalf by:

R M Noel **M F Greenslade**

Directors

Unaudited statement of changes in equity — **Attributable to shareholders**

	Ordinary shares £m	Share premium £m	Capital redemption reserve £m	Own shares £m	Share-based payments £m	Retained earnings £m	Total equity £m
At 1 April 2016	80	790	31	(14)	11	10,801	11,699
Total comprehensive loss for the financial period	-	-	-	-	-	(105)	(105)
Transactions with shareholders:							
Share-based payments	-	-	-	8	(5)	1	4
Dividends paid to shareholders	-	-	-	-	-	(147)	(147)
Acquisition of own shares	-	-	-	(5)	-	-	(5)
Total transactions with shareholders	-	-	-	3	(5)	(146)	(148)
At 30 September 2016	80	790	31	(11)	6	10,550	11,446
Total comprehensive income for the financial period	-	-	-	-	-	208	208
Transactions with shareholders:							
Share-based payments	-	1	-	3	2	(1)	5
Dividends paid to shareholders	-	-	-	-	-	(142)	(142)
Acquisition of own shares	-	-	-	(1)	-	-	(1)
Total transactions with shareholders	-	1	-	2	2	(143)	(138)
At 31 March 2017	**80**	**791**	**31**	**(9)**	**8**	**10,615**	**11,516**
Total comprehensive loss for the financial period	**-**	**-**	**-**	**-**	**-**	**(16)**	**(16)**
Transactions with shareholders:							
Share-based payments	**-**	**1**	**-**	**3**	**1**	**1**	**6**
Capital distribution	**-**	**(475)**	**-**	**-**	**-**	**-**	**(475)**
Dividends paid to shareholders	**-**	**-**	**-**	**-**	**-**	**(163)**	**(163)**
Acquisition of own shares	**-**	**-**	**-**	**(5)**	**-**	**-**	**(5)**
Total transactions with shareholders	**-**	**(474)**	**-**	**(2)**	**1**	**(162)**	**(637)**
At 30 September 2017	**80**	**317**	**31**	**(11)**	**9**	**10,437**	**10,863**

Unaudited statement of cash flows	Notes	Six months ended 30 September 2017 £m	2016 £m
Cash flows from operating activities			
Net cash generated from operations	9	**159**	217
Interest received		**11**	9
Interest paid		**(68)**	(83)
Capital expenditure on trading properties		**(12)**	(6)
Disposal of trading properties		**55**	50
Other operating cash flows		**(3)**	-
Net cash inflow from operating activities		**142**	187
Cash flows from investing activities			
Investment property development expenditure		**-**	(21)
Acquisition of investment properties		**(331)**	(14)
Other investment property related expenditure		**(49)**	(39)
Disposal of investment properties		**24**	14
Disposal of investment in joint venture		**633**	4
Cash contributed to joint ventures	12	**(67)**	(32)
Loan advances to joint ventures		**(72)**	(30)
Loan repayments by joint ventures	12	**-**	7
Cash distributions from joint ventures	12	**146**	41
Other investing cash flows		**-**	(7)
Net cash inflow/(outflow) from investing activities		**284**	(77)
Cash flows from financing activities			
Proceeds from new borrowings (net of finance fees)		**23**	324
Repayment of borrowings	14	**(151)**	(294)
Redemption of medium term notes	14	**(502)**	(10)
Premium paid on redemption of medium term notes	14	**(171)**	-
Redemption of QAG Bond	14	**(273)**	-
Premium paid on redemption of QAG Bond	14	**(61)**	-
Issue of medium term notes (net of finance fees)	14	**988**	-
Net cash receipt from derivative financial instruments		**38**	-
Dividends paid to shareholders	8	**(150)**	(136)
Other financing cash flows		**8**	(2)
Net cash outflow from financing activities		**(251)**	(118)
Increase/(decrease) in cash and cash equivalents for the period		**175**	(8)
Cash and cash equivalents at the beginning of the period		**30**	25
Cash and cash equivalents at the end of the period		**205**	17

Notes to the financial statements

1. Basis of preparation

Basis of preparation

This condensed consolidated interim financial information (financial statements) for the six months ended 30 September 2017 has been prepared on a going concern basis and in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and IAS 34 ‘Interim Financial Reporting’ as adopted by the European Union (EU). In order to satisfy themselves that the Group has adequate resources to continue in operational existence for the foreseeable future, the Directors have reviewed an 18-month cash flow forecast extracted from the Group’s current five-year plan, which includes assumptions about future trading performance and debt requirements, and an assessment of the potential impact of significant changes to those cash flows. This, together with available market information and experience of the Group's property portfolio and markets, has given the Directors sufficient confidence to adopt the going concern basis in preparing the financial statements.

Consistent with the financial statements presented for the year ended 31 March 2017, the Group has reviewed the presentation of the financial statements and has made some changes with the intention of simplifying the way in which the Group’s results are presented. One of the main changes from the previous half-yearly report is to move from reporting to the nearest hundred thousand pounds to reporting to the nearest million pounds. Additionally, certain insignificant line items that were previously presented separately in the financial statements have been aggregated.

The condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2017, presented in accordance with International Financial Reporting Standards as adopted by the EU (IFRS), were approved by the Board of Directors on 17 May 2017 and delivered to the Registrar of Companies. The report of the auditor on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006. The condensed consolidated interim financial information has been reviewed, not audited and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2017.

This condensed consolidated interim financial information was approved for issue on 13 November 2017.

Presentation of results

The Group income statement is presented in a columnar format, split into those items that relate to revenue profit and Capital and other items. The Total column represents the Group’s results presented in accordance with IFRS; the other columns provide additional information. This is intended to reflect the way in which the Group’s senior management review the results of the business and to aid reconciliation to the segmental information.

A number of the financial measures used internally by the Group to measure performance include the results of partly-owned subsidiaries and joint ventures on a proportionate basis. Measures that are described as being on a proportionate basis include the Group’s share of joint ventures on a line-by-line basis and are adjusted to exclude the non-owned elements of our subsidiaries. These measures are non-GAAP measures and therefore not presented in accordance with IFRS. This is in contrast to the condensed consolidated interim financial information presented in these half-yearly results, where the Group applies equity accounting to its interest in joint ventures, presenting its interest as one line on the income statement and balance sheet, and consolidating all subsidiaries at 100% with any non-owned element being adjusted as a non-controlling interest or redemption liability, as appropriate. Our joint operations are presented on a proportionate basis in all financial measures used internally by the Group.

Revenue profit is the Group’s measure of underlying pre-tax profit. It excludes all items of a capital nature, such as valuation movements and profits and losses on the disposal of investment properties, as well as exceptional items. The Group believes that revenue profit better represents the results of the Group’s operational performance to shareholders and other stakeholder groups. A full definition of revenue profit is given in the glossary. The components of revenue profit are presented on a proportionate basis in note 3. Revenue profit is a non-GAAP measure.

2. Significant accounting policies

The condensed consolidated interim financial information has been prepared on the basis of the accounting policies, significant judgements, key assumptions and estimates as set out in the notes to the Group's annual financial statements for the year ended 31 March 2017, as amended where relevant to reflect the new standards, amendments and interpretations which became effective in the period. These amendments have not had an impact on the interim financial information.

A number of new standards and amendments have been issued but are not yet effective for the Group. These standards and interpretations have not been early adopted by the Group. During the period, the Group has substantially completed its detailed assessment of the impact of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers, both effective from 1 April 2018.

The Group expects the adoption of IFRS 9 to result in a change to the value of the bond exchange de-recognition adjustment recognised on the balance sheet as part of the carrying value of the Group's borrowings, and consequently the amounts amortised to the income statement each period and the brought-forward retained earnings. The Group is in the process of quantifying the adjustment required and expects to have completed this exercise by 31 March 2018. Any other impact on the Group's reported results arising on adoption of the standard is not expected to be material.

Consistent with the position disclosed in the 2017 Annual Report, based on the transactions impacting the current financial period and future known transactions, the Group does not expect the adoption of IFRS 15 to have a material impact on the Group's reported results.

The Group continues to assess the impact of IFRS 16 Leases, effective from 1 April 2019.

3. Segmental information

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

Management has determined the Group's operating segments based on the information reviewed by senior management to make strategic decisions. During the period, the chief operating decision maker was the Executive Committee (ExecCom), which comprised the Executive Directors, the managing directors of the Retail and London portfolios, the Group General Counsel and Company Secretary, the Group HR Director and the Corporate Affairs and Sustainability Director. The information presented to ExecCom includes reports from all functions of the business as well as strategy, financial planning, succession planning, organisational development and Group-wide policies.

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

All items in the segmental information note are presented on a proportionate basis. A reconciliation from the Group income statement to the information presented in the segmental information note is included in table 24.

3. Segmental information continued		Six months ended 30 September 2017			Six months ended 30 September 2016	
	Retail Portfolio	London Portfolio	Total	Retail Portfolio	London Portfolio	Total
Revenue profit	£m	£m	£m	£m	£m	£m
Rental income	**176**	**151**	**327**	172	142	314
Finance lease interest	**-**	**4**	**4**	1	4	5
Gross rental income (before rents payable)	**176**	**155**	**331**	173	146	319
Rents payable(1)	**(5)**	**(1)**	**(6)**	(4)	(1)	(5)
Gross rental income (after rents payable)	**171**	**154**	**325**	169	145	314
Service charge income	**27**	**23**	**50**	25	22	47
Service charge expense	**(32)**	**(23)**	**(55)**	(27)	(22)	(49)
Net service charge expense	**(5)**	**-**	**(5)**	(2)	-	(2)
Other property related income	**10**	**8**	**18**	10	5	15
Direct property expenditure	**(17)**	**(18)**	**(35)**	(18)	(11)	(29)
Net rental income	**159**	**144**	**303**	159	139	298
Indirect property expenditure	**(11)**	**(8)**	**(19)**	(11)	(7)	(18)
Depreciation	**-**	**(1)**	**(1)**	-	-	-
Segment profit before finance expense	**148**	**135**	**283**	148	132	280
Joint venture finance expense	**(4)**	**(12)**	**(16)**	(2)	(6)	(8)
Segment profit	**144**	**123**	**267**	146	126	272
Group services – other income			**1**			1
– expense			**(20)**			(19)
Finance income			**19**			18
Finance expense			**(64)**			(79)
Revenue profit			**203**			193

1. Included within rents payable is finance lease interest payable of **£1m** (2016: £nil) for the London Portfolio.

Reconciliation of revenue profit to loss before tax	Six months ended 30 September 2017	Six months ended 30 September 2016
	Total £m	Total £m
Revenue profit	**203**	193
Capital and other items		
Valuation and profits on disposals		
Profit on disposal of investment properties	**2**	11
Profit/(loss) on disposal of investment in joint venture	**66**	(2)
Net deficit on revaluation of investment properties	**(19)**	(260)
Movement in impairment of trading properties	**(1)**	10
Profit on disposal of trading properties	**16**	2
	64	(239)
Net finance expense		
Fair value movement on interest-rate swaps	**5**	(17)
Amortisation of bond exchange de-recognition adjustment	**(10)**	(12)
Other	**(3)**	(4)
	(8)	(33)
Exceptional items		
Head office relocation	**-**	2
Redemption of medium term notes (MTNs)	**(173)**	(10)
Amortisation of bond exchange de-recognition adjustment on redeemed MTNs	**(57)**	(7)
Redemption of QAG Bond	**(62)**	-
	(292)	(15)
Other	**-**	(1)
Loss before tax	**(33)**	(95)

4. Performance measures

Three of the Group's key financial performance measures are adjusted diluted earnings per share, adjusted diluted net assets per share and total business return. In the tables below we present earnings per share and net assets per share calculated in accordance with IFRS, together with our own adjusted measures and certain measures required by EPRA. We also present the calculation of total business return.

