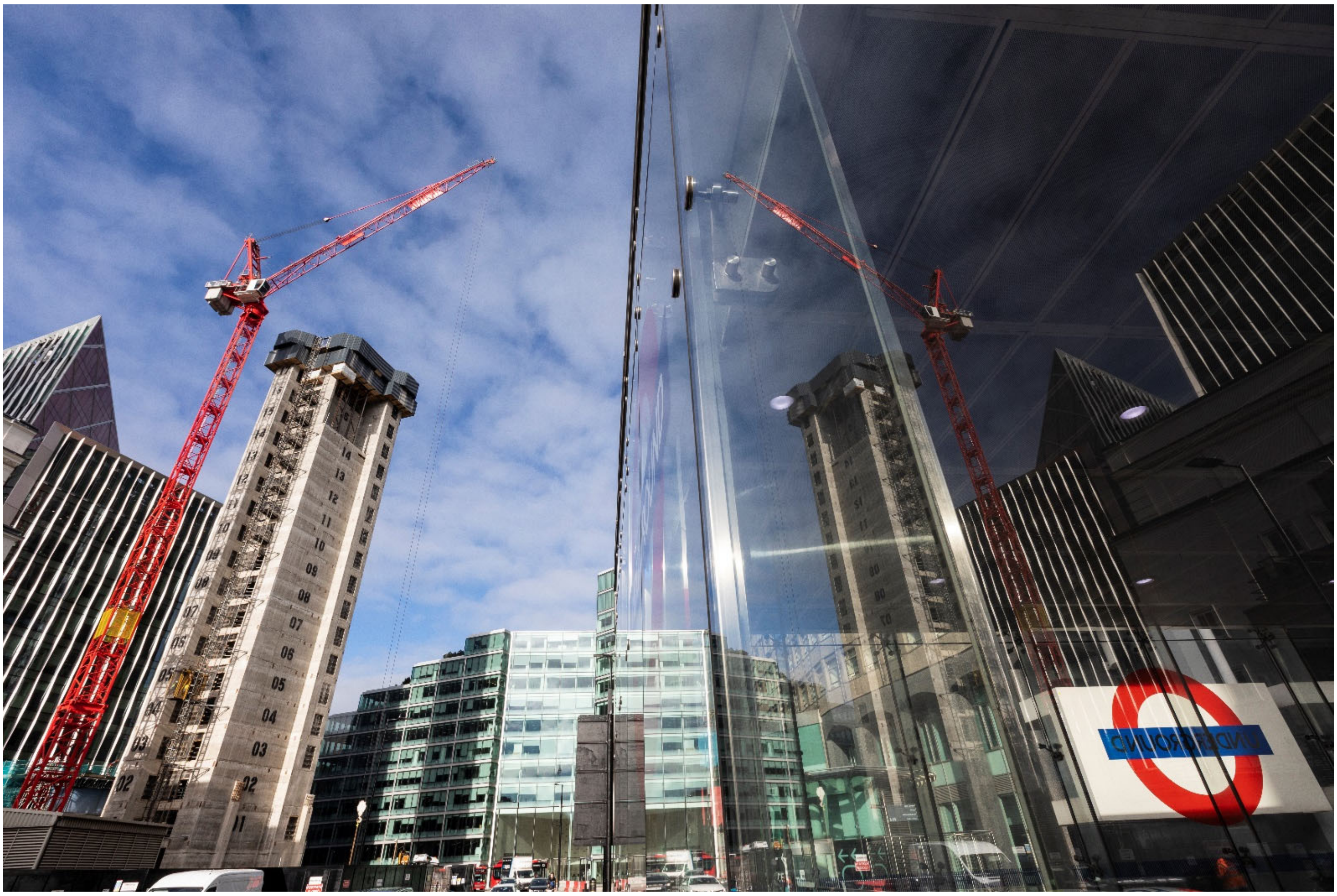
Landsec

Annual results for the year ended 31 March 2021

18 May 2021



Forward-looking statements

These preliminary 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, strategies, objectives, goals and expectations with respect to these items and the economies and markets in which the Group operates.

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

Any forward-looking statements made in these preliminary 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 preliminary results, the latest Annual Report or Landsec's website should be construed as a profit forecast or an invitation to deal in the securities of the Company.

Annual results for the year ended 31 March 2021

18 May 2021

Poised for recovery with a strategy that positions Landsec for long-term growth

Chief Executive Mark Allan said:

“Our results for the year to March 2021 clearly reflect the challenges caused by both the pandemic and the associated restrictions. However, from the very outset of the first lockdown we have been focused on supporting our customers and ensuring that the business emerges from the pandemic in as strong a position as possible. The positive effects of this decisive action will become clearer in the years ahead.

“We are now entering the recovery phase. Government action to support the economy was swift and the speed of the ongoing vaccination programme impressive. As a result, there is the real prospect of a strong consumption led recovery across the remainder of 2021 and 2022. Like many people, I was encouraged to see the relish with which people returned to experience in-person shopping as the easing of lockdown measures began in April, and early indicators are that this excitement is driving a strong return to our retail assets. With this week marking the next milestone in the Government’s roadmap out of lockdown we expect to see even more.

“As a result of our proactive approach to the challenges posed by the pandemic, Landsec is poised for the recovery with a strategy that positions the business for long-term growth.”

Financial results

- Revenue profit(1)(2) down 39.4% to £251m
- Loss before tax for the year of £1,393m (2020: loss of £837m)
- Adjusted diluted earnings per share(1)(2) down 39.4% to 33.9p
- Full year dividend of 27.0p per share (2020: 23.2p)
- Combined Portfolio(1)(2) valued at £10.8bn, with a valuation deficit(1)(2) of £1,646m or 13.7%(3)
- EPRA net tangible assets per share(1) down 17.4% to 985p
- Ungeared total property return(4) of -9.6%
- Total business return(1) of -15.9%
- Like-for-like net rental income, down £165m or 30.4%

We remain in a strong financial position

- Resilient Central London portfolio consisting of high-quality assets with good liquidity
- Low leverage with a Group LTV ratio(1)(2) at 32.2% (31 March 2020: 30.7%)
- Adjusted net debt(1)(2) of £3.5bn (31 March 2020: £3.9bn)
- Weighted average cost of debt at 2.2% (31 March 2020: 1.8%)
- Weighted average maturity of debt at 11.5 years (31 March 2020: 9.6 years)
- Cash and available facilities(2) of £1.6bn

Landsec is poised for recovery with a strategy that positions the business for long-term growth

- We have a clear strategy focused on four priorities, to reshape the portfolio and reposition Landsec for growth
- The four priorities are:
  - Optimise our Central London portfolio
  - Reimagine retail by redefining how we do retail in a multi-channel world, driving successful outcomes for all
  - Grow through Urban opportunities applying our proven skillset to deliver multi-phased, urban mixed-use schemes
  - Realise capital from Subscale sectors
- Our strategy is grounded in an authentic purpose; built on sustainable competitive advantage; and supported by long-term macro trends
- Culture is as important as strategy; the launch of our first culture report in June will provide the business with a benchmark on which to build
- Alongside our annual Gender Pay Gap reporting, we have also published our first Ethnic Pay Gap. We've done this ahead of any statutory requirement because we are committed to building a diverse and inclusive culture, one which will help us live up to our purpose

Ensuring the business emerges from the pandemic in as strong a position as possible

- Supported our customers: £80m support fund for retail, leisure and hospitality customers impacted by the pandemic, alongside developing a practical solution to withdraw the moratorium on enforcement action and accrued arrears
- Supported our charity partners: £500,000 additional financial assistance to existing charity partners
- Supported our people: focused activity to support the mental health and wellbeing of our people during a period of uncertainty and significant change due to the pandemic
- Responded quickly: operational changes delivered quickly and efficiently to keep staff, customers and consumers safe across the portfolio, strengthening relationships with customers through collaboration
- Maintained optionality on our development activity: measured approach to existing development pipeline, progressing schemes with the best risk adjusted returns. During the year, we fully committed to Lucent, W1 and The Forge, SE1, in September 2020, and n2, SW1 in March 2021

London office market remains resilient and competitive – we continue to make disposals and invest

- Investor interest in the London office market remains high, offering opportunities to recycle capital, as evidenced by the sale of 7 Soho Square, W1 in September 2020, and 1 & 2 New Ludgate, EC4 in December, both ahead of the March 2020 valuation
- Bifurcation of demand as quality of space, wellbeing and sustainability credentials become significant factors for customers, driving interest in Landsec's core office product and meaning secondary, outdated stock in the market will be ripe for redevelopment
- Myo, our flexible office brand, launches its second location on 19 May at Dashwood, EC2 the newly refurbished boutique tower close to Liverpool Street station and the new Crossrail entrance

Potential for a strong consumer-led recovery

- Strong performance in England since restrictions on non-essential retail began to lift on 12 April. Shopping centre sales, excluding F&B, up 5% versus 2019, and outlets up 14% versus 2019
- Over 50 retail brands have agreed new leases or opened new stores during the year, demonstrating physical stores in the right locations remain a key element to brand partner strategies
- Innovative new concepts also forming part of the mix, with new leisure attractions opening in the coming months including Gravity at Southside, Wandsworth and Hangloose at Bluewater

We are committed to being a purpose-led, sustainable business

- Committed to become a net zero carbon business by 2030, with first net zero carbon building under way at The Forge, SE1
- Delivered a 55% reduction in carbon emissions compared with 2013/14 baseline, keeping us on track to achieve our science-based target aligned with a 1.5°C scenario to reduce emissions by 70% by 2030
- Delivered £11m of social value in our local communities since 2019 through our community and charitable activity focusing on education and employment
- Introduction of new employee performance related pay which includes a key measure of success against our ESG performance
- Our ESG leadership is also demonstrated through our performance in key ESG benchmarks:
  - GRESB: Regional Listed Sector Leader for Europe within Diversified – Office/Retail for standing investments; Global Listed Development Sector Leader for Office developments
  - CDP: A-list for the fourth consecutive year

Results summary

	Year ended 31 March 2021	**Year ended 31 March 2020**	**Change**
Revenue profit[(1)(2)]	£251m	£414m	Down 39.4%
Valuation deficit[(1)(2)]	£(1,646)m	£(1,179)m	Down 13.7%[(3)]
Loss before tax	£(1,393)m	£(837)m	
Basic loss per share	(188.2)p	(112.4)p	
Adjusted diluted earnings per share[(1)(2)]	33.9p	55.9p	Down 39.4%
Dividend per share	27.0p	23.2p	Up 16.4%
Total business return	-15.9%	-8.2%	
Net assets per share	975p	1,182p	Down 17.5%
EPRA net tangible assets per share[(1)]	985p	1,192p	Down 17.4%
Group LTV ratio[(1)(2)]	32.2%	30.7%	

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

Chief Executive's statement

Overview

I joined Landsec as Chief Executive in April 2020, in the early days of the Covid-19 pandemic, and our results for the year to March 2021 clearly reflect the challenges of both the pandemic and the government's policy response. However, from the very outset of the first lockdown we have been focused on ensuring that the business emerges from the pandemic in as strong a position as possible. The positive effects of this decisive action will become clearer in the years ahead.

Lockdowns meant that the vast majority of our portfolio was either closed or substantially unoccupied for over half of the year. Social distancing and other restrictions meant that, even when open, capacity and utilisation across all assets was still heavily impacted. Our key priorities throughout were (i) ensuring the safety of our employees and visitors to our properties; (ii) working collaboratively with our customers to support their businesses as effectively as possible; and (iii) maintaining our financial strength and flexibility. Our success and progress against each of these objectives, in the face of heightened uncertainty and persistent challenges, has gone some way to offset the significant negative financial impact of the pandemic. We did not benefit from any Government sponsored financial assistance.

We are now entering the recovery phase. Government action to support the economy was swift and the speed of the ongoing vaccination programme impressive. As a result, there is the real prospect of a strong consumption led recovery across the remainder of 2021 and 2022, although this is not without risk. Businesses will fail, jobs will be lost and management of the public finances will require a deft hand. However, as a result of our proactive approach to the challenges posed by the pandemic, Landsec is poised for the recovery with a strategy that positions the business for long-term growth.

Results and dividend

EPRA NTA was 985p at 31 March, a fall of 17.4% over the year attributable primarily to the effect of the global Covid-19 pandemic on our property values. Adjusted net debt fell £437m to £3,489m as a result of proactive asset disposals more than offsetting capex on our development programme. As a result, despite the valuation weakness, our Group LTV only increased marginally to 32.2%. Our balance sheet remains in a strong position.

Revenue profit for the year was £251m, down 39.4% relative to the prior year. The decline was almost entirely attributable to Covid-19, either as a result of lower operating income (such as rent on turnover leases) or as a result of rent concessions granted and bad debt provisioning.

We are proposing a final dividend for the year of 9.0p per share which, together with interim dividends already paid, makes for total dividends of 27.0p per share for the full year.

Strategy, culture and people

We launched our new strategy in October 2020, confirming our intention to focus on creating long-term value for shareholders, as measured by total business return. We will achieve this by concentrating our activities and our capital on those sectors and opportunities where we believe we have sustainable or attainable competitive advantage. Importantly, it is a strategy grounded in a clear purpose – Sustainable Places. Connecting Communities. Realising Potential – which aims to create sustainable value for all our stakeholders.

This strategy is captured in four strategic priorities, set out below, and each is covered in more detail later in the Operating and portfolio review, together with a clear update on progress made to date and more detail on near-term objectives.

- Optimise Central London
- Reimagine retail
- Grow through Urban opportunities
- Realise capital from Subscale sectors

In line with our strategy, we intend to increase portfolio recycling in the near term to effect our desired reallocation of capital and are prepared to take, in a considered way, more operational risk to create value and drive returns, with financial leverage managed accordingly. We have earmarked approximately £4bn of assets for disposal over the next few years, focused initially on high quality but defensive prime central London assets and, in due course, assets in Subscale sectors where we have little or no competitive advantage (hotels, leisure and retail parks).

When reinvesting capital from this portfolio recycling programme, we have identified two main areas of focus – value add opportunities in central London and urban mixed-use regeneration projects. We also believe that opportunities could begin to emerge in the retail sector in the short to medium term following the very substantial downward correction in asset values in that sector over the past few years.

Culture is as important as strategy. Successful execution of our strategy will be built on a reinvigorated culture at Landsec to ensure that we make the most of the considerable capability and expertise of our people and look to augment it in a targeted way. Clarity of strategic direction, coupled with a properly aligned organisational design, will allow us to foster a culture of greater empowerment and accountability. As a result, we will be better placed to assess and manage risk, make decisions more quickly and drive better returns. Where we judge that new or additional skills are required, for example in elements of our retail business or in regeneration and placemaking, we are moving quickly to address those needs.

Bridging both strategy and culture for Landsec are five key performance drivers that will underpin our competitive advantage for the long term: customer centricity; data-driven decisions; ESG leadership; capital discipline and development expertise. Our level of existing capability in each area is varied – development expertise and ESG leadership are already key strengths on which we can build further. Our capital discipline – both in the sourcing and allocation of capital – can be sharper and customer centricity and data-driven decisions are both areas where significant progress is needed. But these are areas where the wider real estate sector itself is not particularly strong and so both still represent opportunities to establish competitive advantage if we move quickly.