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

Adjusted net assets excludes the fair value of interest-rate swaps used for hedging purposes and the bond exchange de-recognition adjustment. We believe this better reflects the underlying net assets attributable to shareholders as it more accurately reflects the future cash flows associated with our debt instruments.

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

EPRA measures for both earnings per share and net assets per share have been included to assist comparison between European property companies.

Earnings per share			**Six months ended 30 September 2017**			Six months ended 30 September 2016
	Loss for the financial period	**EPRA earnings**	**Adjusted earnings**	Loss for the financial period	EPRA earnings	Adjusted earnings
	£m	**£m**	**£m**	£m	£m	£m
Loss attributable to shareholders	**(34)**	**(34)**	**(34)**	(96)	(96)	(96)
Taxation	**-**	**1**	**1**	-	1	1
Valuation and profits on disposal	**-**	**(64)**	**(64)**	-	239	239
Net finance expense(1)	**-**	**(2)**	**8**	-	21	33
Exceptional items(2)	**-**	**292**	**292**	-	17	15
Other	**-**	**-**	**-**	-	1	1
(Loss)/profit used in per share calculation	**(34)**	**193**	**203**	(96)	183	193

	IFRS	**EPRA**	**Adjusted**	IFRS	EPRA	Adjusted
Basic (loss)/earnings per share	**(4.3)p**	**24.5p**	**25.7p**	(12.1)p	23.0p	24.4p
Diluted (loss)/earnings per share	**(4.3)p**	**24.5p**	**25.7p**	(12.1)p	23.0p	24.3p

1. The difference in the adjustment for EPRA earnings and adjusted earnings relates to the amortisation of the bond exchange de-recognition adjustment, which is included in EPRA earnings, but excluded from adjusted earnings.
2. The difference in the adjustment for EPRA earnings and adjusted earnings in 2016 relates to the head office relocation costs, which are included in EPRA earnings, but excluded from adjusted earnings.

Net assets per share			**30 September 2017**			31 March 2017
	Net assets	**EPRA net assets(1)**	**Adjusted net assets**	Net assets	EPRA net assets(1)	Adjusted net assets
		£m	**£m**	£m	£m	£m
Net assets attributable to shareholders	**10,863**	**10,863**	**10,863**	11,516	11,516	11,516
Fair value of interest-rate swaps - Group	**-**	**(3)**	**(3)**	-	2	2
- Joint ventures	**-**	**-**	**-**	-	2	2
Bond exchange de-recognition adjustment	**-**	**-**	**(247)**	-	-	(314)
Deferred tax liability arising on business combination	**-**	**4**	**4**	-	4	4
Goodwill on deferred tax liability	**-**	**(4)**	**(4)**	-	(4)	(4)
Net assets used in per share calculation	**10,863**	**10,860**	**10,613**	11,516	11,520	11,206

	IFRS	**EPRA**	**Adjusted**	IFRS	EPRA	Adjusted
Net assets per share	**1,468p**	**n/a**	**1,434p**	1,458p	n/a	1,418p
Diluted net assets per share	**1,466p**	**1,466p**	**1,432p**	1,456p	1,456p	1,417p

1. EPRA diluted triple net assets per share at 30 September 2017 were **1,376p** (31 March 2017: 1,328p).

4. Performance measures continued

Number of shares	Six months ended 30 September 2017 Weighted average million	30 September 2017 million	Six months ended 30 September 2016 Weighted average million	31 March 2017 million
Ordinary shares	**800**	**751**	801	801
Treasury shares	**(10)**	**(10)**	(10)	(10)
Own shares	**(1)**	**(1)**	(1)	(1)
Number of shares - basic	**789**	**740**	790	790
Dilutive effect of share options[1]	**-**	**1**	1	1
Number of shares - diluted	**789**	**741**	791	791

1. Share options are excluded from the calculation of the weighted average diluted number of shares because they are not dilutive in the period ended 30 September 2017.

Total business return	Six months ended 30 September 2017 pence	Six months ended 30 September 2016 pence
Increase/(decrease) in adjusted diluted net assets per share	**15**	(26)
Dividend paid per share in the period (note 8)	**21**	19
Total return (a)	**36**	(7)
Adjusted diluted net assets per share at the beginning of the period (b)	**1,417**	1,434
Total business return (a/b)	**2.5%**	(0.5%)

5. Revenue

All revenue is classified within the Revenue profit column of the income statement, with the exception of proceeds on the sale of trading properties and the non-owned element of the Group's subsidiaries which are presented in the Capital and other items column.

	Six months ended 30 September 2017			Six months ended 30 September 2016		
	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)	**282**	**1**	**283**	271	-	271
Adjustment for lease incentives	**17**	**-**	**17**	19	-	19
Rental income	**299**	**1**	**300**	290	-	290
Service charge income	**46**	**-**	**46**	43	-	43
Other property related income	**16**	**-**	**16**	14	-	14
Trading property sales proceeds	**-**	**29**	**29**	-	23	23
Finance lease interest	**4**	**-**	**4**	5	-	5
Other income	**1**	**-**	**1**	1	-	1
Revenue per the income statement	**366**	**30**	**396**	353	23	376

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

	Six months ended 30 September 2017				Six months ended 30 September 2016			
	Group £m	Joint ventures £m	Adjustment for non-wholly owned subsidiaries[1] £m	Total £m	Group £m	Joint ventures £m	Adjustment for non-wholly owned subsidiaries[1] £m	Total £m
Rental income	**300**	**28**	**(1)**	**327**	290	24	-	314
Service charge income	**46**	**4**	**-**	**50**	43	4	-	47
Other property related income	**16**	**2**	**-**	**18**	14	1	-	15
Trading property sales proceeds	**29**	**56**	**-**	**85**	23	2	-	25
Finance lease interest	**4**	**-**	**-**	**4**	5	-	-	5
Other income	**1**	**-**	**-**	**1**	1	-	-	1
Revenue in the segmental information note	**396**	**90**	**(1)**	**485**	376	31	-	407

1. This represents the interest in X-Leisure which we do not own, but which is consolidated in the Group numbers.

6. Costs

All costs are classified within the Revenue profit column of the income statement, with the exception of the cost of sale of trading properties, amortisation of intangible assets, head office relocation costs, and the non-owned element of the Group's subsidiaries which are presented in the Capital and other items column.

	Six months ended 30 September 2017			Six months ended 30 September 2016		
	Revenue profit	**Capital and other items**	**Total**	Revenue profit	Capital and other items	Total
	£m	**£m**	**£m**	£m	£m	£m
Rents payable	**5**	**-**	**5**	5	-	5
Service charge expense	**49**	**-**	**49**	44	-	44
Direct property expenditure	**30**	**-**	**30**	26	-	26
Indirect property expenditure	**39**	**-**	**39**	37	-	37
Cost of trading property disposals	**-**	**22**	**22**	-	21	21
Movement in impairment of trading properties(1)	**-**	**(1)**	**(1)**	-	(10)	(10)
Head office relocation(2)	**-**	**-**	**-**	-	(2)	(2)
Amortisation of intangible assets	**-**	**1**	**1**	-	1	1
Costs per the income statement	**123**	**22**	**145**	112	10	122

1. The movement in impairment of trading properties in the six months ended 30 September 2017 and 2016 relates to the reversal of previous impairment charges related to residential land, where the valuer's assessment of net realisable value increased over the period.
2. The net credit of £2m in respect of the head office relocation in the prior period comprises the £2m release of an onerous lease provision following the assignment of the lease on the Group's previous head office at lower net cost than originally anticipated.

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

	Six months ended 30 September 2017			Six months ended 30 September 2016		
	Group	**Joint ventures**	**Total**	Group	Joint ventures	Total
	£m	**£m**	**£m**	£m	£m	£m
Rents payable	**5**	**1**	**6**	5	-	5
Service charge expense	**49**	**6**	**55**	44	5	49
Direct property expenditure	**30**	**5**	**35**	26	3	29
Indirect property expenditure	**39**	**1**	**40**	37	-	37
Trading property disposals	**22**	**47**	**69**	21	2	23
Movement in impairment of trading properties	**(1)**	**2**	**1**	(10)	-	(10)
Head office relocation	**-**	**-**	**-**	(2)	-	(2)
Amortisation of intangible asset	**1**	**-**	**1**	1	-	1
Costs in the segmental information note	**145**	**62**	**207**	122	10	132

The Group's costs include employee costs for the period of **£31m** (2016: £30m), of which **£3m** (2016: £4m) is within service charge expense and **£28m** (2016: £26m) is within indirect property expenditure, of which **£13m** relates to Group services (2016: £10m).

7. Net finance expense

	Six months ended 30 September 2017			Six months ended 30 September 2016		
	Revenue profit	Capital and other items	Total	Revenue profit	Capital and other items	Total
	£m	£m	£m	£m	£m	£m
Finance income						
Interest receivable from joint ventures	**19**	**-**	**19**	17	-	17
Fair value movement on interest-rate swaps	**-**	**5**	**5**	1	-	1
	19	**5**	**24**	18	-	18
Finance expense						
Bond and debenture debt	**(57)**	**-**	**(57)**	(73)	-	(73)
Bank and other short-term borrowings	**(7)**	**-**	**(7)**	(8)	-	(8)
Fair value movement on interest-rate swaps	**-**	**-**	**-**	-	(17)	(17)
Amortisation of bond exchange de-recognition adjustment	**-**	**(10)**	**(10)**	-	(12)	(12)
Redemption of MTNs	**-**	**(173)**	**(173)**	-	(10)	(10)
Amortisation of bond exchange de-recognition adjustment on redeemed MTNs	**-**	**(57)**	**(57)**	-	(7)	(7)
Redemption of QAG Bond	**-**	**(62)**	**(62)**	-	-	-
Revaluation of redemption liabilities	**-**	**(1)**	**(1)**	-	(1)	(1)
Other interest payable	**(1)**	**(2)**	**(3)**	(1)	(3)	(4)
	(65)	**(305)**	**(370)**	(82)	(50)	(132)
Interest capitalised in relation to properties under development	**1**	**-**	**1**	3	-	3
	(64)	**(305)**	**(369)**	(79)	(50)	(129)
Net finance expense	**(45)**	**(300)**	**(345)**	(61)	(50)	(111)
Joint venture net finance expense	**(16)**			(8)		
Net finance expense included in revenue profit	**(61)**			(69)		

During the period, the Group redeemed the QAG Bond in its entirety. In September 2017, the Group repurchased **£502m** of medium term notes. Further details are given in note 14.

Finance lease interest payable of **£1m** (2016: £nil) is included within rents payable as detailed in note 3.

8. Dividends

Ordinary dividends paid					Six months ended 30 September	
		Pence per share			**2017**	2016
	Payment date	PID	Non-PID	Total	£m	£m
For the year ended 31 March 2016:						
Third interim	8 April 2016	8.15	-	8.15		64
Final	28 July 2016	10.55	-	10.55		83
For the year ended 31 March 2017:						
Third interim	**7 April 2017**	**8.95**	**-**	**8.95**	**71**	
Final	**27 July 2017**	**11.70**	**-**	**11.70**	**92**	
Gross dividends					**163**	147

Dividends in statement of changes in equity	**163**	147
Timing difference on payment of withholding tax	**(13)**	(11)
Dividends in the statement of cash flows	**150**	136

On 6 October 2017, the Company paid a first interim dividend in respect of the current financial year of **9.85p** per ordinary share, wholly as a Property Income Distribution (PID), representing **£78m** in total (2016: 8.95p or £71m in total).

The Board has declared a second interim dividend of **9.85p** per ordinary share to be payable wholly as an ordinary dividend (2016: 8.95p) on 5 January 2018 to shareholders registered at the close of business on 1 December 2017.

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

9. Net cash generated from operations

Reconciliation of operating profit/(loss) to net cash generated from operations	**Six months ended 30 September 2017** £m	Six months ended 30 September 2016 £m
Operating profit/(loss)	**289**	(17)
Adjustments for:		
Net deficit on revaluation of investment properties	**29**	278
Movement in impairment of trading properties	**(1)**	(10)
Profit on disposal of trading properties	**(7)**	(2)
Profit on disposal of investment properties	**(1)**	(9)
(Profit)/loss on disposal of investment in joint venture	**(66)**	2
Share-based payment charge	**4**	2
Other	**4**	4
	251	248
Changes in working capital:		
Increase in receivables	**(75)**	(9)
Decrease in payables and provisions	**(17)**	(22)
Net cash generated from operations	**159**	217

10. Investment properties

	Six months ended 30 September 2017 £m	Six months ended 31 March 2017 £m	Six months ended 30 September 2016 £m
Net book value at the beginning of the period	**12,144**	12,182	12,358
Acquisitions	**348**	1	13
Transfer from trading properties	**1**	-	-
Capital expenditure: Investment portfolio	**55**	47	34
Developments	**-**	(7)	53
Capitalised interest	**1**	2	3
Disposals	**(17)**	(189)	(16)
Net movement in finance leases	**-**	17	15
Net (deficit)/surplus on revaluation of investment properties	**(29)**	91	(278)
Net book value at the end of the period	**12,503**	12,144	12,182

The fair value of investment properties at 30 September 2017 was determined by the Group's external valuer, CBRE. The valuations are in line with RICS standards and were arrived at by reference to market evidence of transactions for similar properties. The valuations performed by the independent valuer are reviewed internally by senior management and relevant people within the business. This includes discussions of the assumptions used by the external valuer, as well as a review of the resulting valuations. Discussions of the valuation process and results are held between senior management, the audit committee and the external valuer on a half-yearly basis.

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

	30 September 2017				31 March 2017			
	Group (excl. joint ventures) £m	**Joint ventures(1) £m**	**Adjustment for proportionate share(2) £m**	**Combined Portfolio £m**	Group (excl. joint ventures) £m	Joint ventures(1) £m	Adjustment for proportionate share(2) £m	Combined Portfolio £m
Net book value	**12,503**	**1,212**	**(35)**	**13,680**	12,144	1,763	(34)	13,873
Plus: tenant lease incentives	**330**	**21**	**(1)**	**350**	311	57	(1)	367
Less: head leases capitalised	**(31)**	**(8)**	**-**	**(39)**	(31)	(8)	-	(39)
Plus: properties treated as finance leases	**240**	**-**	**-**	**240**	238	-	-	238
Market value	**13,042**	**1,225**	**(36)**	**14,231**	12,662	1,812	(35)	14,439
Net (deficit)/surplus on revaluation of investment properties	**(29)**	**10**	**-**	**(19)**	(186)	40	(1)	(147)

1. Refer to note 12 for a breakdown of this amount by entity.
2. This represents the interest in X-Leisure which we do not own, but which is consolidated in the Group numbers.

11. Trading properties

	Development land and infrastructure £m	Residential £m	Total £m
At 1 April 2016	88	36	124
Capital expenditure	10	3	13
Disposals	(9)	(11)	(20)
Movement in impairment	10	-	10
At 30 September 2016	99	28	127
Capital expenditure	6	(1)	5
Disposals	-	(13)	(13)
Movement in impairment	3	-	3
31 March 2017	**108**	**14**	**122**
Capital expenditure	**12**	**(1)**	**11**
Disposals	**(15)**	**(7)**	**(22)**
Transfer to investment properties	**-**	**(1)**	**(1)**
Movement in impairment	**1**	**-**	**1**
At 30 September 2017	**106**	**5**	**111**

The cumulative impairment provision at 30 September 2017 in respect of Development land and infrastructure was **£66m** (31 March 2017: £67m); and in respect of Residential was **£1m** (31 March 2017: £1m).

12. Joint arrangements

The Group's joint arrangements are described below:

Joint ventures	Percentage owned & voting rights	Business segment	Year end date[1]	Joint venture partner
Held at 30 September 2017				
Nova, Victoria[2]	50%	London	31 March	Canada Pension Plan Investment Board
The Southside Limited Partnership[3]	50%	Retail	31 March	Invesco Real Estate European Fund
St. David's Limited Partnership	50%	Retail	31 December	Intu Properties plc
Westgate Oxford Alliance Limited Partnership	50%	Retail	31 March	The Crown Estate Commissioners
The Oriana Limited Partnership	50%	London	31 March	Frogmore Real Estate Partners Limited Partnership
Harvest[4][5]	50%	Retail	31 March	J Sainsbury plc
The Ebbsfleet Limited Partnership[5]	50%	London	31 March	Ebbsfleet Property Limited
West India Quay Unit Trust[5][6]	50%	Retail	31 March	Schroder Exempt Property Unit Trust

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

The following joint arrangement was liquidated in the six months ended 30 September 2017:

Joint venture	Ownership interest	Business segment	Joint venture partner
Millshaw Property Co. Limited	50%	Retail	Evans Property Group Limited

The following joint arrangement was sold in the six months ended 30 September 2017:

Joint venture	Ownership interest	Business segment	Joint venture partner
20 Fenchurch Street Limited Partnership[7]	50%	London	Canary Wharf Group plc

1. The year end date shown is the accounting reference date of the joint venture. In all cases the Group's accounting is performed using financial information for the Group's own reporting period and reporting date.
2. Nova, Victoria includes the Victoria Circle Limited Partnership, Nova Residential Limited Partnership and Victoria Circle Developer Limited.
3. On 13 April 2017, Metro Shopping Fund Limited Partnership (Metro) completed the sale of one of its assets to DV4 (a fund advised by Delancey Real Estate Asset Management Limited (Delancey)). On the same date Delancey sold its stake in Metro to Invesco Real Estate European Fund. The partnership was subsequently renamed The Southside Limited Partnership.
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. Included within Other in subsequent tables.
6. West India Quay Unit Trust is held in the X-Leisure Unit Trust (X-Leisure) in which the Group holds a 95% share.
7. On 24 August 2017, the Group disposed of its interest in 20 Fenchurch Street Limited Partnership for £633m, realising a profit of £66m, after settling outstanding interest receivable of £36m.

All of the Group's joint arrangements have their principal place of business in the United Kingdom. All of the Group's joint arrangements own and operate investment property with the exception of The Ebbsfleet Limited Partnership which holds development land as trading properties. The Westgate Oxford Alliance Limited Partnership, Nova, Victoria and The Oriana Limited Partnership are also engaged in the development of investment and trading properties. The activities of all the Group's joint arrangements are therefore strategically important to the business activities of the Group.

All joint ventures are registered in England and Wales with the exception of The Southside Limited Partnership and West India Quay Unit Trust which are registered in Jersey.

12. Joint arrangements continued

Six months ended 30 September 2017

Joint ventures Comprehensive income statement	20 Fenchurch Street Limited Partnership 100% £m	Nova, Victoria 100% £m	The Southside Limited Partnership[(1)] 100% £m	St. David's Limited Partnership 100% £m	Westgate Oxford Alliance Partnership 100% £m	The Oriana Limited Partnership 100% £m	Individually material JVs (Group share) 50% £m	Other Group share £m	Total Group share £m
Revenue[(2)]	**21**	**123**	**9**	**21**	**4**	**-**	**89**	**1**	**90**
Gross rental income (after rents payable)	**16**	**9**	**7**	**17**	**3**	**-**	**26**	**1**	**27**
Net rental income	**16**	**5**	**6**	**13**	**2**	**-**	**21**	**1**	**22**
Segment profit before finance expense	**16**	**4**	**6**	**13**	**2**	**-**	**20**	**1**	**21**
Finance expense	(8)	(16)	(3)	-	(10)	-	(19)	-	(19)
Capitalised interest	-	-	-	-	5	-	3	-	3
Net finance expense	**(8)**	**(16)**	**(3)**	**-**	**(5)**	**-**	**(16)**	**-**	**(16)**
Revenue profit/(loss)	**8**	**(12)**	**3**	**13**	**(3)**	**-**	**4**	**1**	**5**
Capital and other items									
Net surplus/(deficit) on revaluation of investment properties	-	16	2	(19)	12	-	6	4	10
Impairment of trading properties	-	(4)	-	-	-	-	(2)	-	(2)
Profit on disposal of investment properties	-	-	-	-	-	1	1	-	1
Profit on disposal of trading properties	-	18	-	-	-	-	9	-	9
Profit/(loss) before tax	**8**	**18**	**5**	**(6)**	**9**	**1**	**18**	**5**	**23**
Post-tax profit/(loss)	**8**	**18**	**5**	**(6)**	**9**	**1**	**18**	**5**	**23**
Total comprehensive income/(loss)	**8**	**18**	**5**	**(6)**	**9**	**1**	**18**	**5**	**23**
	50%	**50%**	**50%**	**50%**	**50%**	**50%**	**-**	**-**	**-**
Group share of total comprehensive income/(loss)	**4**	**9**	**3**	**(3)**	**4**	**1**	**18**	**5**	**23**

1. Previously called Metro Shopping Fund Limited Partnership.
2. Revenue includes gross rental income (before rents payable), service charge income, other property related income and trading properties disposal proceeds.