The past twelve months have been challenging for everyone. Across Landsec, as with many organisations, our teams have had to adapt quickly to ever changing conditions and have had to work harder than ever to balance the pressures of their roles with other priorities. It is testament, therefore, to their skill and dedication that so much has been achieved, and so much value protected, despite these persistent challenges. I have been deeply impressed by both the performance and potential of my new colleagues.

Strategic priority – Optimise Central London

Our Central London business represents 68% of our portfolio by value and is characterised by the quality, resilience and liquidity of our London office assets. These assets are a clear example of the value creation capabilities inherent in the Landsec business, given that the majority have been developed or refurbished and leased by us in the past 15 years. However, a number of the assets now have limited further value creation potential and so we intend to increase asset disposals over the next few years and recycle our investment out of these high quality, more defensive assets and increase our exposure to assets that offer greater upside, for example either through redevelopment or repositioning. This strategy better aligns our capital and capability, leading to greater value creation opportunities in the medium to longer term. Our sale of 1 & 2 New Ludgate for £552m in December and the subsequent acquisition of 55 Old Broad Street for £87m demonstrate the progress we are already making.

Central London has been one of the areas hardest hit by the effects of the pandemic and social distancing restrictions, with physical office occupancy for the portfolio as a whole ranging from 1% to 21% at different times across the year and footfall across our Central London portfolio down by around 82%. We expect physical office occupancy to recover substantially across the second and third quarters of 2021. However, with tourism likely to be constrained, future office working patterns still unclear and residual concern about the safety of public transport likely to persist for a while yet, it will take longer for central London footfall to recover fully.

Given the pandemic related challenges, our Central London performance was remarkably resilient in valuation terms, falling only 6.5% to £7.3bn and reflecting a like-for-like equivalent yield of 4.6%. Investor demand for long let, prime London assets was strong and we expect it to remain so, reflecting both investors' willingness to look through near-term uncertainty and the relative value of London compared with other major cities around the world. Yields for prime assets appear well supported at current levels and we could even see some compression in the year ahead.

The nearer term prospects for office occupier markets are more difficult to judge. Vacancy rates are high but concentrated in second hand space. Hybrid working models are here to stay but the effect on occupiers' space requirements is far from clear and will not be uniform. And demand seems likely to be strongest for prime space, the recent and speculative supply of which has been muted. Overall we expect some weakness in rent levels but for this to be most significant for secondary space, of which we have very little.

Against this backdrop, there will be a clear opportunity for owners and occupiers to work together collaboratively to determine and deliver tailored requirements and this will offer potential for investors, developers and occupiers alike. Landsec's long track record and deep, strategic relationships with its customers should translate into clear competitive advantage. Besides our high quality development programme, it is also a particularly interesting time for us to be broadening the range of propositions we can offer to occupiers – our Myo, Customised and Blank Canvas offerings. Flexibility, adaptability and strong customer relationships are going to be critical attributes going forward.

From a development perspective, we worked hard during the year to preserve optionality on our speculative projects for as long as possible, allowing us time to assess and better understand the outlook for the occupier market. Taking all of our analysis into account, and having stress tested prospective returns, we have now committed to three of our five near-term office development opportunities and will be delivering them during 2022 and 2023. These three projects total 0.5 million sq ft and, including pre-let or pre-sold projects, take our total committed development programme to 1.1 million sq ft, of which 57% is either pre-let or pre-sold.

Strategic priority – Reimagine retail

The pandemic has materially accelerated structural trends that were already underway in retail and, for most of the retail sector, it is clear that online is now the primary growth channel and will remain so. This does not, however, signal the end for retail property. Instead, it means that its role must change in an omnichannel world to offer something sufficiently compelling – either to be complementary to online or to offer something that cannot be easily replicated online. It is this reality that underpins our 'Reimagine retail' vision and we are confident that, with effective execution, we have a retail business that can thrive longer term.

Our outlets portfolio (£0.7bn value) serves a real purpose, offering visitors the opportunity to enjoy a day out shopping a variety of brands, with a great value offer and experience that isn't easily replicated online. The outlet model is fundamentally based on collaborative partnerships with our brand partners, most obviously through turnover based leases. During the year, our outlets have been relatively resilient, but values fell 18.5% and like-for-like equivalent yields moved out to 6.8%. However, based on their strong relative performance after each lockdown, we expect outlets to perform strongly in the recovery.

The picture for shopping centres remains more complex. Over the year, the value of our regional shopping centres fell on average 38.2% to £1.0bn, taking the decline from the peak to approximately 60%. The realities remain that going forward there will be fewer physical retail stores, rents will be lower and, in order to remain relevant, shopping centres will need to offer a combination of attributes that are either complementary to online or not easily replicated online.

Much more of this is now reflected in valuations than was the case a year ago, largely as a result of the accelerating effect of the pandemic. The vast majority of our forecast 40% decline in rents from peak to achieve a sustainable level has now been recognised. It is of course currently difficult to assess rental values given the effects of the pandemic and the increasing prevalence of turnover components to leases, and it is possible that the downward correction in rents overshoots in the short term. However, we remain confident in our sustainable rent forecasts overall.

All of this means that retail property will continue to become more operational in nature and our priorities reflect this. To be successful in the long term we need to be able to combine strong, strategic relationships with brand partners, effectively tailored guest experiences and deep asset management expertise. Landsec has always had strong asset management credentials but brand partner management and more tailored guest experiences are areas where we are targeting rapid enhancements. We have made good early progress and our appointment in December last year of Bruce Findlay as Managing Director – Retail, bringing considerable international retail experience from a range of global brands, is an important example of how we are enhancing the 'retailer perspective' in our approach.

The near-term outlook for retail remains challenging, particularly for shopping centres. We are likely to see a sharp increase in insolvency processes (such as CVAs, business restructurings or administrations) amongst occupiers as the Government's pandemic related support tapers off and businesses that were struggling before the pandemic continue to do so afterwards. As this happens, it will accelerate the fall in passing rents towards our forecast sustainable rent levels, increasingly reflected in valuations already. It will also open up opportunities for new brands and different propositions, including digitally native ones, to take space instead and help improve longer-term prospects.

Our longer-term view of retail is more positive. With the downward correction in rents and values now happening much more quickly than would have been the case before Covid-19, it represents an opportunity for the sector to recalibrate. Landsec's combination of a strong retail platform, deep asset management and development expertise and a strong balance sheet marks us out as increasingly unique in the sector and well positioned to take advantage of any appropriate opportunities should they emerge.

Strategic priority – Grow through Urban opportunities

Our Urban opportunities portfolio currently consists of five suburban London shopping centres with significant repurposing potential in the medium to longer term. These assets offer the raw material for mixed-use, multi-phase developments that can offer a compelling blend of income, development and rental growth driven returns throughout their life. Well designed, mixed-use spaces can also cater for the increasing focus on the need for balanced communities and spaces that contribute positively to quality of life, both of which have been brought into sharper relief by the pandemic. With our existing development and asset management capabilities, we believe that Landsec is well placed to become a leading player in this sector, both through the realisation of existing opportunities within our own portfolio but also through targeted acquisitions.

The longer-term redevelopment potential of our Urban opportunities portfolio helped to support values during the year to some extent but they still saw a meaningful decline of 23.3% to £0.4bn as a result of their predominantly existing retail nature. Our focus in the year ahead is on progressing our redevelopment plans, with the submission of a planning application on our first project a key target. We are also actively evaluating potential new investment opportunities that can offer the right blend of income, development and rental growth driven returns, ideally in a way that can accelerate the return profile of this segment of the business.

Strategic priority – Realise capital from Subscale sectors

Subscale sectors describes those parts of the portfolio where we have relatively little capital invested and judge ourselves to have little or no competitive advantage – hotels, leisure assets and retail parks. Our objective remains to realise capital from these assets over time and to reinvest that capital into new value creation opportunities.

Of course, these types of assets have been amongst the hardest hit by the pandemic, particularly hotels and leisure, and over the past 12 months the aggregate value of our investment in Subscale sectors fell 16.4% to £1.3bn. We do, however, expect these assets to be well placed beneficiaries of a strong consumption led recovery in the months and years ahead and for values to grow meaningfully as a result. Our anticipated timescale for disposals reflects this, with hotels and leisure assets unlikely to be sold for at least a couple of years so that we can capture a sensible proportion of the expected valuation upside ahead. Retail parks, which were more resilient in the pandemic and where investment markets have staged a recovery, may offer sale opportunities sooner. In all cases, we will be working hard to maximise value creation opportunities across the portfolio in the meantime.

The year ahead

Performance in the coming year will be determined by the shape of economic recovery from Covid-19 and the early signs are positive. The 12 April re-opening of non-essential retail saw some very strong trading for retailers across our portfolio and highlighted the potential for a strong consumer-led recovery over the remainder of 2021 and 2022. Our retail, leisure and hotel assets are well placed to benefit from such a recovery and, after a period of material downward movements in retail valuations in particular, the outlook for this part of our portfolio now appears under significantly less pressure.

We expect activity in central London to recover more slowly, with office occupational markets remaining more subdued for the time being, which could translate into some rental weakness. The London investment market, conversely, seems likely to display continued resilience with a significant amount of capital seeking prime investment opportunities and this could go some way to offsetting any rental weakness from a valuation perspective.

Against this backdrop, we expect to make good progress in executing our strategy. We took advantage of strong investor demand for prime London office assets to make two disposals in the year, with combined proceeds of £0.6bn, and more disposals are likely over the course of the next financial year. With improving economic prospects, we can now pursue opportunities to reinvest this capital with confidence.

Our reinvestment agenda includes our committed Central London development programme, but we also have capacity to pursue new acquisition opportunities in a targeted way. Our main target areas for investment are value add opportunities in central London and mixed-use, multi-phase urban regeneration projects, both of which offer the potential for above average total returns for shareholders. In addition, we are carefully monitoring the retail sector to determine whether this could provide interesting opportunities at potentially compelling returns.

Of course, our strategy is about more than capital allocation. We also intend to continue the reinvigoration of our culture in line with the principles of empowerment and accountability and to enhance some of the more operational and customer-oriented foundations that we believe will be critical to our long-term success. These include the continued roll out of a wider range of propositions for our Central London office customers, further investment in strategic brand partnerships and guest experience capability in retail and proving our placemaking credentials in Urban opportunities.

The Landsec business is poised for recovery with a strategy that positions the business for long-term growth.

Mark Allan
Chief Executive

Financial review

Overview

We began and ended the financial year with the country in lockdown, many retail and leisure destinations closed and our offices, while open, largely deserted as most people followed Government guidance to work from home. While conditions are now improving and we look forward to a full re-opening of the UK economy, the effect of Covid-19 on our business and financial performance has been significant.

In early April, we were quick to acknowledge the effect of lockdown on our occupiers by setting up our £80m customer support fund for those most in need. At about the same time, the Government introduced a temporary rent collection moratorium which has severely impacted our ability to enforce rent collection. With the moratorium still in place, there has been little incentive for our retail and leisure occupiers to make payments or even agree and document rent concessions from our customer support fund when they are able to withhold rent payments without consequences. While much rent due from leisure and retail occupiers has been withheld, it would be a mistake not to acknowledge those occupiers who have paid their rent and service charge in full, despite being negatively impacted by the pandemic. Hopefully, as retailers and leisure operators can now see a way out of the pandemic towards full re-opening, we will see a return to timely rent payments and agreement on how outstanding amounts will be settled.

The impact on our results from unpaid rent and service charges has been significant. During the year we have made bad debt provisions of £127m on top of the £23m we provided in last year's results against quarterly rent due on 25 March 2020. This is an unprecedented level of provisions and is based on a cautious assessment of the impact of concessions, CVAs and business failures on how much rent we will collect. Time will tell whether we have been too cautious or optimistic in our assessment of these factors but it is our best estimate today based on our knowledge of each individual occupier. In total, we have provided for approximately 38% of the retail and leisure rent for the year. Covid-19 and lockdown has also led to a sharp decline in turnover related income from our hotels, car parks and outlets. The impact of reduced income and higher bad debt provisions is behind the decline in revenue profit to £251m (2020: £414m).

The decline in asset values we saw in our retail and leisure assets last year has continued while our London offices have been more resilient with a relatively small reduction in values. While our external valuer, CBRE, has removed the material uncertainty clause that they included at 31 March 2020 (except for our hotel portfolio), the valuation declines in regional shopping centres and outlets remain more driven by sentiment than transactional activity. This is not true of the London office investment market which continues to demonstrate liquidity, with good investment appetite and transactions completing.

Table 1: Highlights

	Year ended 31 March 2021	Year ended 31 March 2020
Revenue profit[1]	**£251m**	£414m
Valuation deficit[1]	**£(1,646)m**	£(1,179)m
Loss before tax	**£(1,393)m**	£(837)m
Basic loss per share	**(188.2)p**	(112.4)p
Adjusted diluted earnings per share[1]	**33.9p**	55.9p
Dividend per share	**27.0p**	23.2p
	31 March 2021	31 March 2020
Combined Portfolio[1]	**£10.8bn**	£12.8bn
Net assets per share	**975p**	1,182p
EPRA net tangible assets per share	**985p**	1,192p
Adjusted net debt[1]	**£3.5bn**	£3.9bn
Group LTV ratio[1]	**32.2%**	30.7%

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

Revenue profit for the year to 31 March 2021 was £251m, down 39.4% from £414m as a result of the impact of Covid-19 across the portfolio. Adjusted diluted earnings per share were also down 39.4% at 33.9p due to the reduction in revenue profit. Over the year, our assets declined in value by 13.7% or £1,646m (including our proportionate share of subsidiaries and joint ventures) compared with a £1,179m decline last year. This decline in the value of our assets is behind our loss before tax of £1,393m (2020: £837m loss) and the reduction in our EPRA net tangible assets per share in the year, down 17.4% to 985p.

Presentation of financial information

Our property portfolio is a combination of properties that are wholly owned by the Group, part owned through joint arrangements and those owned by the Group but where a third party holds a non-controlling interest. Internally, management reviews the results of the Group on a basis that adjusts for these forms of ownership to present a proportionate share. The Combined Portfolio, with assets totalling £10.8bn, is an example of this approach, reflecting the economic interest we have in our properties regardless of our ownership structure. We consider this presentation provides additional information to stakeholders on the activities and performance of the Group, as it aggregates the results of all the Group's property interests which under IFRS are required to be presented across a number of line items in the statutory financial statements.

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

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

During the year, following the strategy review, we changed how we report financial information to better reflect the way we manage our assets. Assets have been reallocated by strategic priority into one of four new segments: Central London, Regional retail, Urban opportunities and Subscale sectors.

The sector breakdown within our Combined Portfolio Analysis disclosure has been re-ordered to reflect the new segments and the level of detail reported in the CPA for the office assets has been reduced to reflect the fact that all the London office assets are managed in a consistent manner irrespective of their location. The prior year has been restated in the new format and a reconciliation to the previous presentation has been provided on our website.