12. Joint arrangements continued

Six months ended 30 September 2016

Joint ventures	20 Fenchurch Street Limited Partnership	Nova, Victoria	The Southside Limited Partnership[1]	St. David's Limited Partnership	Westgate Oxford Alliance Partnership	The Oriana Limited Partnership	Individually material JVs (Group share)	Other	Total
	100%	100%	100%	100%	100%	100%	50%	Group share	Group share
Comprehensive income statement	£m	£m	£m	£m	£m	£m	£m	£m	£m
Revenue[2]	22	1	10	22	1	-	28	3	31
Gross rental income (after rents payable)	19	1	9	17	1	-	24	-	24
Net rental income	17	1	7	14	1	-	20	1	21
Segment profit before finance expense	17	-	8	13	1	-	20	1	21
Finance expense	(10)	(18)	(4)	-	(5)	-	(19)	-	(19)
Capitalised interest	-	17	-	-	5	-	11	-	11
Net finance expense	(10)	(1)	(4)	-	-	-	(8)	-	(8)
Revenue profit/(loss)	7	(1)	4	13	1	-	12	1	13
Capital and other items									
Net (deficit)/surplus on revaluation of investment properties	(16)	73	(1)	(15)	-	(4)	19	(1)	18
Profit on disposal of investment properties	-	-	1	-	-	3	2	-	2
(Loss)/profit before tax	(9)	72	4	(2)	1	(1)	33	-	33
Post-tax (loss)/profit	(9)	72	4	(2)	1	(1)	33	-	33
Total comprehensive (loss)/income	(9)	72	4	(2)	1	(1)	33	-	33
	50%	50%	50%	50%	50%	50%			
Group share of total comprehensive (loss)/income	(4)	36	2	(1)	-	-	33	-	33

1. Previously called Metro Shopping Fund Limited Partnership.
2. Revenue includes gross rental income (before rents payable), service charge income, other property related income, trading properties disposal proceeds and income from long-term development contracts

12. Joint arrangements continued

30 September 2017

Joint ventures	20 Fenchurch Street Limited Partnership	Nova, Victoria	The Southside Limited Partnership[1]	St. David's Limited Partnership	Westgate Oxford Alliance Partnership	The Oriana Limited Partnership	Individually material JVs (Group share)	Other	Total
	100%	100%	100%	100%	100%	100%	50%	Group share	Group share
Balance sheet	£m	£m	£m	£m	£m	£m	£m	£m	£m
Investment properties[2]	-	825	298	689	516	-	1,164	48	1,212
Non-current assets	-	825	298	689	516	-	1,164	48	1,212
Cash and cash equivalents	-	9	2	6	12	14	22	12	34
Other current assets	-	104	9	20	24	33	95	14	109
Current assets	-	113	11	26	36	47	117	26	143
Total assets	-	938	309	715	552	47	1,281	74	1,355
Trade and other payables and provisions	-	(150)	(6)	(12)	(47)	(6)	(111)	(9)	(120)
Current liabilities	-	(150)	(6)	(12)	(47)	(6)	(111)	(9)	(120)
Non-current liabilities	-	-	(143)	(16)	-	(17)	(88)	-	(88)
Non-current liabilities	-	-	(143)	(16)	-	(17)	(88)	-	(88)
Total liabilities	-	(150)	(149)	(28)	(47)	(23)	(199)	(9)	(208)
Net assets	-	788	160	687	505	24	1,082	65	1,147
Market value of investment properties[2]	-	841	301	687	524	-	1,177	48	1,225
Net cash/(debt)	-	9	2	(11)	12	14	13	13	26

31 March 2017

Joint ventures	20 Fenchurch Street Limited Partnership	Nova, Victoria	The Southside Limited Partnership[1]	St. David's Limited Partnership	Westgate Oxford Alliance Partnership	The Oriana Limited Partnership	Individually material JVs (Group share)	Other	Total
	100%	100%	100%	100%	100%	100%	50%	Group share	Group share
Balance sheet	£m	£m	£m	£m	£m	£m	£m	£m	£m
Investment properties[2]	1,046	809	376	708	412	93	1,722	41	1,763
Non-current assets	1,046	809	376	708	412	93	1,722	41	1,763
Cash and cash equivalents	16	43	6	4	10	13	46	3	49
Other current assets	93	195	7	21	15	28	180	14	194
Current assets	109	238	13	25	25	41	226	17	243
Total assets	1,155	1,047	389	733	437	134	1,948	58	2,006
Trade and other payables and provisions	(100)	(173)	(39)	(12)	(32)	(2)	(179)	(5)	(184)
Current liabilities	(100)	(173)	(39)	(12)	(32)	(2)	(179)	(5)	(184)
Non-current financial liabilities	-	-	(142)	(16)	-	(17)	(88)	-	(88)
Non-current liabilities	-	-	(142)	(16)	-	(17)	(88)	-	(88)
Total liabilities	(100)	(173)	(181)	(28)	(32)	(19)	(267)	(5)	(272)
Net assets	1,055	874	208	705	405	115	1,681	53	1,734
Market value of investment properties[2]	1,135	815	379	707	411	93	1,770	42	1,812
Net cash/(debt)	16	43	(166)	(12)	10	13	(48)	2	(46)

1. Previously called Metro Shopping Fund Limited Partnership.
2. The difference between the book value and the market value of investment properties is the amount recognised in respect of lease incentives, head leases capitalised and properties treated as finance leases, where applicable.

12. Joint arrangements continued

Joint ventures	20 Fenchurch Street Limited Partnership	Nova, Victoria	The Southside Limited Partnership[1]	St. David's Limited Partnership	Westgate Oxford Alliance Partnership	The Oriana Limited Partnership	Individually material JVs (Group share)	Other	Total
	50%	50%	50%	50%	50%	50%	50%	Group share	Group share
Net investment	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 April 2016	491	414	103	366	126	95	1,595	73	1,668
Total comprehensive (loss)/income	(4)	36	2	(1)	-	-	33	-	33
Cash contributed	-	-	-	-	32	-	32	-	32
Loan advances	7	23	-	-	-	-	30	-	30
Loan repayments	-	-	-	(7)	-	-	(7)	-	(7)
Cash distributions	-	-	(2)	-	-	(36)	(38)	(3)	(41)
Disposal of investment	-	-	-	-	-	-	-	(7)	(7)
At 30 September 2016	494	473	103	358	158	59	1,645	63	1,708
Total comprehensive income/(loss)	32	(13)	3	4	10	(1)	35	1	36
Cash contributed	-	-	-	-	35	-	35	-	35
Loan advances	1	14	-	-	-	-	15	-	15
Loan repayments	-	(37)	(1)	(9)	-	-	(47)	-	(47)
Other distributions	-	-	-	-	-	-	-	(12)	(12)
Cash distributions	-	-	(1)	-	-	(1)	(2)	-	(2)
Disposal of investment	-	-	-	-	-	-	-	1	1
At 31 March 2017	**527**	**437**	**104**	**353**	**203**	**57**	**1,681**	**53**	**1,734**
Total comprehensive income/(loss)	**4**	**9**	**3**	**(3)**	**4**	**1**	**18**	**5**	**23**
Cash contributed	**-**	**13**	**-**	**-**	**46**	**-**	**59**	**8**	**67**
Cash distributions	**-**	**(65)**	**(27)**	**(7)**	**-**	**(46)**	**(145)**	**(1)**	**(146)**
Disposal of investment	**(531)**	**-**	**-**	**-**	**-**	**-**	**(531)**	**-**	**(531)**
At 30 September 2017	**-**	**394**	**80**	**343**	**253**	**12**	**1,082**	**65**	**1,147**

1. Previously known as Metro Shopping Fund Limited Partnership.

13. Capital structure

	30 September 2017				31 March 2017			
	Group	**Joint ventures**	**Adjustment for non-wholly owned subsidiaries[1]**	**Combined**	Group	Joint ventures	Adjustment for non-wholly owned subsidiaries[1]	Combined
	£m	£m	£m	£m	£m	£m	£m	£m
Property portfolio								
Market value of investment properties	**13,042**	**1,225**	**(36)**	**14,231**	12,662	1,812	(35)	14,439
Trading properties	**111**	**77**	**-**	**188**	122	126	-	248
Total property portfolio (a)	**13,153**	**1,302**	**(36)**	**14,419**	12,784	1,938	(35)	14,687
Net debt								
Borrowings	**3,138**	**8**	**-**	**3,146**	2,949	93	-	3,042
Monies held in restricted accounts and deposits	**(9)**	**-**	**-**	**(9)**	(21)	-	-	(21)
Cash and cash equivalents	**(205)**	**(34)**	**-**	**(239)**	(30)	(49)	-	(79)
Fair value of interest-rate swaps	**(3)**	**-**	**-**	**(3)**	2	2	-	4
Fair value of foreign exchange swaps	**5**	**-**	**-**	**5**	5	-	-	5
Net debt (b)	**2,926**	**(26)**	**-**	**2,900**	2,905	46	-	2,951
Less: Fair value of interest-rate swaps	**3**	**-**	**-**	**3**	(2)	(2)	-	(4)
Reverse bond exchange de-recognition (note 14)	**247**	**-**	**-**	**247**	314	-	-	314
Adjusted net debt (c)	**3,176**	**(26)**	**-**	**3,150**	3,217	44	-	3,261
Adjusted total equity								
Total equity (d)	**10,863**	**-**	**-**	**10,863**	11,516	-	-	11,516
Fair value of interest-rate swaps	**(3)**	**-**	**-**	**(3)**	2	2	-	4
Reverse bond exchange de-recognition (note 14)	**(247)**	**-**	**-**	**(247)**	(314)	-	-	(314)
Adjusted total equity (e)	**10,613**	**-**	**-**	**10,613**	11,204	2	-	11,206
Gearing (b/d)	**26.9%**			**26.7%**	25.2%			25.6%
Adjusted gearing (c/e)	**29.9%**			**29.7%**	28.7%			29.1%
Group LTV (c/a)	**24.1%**			**21.8%**	25.2%			22.2%
Security Group LTV	**24.5%**				28.3%			
Weighted average cost of debt	**3.8%**			**3.8%**	4.2%			4.2%

1. This represents the interest in X-Leisure which we do not own, but which is consolidated in the Group numbers.

14. Borrowings

	Secured/ unsecured	Fixed/ floating	Effective interest rate %	30 September 2017 Nominal/ notional value £m	Fair value £m	Book value £m	31 March 2017 Nominal/ notional value £m	Fair value £m	Book value £m
Current borrowings									
Sterling									
5.253% QAG Bond	Secured	Fixed	5.3	**-**	**-**	**-**	18	22	18
Money market funds	Unsecured	Floating	LIBOR + margin	**23**	**23**	**23**	-	-	-
Commercial paper									
Sterling	Unsecured	Floating	LIBOR + margin	**5**	**5**	**5**	3	3	3
Euro	Unsecured	Floating	LIBOR + margin	**312**	**312**	**312**	261	261	261
Swiss Franc	Unsecured	Floating	LIBOR + margin	**-**	**-**	**-**	28	28	28
US Dollar	Unsecured	Floating	LIBOR + margin	**9**	**9**	**9**	94	94	94
Total current borrowings				**349**	**349**	**349**	404	408	404
Non-current borrowings									
Sterling									
A3 5.425% MTN due 2022	Secured	Fixed	5.5	**46**	**52**	**46**	46	53	46
A10 4.875% MTN due 2025	Secured	Fixed	5.0	**28**	**33**	**28**	28	34	28
A12 1.974% MTN due 2026	Secured	Fixed	2.0	**400**	**404**	**399**	400	411	399
A4 5.391% MTN due 2026	Secured	Fixed	5.4	**27**	**33**	**27**	27	33	27
A5 5.391% MTN due 2027	Secured	Fixed	5.4	**585**	**727**	**583**	585	749	583
A6 5.376% MTN due 2029	Secured	Fixed	5.4	**99**	**126**	**98**	318	420	317
A13 2.399% MTN due 2031	Secured	Fixed	2.4	**300**	**305**	**299**	300	314	299
A7 5.396% MTN due 2032	Secured	Fixed	5.4	**321**	**428**	**320**	321	441	320
A11 5.125% MTN due 2036	Secured	Fixed	5.1	**217**	**292**	**217**	500	689	499
A14 2.625% MTN due 2039	Secured	Fixed	2.6	**500**	**498**	**493**	-	-	-
A15 2.750% MTN due 2059	Secured	Fixed	2.8	**500**	**505**	**495**	-	-	-
Bond exchange de-recognition adjustment						**(247)**			(314)
				3,023	**3,403**	**2,758**	2,525	3,144	2,204
5.253% QAG Bond	Secured	Fixed	5.3	**-**	**-**	**-**	255	310	255
Syndicated bank debt	Secured	Floating	LIBOR + margin	**-**	**-**	**-**	55	55	55
Amounts payable under finance leases	Unsecured	Fixed	5.7	**31**	**46**	**31**	31	42	31
Total non-current borrowings				**3,054**	**3,449**	**2,789**	2,866	3,551	2,545
Total borrowings				**3,403**	**3,798**	**3,138**	3,270	3,959	2,949

Reconciliation of the movement in borrowings	**Six months ended 30 September 2017 £m**	Year ended 31 March 2017 £m
At the beginning of the period	**2,949**	2,873
Proceeds from new borrowings	**23**	361
Repayment of borrowings	**(151)**	(391)
Redemption of MTNs	**(502)**	(690)
Amortisation of bond exchange de-recognition adjustment on redeemed MTNs	**57**	30
Redemption of QAG Bond	**(273)**	-
Issue of MTNs (net of finance fees)	**988**	698
Amortisation of bond exchange de-recognition adjustment	**10**	24
Foreign exchange movement on non-Sterling borrowings	**36**	23
Other	**1**	21
At the end of the period	**3,138**	2,949

Medium term notes

The MTNs are secured on the fixed and floating pool of assets of the Security Group. Debt investors benefit from security over a pool of investment properties, development properties and the Group's investment in the X-Leisure fund, Westgate Oxford Alliance Limited Partnership, Nova, Victoria, and St. David's Limited Partnership, in total valued at **£13.8bn** at 30 September 2017 (31 March 2017: £12.9bn). The secured debt structure has a tiered operating covenant regime which gives the Group substantial flexibility when the loan-to-value and interest cover in the Security Group are less than 65% and more than 1.45 times respectively. If these limits are exceeded, the operating environment becomes more restrictive with provisions to encourage a reduction in gearing. The interest rate of each MTN is fixed until the expected maturity, being two years before the legal maturity date of the MTN, whereupon the interest rate for the last two years may either become floating on a LIBOR basis plus an increased margin (relative to that at the time of issue), or subject to a fixed coupon uplift, depending on the terms and conditions of the specific notes.

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

14. Borrowings (continued)

On 22 September 2017, the Group purchased **£502m** of MTNs for a premium of **£171m**, with associated costs of **£2m**. The Group repurchased **£219m** of its A6 MTN due in 2029 and **£283m** of its A11 MTN due in 2036. On the same date, the Group issued a **£500m** 2.625% MTN due in 2039 and a **£500m** 2.750% MTN due in 2059. Costs associated with the issues of the new MTNs of **£12m** have been capitalised within non-current borrowings.

MTN purchases		Six months ended 30 September 2017		Year ended 31 March 2017	
		Purchases £m	**Premium £m**	Purchases £m	Premium £m
A3	5.425% MTN due 2022	-	-	209	29
A10	4.875% MTN due 2025	-	-	272	57
A4	5.391% MTN due 2026	-	-	184	44
A5	5.391% MTN due 2027	-	-	23	6
A7	5.396% MTN due 2032	-	-	2	1
A6	5.376% MTN due 2029	**219**	**69**	-	-
A11	5.125% MTN due 2036	**283**	**102**	-	-
		502	**171**	690	137

Syndicated and bilateral bank debt	Maturity as at 30 September 2017	Authorised		Drawn		Undrawn	
		30 Sept 2017 £m	31 March 2017 £m	**30 Sept 2017 £m**	31 March 2017 £m	**30 Sept 2017 £m**	31 March 2017 £m
Syndicated debt	2022-23	**1,815**	1,815	**-**	55	**1,815**	1,760
Bilateral debt	2021	**125**	125	**-**	-	**125**	125
		1,940	1,940	**-**	55	**1,940**	1,885

The terms of the Security Group funding arrangements require undrawn facilities to be reserved where syndicated and bilateral facilities mature within one year, or where commercial paper has been issued. Accordingly, the Group's available undrawn facilities at 30 September 2017 were **£1,610m** (31 March 2017: £1,499m), compared with undrawn facilities of **£1,940m** (31 March 2017: £1,885m).

All syndicated and bilateral facilities are committed and secured on the assets of the Security Group. In the six month period ended 30 September 2017, the amounts drawn under the Group's bilateral facilities and syndicated bank debt decreased by **£55m**.

Queen Anne's Gate Bond

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

Fair values

The fair values of any floating rate financial liabilities are assumed to be equal to their nominal value. The fair values of the MTNs and the QAG Bond fall within Level 1, the syndicated and bilateral facilities, commercial paper, interest-rate swaps and foreign exchange swaps fall within Level 2, and the amounts payable under finance leases fall within Level 3, as defined by IFRS 13. The fair value of the amounts payable under finance leases is determined using a discount rate of **3.8%** (31 March 2017: 4.2%).

Bond exchange de-recognition

On 3 November 2004, a debt refinancing was completed resulting in the Group exchanging all of its outstanding bond and debenture debt for new MTNs with higher nominal values. The new MTNs did not meet the IAS 39 conditions to be considered substantially different from the debt that they replaced. Consequently, the book value of the new debt is reduced to the book value of the original debt by the 'bond exchange de-recognition' adjustment which is then amortised to zero over the life of the new MTNs. The amortisation is included in finance expense in the income statement, as part of the Capital and other items column.

15. Capital distribution

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

Following the redemption of the B shares, there was a share consolidation in the ratio of 15 ordinary shares for every 16 existing shares. The share consolidation did not result in a change in the carrying value of the Group's share capital, but reduced the number of ordinary shares in issue to **751,276,560** of which **9,839,179** were held in Treasury at 30 September 2017.

16. Related party transactions

There have been no related party transactions during the period that require disclosure under Section 4.2.8 (R) of the Disclosure and Transparency Rules or under IAS 34 Interim Financial Reporting.

17. Events after the reporting period

On 13 October 2017, the Group paid the **£475m** capital distribution (note 15), which was approved by shareholders on 27 September 2017.

Business analysis

Table 15: Alternative performance measures

The Group has applied the European Securities and Markets Authority (ESMA) 'Guidelines on Alternative Performance Measures' in these half-yearly 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 half-yearly results, where the definitions and reconciliations of these measures can be found, as well where further discussion is included. The definitions of all APMs are included in the Glossary and further discussion of these measures can be found in the Financial review.

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

Table 16: EPRA performance measures

			30 September 2017	
	Definition for EPRA measure	**Notes**	**Landsec measure**	**EPRA measure**
Adjusted earnings	Recurring earnings from core operational activity[1]	4	**£203m**	**£193m**
Adjusted earnings per share	Adjusted earnings per weighted number of ordinary shares[1]	4	**25.7p**	**24.5p**
Adjusted diluted earnings per share	Adjusted diluted earnings per weighted number of ordinary shares[1]	4	**25.7p**	**24.5p**
Adjusted net assets	Net assets adjusted to exclude fair value movements on interest-rate swaps[2]	4	**£10,613m**	**£10,860m**
Adjusted diluted net assets per share	Adjusted diluted net assets per share[2]	4	**1,432p**	**1,466p**
Triple net assets	Adjusted net assets amended to include the fair value of financial instruments and debt		**£10,199m**	**£10,199m**
Diluted triple net assets per share	Diluted triple net assets per share		**1,376p**	**1,376p**
Net initial yield (NIY)	Annualised rental income less non-recoverable costs as a % of market value plus assumed purchasers' costs[3]		**3.7%**	**4.2%**
Topped-up NIY	NIY adjusted for rent free periods[3]		**4.3%**	**4.5%**
Voids/vacancy rate	ERV of vacant space as a % of ERV of Combined Portfolio excluding the development programme[4]		**2.9%**	**2.8%**
Cost ratio	Total costs as a percentage of gross rental income (including direct vacancy costs)[5]		**18.4%**	**20.3%**
	Total costs as a percentage of gross rental income (excluding direct vacancy costs)[5]		**n/a**	**17.5%**

1. EPRA adjusted earnings and EPRA adjusted earnings per share include the amortisation of bond exchange de-recognition adjustment of £10m.
2. EPRA adjusted net assets and adjusted diluted net assets per share include the bond exchange de-recognition adjustment of £247m.
3. Our NIY and Topped-up NIY relate to the Combined Portfolio, excluding properties in the development programme that have not yet reached practical completion, and are calculated by our external valuer. EPRA NIY and EPRA Topped-up NIY calculations are consistent with ours, but exclude all developments.
4. Our measure reflects voids in our like-for-like portfolio only. The EPRA measure reflects voids in the Combined Portfolio excluding only the development programme.
5. The EPRA cost ratio is calculated based on gross rental income after rents payable, whereas our measure is based on gross rental income before rents payable. We do not calculate a cost ratio excluding direct vacancy costs as we do not consider this to be helpful.

Table 17: Top 12 occupiers at 30 September 2017

	% of Group rent[1]
Deloitte	5.1
Central Government	5.1
Accor	4.9
Mizuho Bank	1.7
Boots	1.5
Sainsbury's	1.2
Taylor Wessing	1.2
M&S	1.1
H&M	1.1
K&L Gates	1.1
Next	1.1
Cineworld	1.1
	26.2

1. On a proportionate basis.

Table 18: Development pipeline and trading property development schemes at 30 September 2017

Development pipeline

Property	Description of use	Ownership interest %	Size sq ft	Letting status %	Market value £m	Net income/ ERV £m	Actual/ estimated completion date	Total development costs to date £m	Forecast total development cost £m
Developments after practical completion									
Nova, Victoria, SW1	Office	50	481,400	53	411	20	Apr 2017	259	259
	Retail		79,200	99					
Developments approved or in progress									
Westgate Oxford	Retail	50	800,000	83	240	14	Oct 2017	190	212
Selly Oak, Birmingham	Retail	50	190,000	90	12	3	Sep 2018	9	30
Proposed developments									
21 Moorfields, EC2	Office	100	564,000	n/a	n/a	n/a	2021	n/a	n/a
Developments let and transferred or sold									
The Zig Zag Building, SW1[1]	Office	100	192,700	94	n/a[2]	17	Nov 2015	182	182
	Retail		38,700	100					
20 Eastbourne Terrace, W2	Office	100	92,800	100	n/a[2]	6	May 2016	67	67
Oriana, W1 – Phase II[3]	Retail	50	30,700	100	n/a[2]	n/a	n/a	n/a	n/a

1. Includes retail within Kings Gate, SW1.
2. Once properties are transferred from the development pipeline, we do not report on their individual value.
3. This represents the disposal of 28-32 Oxford Street, W1.

Where the property is not 100% owned, floor areas and letting status shown above represent the full scheme whereas all other figures represent our proportionate share. Letting % is measured by ERV and shows letting status at 30 September 2017. Trading property development schemes are excluded from the development pipeline.

Total development cost

Refer to glossary for definition. Of the properties in the development pipeline at 30 September 2017, the only properties on which interest was capitalised on the land cost were Westgate Oxford and Nova, Victoria, SW1.

Net income/ERV

Net income/ERV represents headline annual rent on let units plus ERV at 30 September 2017 on unlet units, both after rents payable.