Income statement

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

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

Table 2: Income statement

	Table	**Year ended 31 March 2021 £m**	Year ended 31 March 2020 £m
Revenue profit	3	**251**	414
Capital and other items	8	**(1,644)**	(1,251)
Loss before tax		**(1,393)**	(837)
Taxation		**-**	5
Loss attributable to shareholders		**(1,393)**	(832)
Basic loss per share		**(188.2)p**	(112.4)p
Adjusted diluted earnings per share		**33.9p**	55.9p

Our loss before tax was £1,393m, compared with a loss of £837m in the prior year, due to a greater fall in the value of our assets this year (down £1,646m, compared with £1,179m last year) as well as a £163m reduction in revenue profit. The loss per share this year was 188.2p, compared with a loss per share of 112.4p in the prior year. Adjusted diluted earnings per share decreased by 39.4%, from 55.9p to 33.9p this year, as a result of the decrease in revenue profit from £414m to £251m. There is no difference between our adjusted diluted earnings per share and the EPRA measure.

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

Revenue profit

Revenue profit is our measure of underlying pre-tax profit, presented on a proportionate basis. A full definition of revenue profit is given in the Glossary. Revenue profit decreased by £163m to £251m for the year ended 31 March 2021 (2020: £414m) as set out in the table below.

Table 3: Revenue profit

		Year ended 31 March 2021					Year ended 31 March 2020					
		Central London	**Regional retail**	**Urban opps**	**Subscale sectors**	**Total**	Central London	Regional retail	Urban opps	Subscale sectors	Total	**Change**
	Table	**£m**	**£m**	**£m**	**£m**	**£m**	£m	£m	£m	£m	£m	**£m**
Gross rental income[1]		**306**	**157**	**26**	**80**	**569**	327	193	29	114	663	**(94)**
Net service charge expense		**-**	**(3)**	**-**	**(2)**	**(5)**	1	(3)	-	(2)	(4)	**(1)**
Net direct property expenditure		**(9)**	**(13)**	**(4)**	**(6)**	**(32)**	(13)	(19)	(4)	(7)	(43)	**11**
Bad and doubtful debts expense		**(17)**	**(69)**	**(10)**	**(31)**	**(127)**	(5)	(18)	(3)	(7)	(33)	**(94)**
Segment net rental income	4	**280**	**72**	**12**	**41**	**405**	310	153	22	98	583	**(178)**
Net indirect expenses						**(80)**					(74)	**(6)**
Revenue profit before interest						**325**					509	**(184)**
Net finance expense	5					**(74)**					(95)	**21**
Revenue profit						**251**					414	**(163)**

1. Includes finance lease interest, after rents payable.

The main driver behind the reduction in revenue profit was a £178m decrease in net rental income. This reduction and other changes compared with last year are explained in more detail below.

Net rental income

Table 4: Net rental income[1]

	£m
Net rental income for the year ended 31 March 2020	**583**
Net rental income movement in the year:	
Like-for-like investment properties	**(71)**
Like-for-like investment properties – bad and doubtful debts expense	**(94)**
Proposed developments	**(9)**
Development programme	**1**
Completed developments	**-**
Acquisitions since 1 April 2019	**2**
Disposals since 1 April 2019	**(9)**
Non-property related income	**2**
	(178)
Net rental income for the year ended 31 March 2021	**405**

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

Like-for-like net rental income was down £165m, with increased bad and doubtful debts accounting for £94m of the decline. Further information on our rent collections and bad debt provisions is set out below. Like-for-like net rental income before bad debt provisions was down £71m largely due to a reduction in short-term and turnover related income of £56m and CVAs and administrations of £22m, partly offset by an £11m reduction in direct property expenditure. Income from our Accor hotel portfolio, which is all linked to turnover, was down £24m, while car park income reduced by £15m. Turnover related top-ups, principally in our outlet portfolio, declined by £11m and Piccadilly Lights, W1 saw a £6m reduction from short-term advertising campaigns.

Outside the like-for-like portfolio, there was a £9m reduction in net rental income from proposed developments, driven by Portland House, SW1, which reached vacant possession of the office space in March 2020. There was also a £9m reduction in net rental income following the disposal of 1 & 2 New Ludgate, EC4 and 7 Soho Square, W1 in the current year and Poole retail park in the prior year. The £2m increase in non-property related income largely reflects the release of a provision following an agreement which ended our obligations under one of our last remaining Landflex leases.

Net indirect expenses

Net indirect expenses represent the indirect costs of the Group including joint ventures. In total, net indirect expenses were £80m (2020: £74m). The £6m increase is partly due to higher uncapitalised development-related expenditure and professional and consultancy fees.

Net finance expense (included in revenue profit)

Table 5: Net finance expense[1]

	£m
Net finance expense for the year ended 31 March 2020	**95**
Impact of:	
Interest costs	**(17)**
Capitalised interest	**(4)**
Net finance expense for the year ended 31 March 2021	**74**

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 £21m to £74m due to reductions in interest payable following debt management exercises carried out last year, lower base rates and an increase in interest capitalised on our developments in the year.

Recent rent collection and related provisions

In early April, soon after the start of the first national lockdown, we established a customer support fund of £80m for occupiers most in need of our assistance with a focus on our retail and leisure portfolios. During the year, we have worked with our occupiers to agree rent concessions out of the fund and the payment of any outstanding balances. We also agreed with some occupiers for rents to be paid on a monthly basis, or to be deferred to later quarters to assist with cash flow management.

£110m of rent was due on the 25 March 2021 quarter day, including the Group's share of joint venture debtors. While this rent almost entirely relates to the 2021/22 financial year, we are still required to assess its recoverability at 31 March 2021. The table below shows the amount and percentage of this rent collected to date after adjusting for the impact of customers having entered CVAs and administrations, concessions agreed out of the fund and agreed monthly and deferred payment terms. A similar analysis is shown for the rents which were due between 25 March 2020 and 24 March 2021.

Table 6: Rent collections

25 March 2021 quarter(1)(2)

	Gross amounts due 25 March £m	Impact of CVAs and admins £m	Agreed changes in payment terms: Concessions £m	Agreed changes in payment terms: Monthly payment terms £m	Agreed changes in payment terms: Deferred payments £m	Net amounts due 25 March £m	Amounts received to date £m	Amounts received to date %
Offices	63	-	-	(1)	-	**62**	**61**	**98**
Rest of Central London	9	-	(1)	-	-	**8**	**5**	**63**
Regional retail	16	-	(3)	(1)	-	**12**	**7**	**58**
Urban opportunities	5	-	-	-	-	**5**	**2**	**40**
Subscale sectors	17	(1)	(1)	(1)	-	**14**	**7**	**50**
	110	**(1)**	**(5)**	**(3)**	**-**	**101**	**82**	**81**

1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information above.
2. All amounts are shown gross of VAT. Where an amount billed remains uncollected and is subsequently written off, the VAT component will be recovered by the Group.

For the year ended 24 March 2021(1)(2)

	Gross amounts due for the year(3) £m	Impact of CVAs and admins £m	Agreed changes in payment terms: Concessions £m	Agreed changes in payment terms: Deferred payments £m	Net amounts due for the year(3) £m	Amounts received to date £m	Amounts received to date %
Offices	328	-	(1)	(1)	**326**	**326**	**100**
Rest of Central London	58	(2)	(5)	(1)	**50**	**40**	**80**
Regional retail	191	(12)	(21)	(1)	**157**	**112**	**71**
Urban opportunities	30	(1)	(2)	(1)	**26**	**16**	**62**
Subscale sectors	101	(6)	(8)	(3)	**84**	**60**	**71**
Total	**708**	**(21)**	**(37)**	**(7)**	**643**	**554**	**86**

1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information above.
2. All amounts are shown gross of VAT. Where an amount billed remains uncollected and is subsequently written off, the VAT component will be recovered by the Group.
3. Due dates from 25 March 2020 to 24 March 2021. Does not include 25 March 2021 quarter day rents.

Of the £101m of net rent billed for the 25 March 2021 quarter, £19m remains outstanding with £89m outstanding from rents due between 25 March 2020 and 24 March 2021. Following legislation introduced as a result of the pandemic, the options available to landlords to recover outstanding amounts have been significantly reduced. As a result, there is limited incentive for those who can afford to pay rent to do so and for those who are in difficulty to agree and document concessions.

Given this situation, we have assessed the outstanding debtors for recoverability and provided £127m for bad debts in the year. The provision includes £42m for occupiers where we have agreed concessions out of our customer support fund and £13m against tenant lease incentive balances. More detail on the amounts provided, including the impact on revenue profit for the year, is included in the table below.

Table 7: Provisions for bad and doubtful debts[1]

	Group £m	Joint ventures £m	**Total £m**
Provisions related to customer support fund concessions	37	5	**42**
Other provisions for rents receivable	50	8	**58**
Provisions for service charge receivables	12	2	**14**
Tenant lease incentive provisions	11	2	**13**
Bad debt expense charged to revenue profit in the year	**110**	**17**	**127**

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

As we work to agree and document rent concessions with individual retail and leisure occupiers, we expect this to result in the payment of the balance of their outstanding amounts. Nevertheless, we have taken what we believe to be a cautious view on provisions as we recognise the challenge of a gradual exit from lockdown, ongoing social distancing and the risk of further CVAs and administrations. Of the total amount of rent outstanding at 31 March 2021, around 60% was covered by a doubtful debt provision.

Capital and other items

Table 8: Capital and other items[1]

	Table	**Year ended 31 March 2021 £m**	Year ended 31 March 2020 £m
Valuation and profit on disposals			
Valuation deficit	14	**(1,646)**	(1,179)
Profit/(loss) on disposal of investment properties		**5**	(6)
(Loss)/profit on disposal of trading properties		**(1)**	7
Net finance expense	9	**(3)**	(68)
Other items			
Profit from long-term development contracts		**-**	3
Gain on settlement of liability		**4**	-
Other		**1**	(3)
Exceptional items		**(4)**	(5)
Capital and other items		**(1,644)**	(1,251)

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

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

Valuation of investment properties

Our Combined Portfolio declined in value by 13.7% or £1,646m over the year compared with a decrease in the prior year of £1,179m. A description of market conditions and a breakdown of valuation movements by category are set out in the Operational and portfolio review (table 14).

Profit/(loss) on disposals

The net profit on disposals of £4m in the year (2020: £1m) relates to the sale of both investment and trading properties. We recognised a £2m profit on the disposal of 7 Soho Square, W1, in September 2020 and a £5m profit on the disposal of 1 & 2 New Ludgate, EC4 in December 2020. Partly offsetting this was our £2m share of the Nova joint venture's loss on disposal of Nova Place, SW1 and n2, SW1, which were acquired by the Group in the year, and a £1m loss on trading properties.

Net finance expense (included in Capital and other items)

In the year ended 31 March 2021, we incurred £3m of net finance expense that is excluded from revenue profit principally due to premiums paid on the redemption of medium term notes.

Table 9: Net finance expense[1]

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Premium on redemption of medium term notes (MTNs)	**3**	59
Fair value movement on interest-rate swaps	**1**	9
Other net finance income	**(1)**	-
Total	**3**	68

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

Gain on settlement of liability

We recognised a £4m gain this year after settling the s106 liability at Nova, SW1 at a lower value than the previously anticipated cost of fulfilling the obligations.

Exceptional items

We incurred £4m (2020: £5m) of impairment charges during the year which have been classified as exceptional. As a result of a decline in the value of Bluewater, Kent, an impairment test of the intangible asset related to the management rights for the centre was carried out. This resulted in impairment charges of £4m in the year (2020: £4m) against the intangible asset we hold in the balance sheet and £nil (2020: £1m) against the related goodwill. At the year end, our intangible asset was £2m and the related goodwill was £1m.

Taxation

As a REIT, our income and capital gains from qualifying activities are exempt from corporation tax. 90% of this income must be distributed as a Property Income Distribution and is taxed at the shareholder level to give a similar tax position to direct property ownership. Non-qualifying activities, such as sales of trading properties, are subject to corporation tax. This year, there was no net tax charge (2020: credit of £5m).

The Group has met all the REIT requirements, including the payment by 31 March 2021 of the minimum Property Income Distribution (PID) for the year ended 31 March 2020. The forecast minimum PID for the year ended 31 March 2021 is £143m, which must be paid by 31 March 2022. The Group has already made PID dividends relating to 31 March 2021 of £49m, leaving £94m to be paid in the coming year.

Our latest tax strategy can be found on our corporate website. In the year, the total taxes we incurred and collected were £69m (2020: £171m), of which £25m (2020: £47m) was directly borne by the Group including environmental taxes, business rates and stamp duty land tax. The Group has a low tax risk rating from HMRC.

Balance sheet

Table 10: Balance sheet

	31 March 2021 £m	31 March 2020 £m
Combined Portfolio	**10,791**	12,781
Adjusted net debt	**(3,489)**	(3,926)
Other net liabilities	**(2)**	(21)
EPRA net tangible assets	**7,300**	8,834
Excess of fair value over net investment in finance leases book value	**(93)**	(90)
Other intangible asset	**2**	7
Fair value of interest-rate swaps	**3**	(1)
Net assets	**7,212**	8,750
Net assets per share	**975p**	1,182p
EPRA net tangible assets per share[1]	**985p**	1,192p

1. EPRA net tangible assets per share is a diluted measure.

Our net assets principally comprise the Combined Portfolio less net debt. Both IFRS net assets and EPRA net tangible assets declined over the year ended 31 March 2021 primarily due to the reduction in the value of our investment properties.

At 31 March 2021, our net assets per share were 975p, a decrease of 207p or 17.5% from 31 March 2020. EPRA net tangible assets per share were 985p, a decrease of 207p or 17.4%.

Table 11 summarises the key components of the £1,534m decrease in our EPRA net tangible assets over the year.

Table 11: Movement in EPRA net tangible assets[1]

	£m	Diluted per share pence
EPRA net tangible assets at 31 March 2020	8,834	1,192
Revenue profit	251	34
Valuation deficit	(1,646)	(222)
Dividends	(133)	(18)
Other	(6)	(1)
EPRA net tangible assets at 31 March 2021	**7,300**	**985**

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

Net debt and gearing

Table 12: Net debt and gearing

	31 March 2021	31 March 2020
Net debt	**£3,509m**	£3,942m
Adjusted net debt[1]	**£3,489m**	£3,926m
Group LTV[1]	**32.2%**	30.7%
Security Group LTV	**32.7%**	32.5%
Weighted average cost of debt[1]	**2.2%**	1.8%

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

Over the year, our net debt decreased by £433m to £3,509m. The main elements behind this decrease are set out in our statement of cash flows and note 14 to the financial statements.

Adjusted net debt was down £437m to £3,489m, with the main movements outlined in table 13 below. For a reconciliation of net debt to adjusted net debt, see note 13 to the financial statements.

Table 13: Movement in adjusted net debt(1)

	£m
Adjusted net debt at 31 March 2020	**3,926**
Adjusted net cash inflow from operating activities	**(249)**
Dividends paid	**127**
Capital expenditure	**220**
Acquisitions	**95**
Disposals	**(634)**
Deferred consideration received	**(10)**
Premium on redemption of MTNs	**3**
Other	**11**
Adjusted net debt at 31 March 2021	**3,489**

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

Net cash inflow from operating activities was £249m. Capital expenditure on investment properties was £220m, largely related to our development programme, with a further £95m spent on acquiring investment properties, principally 55 Old Broad Street, EC2. Net cash flow from disposals totalled £634m, with £550m received from the sale of 1 & 2 New Ludgate, EC4, £78m from the sale of 7 Soho Square, W1 and £4m from trading properties.