Trading property development schemes

Property	Description of use	Ownership interest %	Size sq ft	Number of units	Sales exchanged by unit %	Actual/ estimated completion date	Total development costs to date £m	Forecast total development cost £m
Kings Gate, SW1	Residential	100	108,600	100	98	Oct 2015	163	163
Nova, Victoria, SW1	Residential	50	166,800	170	89	Apr 2017	146	146
Oriana, W1 – Phase II	Residential	50	20,200	18	50	Oct 2017	16	16
Westgate Oxford	Residential	50	36,700	59	25	Dec 2017	8	10

Table 19: Combined Portfolio value by location at 30 September 2017

	Shopping centres and shops	Retail parks	Offices	Hotels, leisure, residential & other	Total
	%	%	%	%	%
Central, inner and outer London	14.2	0.2	43.9	3.8	62.1
South East and East	11.6	3.6	-	3.1	18.3
Midlands	-	0.6	-	0.5	1.1
Wales and South West	3.5	0.5	-	0.3	4.3
North, North West, Yorkshire and Humberside	7.8	0.9	0.1	1.6	10.4
Scotland and Northern Ireland	2.8	0.3	-	0.7	3.8
Total	**39.9**	**6.1**	**44.0**	**10.0**	**100.0**

% figures calculated by reference to the Combined Portfolio value of £14.2bn.

Table 20: Combined Portfolio performance relative to IPD Total property returns – period ended 30 September 2017

	Landsec	IPD [(1)]
	%	%
Retail – Shopping centres	1.6	1.4
– Retail parks	4.1	3.7 [(2)]
Central London shops	1.2	5.8
Central London offices	3.0	3.8
Total	**2.5** [(3)]	**5.0**

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

Table 21: Combined Portfolio analysis

Like-for-like segmental analysis

	Market value(1)		Valuation movement(2)		Rental income(3)		Annualised rental income(4)	Annualised net rent(5)		Net estimated rental value(6)	
	30 September 2017	31 March 2017	**Surplus/ (deficit)**	**Surplus/ (deficit)**	**30 September 2017**	30 September 2016	**30 September 2017**	**30 September 2017**	31 March 2017	**30 September 2017**	31 March 2017
	£m	£m	**£m**	**%**	**£m**	£m	**£m**	**£m**	£m	**£m**	£m
Retail Portfolio											
Shopping centres and shops	**3,635**	3,633	**(24)**	**(0.7%)**	**97**	95	**186**	**182**	178	**195**	194
Retail parks	**861**	855	**3**	**0.4%**	**26**	26	**52**	**51**	51	**52**	51
Leisure and hotels	**1,371**	1,367	**(1)**	**(0.1%)**	**40**	43	**82**	**76**	79	**82**	82
Other	**18**	20	**(2)**	**(8.2%)**	**1**	1	**1**	**1**	2	**2**	2
Total Retail Portfolio	**5,885**	5,875	**(24)**	**(0.4%)**	**164**	165	**321**	**310**	310	**331**	329
London Portfolio											
West End	**2,406**	2,436	**(35)**	**(1.5%)**	**53**	51	**105**	**106**	105	**116**	117
City	**727**	726	**3**	**0.4%**	**15**	14	**30**	**32**	32	**40**	40
Mid-town	**1,011**	1,013	**(2)**	**(0.2%)**	**20**	20	**40**	**44**	43	**49**	49
Inner London	**324**	323	**-**	**0.2%**	**7**	7	**14**	**15**	15	**17**	17
Total London offices	**4,468**	4,498	**(34)**	**(0.8%)**	**95**	92	**189**	**197**	195	**222**	223
Central London shops	**1,347**	1,335	**4**	**0.3%**	**20**	24	**36**	**36**	37	**60**	60
Other	**42**	41	**(2)**	**(3.7%)**	**1**	1	**1**	**1**	1	**1**	1
Total London Portfolio	**5,857**	5,874	**(32)**	**(0.6%)**	**116**	117	**226**	**234**	233	**283**	284
Like-for-like portfolio(10)	**11,742**	11,749	**(56)**	**(0.5%)**	**280**	282	**547**	**544**	543	**614**	613
Proposed developments(3)	**110**	73	**18**	**19.4%**	**-**	-	**-**	**-**	-	**-**	-
Development programme(11)	**663**	585	**22**	**3.4%**	**6**	-	**19**	**-**	(1)	**37**	35
Completed developments(3)	**1,379**	1,357	**5**	**0.4%**	**26**	19	**55**	**9**	5	**63**	64
Acquisitions(12)	**337**	4	**(8)**	**(2.2%)**	**11**	-	**29**	**28**	-	**24**	-
Sales(13)	**-**	671	**-**	**-**	**8**	18	**-**	**-**	23	**-**	31
Combined Portfolio	**14,231**	14,439	**(19)**	**(0.1%)**	**331**	319	**650**	**581**	570	**738**	743
Properties treated as finance leases					**(4)**	(5)					
Combined Portfolio	**14,231**	14,439	**(19)**	**(0.1%)**	**327**	314					

Total portfolio analysis

	Market value(1)		Valuation movement(2)		Rental income(3)		Annualised rental income(4)	Annualised net rent(5)		Net estimated rental value(6)	
	30 September 2017	31 March 2017	**Surplus/ (deficit)**	**Surplus/ (deficit)**	**30 September 2017**	30 September 2016	**30 September 2017**	**30 September 2017**	31 March 2017	**30 September 2017**	31 March 2017
	£m	£m	**£m**	**%**	**£m**	£m	**£m**	**£m**	£m	**£m**	£m
Retail Portfolio											
Shopping centres and shops	**4,206**	3,860	**(25)**	**(0.6%)**	**109**	96	**223**	**208**	179	**232**	210
Retail parks	**873**	861	**7**	**0.9%**	**26**	26	**52**	**51**	51	**53**	51
Leisure and hotels	**1,377**	1,384	**(1)**	**(0.1%)**	**40**	50	**82**	**77**	80	**83**	83
Other	**18**	20	**(2)**	**(8.3%)**	**1**	1	**1**	**1**	2	**2**	2
Total Retail Portfolio	**6,474**	6,125	**(21)**	**(0.3%)**	**176**	173	**358**	**337**	312	**370**	346
London Portfolio											
West End	**3,237**	3,247	**(25)**	**(0.8%)**	**66**	58	**131**	**110**	107	**156**	156
City	**1,338**	1,853	**26**	**2.1%**	**32**	33	**49**	**35**	53	**62**	88
Mid-town	**1,341**	1,336	**(1)**	**(0.1%)**	**27**	21	**56**	**43**	42	**66**	67
Inner London	**324**	323	**-**	**0.2%**	**7**	7	**14**	**15**	15	**17**	17
Total London offices	**6,240**	6,759	**-**	**-**	**132**	119	**250**	**203**	217	**301**	328
Central London shops	**1,472**	1,514	**3**	**0.2%**	**22**	26	**41**	**40**	40	**66**	68
Other	**45**	41	**(1)**	**(2.3%)**	**1**	1	**1**	**1**	1	**1**	1
Total London Portfolio	**7,757**	8,314	**2**	**-**	**155**	146	**292**	**244**	258	**368**	397
Combined Portfolio	**14,231**	14,439	**(19)**	**(0.1%)**	**331**	319	**650**	**581**	570	**738**	743
Properties treated as finance leases					**(4)**	(5)					
Combined Portfolio	**14,231**	14,439	**(19)**	**(0.1%)**	**327**	314					
Represented by:											
Investment portfolio	**13,008**	12,628	**(29)**	**(0.2%)**	**299**	290	**605**	**554**	523	**673**	650
Share of joint ventures	**1,223**	1,811	**10**	**0.9%**	**28**	24	**45**	**27**	47	**65**	93
Combined Portfolio	**14,231**	14,439	**(19)**	**(0.1%)**	**327**	314	**650**	**581**	570	**738**	743

Table 21: Combined Portfolio analysis continued
Like-for-like segmental analysis

	Gross estimated rental value(7)		Net initial yield(8)		Equivalent yield(9)		Voids (by ERV)(3)	
	30 September 2017	31 March 2017	**30 September 2017**	31 March 2017	**30 September 2017**	31 March 2017	**30 September 2017**	31 March 2017
	£m	£m	**%**	%	**%**	%	**%**	%
Retail Portfolio								
Shopping centres and shops	**203**	201	**4.3%**	4.3%	**4.8%**	4.8%	**3.6%**	4.0%
Retail parks	**52**	52	**5.5%**	5.5%	**5.6%**	5.6%	**-**	-
Leisure and hotels	**83**	82	**5.0%**	5.2%	**5.4%**	5.4%	**0.7%**	0.7%
Other	**2**	2	**2.4%**	3.8%	**8.4%**	8.3%	**37.5%**	33.3%
Total Retail Portfolio	**340**	337	**4.7%**	4.7%	**5.1%**	5.1%	**2.6%**	2.8%
London Portfolio								
West End	**117**	117	**4.1%**	4.0%	**4.6%**	4.6%	**6.3%**	6.4%
City	**40**	41	**4.2%**	4.2%	**4.8%**	4.8%	**-**	-
Mid-town	**50**	50	**4.1%**	4.0%	**4.5%**	4.5%	**0.6%**	-
Inner London	**17**	17	**4.2%**	4.2%	**4.9%**	5.0%	**-**	-
Total London offices	**224**	225	**4.1%**	4.0%	**4.6%**	4.6%	**3.4%**	3.3%
Central London shops	**61**	61	**2.6%**	2.5%	**4.1%**	4.0%	**2.1%**	1.7%
Other	**1**	1	**1.1%**	0.9%	**1.3%**	1.3%	**66.7%**	33.3%
Total London Portfolio	**286**	287	**3.8%**	3.7%	**4.5%**	4.5%	**3.3%**	3.0%
Like-for-like portfolio(10)	**626**	624	**4.2%**	4.2%	**4.8%**	4.8%	**2.9%**	2.9%
Proposed developments(3)	**-**	-	**-**	-	**n/a**	n/a	**n/a**	n/a
Development programme(11)	**37**	36	**0.1%**	-	**4.5%**	4.5%	**n/a**	n/a
Completed developments(3)	**64**	65	**0.5%**	0.3%	**4.2%**	4.2%	**n/a**	n/a
Acquisitions(12)	**24**	-	**6.0%**	5.5%	**6.0%**	n/a	**n/a**	n/a
Sales(13)	**-**	31	**-**	3.2%	**n/a**	n/a	**n/a**	n/a
Combined Portfolio	**751**	756	**3.7%**	3.6%	**4.7%**	n/a	**n/a**	n/a

Total portfolio analysis

	Gross estimated rental value(7)		Net initial yield(8)	
	30 September 2017	31 March 2017	**30 September 2017**	31 March 2017
	£m	£m	**%**	%
Retail Portfolio				
Shopping centres and shops	**242**	219	**4.2%**	4.1%
Retail parks	**53**	52	**5.3%**	5.5%
Leisure and hotels	**83**	83	**5.0%**	5.2%
Other	**2**	2	**2.4%**	3.8%
Total Retail Portfolio	**380**	356	**4.5%**	4.5%
London Portfolio				
West End	**156**	156	**3.1%**	3.0%
City	**64**	89	**2.5%**	2.7%
Mid-town	**67**	68	**3.1%**	3.0%
Inner London	**17**	17	**4.2%**	4.2%
Total London offices	**304**	330	**3.0%**	3.0%
Central London shops	**66**	69	**2.5%**	2.4%
Other	**1**	1	**1.2%**	0.9%
Total London Portfolio	**371**	400	**2.9%**	2.9%
Combined Portfolio	**751**	756	**3.7%**	3.6%
Represented by:				
Investment portfolio	**684**	661	**3.8%**	3.7%
Share of joint ventures	**67**	95	**2.0%**	2.4%
Combined Portfolio	**751**	756	**3.7%**	3.6%

Notes:

1. The market value figures are determined by the Group's external valuer.
2. The valuation movement is stated after adjusting for the effect of SIC15 under IFRS.
3. Refer to glossary for definition.
4. Annualised rental income is annual 'rental income' (as defined in the glossary) at the balance sheet date, except that car park and commercialisation income are included on a net basis (after deduction for operational outgoings). Annualised rental income includes temporary lettings.
5. Annualised net rent is annual cash rent, after the deduction of ground rents, as at the balance sheet date. It is calculated with the same methodology as annualised rental income but is stated net of ground rent and before SIC15 adjustments.
6. Net estimated rental value is gross estimated rental value, as defined in the glossary, after deducting expected ground rents.
7. 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.
8. Net initial yield - refer to glossary for definition. This calculation includes all properties including those sites with no income.
9. Equivalent yield – refer to glossary for definition. Proposed developments are excluded from the calculation of equivalent yield on the Combined Portfolio.
10. 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.
11. 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.
12. Includes all properties acquired since 1 April 2016.
13. Includes all properties sold since 1 April 2016.