The most widely used gearing measure in our industry is loan-to-value (LTV). We focus most on Group LTV, presented on a proportionate basis, which increased from 30.7% at 31 March 2020 to 32.2% at 31 March 2021, due to the decline in the value of our assets partly offset by the reduction in net debt. Our Security Group LTV also increased, from 32.5% to 32.7%, but to a lesser extent as we moved additional assets into the Security Group.

Financing

At 31 March 2021, our committed revolving facilities totalled £2,715m (31 March 2020: £2,715m). The pricing of our facilities which fall due in more than one year range from LIBOR +65 basis points to LIBOR +75 basis points. Borrowings under our commercial paper programme typically have a maturity of less than three months, currently carry a weighted average interest rate of LIBOR +11 basis points and are unsecured.

The total amount of drawn bank debt was £209m (31 March 2020: £1,944m) with £906m of commercial paper in issue (31 March 2020: £977m). At 31 March 2021, we did not have any cash on hand (31 March 2020: cash balances of £1,345m). During the year, the sterling bond and commercial paper markets normalised, having been effectively closed to new issuance at March 2020. As a result, during the early part of the year, we repaid the cash balances we were holding as a liquidity buffer at 31 March 2020. At 31 March 2021, we had £1.6bn of available undrawn facilities, net of our outstanding commercial paper.

The weighted average maturity of our debt has increased to 11.5 years following a reduction at 31 March 2020 to 9.6 years after we drew down on our facilities. The weighted average cost of our debt at 31 March 2021 was 2.2% (31 March 2020: 1.8%). The weighted average cost of our net debt at 31 March 2021, which recognises the minimal interest income on cash deposits, was also 2.2% (31 March 2020: 2.4%).

Dividend

During the year we reinstated quarterly dividends, having suspended them due to the pandemic. We did not declare a first quarterly dividend, but paid a second quarterly dividend of 12.0p per share which we viewed as a combined first and second quarterly dividend at a level of 6.0p per quarter. A third quarterly dividend of 6.0p per share was paid on 30 March 2021. We are now recommending a final dividend of 9.0p per share to be paid on 23 July 2021 to shareholders registered at the close of business on 18 June 2021. Together with the final dividend, our full year dividend is 27.0p or £200m, up 16.4%. The first quarterly dividend, payable in October 2021, will be announced nearer the time.

At 31 March 2021, the Company had distributable reserves of £2.7bn. We do not anticipate that the level of distributable reserves will limit distributions for the foreseeable future.

Martin Greenslade
Chief Financial Officer

Operating and portfolio review

At a glance

- Valuation deficit of 13.7%[(1)]
- Ungeared total property return of -9.6%
- £24m of investment lettings, with a further £12m in solicitors' hands
- Like-for-like voids: 4.4% (31 March 2020: 2.5%) and units in administration: 2.2% (31 March 2020: 0.8%)
- 1.0 million sq ft of developments now on site

Central London

- Valuation deficit of 6.5%[(1)]
- Ungeared total property return of -2.3%
- £9m of investment lettings with a further £1m in solicitors' hands
- Like-for-like voids: 3.3% (31 March 2020: 1.3%) and units in administration: 0.3% (31 March 2020: nil)

Regional retail

- Valuation deficit of 31.4%[(1)]
- Ungeared total property return of -28.4%
- £9m of investment lettings, with a further £7m in solicitors' hands
- Like-for-like voids: 7.5% (31 March 2020: 4.7%) and units in administration: 5.8% (31 March 2020: 2.1%)
- Footfall down 65.3% (ShopperTrak national benchmark down 58.2%)
- Same centre sales (excluding automotive), taking into account new lettings and occupier changes, down 59.4% (BRC national benchmark down 29.2%)

Urban opportunities

- Valuation deficit of 23.3%[(1)]
- Ungeared total property return of -21.4%
- £1m of investment lettings, with a further £1m in solicitors' hands
- Like-for-like voids: 5.0% (31 March 2020: 4.8%) and units in administration: 1.1% (31 March 2020: 0.4%)

Subscale sectors

- Valuation deficit of 16.4%[(1)]
- Ungeared total property return of -12.8%
- £5m of investment lettings, with a further £3m in solicitors' hands
- Like-for-like voids: 2.5% (31 March 2020: 2.0%) and units in administration: 2.9% (31 March 2020: 0.9%)

1. On a proportionate basis.

We have a £10.8bn Combined Portfolio which is comprised of office space in London, and retail, leisure and hotel assets across the UK. We focus on maximising financial, physical and social value through providing the spaces and environments to allow businesses and people to thrive. This approach has been particularly important during the challenging environment we have operated in during the pandemic. Our focus during the year has been on supporting our customers and positioning our business to emerge from the pandemic in as strong a position as possible.

The impact of Covid-19 and our response

Our entire financial year was impacted by the pandemic. Operationally, all areas of the business were affected but the impact varied across the portfolio. Our office portfolio remained open throughout the year; occupation was significantly below pre-Covid-19 levels but we saw progressively higher levels of occupancy during each successive lockdown. In retail, leisure and hotels, the impact was more severe – during periods of lockdown, only essential retail and services could trade, with other operators limited to servicing online customers or providing takeout services. The financial impact of Covid-19 was much more acute in the retail and hospitality segments of our business, where rent collection rates were significantly below pre-Covid-19 levels. Almost all of the rent due from our office occupiers was collected.

Our priorities throughout the year have been: (i) colleague and visitor safety; (ii) proactively supporting our customers; and (iii) preserving financial strength and flexibility. We tailored our support to the specific needs of each area of the business.

In offices, we provided some financial support to a very small number of occupiers whose businesses were particularly impacted by the pandemic, but the majority of our support related to ensuring the safety of our spaces and helping our customers to adapt their spaces to meet their specific needs.

In retail and hospitality, our focus was on providing financial support from our £80m customer support fund, ensuring our assets allowed safe and easy navigation for guests, and providing marketing and operational support for our customers.

For our people, we provided regular updates from our business resilience team, increased the mental health and wellbeing support available for those who needed it and we made sure there was regular contact between teams while working from home. None of our people have been furloughed.

We took advantage of resilient investment markets in London to maintain financial capacity and flexibility through targeted disposals, and minimised the disruption to our committed developments while preserving optionality on our longer-term pipeline.

As the year progressed, and the path out of the pandemic became clearer, we focused on ensuring our portfolio and strategy were positioned appropriately for a post-Covid-19 world. Covid-19 has accelerated many existing trends which would otherwise have taken a number of years to play out. The range of office products we offer will enable us to provide the space our customers need as they adapt to potentially different and more flexible ways of operating, combining office and home-based working. Our Regional retail portfolio is well placed to provide the right mix of exciting retail brands, leisure and entertainment which will be essential for successful centres. And our hotels and leisure assets are well placed to benefit from the consumer-led recovery we expect to see as we emerge from lockdown restrictions.

Valuation of investment properties

Our Combined Portfolio declined in value by 13.7% or £1,646m over the year compared with a decrease in the prior year of £1,179m. A breakdown of valuation movements by category is shown in table 14 below.

Table 14: Valuation analysis

	Market value 31 March 2021 £m	Valuation movement %	Rental value change[1] %	Net initial yield %	Equivalent yield %	Movement in equivalent yield bps
Offices	5,194	-4.3	-1.9	4.4	4.6	3
London retail	623	-26.7	-25.2	4.4	4.5	26
Other central London	420	-1.2	n/a	2.6	4.4	6
Regional shopping centres and shops	1,041	-38.2	-21.5	7.9	7.6	140
Outlets	722	-18.5	-3.8	5.3	6.8	91
Urban opportunities	360	-23.4	-11.0	5.6	5.9	73
Leisure	483	-22.9	-7.1	6.9	7.6	118
Hotels	406	-13.4	-17.2	3.3	5.5	34
Retail parks	397	-10.1	-8.1	7.4	7.6	15
Total like-for-like portfolio	**9,646**	**-14.8**	**-9.1**	**5.0**	**5.5**	**29**
Proposed developments	286	-12.4	n/a	-	n/a	n/a
Development programme	713	-0.2	n/a	-	4.3	n/a
Acquisitions	146	-5.4	n/a	3.3	5.4	n/a
Total Combined Portfolio	**10,791**	**-13.7**	**-9.1**	**4.5**	**5.4**	**29**

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

The 13.7% decline in the value of our Combined Portfolio is mostly due to a fall in the value of our retail and leisure assets, driven by reductions in rental values and expanding equivalent yields. Within the like-for-like portfolio, regional shopping centres and shops saw the largest reduction in values, down 38.2% overall as rental values reduced by 21.5% and yields moved out 140bps. London retail reduced in value by 26.7% as rental values declined by 25.2% and yields moved out by 26bps. Our leisure assets declined in value by 22.9% with rental values 7.1% lower and yields expanding by 118bps, while hotels were down by 13.4% due to the impact of Covid-19 on our turnover rents and a 34bps expansion in yields. Our office assets saw a more modest decrease in value of 4.3% as rental values declined by 1.9% and yields moved out slightly. The values of our other central London assets, principally Piccadilly Lights, W1, were down marginally.

Outside the like-for-like portfolio, values in the development programme were broadly flat, with the value of 21 Moorfields, EC2 increasing as we approach completion of the development, offset by declines at Lucent, W1 and n2, SW1 where expected rents have been slightly reduced and development costs increased. The 12.4% decline in the value of our proposed developments is due to Portland House, SW1 and Timber Square, SE1 where expected rents have reduced and costs on Portland House have increased. Our acquisitions fell in value by 5.4%, driven by a decline in value of the X-Leisure portfolio, where we acquired the remaining 5% in December 2019.

Optimise our Central London portfolio

Our £7.3bn Central London portfolio comprises offices (85%), associated ground level retail (9%) and other assets (6%), the most significant of which is Piccadilly Lights, W1. The portfolio is characterised by its quality, resilience and liquidity and despite challenging market conditions, valuations were resilient with our office valuations declining by 4.1%. Our offices remain almost fully let and rent collection remained strong, with almost all of the rent due now collected, reflecting the strength of our occupier base.

The central London market has been significantly impacted by the pandemic but Landsec remains in a strong position with high levels of rent collection and a clear strategy to create value.

Covid-19 impacted the London office market in two ways: low levels of occupation and a significant reduction in demand for new space. This, in turn, affected the London retail and hospitality sectors which are dependent upon office workers and tourism for the majority of their custom. Retail footfall in central London was down 82% year on year, reflecting the challenging nature of this market.

Physical occupancy in our offices portfolio was, on average, 6.2% reflecting a combination of working from home and social distancing guidelines as employers imposed occupancy limits as part of maintaining a Covid-19 secure workplace. Central London office take-up in the 12 months to March 2021 was just 4.4million sq ft – the lowest annual take-up rate for over 30 years. Availability across the market increased to 25.3 million sq ft, compared with the 10-year average of 14.8 million sq ft, driven by second-hand space as leases expired and some occupiers looked to sub-let excess office capacity. As a result, vacancy rates rose to 8.9%, the majority of which is second-hand space. Despite this, there continues to be demand for high-quality office space, with 39% of total take-up being of new space. One of the trends accelerated by Covid-19 is demand for sustainable, healthy work environments. This is offered by the best space and is likely to continue the bifurcation of the occupier market.

Investment market volumes in the 12 months to March 2021 were below the long-term average with transactions totalling £7.2bn, reflecting the logistical challenges of viewing assets particularly by overseas investors, but there was continued demand for long income, high-quality assets. London remains a global financial centre and, with average prime yields of 3.75%, continues to offer relative value compared with other major cities.

Supporting our Central London customers

Supporting our customers and maintaining their safety has been a top priority this year. The vast majority of our office customers' businesses were resilient throughout the year, but we used our customer support fund to help three who were particularly challenged. As customers start to plan for their return to the office, we are liaising closely with them to understand their intentions and help them return smoothly and safely.

While some customers will review and potentially consolidate their requirements, there is ongoing demand for high quality office space, and we are seeing the benefit of working alongside our customers to understand their needs. For example, in Victoria, we are currently in active discussions with seven occupiers across 300,000 sq ft in five buildings. This ranges from a 40% upsize to a 20% downsize. The outcome will be stronger customer relationships, re-geared leases, a more diverse product mix and reduced vacancy across the estate. This is not simply a function of upcoming lease events, it is being driven by strategic partnerships with our occupiers and a proactive approach to delivering the right solutions for them.

While our office customers have remained resilient, the trading environment for central London retail and hospitality has been particularly challenged, and we expect this part of the market to take longer to recover. Through our customer support fund we have provided £6m of concessions, together with longer-term support through turnover related leases for some customers. In addition to financial support, we are helping customers with their reopening plans. Alongside targeted marketing, we have worked closely with local authorities to enable hospitality customers to extend their outside trading capacity, creating space for 680 additional covers.

We are seeing interest from occupiers in taking new space, but the market remains challenging. In Victoria, One Rebel expanded their footprint at Nova, we have good interest in the former Goldsmiths unit at Cardinal Place, and we are exploring upsize options for one of our existing brand partners. At One New Change, EC4, we completed the letting of the former Topshop unit to Zara as well as progressing renewal terms with a number of existing brand partners.

Disposals

In line with our strategy to recycle capital out of assets where there are limited opportunities for us to add further value, we completed two disposals during the year. In September 2020, we sold 7 Soho Square, W1 for £78m at a 4.0% yield and 4.3% above the March 2020 valuation, and in December, we sold 1 & 2 New Ludgate, EC4 for £552m at a 4.2% yield and 1.1% above the March 2020 valuation. Both assets attracted significant interest from bidders and demonstrate the continued demand for prime London office assets.

Developments and acquisitions

During the year, our focus has been on progressing our committed development schemes and preserving optionality on the others. We maintained flexibility in the pipeline while we assessed the long-term prospects of the London office market. Having completed our review in the first quarter of 2021, we increased our speculative developments to 451,000 sq ft by adding n2, SW1 to our existing schemes at Lucent, W1 and The Forge, SE1. Alongside our pre-let to Deutsche Bank at 21 Moorfields, EC2, this takes our committed activity to 1.1 million sq ft, with a further 1.0 million sq ft held for development.

At 21 Moorfields, the contractor Sir Robert McAlpine, doubled the facilities space for construction workers in order to accommodate more people on site in a Covid-secure way. Weekend working was also introduced to mitigate some of the delays resulting from lower on-site capacity. However, as a result of the lower on-site capacity we now expect practical completion to be delayed to July 2022.

At Lucent, The Forge and n2, we negotiated break options ahead of entering into the main construction contracts. This enabled us to progress with building to grade and construction of the cores while maintaining optionality before committing to further work and capex. With confidence in the long-term prospects of the London office market, we fully committed to Lucent and The Forge in September and n2 in March. Completion dates at The Forge, Lucent and n2 are June 2022, December 2022 and June 2023 respectively.

To date, the additional costs resulting from the impact of Covid-19 have been accommodated within the contingency allowances of the schemes' total development costs (TDCs), but further disruption may put modest upward pressure on TDCs as projects complete. We continue to focus on mitigating the cost impact of Covid-19 wherever possible.

Despite the current low levels of take-up in the market, we remain confident about the occupational markets we will deliver space into. Demand is expected to be strongest for prime, high-quality, sustainable space and our three speculative office schemes will meet this need in different locations in London, with phased completion dates.

We added to our development potential with two acquisitions during the year. In December, we purchased 55 Old Broad Street, EC2 for £87m. The acquisition offers significant marriage value as the site is adjacent to an existing Landsec asset, Dashwood. We also acquired the remaining undeveloped land on the Nova, SW1 island site from our joint venture for a consideration of £13m. We now own 100%

of the final two phases at Nova (n2 and Nova Place) and we have recently satisfied all of the Nova P1 planning obligations, meaning Nova Place is now an unencumbered site.

Positioning our London business for a post-pandemic world

The long-term impact of the pandemic on central London is not yet clear but it won't be uniform. We are likely to see some bifurcation of demand as quality of space and sustainability credentials become significant factors for customers. Some sectors, such as banking and professional services, may reduce their floorspace. Others, such as tech, are not necessarily changing footprint size but are focused on quality of space and employee choice. We will work closely with our occupiers to understand and deliver their needs and the scale that is required.

It is clear that customers who are looking to consolidate want to occupy the best space. This plays to our strengths. Our portfolio and product range gives us the opportunity to tailor our customer conversations to meet upsize, downsize and servicing needs, which is leading to several positive re-gearing discussions. We are also working with some customers to consolidate into a smaller number of buildings, freeing up development opportunities in assets which otherwise would not have become vacant.

Building on the progress made to date, our Optimise strategy is based on four objectives:

Creating value through development

Our focus for the coming year will be on progressing our committed schemes while minimising the impact of Covid-19 on completion dates and costs. We are already seeing occupier interest in our three speculative schemes and we will continue to work towards securing pre-lets as activity in the occupational market increases.

At Portland House, SW1, strip out and design works continued through to the end of April. We are currently assessing the potential timing of the scheme and are likely to pause to manage development exposure.

At Timber Square, SE1, demolition of the existing building is due to commence by the end of May 2021 with a decision on development to be taken by the autumn. The earliest PC date is February 2024 and we will assess the expected demand levels and rental tone before committing to the scheme.

At 55 Old Broad Street, EC2, we will continue to work towards vacant possession in December 2024. In the meantime, we will be working up development plans while protecting short-term income.

Creating value through resilience

Our high rent collection throughout the year demonstrates the resilience of income from our office portfolio and, despite the challenges of the pandemic, we renewed £8m of leases during the year and secured £1m of new lettings. As we look to position our portfolio for future growth, we are using data and insight to focus our activities and capital on sectors, locations and products that we believe will be successful for the long term.

We have three office products which enable us to meet the space requirements of existing and potential customers, large or small, established companies or new businesses. At 123 Victoria Street, SW1, Myo occupancy averaged 85% over the year, and we extended five leases with existing customers. At 31 March 2021, occupancy dropped to 71% through lease expiries, but we are having positive discussions with new customers, as well as upsizing discussions with two existing customers. We are also trialling Covid-secure daily and weekly bookings at 123 Victoria Street.

The reduction in central London footfall significantly impacted the out-of-home advertising market in the year, with short-term bookings at Piccadilly Lights, W1 68% below 2019/20. However, we are starting to see evidence of the market recovering, with significant interest for summer bookings. We have demonstrated the long-term appeal of Piccadilly Lights, signing a new 10-year agreement with Samsung and we are in discussions with two other brands about longer-term agreements.

We will look to strengthen our resilience further through acquisitions. We have identified a number of potential acquisitions within London providing a range of opportunities for us to add value.

Creating value through relentless customer focus

We are progressing the roll-out of our office products and continue to invest in delivering great customer experiences across our office portfolio. We have invested significantly into Dashwood, EC2 where a range of Myo, Customised and Blank Canvas spaces have been delivered in a single building. Myo Liverpool Street at Dashwood, provides flexible office, meeting and amenity spaces on floors 6 to 8, with delivery of floor 9 to follow later this year. The Customised show floor is complete on level 2, with further Customised floors available to be delivered on demand. A visualisation tool has been created for customers to configure their space virtually to ensure it meets their specific needs before physical work starts.

Customised is also being delivered at 55 Old Broad Street, EC2 and 30 Eastbourne Terrace, W2, with further expansion of this product planned to meet customer demand across our portfolio. Landsec lounge spaces have been completed at One New Change, EC4 and 6 New Street Square, EC4 to enhance the arrival experience and provide informal drop-in work and meeting spaces.

With a focus on delivering healthy and sustainable spaces, we are progressing our WELL Building portfolio accreditation, aiming to achieve accreditation across the entire office portfolio.

Realising value through disciplined capital recycling

Disposals in the financial year totalled £0.6bn at an average yield of 4.1%.

We have indicated our intention to sell approximately £2.5bn of Central London assets with more limited asset management opportunities. We have made £0.6bn of disposals since March 2020 and therefore expect to sell a further £1.9bn over the next two to three years.

Reimagine our Regional retail portfolio

Our £1.8bn Regional retail portfolio comprises six regional shopping centres and five outlets.

Covid-19 has had a profound effect on the retail sector. In addition to the short-term impact resulting from three lockdowns and social distancing restrictions, the pandemic has significantly accelerated the structural trends which were already changing how people shop. Online is now the primary growth channel across most areas of retail. For retail property to be relevant and thrive in an omnichannel world, it needs to be compelling in its own right, complementary to online or offer something which cannot easily be replicated online.

Retailers recognise the importance of physical retail to their omnichannel strategy, but there is too much of it in the UK and a lot of it is poor quality. 17% of retail space across the UK is currently vacant and this is expected to rise to 25% in 2025, equivalent to 158 million sq ft of excess or obsolete retail space.

Outlets are one of the strongest retail formats as they offer a service and experience which cannot be replicated online. The higher quality regional shopping centres are generally well placed to support and complement online – brand mix needs to evolve, but rents are approaching sustainable levels which will support store level profitability.

Rent collection was significantly impacted by Covid-19 throughout the year. We have now collected 58% of the net rent due on 25 March 2021. For the four quarters to 25 March 2021, 71% of the net rent due has been collected. The rent moratorium, which remains in place, restricted our ability to enforce rent collections. With lockdown measures easing and operators re-opening, we hope to see a return to timely rent payments and settlement of arrears.

The scale and pace of retail and leisure CVAs and administrations has increased significantly during the year, and some high-profile names have disappeared from the retail landscape. During the year, £41m of annualised rental income was subject to CVA or administration, of which we lost £29m. This compares with £9m of annualised rental income in 2019/20. 360 units across 58 brand partners were impacted, with 48 units falling void as a result. Like-for-like voids across the portfolio were 7.5% (31 March 2020: 4.7%) and units in administration were 5.8% (31 March 2020: 2.1%).

We have engaged with a number of brand partners during the year on opportunities to reduce their overall store portfolio, with some customers also seeking consensual rent reductions to reduce their occupancy costs. We remain committed to working alongside our customers to ensure rents are affordable, and we welcome open and constructive dialogue. However, during the year we have also taken legal action where we believe insolvency processes have been used unfairly, or due legal process has not been followed.

Supporting our retail customers

The pandemic brought significant operational challenges for the portfolio and safety has always been our first priority. The first lockdown, starting on 23 March 2020, saw footfall at our regional shopping centres reduce significantly. Throughout each lockdown and reopening we have had a clear plan for each asset, and provided frequent communications to our brand partners and guests. We adapted our response as conditions allowed, with brand partners evolving the way they used their space to support online fulfilment through click & collect and food deliveries. Post lockdown, 24-hour trading at some Bluewater stores helped to spread capacity and drive sales.

In early April 2020, soon after the start of the first national lockdown, we established a customer support fund of £80m for occupiers who most needed our support. We have now granted £42m of agreed concessions from the fund to brand partners.

We continued to work closely with our brand partners, particularly in the lead up to the reopening of non-essential retail in England and Wales on 12 April and in Scotland on 26 April. Early evidence suggests there is pent-up demand from customers to return to physical retail and leisure. Shopping centre sales, excluding F&B, in England are up 5% versus the same period in 2019 and outlets up 14%, with footwear and outdoor particularly popular sectors.

Positioning our retail business for a post-pandemic world

There are increasingly clear trends which could offer an opportunity for us to reset the portfolio and provide a more sustainable future:

Trend	Landsec action / evidence

Retail winners are looking for **fewer, larger stores**	— Zara business development during the pandemic period:
	  — White Rose, Leeds – 21,000 sq ft renewal
	  — One New Change, EC4 – new letting of 26,000 sq ft
	  — St David's, Cardiff – opened a new 38,000 sq ft store
	  — Bluewater, Kent – upsize opened Dec 2020, from 19,000 sq ft to 37,000 sq ft
	— Decathlon have opened their 35,000 sq ft unit at Trinity Leeds

Flight to prime as retailers demand the right space in the best locations	Our exposure to outlets and the quality of our shopping centres mean our portfolio is well placed to benefit from the flight to prime: — Trinity Leeds accounts for 19% of retail space in Leeds city centre but has a 35% share of spend
Greater focus on **experiences**	— The outlets experience is not replicable online and provides a resilient model — Leisure will be another important element of experience – we have let the 80,000 sq ft former Debenhams space to Gravity at Southside, Wandsworth, providing a significant footfall driver and improvement in mix
Greater operational alignment with **brand partners**	— Increased operational risk is a reality but it is something that can be embraced and treated as an opportunity, particularly with rents approaching sustainable levels. We have increased the number of turnover only leases by 76% this year

Looking forward, our Reimagine strategy is based on three priorities:

Creating value through tailored guest experiences

We are putting guest experiences at the heart of everything we do, so that our destinations continue to be relevant for the communities they serve and deliver shopping and leisure experiences that cannot be matched online. This will help ensure our destinations remain the location of choice for our brand partners to deliver their physical and digital propositions to meet specific needs of our guests. During the pandemic, we added activities services such as virtual shopping and click & collect, expanded our 'al fresco' dining options and introduced drive through collection points to help our brand partners to connect with their customers.

Creating value through deep brand partner relationships

We are developing deeper relationships with our brand partners to enable them to maximise the role of the physical retail environment. By understanding our brand partners and their aspirations for the physical environment, we can develop a range of leasing models to suit different situations. There will not be a one-size-fits-all solution on how we contract with our brand partners, but rather different models that enable all parties to share in the value of the physical store. We are currently developing a suite of four products to address evolving space needs. These will operate in a similar way to the three products we have developed within our office portfolio, enabling us to better serve our brand partners and attract and retain new ones across existing and emerging market segments.

Creating value through asset management expertise

The last few years have demonstrated that some of our retail destinations are over-sized, and we do not have the best occupier mix and usage of space at all our assets. We are underway designing a new approach to assessing and planning the right use and mix of space at our destinations. The approach is underpinned by data; catchment insight, economic forecasts and predictions of social trends all contribute to determining how our assets can be best placed to maximise future growth and de-risk returns.

Grow through Urban opportunities

Urban opportunities are essentially mixed-use, multi-phase regeneration projects rooted in a need to redevelop parts of the built environment that are no longer fit for purpose. Retail is the most prominent example, and our Urban opportunities portfolio comprises five suburban London projects with redevelopment potential over 1.6 million sq ft with the potential to extend to around 8.0 million sq ft of mixed-use space.

These urban development projects can offer a compelling blend of income, development upside and rental growth throughout their lives. And development can be phased, enabling risk and capital investment to be spread over the life of the projects.

At our most advanced scheme, Finchley Road, NW3, consultations have taken place with a further phase of consultation due in early summer as we progress our master planning and design. We remain on track to submit our planning application this coming financial year. Our other projects are all progressing through concept and design during the pre-development phase. Our large mixed-use schemes will embrace local communities and placemaking to deliver the most suitable and sustainable developments in line with our purpose to provide sustainable places and connect communities. We have engaged external agencies to help develop our overall vision for our Urban opportunities. And we have progressed discussions with a number of leisure operators to trade rent reductions for lease break points and flexibility as we progress towards vacant possession.

The redevelopment potential and more convenience-led nature of these assets has meant that valuations have been more resilient than shopping centres but were still down 23.3% to £0.4bn. Across our five schemes, 45% of retailers remained open throughout the third lockdown, significantly ahead of the rest of the retail assets in our portfolio. This reflects the local convenience nature of our five schemes and demonstrates that these assets already play an important role within their local communities.

The timeline for these projects is long but the right opportunities can start delivering balanced returns in the near future. We are also evaluating opportunities to add to our portfolio, ideally with projects that offer an accelerated returns horizon.

So, looking forward, our strategy will be to progress planning and delivery strategies for our existing portfolio of projects and to evaluate and ideally secure new complementary opportunities.

Realise capital from Subscale sectors

Our £1.3bn Subscale sectors portfolio comprises hotels, leisure parks and retail parks, which we intend to divest over the medium term.

The £0.4bn hotel portfolio has been impacted by the periods of lockdown during the pandemic with the majority of our hotels closed for 20 weeks on average over the year. The portfolio is let on turnover based leases and income has been significantly lower during the year, down 90%. As lockdown restrictions ease, we expect to see a recovery in the hotel sector and our portfolio of two and three-star hotels is well placed to benefit.

Our leisure portfolio comprises assets typically anchored by cinemas and leisure and F&B operators. Social distancing measures have impacted the performance at these assets. Cinemas were closed for 41 weeks of the year and the F&B industry has been particularly challenged. This was reflected in valuations which were down 23.0% to £0.5bn. These assets, like the hotels, are well placed to benefit from the expected consumer-led recovery. We continue to work on asset management initiatives across the portfolio to ensure it is well positioned for sale.

Our ten retail parks performed more strongly, benefiting from their open-air design and increased spending on home and leisure products. However, the portfolio was not immune from the challenges faced by the wider market and values declined by 10.1% to £0.4bn. The valuation declines in retail parks are less pronounced than other retail assets, and there has been increased investor demand for stronger retail parks in recent months.

The F&B segment of both portfolios has been challenged but we have responded quickly to replace operators. In response to Pizza Hut entering CVA, we replaced three units with Canadian fast food operator Tim Hortons on 15 year leases. In addition, Tim Hortons will convert these units into drive-thrus. We have also completed two deals with both KFC and Burger King. At six sites, we have replaced units previously occupied by Chiquito, Frankie and Benny’s and Bella Italia with foodhall operator Gourmet4 – their concept reverses the classic restaurant model with a delivery business supported by a strong eat-in operation.

Principal risks and uncertainties

The Company has identified certain principal risks and uncertainties that could prevent the Group from achieving its strategic objectives and has assessed how these risks could best be mitigated through a combination of internal controls, risk management and the purchase of insurance cover. The Board undertakes an annual assessment of the principal risks, taking account of those that would threaten our business model, future performance, solvency or liquidity as well as the Group's strategic objectives.