Table 22: Lease lengths

	Weighted average unexpired lease term at 30 September 2017	
	Like-for-like portfolio Mean(1) Years	Like-for-like portfolio, completed developments and acquisitions Mean(1) Years
Retail Portfolio		
Shopping centres and shops	6.5	6.2
Retail parks	7.3	7.3
Leisure and hotels	12.9	12.9
Other	2.2	2.2
Total Retail Portfolio	**7.9**	**7.9**
London Portfolio		
West End	8.0	8.9
City	5.6	9.2
Mid-town	9.0	11.7
Inner London	15.3	15.3
Total London offices	**8.3**	**9.9**
Central London shops	6.5	6.8
Other	6.2	6.2
Total London Portfolio	**8.1**	**9.5**
Combined Portfolio	**8.2**	**8.7**

1. Mean is the rent weighted average of the unexpired lease term across all leases (excluding short-term leases). Term is defined as the earlier of tenant break or expiry.

Table 23: Development pipeline financial summary

	Cumulative movements on the development programme to 30 September 2017						Total scheme details[(1)]				
	Market value at start of scheme	Capital expenditure incurred to date	Capitalised interest to date	Valuation surplus/(deficit) to date[(2)]	Disposals, SIC15 rent and other adjustments	**Market value at 30 September 2017**	Estimated total capital expenditure	Estimated total capitalised interest	Estimated total development cost[(3)]	Net Income/ ERV[(4)]	**Valuation (deficit)/surplus for the six months ended 30 September 2017[(2)]**
	£m	£m	£m	£m	£m	**£m**	£m	£m	£m	£m	**£m**
Developments let and transferred or sold											
Shopping centres and shops	**-**	-	-	-	-	**-**	-	-	-	-	**-**
Retail parks	**-**	-	-	-	-	**-**	-	-	-	-	**-**
London Portfolio	**123**	166	11	238	(20)	**518**	115	11	249	23	**(2)**
	123	166	11	238	(20)	**518**	115	11	249	23	**(2)**
Developments after practical completion, approved or in progress											
Shopping centres and shops	**30**	158	11	38	3	**240**	171	11	212	14	**7**
Retail parks	**6**	3	-	4	(1)	**12**	23	1	30	3	**4**
London Portfolio	**71**	213	33	144	(50)	**411**	155	33	259	20	**11**
	107	374	44	186	(48)	**663**	349	45	501	37	**22**
	Movement on proposed developments for the six months ended 30 September 2017										
Proposed developments											
Shopping centres and shops	**-**	-	-	-	-	**-**	-	-	-	-	**-**
Retail parks	**-**	-	-	-	-	**-**	-	-	-	-	**-**
London Portfolio	**73**	18	1	18	-	**110**	n/a	n/a	n/a	n/a	**18**
	73	18	1	18	-	**110**	n/a	n/a	n/a	n/a	**18**

1. Total scheme details exclude properties sold in the period.
2. Includes profit realised on the disposal of investment properties and any surplus or deficit on investment properties transferred to trading.
3. Includes the property at its market value at the start of the financial year in which the property was added to the development programme together with estimated capitalised interest.
4. Net headline annual rent on let units plus net ERV at 30 September 2017 on unlet units.

Table 24: Reconciliation of segmental information note to statutory reporting

The table below reconciles the Group's income statement to the segmental information note (note 3 to the financial statements). The Group's income statement is prepared using the equity accounting method for joint ventures and includes 100% of the results of the Group's non-wholly owned subsidiaries. In contrast, the segmental information note is prepared on a proportionately consolidated basis and excludes the non-wholly owned share of the Group's subsidiaries. This is consistent with the financial information reviewed by management.

	Six months ended 30 September 2017					
	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	300	28	(1)	327	327	-
Finance lease interest	4	-	-	4	4	-
Gross rental income (before rents payable)	**304**	**28**	**(1)**	**331**	**331**	**-**
Rents payable	(5)	(1)	-	(6)	(6)	-
Gross rental income (after rents payable)	**299**	**27**	**(1)**	**325**	**325**	**-**
Service charge income	46	4	-	50	50	-
Service charge expense	(49)	(6)	-	(55)	(55)	-
Net service charge expense	(3)	(2)	-	(5)	(5)	-
Other property related income	16	2	-	18	18	-
Direct property expenditure	(30)	(5)	-	(35)	(35)	-
Net rental income	**282**	**22**	**(1)**	**303**	**303**	**-**
Indirect property expenditure	(39)	(1)	-	(40)	(40)	-
Other income	1	-	-	1	1	-
	244	**21**	**(1)**	**264**	**264**	**-**
Profit on disposal of investment properties	1	1	-	2	-	2
Profit on disposal of investment in joint venture	66	-	-	66	-	66
Net (deficit)/surplus on revaluation of investment properties	(29)	10	-	(19)	-	(19)
Movement in impairment of trading properties	1	(2)	-	(1)	-	(1)
Profit on disposal of trading properties	7	9	-	16	-	16
Other	(1)	-	1	-	-	-
Operating profit	**289**	**39**	**-**	**328**	**264**	**64**
Finance income	24	-	-	24	19	5
Finance expense	(369)	(16)	-	(385)	(80)	(305)
Share of post-tax profit from joint ventures	23	(23)	-	-	-	-
Loss before tax	**(33)**	**-**	**-**	**(33)**	**203**	**(236)**
Taxation	(1)	-	-	(1)	-	(1)
Loss for the period	**(34)**	**-**	**-**	**(34)**	**203**	**(237)**

1. Reallocation of the share of post-tax profit from joint ventures reported in the Group income statement to the individual line items reported in the segmental information note.
2. Removal of the non-wholly owned share of results of the Group's subsidiaries. The non-wholly owned subsidiaries are consolidated at 100% in the Group's income statement, but only the Group's share is included in revenue profit reported in the segmental information note.

Table 24: Reconciliation of segmental information note to statutory reporting continued

	Group income statement £m	Joint ventures(1) £m	Proportionate share of earnings(2) £m	Total £m	Revenue profit £m	Capital and other items £m
	Six months ended 30 September 2016					
Rental income	290	24	-	314	314	-
Finance lease interest	5	-	-	5	5	-
Gross rental income (before rents payable)	**295**	**24**	**-**	**319**	**319**	**-**
Rents payable	(5)	-	-	(5)	(5)	-
Gross rental income (after rents payable)	**290**	**24**	**-**	**314**	**314**	**-**
Service charge income	43	4	-	47	47	-
Service charge expense	(44)	(5)	-	(49)	(49)	-
Net service charge expense	(1)	(1)	-	(2)	(2)	-
Other property related income	14	1	-	15	15	-
Direct property expenditure	(26)	(3)	-	(29)	(29)	-
Net rental income	**277**	**21**	**-**	**298**	**298**	**-**
Indirect property expenditure	(37)	-	-	(37)	(37)	-
Other income	1	-	-	1	1	-
	241	**21**	**-**	**262**	**262**	**-**
Profit on disposal of investment properties	9	2	-	11	-	11
Loss on disposal of investment in joint venture	(2)	-	-	(2)	-	(2)
Net (deficit)/surplus on revaluation of investment properties	(278)	18	-	(260)	-	(260)
Movement in impairment of trading properties	10	-	-	10	-	10
Profit on disposal of trading properties	2	-	-	2	-	2
Head office relocation	2	-	-	2	-	2
Other	(1)	-	-	(1)	-	(1)
Operating profit	**(17)**	**41**	**-**	**24**	**262**	**(238)**
Finance income	18	-	-	18	18	-
Finance expense	(129)	(8)	-	(137)	(87)	(50)
Share of profit from joint ventures	33	(33)	-	-	-	-
Loss before tax	**(95)**	**-**	**-**	**(95)**	**193**	**(288)**
Taxation	(1)	-	-	(1)	-	(1)
Loss for the period	**(96)**	**-**	**-**	**(96)**	**193**	**(289)**

1. Reallocation of the share of post-tax profit from joint ventures reported in the Group income statement to the individual line items reported in the segmental information note.
2. Removal of the non-wholly owned share of results of the Group's subsidiaries. The non-wholly owned subsidiaries are consolidated at 100% in the Group's income statement, but only the Group's share is included in revenue profit reported in the segmental information note.

Table 25: Acquisitions, disposals and capital expenditure

	Six months ended 30 September 2017				Six months ended 30 September 2016
	Group (excl. joint ventures) £m	Joint ventures £m	Adjustment for proportionate share(1) £m	Combined Portfolio £m	Combined Portfolio £m
Investment properties					
Net book value at the beginning of the period	**12,144**	**1,763**	**(34)**	**13,873**	13,954
Acquisitions	348	-	-	**348**	14
Transfer from trading properties	1	1	-	**2**	-
Capital expenditure	55	47	(1)	**101**	152
Capitalised interest	1	3	-	**4**	12
Disposals	(17)	(612)	-	**(629)**	(53)
Net movement in finance leases	-	-	-	**-**	15
Net (deficit)/surplus on revaluation of investment properties	(29)	10	-	**(19)**	(260)
Net book value at the end of the period	**12,503**	**1,212**	**(35)**	**13,680**	13,834
Profit on disposal of investment properties	**1**	**1**	**-**	**2**	11
Trading properties					
Net book value at the beginning of the period	**122**	**124**	**-**	**246**	281
Capital expenditure	11	3	-	**14**	27
Capitalised interest	-	-	-	**-**	2
Disposals	(22)	(47)	-	**(69)**	(27)
Transfer to investment properties	(1)	(1)	-	**(2)**	-
Movement in impairment	1	(2)	-	**(1)**	10
Net book value at the end of the period	**111**	**77**	**-**	**188**	293
Profit on disposal of trading properties	**7**	**9**	**-**	**16**	2
Investment in joint ventures					
Profit/(loss) on disposal of investment in joint venture	**66**	**-**	**-**	**66**	(2)

Acquisitions, development and refurbishment expenditure	**£m**	£m
Acquisitions of investment properties	**348**	14
Capital expenditure – investment properties	**56**	116
Development capital expenditure – investment properties	**45**	36
Capital expenditure – trading properties	**12**	10
Development capital expenditure – trading properties	**2**	17
Acquisitions, development and refurbishment expenditure	**463**	193

Disposals	**£m**	£m
Net book value – investment property disposals	**629**	53
Net book value – trading property disposals	**69**	27
Net book value – other net assets of joint venture disposals	**46**	-
Profit on disposal – investment properties	**2**	11
Profit on disposal – trading properties	**16**	2
Profit/(loss) on disposal – investment in joint venture	**66**	(2)
Other	**2**	-
Total disposal proceeds	**830**	91

1. This represents the interest in X-Leisure which we do not own, but which is consolidated in the Group numbers.

Investor information

1. Company website: landsec.com

The Group's half-yearly and annual reports to shareholders, results announcements and presentations, are available to view and download from the Company's website. The website also provides details of the Company's current share price, the latest news about the Group, its properties and operations, and details of future events and how to obtain further information.