A description of the principal risks and uncertainties faced by the Group, together with an assessment of their impact, is set out below. The Group's approach to the management and mitigation of these risks will be included in the 2021 Annual Report.

During the year the business responded to the Covid-19 pandemic through the establishment of a workstream structure to assess and mitigate the myriad of risks facing the business as a result of the pandemic. Our assessment and response processes have now been embedded into our operations.

The table below shows the change in the risk profile of our principal risks between 1 April 2020 and 31 March 2021. A key change includes the segmentation of Customer risk. Our Customer risk has been split into two segments, namely Customer – Retail and hospitality (including London retail) and Customer – London office. At the same time, we have absorbed key elements of the previous Disruption risk into these two new segmented risks and, accordingly, Disruption will no longer be reported as a standalone risk.

Risk description	**Change in year**
Customer – Retail and hospitality (includes London retail)	⇔
— Structural changes in customer and consumer expectations leading to a change in demand for space and the consequent impact on income.	— This remains our most significant risk. We elevated the risk in March 2020 and the risk remains very high today. We were already operating in a tough retail environment before the Covid-19 outbreak and the pandemic has accelerated some of the changes that we were closely monitoring with a shift to greater online shopping from physical stores. In addition, London retail has in the past year seen lower footfall and trading levels than regional retail as it is more reliant on the presence of office staff and tourism. In the future, if fewer workers use offices, this change could persist. — Hospitality has been highly impacted by social distancing measures due to Covid-19. This includes our leisure, food & beverage and hotels. We are regularly communicating with our customers and are engaged in conversations about how we can support them through this difficult time. We continue to closely monitor the rent collections across the whole portfolio, which have reduced significantly over the year. This indicates a likely increase in business failures and we are closely monitoring customers in financial distress.

Customer – London office	⇔
— Structural changes in customer and consumer expectations leading to a change in demand for space and the consequent impact on income.	— Leasing activity in the London office market has been severely depressed by the pandemic and vacancy rates have risen. Our assets have seen a small rise in vacancy but are supported by the continued differentiation of our product offerings to align to our customer needs and expectations, including the successful introduction of our flexible office products. However, the reported success of workforces working from home provides ongoing uncertainty for this segment of our business with some companies reappraising their real estate options and how they plan to use the office going forward.
Market cyclicality	⇩
— Market and political uncertainty leading to a reduction in demand or deferral of decisions by occupiers, impacting real estate values and the ability to buy, develop, manage and sell assets at the appropriate time in the property cycle.	— The market cyclicality risk remains high at year-end due to the ongoing impact of the pandemic on the economy but has decreased since last year on the back of achieving a trade deal with the EU on the conclusion of Brexit negotiations and the ongoing Covid-19 vaccine rollout.
People and skills	⇔
— Inability to attract, retain, and develop the right people and skills required to deliver the business objectives in a culture and environment where employees can thrive.	— In response to Covid-19, the majority of our employees have worked from home for much of the past year. Overall this transition has been smooth from a technology and communications perspective. We have not seen any significant impacts on employee productivity, although we are carefully monitoring employees' mental and physical wellbeing. We have used regular 'Pulse' employee surveys to understand employee engagement and concerns throughout the pandemic.
Major health, safety and security incident	⇔
— Failure to identify, mitigate and/or react effectively to a major health, safety or security incident, leading to: — Serious injury, illness or loss of life — Criminal/civil proceedings — Loss of stakeholder confidence — Delays to building projects and access restrictions to our properties resulting in loss of income — Inadequate response to regulatory changes — Reputational impact	— We evaluated our fire management strategies across our entire property portfolio last year and identified some fire safety improvements. We have now implemented these improvements. — The fire safety regulatory environment continues to evolve and tighten requirements which is monitored closely at our Health, Safety & Security Committee. We have established a working group to respond to any new requirements around external cladding systems. — As lockdown restrictions are eased, our efforts are focused on ensuring we are well prepared for a gradual and safe return to our properties.

Information security and cyber threat	⇔
— Data loss or disruption to the corporate systems and building management systems resulting in a negative reputational, operational, regulatory or financial impact.	— The level of this risk has not changed, reflecting that, while companies continue to be subject to an increasing number of attempted cyber-attacks, we have continued to develop and invest in the maturity of our mitigation controls.
Climate change	⇔
— Failure to properly identify and mitigate both physical and transition risks from climate change, leading to a negative impact on our reputation, disruption in our operations and stranded assets.	— The residual risk is the same as last year and we have intensified our mitigations, progressing plans to achieve our ambition to be a net zero carbon business by 2030.
Investment and development strategy	⇔
— Unable to effectively execute our strategy of buying, developing and selling assets at the appropriate time in the property cycle. Specifically: — Investment – inappropriate sector or asset selection — Development – unable to deliver capex programme to agreed returns and/or occupiers reluctant to commit to take new space	— This risk was elevated in March 2020 and remains unchanged this year given the increased uncertainty around the future economic environment into which we will deliver our developments. We have reprofiled our cash flows and commitments for the whole development pipeline and have completed analysis on the pipeline based on potential future scenarios against the baseline budget.
Disruption	n/a
— Inability to understand and mobilise effectively to changes in our competitive landscape and customer value chain.	— Disruption risk, and the relevant key risk indicators have been absorbed into the customer segments as outlined above and will no longer be reported as a standalone risk.

Statement of Directors' Responsibilities

The Annual Report 2021 will contain the following statements regarding responsibility for the financial statements and business reviews included therein.

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and the Company financial statements in accordance with the requirements of the Companies Act 2006. Under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules, group financial statements are required to be prepared in accordance with international financial reporting standards (IFRSs) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit and loss of the Group and the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- in respect of the group financial statements, state whether international accounting standards in conformity with the requirements of the Companies Act 2006 (and IFRSs adopted pursuant to Regulation(EC) No 1606/2002 as it applies in the European Union) have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the Company financial statements, state whether international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- provide additional disclosures when compliance with the specific requirements of IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's and Company's financial position and performance; and
- prepare the Group's and Company's financial statements on a going concern basis, unless it is inappropriate to do so.

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

Directors' responsibility statement under the Disclosure and Transparency Rules

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

- the Group financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 (and IFRSs adopted pursuant to Regulation(EC) No 1606/2002 as it applies in the European Union) give a true and fair view of the assets, liabilities, financial position, performance and cash flows of the Company and Group as a whole; and
- the Strategic Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties faced by the Group and Company.

Directors' statement under the UK Corporate Governance Code

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

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

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

- Cressida Hogg, Chairman*
- Mark Allan, Chief Executive
- Martin Greenslade, Chief Financial Officer
- Vanessa Simms, Chief Financial Officer Designate
- Colette O'Shea, Chief Operating Officer
- Edward Bonham Carter, Senior Independent Director*
- Nicholas Cadbury*
- Madeleine Cosgrave*
- Christophe Evain*
- Stacey Rauch*
- Manjiry Tamhane*

*Non-executive Directors

The Statement of Directors' Responsibilities was approved by the Board of Directors on 17 May 2021 and is signed on its behalf by:

Mark Allan
Chief Executive

Martin Greenslade
Chief Financial Officer

Financial statements

Income statement	Notes	Year ended 31 March 2021 Revenue profit £m	Capital and other items £m	Total £m	Year ended 31 March 2020 Revenue profit £m	Capital and other items £m	Total £m
Revenue	5	**631**	**4**	**635**	740	1	741
Costs – bad and doubtful debts expense	6	**(110)**	**-**	**(110)**	(28)	-	(28)
Costs – other	6	**(218)**	**(5)**	**(223)**	(241)	(5)	(246)
		303	**(1)**	**302**	471	(4)	467
Share of post-tax profit/(loss) from joint ventures	12	**8**	**(200)**	**(192)**	22	(173)	(151)
Profit/(loss) on disposal of investment properties		**-**	**8**	**8**	-	(6)	(6)
Net deficit on revaluation of investment properties	10	**-**	**(1,448)**	**(1,448)**	-	(1,000)	(1,000)
Operating profit/(loss)		**311**	**(1,641)**	**(1,330)**	493	(1,183)	(690)
Finance income	7	**15**	**1**	**16**	17	1	18
Finance expense	7	**(75)**	**(4)**	**(79)**	(96)	(69)	(165)
Profit/(loss) before tax		**251**	**(1,644)**	**(1,393)**	414	(1,251)	(837)
Taxation				**-**			5
Loss attributable to shareholders				**(1,393)**			(832)
Loss per share attributable to shareholders:							
Basic loss per share	4			**(188.2)p**			(112.4)p
Diluted loss per share	4			**(188.2)p**			(112.4)p

Statement of comprehensive income	Year ended 31 March 2021 Total £m	Year ended 31 March 2020 Total £m
Loss attributable to shareholders	**(1,393)**	(832)
Items that may be subsequently reclassified to the income statement:		
Movement in cash flow hedges	**-**	(1)
Items that will not be subsequently reclassified to the income statement:		
Movement in the fair value of other investments	**(3)**	(3)
Net re-measurement (loss)/gain on defined benefit pension scheme	**(12)**	6
Deferred tax credit/(charge) on re-measurement above	**2**	(1)
Other comprehensive (loss)/income attributable to shareholders	**(13)**	1
Total comprehensive loss attributable to shareholders	**(1,406)**	(831)

Balance sheet

	Notes	2021 £m	2020 £m
Non-current assets			
Investment properties	10	**9,607**	11,297
Intangible assets		**8**	14
Net investment in finance leases		**152**	156
Investments in joint ventures	12	**625**	824
Trade and other receivables		**170**	178
Other non-current assets		**22**	32
Total non-current assets		**10,584**	12,501
Current assets			
Trading properties	11	**36**	24
Trade and other receivables		**354**	433
Monies held in restricted accounts and deposits	15	**10**	9
Cash and cash equivalents	16	**-**	1,345
Other current assets		**6**	48
Total current assets		**406**	1,859
Total assets		**10,990**	14,360
Current liabilities			
Borrowings	14	**(906)**	(977)
Trade and other payables		**(252)**	(270)
Other current liabilities		**(7)**	(2)
Total current liabilities		**(1,165)**	(1,249)
Non-current liabilities			
Borrowings	14	**(2,610)**	(4,355)
Trade and other payables		**(1)**	(1)
Other non-current liabilities		**(2)**	(5)
Total non-current liabilities		**(2,613)**	(4,361)
Total liabilities		**(3,778)**	(5,610)
Net assets		**7,212**	8,750
Equity			
Capital and reserves attributable to shareholders			
Ordinary shares		**80**	80
Share premium		**317**	317
Other reserves		**28**	27
Retained earnings		**6,787**	8,326
Total equity		**7,212**	8,750

The financial statements on pages 37 to 58 were approved by the Board of Directors on 17 May 2021 and were signed on its behalf by:

M C Allan **M F Greenslade**

Directors

Statement of changes in equity

			Attributable to shareholders		
	Ordinary shares £m	Share premium £m	Other reserves £m	Retained earnings £m	Total equity £m
At 1 April 2019	80	317	26	9,497	9,920
Total comprehensive loss for the financial year	-	-	-	(831)	(831)
Transactions with shareholders:					
Share-based payments	-	-	1	2	3
Dividends paid to shareholders	-	-	-	(342)	(342)
Total transactions with shareholders	-	-	1	(340)	(339)
At 31 March 2020	80	317	27	8,326	8,750
Total comprehensive loss for the financial year	**-**	**-**	**-**	**(1,406)**	**(1,406)**
Transactions with shareholders:					
Share-based payments	**-**	**-**	**4**	**-**	**4**
Dividends paid to shareholders	**-**	**-**	**-**	**(133)**	**(133)**
Acquisition of own shares	**-**	**-**	**(3)**	**-**	**(3)**
Total transactions with shareholders	**-**	**-**	**1**	**(133)**	**(132)**
At 31 March 2021	**80**	**317**	**28**	**6,787**	**7,212**

Statement of cash flows

	Notes	Year ended 31 March 2021 £m	2020 £m
Cash flows from operating activities			
Net cash generated from operations	9	**322**	504
Interest received		**4**	16
Interest paid		**(83)**	(108)
Rents paid		**(9)**	(12)
Capital expenditure on trading properties		**(1)**	(2)
Other operating cash flows		**-**	3
Net cash inflow from operating activities	9	**233**	401
Cash flows from investing activities			
Investment property development expenditure		**(177)**	(154)
Other investment property related expenditure		**(41)**	(47)
Acquisition of investment properties		**(99)**	(16)
Disposal of investment properties		**631**	45
Deferred consideration received		**10**	-
Cash contributed to joint ventures	12	**-**	(13)
Cash distributions from joint ventures	12	**16**	69
Other investing cash flows		**(6)**	-
Net cash inflow/(outflow) from investing activities		**334**	(116)
Cash flows from financing activities			
Proceeds from new borrowings (net of finance fees)	14	**-**	1,701
Repayment of bank debt	14	**(1,755)**	-
Repayment of medium term notes	14	**-**	(47)
Redemption of medium term notes	14	**(12)**	(196)
Premium paid on redemption of medium term notes	14	**(3)**	(59)
Net cash outflow from derivative financial instruments		**(12)**	(1)
Settlement of redemption liability		**-**	(36)
Dividends paid to shareholders	8	**(127)**	(342)
(Increase)/decrease in monies held in restricted accounts and deposits		**(1)**	27
Other financing cash flows		**(2)**	(1)
Net cash (outflow)/inflow from financing activities		**(1,912)**	1,046
(Decrease)/increase in cash and cash equivalents for the year		**(1,345)**	1,331
Cash and cash equivalents at the beginning of the year		**1,345**	14
Cash and cash equivalents at the end of the year	16	**-**	1,345

Notes to the financial statements

1. Basis of preparation and consolidation

Basis of preparation

These financial statements have been prepared on a going concern basis and in accordance with international accounting standards in conformity with the Companies Act 2006. The Group financial statements have been prepared in accordance with IFRSs and IFRICs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The financial statements have been prepared in Pounds Sterling (rounded to the nearest one million), which is the presentation currency of the Group (Land Securities Group PLC and all its subsidiary undertakings), and under the historical cost convention as modified by the revaluation of investment property, financial assets at fair value through other comprehensive income (without recycling), derivative financial instruments and pension assets.

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

On 17 May 2021, the consolidated financial statements of the Group and this preliminary announcement were authorised for issue in accordance with a resolution of the Directors and will be delivered to the Registrar of Companies following the Group's Annual General Meeting. Statutory accounts for the year ended 31 March 2020 have been filed unqualified and do not contain any statement under Section 498(2) or Section 498(3) of the Companies Act 2006. The annual financial information presented in this preliminary announcement for the year ended 31 March 2021 is based on, and consistent with, the financial information in the Group's audited financial statements for the year ended 31 March 2020. The audit report on these financial statements is unqualified and did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006. This preliminary announcement does not constitute statutory financial statements of the Group within the meaning of Section 435 of the Companies Act 2006. While the information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of IFRS, this announcement does not itself contain sufficient information to comply with IFRS.

A copy of the Group's Annual Report for the year ended 31 March 2020 can be found on the website at landsec.com/investors.

Going concern

As the impact of Covid-19 on the Group continues to be significant, particularly on our ability to collect rent and service charge from customers, the Directors have continued to place additional focus on the appropriateness of adopting the going concern assumption in preparing the financial statements for the year ended 31 March 2021. The Group's going concern assessment considers changes in the Group's principal risks (see pages 32-34) and is dependent on a number of factors, including our financial performance and continued access to borrowing facilities. Access to our borrowing facilities is dependent on our ability to continue to operate the Group's secured debt structure within its financial covenants, which are described in note 14.

In order to satisfy themselves that the Group has adequate resources to continue as a going concern for the foreseeable future, the Directors have reviewed a cash flow model which considers the impact of pessimistic assumptions on the Group's operating environment (the 'Viability scenario'). This model reflects unfavourable macro-economic conditions, a continuation of difficulties experienced collecting rent and service charge from our customers and removes uncommitted acquisitions, disposals and developments. We also assume that we are unable to raise any new finance over this period.

The Group's key metrics from the Viability scenario as at the end of the going concern assessment period, which covers the twelve months to 31 May 2022, are shown below alongside the actual position at 31 March 2021.

Key metrics	**31 March 2021**	Viability scenario 31 May 2022
Security Group LTV	**32.7%**	36.8%
Adjusted net debt	**£3,489m**	£3,319m
EPRA net tangible assets	**£7,300m**	£5,792m
Available financial headroom	**£1.6bn**	£1.8bn

In our Viability scenario, the Group has sufficient cash reserves, with our Security Group LTV ratio remaining less than 65% and interest cover above 1.45x, for a period of at least 12 months from the date of authorisation of these financial statements. The value of our assets would need to fall from 31 March 2021 values by a further 50% for LTV to reach 65%. The Directors consider the likelihood of this occurring over the going concern assessment period to be remote.

The Security Group requires earnings of at least £71m in the year ending 31 March 2022 for interest cover to remain above 1.45x in the Viability scenario, which would ensure compliance through to the end of the going concern assessment period. Despite the challenging trading conditions experienced during the year ended 31 March 2021, Security Group earnings are well above the level required to meet the interest cover covenant. Therefore, the Directors do not anticipate a reduction in Security Group earnings over the period ending 31 May 2022 to a level that would result in a breach of the interest cover covenant, even if the trading conditions experienced in the year ended 31 March 2021 continue over this period.

The Directors have also considered a reverse stress-test scenario which assumes no further rent will be received, to determine when our available cash resources would be exhausted. Even under this extreme scenario, the Group continues to have sufficient cash reserves to continue in operation throughout the going concern assessment period.

Based on these considerations, together with available market information and the Directors' knowledge and experience of the Group's property portfolio and markets, the Directors have adopted the going concern basis in preparing these financial statements for the year ended 31 March 2021.

1. Basis of preparation and consolidation continued

Basis of consolidation

The consolidated financial statements for the year ended 31 March 2021 incorporate the financial statements of the Company and all its subsidiary undertakings. Subsidiary undertakings are those entities controlled by the Company. Control exists where an entity is exposed to variable returns and has the ability to affect those returns through its power over the investee.

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

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

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

Our property portfolio is a combination of properties that are wholly owned by the Group, part owned through joint arrangements and properties owned by the Group but where a third party holds a non-controlling interest. Internally, management review the results of the Group on a basis that adjusts for these different forms of ownership to present a proportionate share. The Combined Portfolio, with assets totalling **£10.8bn**, is an example of this approach, reflecting the economic interest we have in our properties regardless of our ownership structure. We consider this presentation provides further understanding to stakeholders of the activities and performance of the Group, as it aggregates the results of all of the Group's property interests which under IFRS are required to be presented across a number of line items in the statutory financial statements.

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

2. Changes in accounting policies and standards

The accounting policies used in these financial statements are consistent with those applied in the last annual financial statements, as amended where relevant to reflect the adoption of new standards, amendments and interpretations which became effective in the year, none of which have had a significant impact on the Group or Company's income statement or balance sheet.

Amendments to IFRS

A number of new standards, amendments to standards and interpretations have been issued but are not yet effective for the Group. The application of these new standards, amendments and interpretations are not expected to have a significant impact on the Group's income statement or balance sheet.

3. Segmental information

The Group's operations are managed across four operating segments, being Central London, Regional retail, Urban opportunities and Subscale sectors.

The Central London segment includes all assets geographically located within central London. Regional retail includes all regional shopping centres and shops outside London and our outlets. The Urban opportunities segment includes those assets where we see the most potential for capital investment. Subscale sectors mainly includes assets that will not be a focus for capital investment and consists of leisure and hotel assets and retail parks.

In the year ended 31 March 2020, we merged our London Portfolio and Retail Portfolio and amended our reporting to the Executive Committee (ExecCom) to reflect the predominant use class of our assets, grouped into Office, Retail and Specialist. Subsequently, during the year ended 31 March 2021, we merged these three segments into four new reporting segments to support our new strategy and better reflect the way the business is now being managed. The comparative year has been presented in the new format and a reconciliation to the previous presentation has been provided on our website.

Management has determined the Group's operating segments based on the information reviewed by Senior Management to make strategic decisions. Until 8 December 2020, the chief operating decision maker was ExecCom, which comprised the Executive Directors, the Group General Counsel and Company Secretary and the Group HR Director. From 9 December 2020, ExecCom was replaced by the Executive Leadership Team (ELT), comprising the Executive Directors and the Managing Directors. The information presented to ELT 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 net rental income is the lowest level to which the profit arising from the ongoing operations of the Group is analysed between the four segments. The indirect costs, which are predominantly staff costs, are all treated as indirect expenses and are not allocated to individual segments.

The Group manages its financing structure, with the exception of joint ventures, on a pooled basis. Individual joint ventures may have specific financing arrangements in place. Debt facilities and finance expenses, including those of joint ventures, are managed centrally and are therefore not attributed to a particular segment. Unallocated income and expenses are items incurred centrally which are not directly attributable to one of the segments.

All items in the segmental information note are presented on a proportionate basis. A reconciliation from the Group income statement to the information presented in the segmental information note is included in table 30.

3. Segmental information continued

Revenue profit	2021 Central London £m	2021 Regional retail £m	2021 Urban opps £m	2021 Subscale sectors £m	2021 Total £m	2020 Central London £m	2020 Regional retail £m	2020 Urban opps £m	2020 Subscale sectors £m	2020 Total £m
Rental income	**300**	**162**	**26**	**81**	**569**	324	201	29	115	669
Finance lease interest	**9**	**-**	**-**	**-**	**9**	9	-	-	-	9
Gross rental income (before rents payable)	**309**	**162**	**26**	**81**	**578**	333	201	29	115	678
Rents payable[1]	**(3)**	**(5)**	**-**	**(1)**	**(9)**	(6)	(8)	-	(1)	(15)
Gross rental income (after rents payable)	**306**	**157**	**26**	**80**	**569**	327	193	29	114	663
Service charge income	**39**	**35**	**5**	**-**	**79**	50	43	5	-	98
Service charge expense	**(39)**	**(38)**	**(5)**	**(2)**	**(84)**	(49)	(46)	(5)	(2)	(102)
Net service charge expense	**-**	**(3)**	**-**	**(2)**	**(5)**	1	(3)	-	(2)	(4)
Other property related income	**18**	**10**	**1**	**3**	**32**	18	11	2	2	33
Direct property expenditure	**(27)**	**(23)**	**(5)**	**(9)**	**(64)**	(31)	(30)	(6)	(9)	(76)
Bad and doubtful debts expense	**(17)**	**(69)**	**(10)**	**(31)**	**(127)**	(5)	(18)	(3)	(7)	(33)
Segment net rental income	**280**	**72**	**12**	**41**	**405**	310	153	22	98	583
Other income					**2**					2
Indirect expense					**(77)**					(72)
Depreciation					**(5)**					(4)
Revenue profit before interest					**325**					509
Finance income					**15**					17
Finance expense					**(75)**					(96)
Joint venture finance expense					**(14)**					(16)
Revenue profit					**251**					414

1. Included within rents payable is lease interest payable of **£2m** (2020: £3m) and **£1m** (2020: £1m) for the Central London and Subscale sectors segments respectively.

Reconciliation of revenue profit to loss before tax	2021 Total £m	2020 Total £m
Revenue profit	**251**	414
Capital and other items		
Valuation and profit on disposals		
Net deficit on revaluation of investment properties	**(1,646)**	(1,179)
Profit/(loss) on disposal of investment properties	**5**	(6)
(Loss)/profit on disposal of trading properties	**(1)**	7
	(1,642)	(1,178)
Net finance expense (excluded from revenue profit)		
Fair value movement on interest-rate swaps	**(1)**	(9)
Premium on redemption of medium term notes (MTNs)	**(3)**	(59)
Other net finance income	**1**	-
	(3)	(68)
Exceptional items		
Impairment of intangible asset	**(4)**	(4)
Impairment of goodwill	**-**	(1)
	(4)	(5)
Other		
Profit from long-term development contracts	**-**	3
Gain on settlement of liability	**4**	-
Other	**1**	(3)
	5	-
Loss before tax	**(1,393)**	(837)

4. Performance measures

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

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

Earnings per share			**Year ended 31 March 2021**			Year ended 31 March 2020
	Loss for the year £m	**EPRA earnings £m**	**Adjusted earnings £m**	Loss for the year £m	EPRA earnings £m	Adjusted earnings £m
Loss attributable to shareholders	**(1,393)**	**(1,393)**	**(1,393)**	(832)	(832)	(832)
Taxation	**-**	**-**	**-**	-	(5)	(5)
Valuation and profit on disposals	**-**	**1,642**	**1,642**	-	1,178	1,178
Net finance expense (excluded from revenue profit)	**-**	**3**	**3**	-	68	68
Exceptional items	**-**	**4**	**4**	-	5	5
Other	**-**	**(5)**	**(5)**	-	-	-
(Loss)/profit used in per share calculation	**(1,393)**	**251**	**251**	(832)	414	414
	IFRS	**EPRA**	**Adjusted**	IFRS	EPRA	Adjusted
Basic (loss)/earnings per share	**(188.2)p**	**33.9p**	**33.9p**	(112.4)p	55.9p	55.9p
Diluted (loss)/earnings per share[1]	**(188.2)p**	**33.9p**	**33.9p**	(112.4)p	55.9p	55.9p

1. In the years ended 31 March 2021 and 31 March 2020, share options are excluded from the weighted average diluted number of shares when calculating IFRS diluted loss per share because they are not dilutive.

Net assets per share			**31 March 2021**			31 March 2020
	Net assets £m	**EPRA NDV £m**	**EPRA NTA £m**	Net assets £m	EPRA NDV £m	EPRA NTA £m
Net assets attributable to shareholders	**7,212**	**7,212**	**7,212**	8,750	8,750	8,750
Excess of fair value over net investment in finance leases book value	**-**	**93**	**93**	-	90	90
Deferred tax liability on intangible asset	**-**	**-**	**1**	-	-	1
Goodwill on deferred tax liability	**-**	**(1)**	**(1)**	-	(1)	(1)
Other intangible asset	**-**	**-**	**(2)**	-	-	(7)
Fair value of interest-rate swaps	**-**	**-**	**(3)**	-	-	1
Excess of fair value of debt over book value (note 14)	**-**	**(244)**	**-**	-	(274)	-
Net assets used in per share calculation	**7,212**	**7,060**	**7,300**	8,750	8,565	8,834
	IFRS	**EPRA NDV**	**EPRA NTA**	IFRS	EPRA NDV	EPRA NTA
Net assets per share	**975p**	**n/a**	**n/a**	1,182p	n/a	n/a
Diluted net assets per share	**973p**	**953p**	**985p**	1,181p	1,156p	1,192p

Number of shares		**2021**		2020
	Weighted average million	**31 March million**	Weighted average million	31 March million
Ordinary shares	**751**	**751**	751	751
Treasury shares	**(10)**	**(10)**	(10)	(10)
Own shares	**(1)**	**(1)**	(1)	(1)
Number of shares – basic	**740**	**740**	740	740
Dilutive effect of share options	**1**	**1**	1	1
Number of shares – diluted	**741**	**741**	741	741

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

Total business return based on EPRA NTA	**Year ended 31 March 2021 pence**	Year ended 31 March 2020 pence
Decrease in EPRA NTA per share	**(207)**	(156)
Dividend paid per share in the year (note 8)	**18**	46
Total return (a)	**(189)**	(110)
EPRA NTA per share at the beginning of the year (b)	**1,192**	1,348
Total business return (a/b)	**-15.9%**	-8.2%

5. Revenue

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

	2021			2020		
	Revenue profit	**Capital and other items**	**Total**	Revenue profit	Capital and other items	Total
	£m	**£m**	**£m**	£m	£m	£m
Rental income (excluding adjustment for lease incentives)	**548**	**-**	**548**	630	1	631
Adjustment for lease incentives	**(29)**	**-**	**(29)**	(20)	-	(20)
Rental income	**519**	**-**	**519**	610	1	611
Service charge income	**70**	**-**	**70**	88	-	88
Other property related income	**31**	**-**	**31**	31	-	31
Finance lease interest	**9**	**-**	**9**	9	-	9
Gain on settlement of liability	**-**	**4**	**4**	-	-	-
Other income	**2**	**-**	**2**	2	-	2
Revenue per the income statement	**631**	**4**	**635**	740	1	741

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

	2021				2020			
	Group	**Joint ventures**	**Adjustment for non-wholly owned subsidiaries[1]**	**Total**	Group	Joint ventures	Adjustment for non-wholly owned subsidiaries[1]	Total
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Rental income	**519**	**50**	**-**	**569**	611	59	(1)	669
Service charge income	**70**	**9**	**-**	**79**	88	10	-	98
Other property related income	**31**	**1**	**-**	**32**	31	2	-	33
Trading property sales proceeds	**-**	**4**	**-**	**4**	-	21	-	21
Finance lease interest	**9**	**-**	**-**	**9**	9	-	-	9
Long-term development contract income	**-**	**1**	**-**	**1**	-	3	-	3
Gain on settlement of liability	**4**	**-**	**-**	**4**	-	-	-	-
Other income	**2**	**2**	**-**	**4**	2	-	-	2
Revenue in the segmental information note	**635**	**67**	**-**	**702**	741	95	(1)	835

1. This represents the interest in X-Leisure which we did not own, but which is consolidated in the Group numbers. In December 2019, the Group purchased this interest thereby settling the redemption liability.