2. Registrar: Equiniti Group PLC

Enquiries concerning shareholdings, dividends and changes in personal details should be referred to the Company's registrar, Equiniti Group PLC (Equiniti), in the first instance. They can be contacted using the details below:

Telephone:

— 0371 384 2128 (from the UK)
— +44 121 415 7049 (from outside the UK)
— Lines are open from 08:30 to 17:30, Monday to Friday, excluding UK public holidays.

Correspondence address:

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

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

3. Shareholder enquiries

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

4. Share dealing services: shareview.co.uk

The Company's shares can be traded through most banks, building societies and stockbrokers. They can also be traded through Equiniti. To use their service, shareholders should contact Equiniti: 0345 603 7037 from the UK. Lines are open Monday to Friday 8:00am to 4:30pm for dealing and until 6:00pm for enquiries, excluding UK public holidays.

5. 2017/18 second quarterly dividend

The Board has declared a second quarterly dividend for the year ending 31 March 2018 of 9.85p per ordinary share will be paid on 5 January 2018 to shareholders registered at the close of business on 1 December 2017. This will be paid wholly as an ordinary dividend. Together with the first quarterly dividend of 9.85p already paid on 6 October 2017 wholly as a Property Income Distribution (PID), the first half dividend will be 19.7p per ordinary share (six months ended 30 September 2016: 17.9p).

6. Dividend related services

— Dividend payments to UK shareholders – Dividend Mandates
We recommend that dividends are paid directly into a nominated bank or building society account through the Bankers Automated Clearing System (BACS). This service provides cleared funds on the dividend payment date, is more secure than sending a cheque by post and avoids the inconvenience of paying each dividend by cheque. This arrangement is only available in respect of dividends paid in sterling.

— Dividend payments to overseas shareholders – International Payment Service
For international shareholders who would prefer to receive payment of their dividends in local currency and directly into their local bank account, an Overseas Payment Service (OPS) is available. This can be more convenient and effective than otherwise receiving dividend payments by sterling cheque or into a UK bank account.

The OPS service is available from Equiniti who, in partnership with Citibank, may be able to convert sterling dividends into your local currency at competitive rates and either arrange for those funds to be sent to you by currency draft or credited to your bank account directly.

— Dividend Reinvestment Plan (DRIP)
A DRIP is available from Equiniti. This facility provides an opportunity by which shareholders can conveniently and easily increase their holding in the Company by using their cash dividends to buy more shares. Participation in the DRIP will mean that your dividend payments will be reinvested in the Company's shares and these will be purchased on your behalf in the market on, or as soon as practical after, the dividend payment date.

You may only participate in the DRIP if you are resident in the European Economic Area, Channel Islands or Isle of Man.

For further information (including terms and conditions) and to register for any of these dividend-related services, simply visit www.shareview.co.uk.

7. Financial reporting calendar

	2018
Financial year end	31 March
Preliminary results announcement	15 May
Half-yearly results announcement	13 November*

* Provisional date only

8. Investor relations enquiries

For investor relations enquiries, please contact Edward Thacker, Head of Investor Relations at Landsec, by telephone on +44 (0)20 7413 9000 or by email at enquiries@landsec.com.

Glossary

Adjusted earnings per share (Adjusted EPS)
Earnings per share based on revenue profit after related tax.

Adjusted net assets per share
Net assets per share adjusted to remove the effect of the de-recognition of the 2004 bond exchange and cumulative fair value movements on interest-rate swaps and similar instruments.

Adjusted net debt
Net debt excluding cumulative fair value movements on interest-rate swaps, the adjustment arising from the de-recognition of the bond exchange and amounts payable under finance leases. It generally includes the net debt of subsidiaries and joint ventures on a proportionate basis.

Book value
The amount at which assets and liabilities are reported in the financial statements.

BREEAM
Building Research Establishment's Environmental Assessment Method.

Combined Portfolio
The Combined Portfolio comprises the investment properties of the Group's subsidiaries, on a proportionately consolidated basis when not wholly owned, together with our share of investment properties held in our joint ventures.

Completed developments
Completed developments consist of those properties previously included in the development programme, which have been transferred from the development programme since 1 April 2016.

Development pipeline
The development programme together with proposed developments.

Development programme
The development programme consists of committed developments (Board approved projects with the building contract let), authorised developments (Board approved), projects under construction and developments which have reached practical completion within the last two years but are not yet 95% let.

Diluted figures
Reported results adjusted to include the effects of potentially dilutive shares issuable under employee share schemes.

Dividend Reinvestment Plan (DRIP)
The DRIP provides shareholders with the opportunity to use cash dividends received to purchase additional ordinary shares in the Company immediately after the relevant dividend payment date. Full details appear on the Company's website.

Earnings per share
Profit after taxation attributable to owners divided by the weighted average number of ordinary shares in issue during the period.

EPRA
European Public Real Estate Association.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Like-for-like portfolio
The like-for-like portfolio includes all properties which have been in the portfolio since 1 April 2016, but excluding those which are acquired, sold or included in the development pipeline at any time since that date.

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

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

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

Net assets per share
Equity attributable to owners divided by the number of ordinary shares in issue at the period 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 ground rent at the balance sheet date, estimated non-recoverable outgoings and void costs including service charges, insurance costs and void rates.

Net rental income
Net rental income is the net operational income arising from properties, on an accruals basis, including rental income, finance lease interest, rents payable, service charge income and expense, other property related income, direct property expenditure and bad debts. Net rental income is presented on a proportionate basis.

Over-rented
Space where the passing rent is above the ERV.

Passing cash 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 cash rent may be more or less than the ERV (see over-rented, reversionary and ERV). Passing cash rent excludes annual rent receivable from units in administration save to the extent that rents are expected to be received. Void units and units that are in a rent-free period at the reporting date are deemed to have no passing cash rent. Although temporary lets of less than 12 months are treated as void, income from temporary lets is included in passing cash rents.

Planning permission
There are two common types of planning permission: full planning permission and outline planning permission. A full planning permission results in a decision on the detailed proposals on how the site can be developed. The grant of a full planning permission will, subject to satisfaction of any conditions, mean no further engagement with the local planning authority will be required to build the consented development. An outline planning permission approves general principles of how a site can be developed. Outline planning permission is granted subject to conditions known as ‘reserved matters’. Consent must be sought and achieved for discharge of all reserved matters within a specified time-limit, normally three years from the date outline planning permission was granted, before building can begin. In both the case of full and outline planning permission, the local planning authority will 'resolve to grant permission'. At this stage, the planning permission is granted subject to agreement of legal documents, in particular the s106 agreement. On execution of the s106 agreement, the planning permission will be issued. Work can begin on satisfaction of any 'pre-commencement' planning conditions.

Pre-let
A lease signed with an occupier prior to completion of a development.

Pre-development properties
Pre-development properties are those properties within the like-for-like portfolio which are being managed to align vacant possession within a three year horizon with a view to redevelopment.

Property Income Distribution (PID)
A PID is a distribution by a REIT to its shareholders paid out of qualifying profits. A REIT is required to distribute at least 90% of its qualifying profits as a PID to its shareholders.

Proposed developments
Proposed developments are properties which have not yet received final Board approval or are still subject to main planning conditions being satisfied, but which are more likely to proceed than not.

Qualifying activities/ Qualifying assets
The ownership (activity) of property (assets) which is held to earn rental income and qualifies for tax-exempt treatment (income and capital gains) under UK REIT legislation.

Real Estate Investment Trust (REIT)
A REIT must be a publicly quoted company with at least three-quarters of its profits and assets derived from a qualifying property rental business. Income and capital gains from the property rental business are exempt from tax but the REIT is required to distribute at least 90% of those profits to shareholders. Corporation tax is payable on non-qualifying activities in the normal way.

Rental value change
Increase or decrease in the current rental value, as determined by the Group’s external valuer, over the reporting period on a like-for-like basis.

Rental income
Rental income is as reported in the income statement, on an accruals basis, and adjusted for the spreading of lease incentives over the term certain of the lease in accordance with SIC 15. It is stated gross, prior to the deduction of ground rents and without deduction for operational outgoings on car park and commercialisation activities.

Return on average capital employed
Group profit before net finance expense, plus joint venture profit before net finance expense, divided by the average capital employed (defined as shareholders’ funds plus adjusted net debt).

Return on average equity
Group profit before tax plus joint venture tax divided by the average equity shareholders’ funds.

Revenue profit
Profit before tax, excluding profits on the sale of non-current assets and trading properties, profits on long-term development contracts, valuation movements, fair value movements on interest-rate swaps and similar instruments used for hedging purposes, the adjustment to finance expense resulting from the amortisation of the bond exchange de-recognition adjustment, debt restructuring charges, and any other items of an exceptional nature.

Reversionary or under-rented
Space where the passing rent is below the ERV.

Reversionary yield
The anticipated yield to which the initial yield will rise (or fall) once the rent reaches the ERV.

Security Group
Security Group is the principal funding vehicle for the Group and properties held in the Security Group are mortgaged for the benefit of lenders. It has the flexibility to raise a variety of different forms of finance.

Temporary lettings
Lettings for a period of one year or less. These are included within voids.

Topped-up net initial yield
Topped-up net initial yield is a calculation by the Group’s external valuer. It is calculated by making an adjustment to net initial yield in respect of the annualised cash rent foregone through unexpired rent-free periods and other lease incentives. The calculation is consistent with EPRA guidance.

Total business return
Dividend paid per share in the period plus the change in adjusted diluted net assets per share, divided by adjusted diluted net assets per share at the beginning of the period.

Total cost ratio
Total cost ratio represents all costs included within revenue profit, other than rents payable and financing costs, expressed as a percentage of gross rental income before rents payable.

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
Valuation movement, profit/loss on property sales and net rental income in respect of investment properties expressed as a percentage of opening book value, together with the time weighted value for capital expenditure incurred during the current period, on the combined property portfolio.

Total Shareholder Return (TSR)
The growth in value of a shareholding over a specified period, assuming that dividends are reinvested to purchase additional units of the stock.

Trading properties
Properties held for trading purposes and shown as current assets in the balance sheet.

Turnover rent
Rental income which is related to an occupier's turnover.

Valuation surplus/deficit
The valuation surplus/deficit represents the increase or decrease in the market value of the Combined Portfolio, adjusted for net investment. 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.

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.