6. Costs

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

			2021			2020
	Revenue profit £m	**Capital and other items £m**	**Total £m**	Revenue profit £m	Capital and other items £m	Total £m
Rents payable	**7**	**-**	**7**	13	-	13
Service charge expense	**75**	**-**	**75**	90	-	90
Direct property expenditure	**56**	**-**	**56**	65	-	65
Bad and doubtful debts expense – rent	**98**	**-**	**98**	28	-	28
Bad and doubtful debts expense – service charge	**12**	**-**	**12**	-	-	-
Indirect expense	**80**	**-**	**80**	73	-	73
Amortisation of other intangible asset	**-**	**1**	**1**	-	-	-
Impairment of intangible asset	**-**	**4**	**4**	-	4	4
Impairment of goodwill	**-**	**-**	**-**	-	1	1
Costs per the income statement	**328**	**5**	**333**	269	5	274

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

			2021			2020
	Group £m	**Joint ventures £m**	**Total £m**	Group £m	Joint ventures £m	Total £m
Rents payable	**7**	**2**	**9**	13	2	15
Service charge expense	**75**	**9**	**84**	90	12	102
Direct property expenditure	**56**	**8**	**64**	65	11	76
Bad and doubtful debts expense – rent	**98**	**15**	**113**	28	5	33
Bad and doubtful debts expense – service charge	**12**	**2**	**14**	-	-	-
Indirect expense	**80**	**2**	**82**	73	3	76
Cost of trading property disposals	**-**	**5**	**5**	-	14	14
Long-term development contract expenditure	**-**	**1**	**1**	-	-	-
Amortisation of other intangible asset	**1**	**-**	**1**	-	-	-
Impairment of intangible asset	**4**	**-**	**4**	4	-	4
Impairment of goodwill	**-**	**-**	**-**	1	-	1
Costs in the segmental information note	**333**	**44**	**377**	274	47	321

7. Net finance expense

	2021 Revenue profit £m	2021 Capital and other items £m	2021 Total £m	2020 Revenue profit £m	2020 Capital and other items £m	2020 Total £m
Finance income						
Interest receivable from joint ventures	**15**	**-**	**15**	17	-	17
Fair value movement on other derivatives	**-**	**1**	**1**	-	1	1
	15	**1**	**16**	17	1	18
Finance expense						
Bond and debenture debt	**(68)**	**-**	**(68)**	(80)	-	(80)
Bank and other short-term borrowings	**(17)**	**-**	**(17)**	(22)	-	(22)
Fair value movement on interest-rate swaps	**-**	**(1)**	**(1)**	-	(9)	(9)
Premium on redemption of medium term notes	**-**	**(3)**	**(3)**	-	(59)	(59)
Revaluation of redemption liabilities	**-**	**-**	**-**	-	(1)	(1)
Other interest payable	**(1)**	**-**	**(1)**	(1)	-	(1)
	(86)	**(4)**	**(90)**	(103)	(69)	(172)
Interest capitalised in relation to properties under development	**11**	**-**	**11**	7	-	7
	(75)	**(4)**	**(79)**	(96)	(69)	(165)
Net finance expense	**(60)**	**(3)**	**(63)**	(79)	(68)	(147)
Joint venture net finance expense	**(14)**			(16)		
Net finance expense included in revenue profit	**(74)**			(95)		

Lease interest payable of **£3m** (2020: £4m) is included within rents payable as detailed in note 3.

8. Dividends paid

		Pence per share			Year ended 31 March 2021	2020
	Payment date	PID	Non-PID	Total	£m	£m
For the year ended 31 March 2019:						
Third interim	12 April 2019	11.30	-	11.30		84
Final	25 July 2019	11.65	-	11.65		86
For the year ended 31 March 2020:						
First interim	4 October 2019	11.60	-	11.60		86
Second interim	3 January 2020	11.60	-	11.60		86
Third interim	-	-	-	-	-	
Final	-	-	-	-	-	
For the year ended 31 March 2021:						
First interim	-	-	-	-	-	
Second interim	**4 January 2021**	**12.00**	-	**12.00**	**89**	
Third interim	**30 March 2021**	**6.00**	-	**6.00**	**44**	
Gross dividends					**133**	342
Dividends in the statement of changes in equity					**133**	342
Timing difference on payment of withholding tax					**(6)**	-
Dividends in the statement of cash flows					**127**	342

In light of extreme market uncertainty due to Covid-19, the Board took the decision not to pay a first interim dividend for the year ended 31 March 2021 (2020: 11.60p or £86m paid in total).

The Board has recommended a final dividend for the year ended 31 March 2021 of **9p** per ordinary share (2020: £Nil) to be paid as a PID. This final dividend will result in a further estimated distribution of **£67m** (2020: £Nil). Subject to shareholders' approval at the Annual General Meeting, the final dividend will be paid on 23 July 2021 to shareholders registered at the close of business on 18 June 2021.

The total dividend paid and recommended in respect of the year ended 31 March 2021 is **27p** per ordinary share (2020: 23.2p) resulting in a total estimated distribution of **£200m** (2020: £172m).

The first quarterly dividend for the year ending 31 March 2022 will be paid in October 2021 and will be announced in due course.

A Dividend Reinvestment Plan (DRIP) has been available in respect of all dividends paid during the year. The last day for DRIP elections for the final dividend is close of business on 2 July 2021.

9. Net cash generated from operations

Reconciliation of operating loss to net cash generated from operations	**2021**	2020
	£m	£m
Operating loss	**(1,330)**	(690)
Adjustments for:		
Net deficit on revaluation of investment properties	**1,448**	1,000
(Profit)/loss on disposal of investment properties	**(8)**	6
Share of loss from joint ventures	**192**	151
Share-based payment charge	**4**	2
Impairment of intangible asset	**4**	4
Impairment of goodwill	**-**	1
Rents payable	**7**	13
Depreciation	**5**	4
Other	**6**	2
	328	493
Changes in working capital:		
Decrease in receivables	**8**	3
(Decrease)/increase in payables and provisions	**(14)**	8
Net cash generated from operations	**322**	504

Reconciliation to adjusted net cash inflow from operating activities	**2021**	2020
	£m	£m
Net cash inflow from operating activities	**233**	401
Joint ventures net cash inflow from operating activities	**19**	70
Trading property disposals	**(4)**	(20)
Trading property capital expenditure	**1**	1
Adjusted net cash inflow from operating activities	**249**	452

10. Investment properties

	2021 £m	2020 £m
Net book value at the beginning of the year	**11,297**	12,094
Acquisitions	**115**	16
Capital expenditure	**221**	199
Capitalised interest	**11**	7
Net movement in head leases capitalised(1)	**1**	30
Disposals	**(579)**	(49)
Net deficit on revaluation of investment properties	**(1,448)**	(1,000)
Transfers to trading properties	**(11)**	-
Net book value at the end of the year	**9,607**	11,297

1. See note 14 for details of the amounts payable under head leases and note 3 for details of the rents payable in the income statement.

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

	2021				2020			
	Group (excl. joint ventures) **£m**	**Joint ventures(1)** **£m**	**Adjustment for proportionate share(2)** **£m**	**Combined Portfolio** **£m**	Group (excl. joint ventures) £m	Joint ventures(1) £m	Adjustment for proportionate share(2) £m	Combined Portfolio £m
Market value	**10,025**	**766**	**-**	**10,791**	11,802	979	-	12,781
Less: properties treated as finance leases	**(249)**	**-**	**-**	**(249)**	(249)	-	-	(249)
Plus: head leases capitalised	**61**	**9**	**-**	**70**	60	9	-	69
Less: tenant lease incentives	**(230)**	**(40)**	**-**	**(270)**	(316)	(42)	-	(358)
Net book value	**9,607**	**735**	**-**	**10,342**	11,297	946	-	12,243
Net deficit on revaluation of investment properties	**(1,448)**	**(198)**	**-**	**(1,646)**	(1,000)	(181)	2	(1,179)

1. Refer to note 12 for a breakdown of this amount by entity.
2. This represents the interest in X-Leisure which we did not own, but which is consolidated in the Group numbers. In December 2019, the Group purchased this additional interest thereby settling the redemption liability.

The net book value of leasehold properties where head leases have been capitalised is **£2,484m** (2020: £2,561m).

Investment properties include capitalised interest of **£232m** (2020: £221m). The average rate of interest capitalisation for the year is **2.6%** (2020: 2.6%). The historical cost of investment properties is **£7,554m** (2020: £7,463m).

11. Trading properties

	Development land and infrastructure **£m**	**Residential** **£m**	**Total** **£m**
At 1 April 2019	23	-	23
Capital expenditure	1	-	1
At 31 March 2020	24	-	24
Transfer from investment properties	**-**	**11**	**11**
Capital expenditure	**-**	**1**	**1**
At 31 March 2021	**24**	**12**	**36**

There were no cumulative impairment provisions in respect of either Development land and infrastructure or Residential at 31 March 2021 and 31 March 2020.

12. Joint arrangements

The Group's principal joint arrangements are described below:

Joint ventures	Percentage owned & voting rights	Business segment	Year end date[1]	Joint venture partner
Held at 31 March 2021				
Nova, Victoria[2]	50%	Central London	31 March	Suntec Real Estate Investment Trust
Southside Limited Partnership	50%	Urban opportunities	31 March	Invesco Real Estate European Fund
St. David's Limited Partnership	50%	Regional retail	31 December	Intu Properties plc[3]
Westgate Oxford Alliance Limited Partnership	50%	Regional retail, Subscale sectors	31 March	The Crown Estate Commissioners
Harvest[4][5]	50%	Subscale sectors	31 March	J Sainsbury plc
The Ebbsfleet Limited Partnership[4]	50%	Subscale sectors	31 March	Ebbsfleet Property Limited
West India Quay Unit Trust[4]	50%	Subscale sectors	31 March	Schroder UK Real Estate Fund

Joint operation	Ownership interest	Business segment	Year end date[1]	Joint operation partners
Held at 31 March 2021				
Bluewater, Kent	30%	Regional retail	31 March	M&G Real Estate and GIC Lendlease Retail LP Royal London Asset Management Aberdeen Standard Investments

1. The year end date shown is the accounting reference date of the joint arrangement. In all cases, the Group's accounting is performed using financial information for the Group's own reporting year and reporting date.
2. Nova, Victoria includes the Nova Limited Partnership, Nova Residential Limited Partnership, Victoria Circle Developer Limited, Nova GP Limited, Nova Business Manager Limited, Nova Residential (GP) Limited, Nova Developer Limited, Nova Residential Intermediate Ltd, Nova Estate Management Company Limited, Nova Nominee 1 Limited and Nova Nominee 2 Limited. On 19 June 2020, the Group acquired Nova's interests in n2 and Nova Place from the joint venture. On 18 December 2020 the Canada Pension Plan Investment Fund sold their interest in Nova, Victoria to Suntec REIT.
3. Intu Properties plc went into administration in June 2020 and its subsidiary, our joint venture partner Intu the Hayes Limited, was subsequently placed in receivership by its secured creditors in November 2020.
4. Included within Other in subsequent tables.
5. Harvest includes Harvest 2 Limited Partnership, Harvest Development Management Limited, Harvest 2 Selly Oak Limited, Harvest 2 GP Limited and Harvest GP Limited.

All of the Group's joint arrangements have their principal place of business in the United Kingdom. All of the Group's joint arrangements own and operate investment property, with the exception of The Ebbsfleet Limited Partnership which holds development land as a trading property and Harvest which is engaged in long-term development contracts. The activities of all the Group's joint arrangements are therefore strategically important to the business activities of the Group.

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

12. Joint arrangements continued

Joint ventures

Year ended 31 March 2021

Comprehensive income statement	Nova, Victoria 100% £m	Southside Limited Partnership 100% £m	St. David's Limited Partnership 100% £m	Westgate Oxford Alliance Partnership 100% £m	Other 100% £m	Total 100% £m	Total Group share £m
Revenue[1]	**53**	**11**	**30**	**32**	**8**	**134**	**67**
Gross rental income (after rents payable)	**35**	**10**	**23**	**24**	**4**	**96**	**48**
Net rental income	**32**	**4**	**6**	**6**	**1**	**49**	**24**
Revenue profit before interest	**28**	**4**	**5**	**5**	**1**	**43**	**22**
Finance expense	**(22)**	**(6)**	**-**	**-**	**-**	**(28)**	**(14)**
Net finance expense	**(22)**	**(6)**	**-**	**-**	**-**	**(28)**	**(14)**
Revenue profit	**6**	**(2)**	**5**	**5**	**1**	**15**	**8**
Capital and other items							
Net deficit on revaluation of investment properties	**(23)**	**(61)**	**(179)**	**(122)**	**(11)**	**(396)**	**(198)**
Loss on disposal of investment properties	**(5)**	**-**	**-**	**-**	**-**	**(5)**	**(3)**
Loss on disposal of trading properties	**(1)**	**-**	**-**	**-**	**-**	**(1)**	**(1)**
Other income	**-**	**-**	**-**	**-**	**4**	**4**	**2**
Loss before tax	**(23)**	**(63)**	**(174)**	**(117)**	**(6)**	**(383)**	**(192)**
Post-tax loss	**(23)**	**(63)**	**(174)**	**(117)**	**(6)**	**(383)**	**(192)**
Total comprehensive loss	**(23)**	**(63)**	**(174)**	**(117)**	**(6)**	**(383)**	**(192)**
	50%	**50%**	**50%**	**50%**	**50%**	**50%**	
Group share of loss before tax	**(12)**	**(32)**	**(87)**	**(58)**	**(3)**	**(192)**	
Group share of post-tax loss	**(12)**	**(32)**	**(87)**	**(58)**	**(3)**	**(192)**	
Group share of total comprehensive loss	**(12)**	**(32)**	**(87)**	**(58)**	**(3)**	**(192)**	

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

12. Joint arrangements continued

Joint ventures

Year ended 31 March 2020

Comprehensive income statement	Nova, Victoria 100% £m	Southside Limited Partnership 100% £m	St. David's Limited Partnership 100% £m	Westgate Oxford Alliance Partnership 100% £m	Other 100% £m	Total 100% £m	Total Group share £m
Revenue[1]	55	12	42	37	43	189	95
Gross rental income (after rents payable)	36	12	33	28	4	113	57
Net rental income	32	7	22	19	3	83	41
Revenue profit before interest	28	7	21	18	3	77	38
Finance expense	(27)	(6)	-	-	-	(33)	(16)
Net finance expense	(27)	(6)	-	-	-	(33)	(16)
Revenue profit	1	1	21	18	3	44	22
Capital and other items							
Net deficit on revaluation of investment properties	(12)	(72)	(139)	(135)	(3)	(361)	(181)
Movement in impairment of trading properties	1	-	-	-	-	1	-
Profit on disposal of trading properties	1	-	-	-	12	13	7
Profit on long-term development contracts	-	-	-	-	5	5	3
(Loss)/profit before tax	(9)	(71)	(118)	(117)	17	(298)	(149)
Taxation	-	-	-	-	(3)	(3)	(2)
Post-tax (loss)/profit	(9)	(71)	(118)	(117)	14	(301)	(151)
Total comprehensive (loss)/income	(9)	(71)	(118)	(117)	14	(301)	(151)
	50%	50%	50%	50%	50%	50%	
Group share of (loss)/profit before tax	(5)	(35)	(59)	(59)	9	(149)	
Group share of post-tax (loss)/profit	(5)	(35)	(59)	(59)	7	(151)	
Group share of total comprehensive (loss)/income	(5)	(35)	(59)	(59)	7	(151)	

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

12. Joint arrangements continued

Joint ventures — 31 March 2021

Balance sheet	Nova, Victoria 100% £m	Southside Limited Partnership 100% £m	St. David's Limited Partnership 100% £m	Westgate Oxford Alliance Partnership 100% £m	Other 100% £m	Total 100% £m	Total Group share £m
Investment properties(1)	799	132	248	235	56	1,470	735
Non-current assets	799	132	248	235	56	1,470	735
Cash and cash equivalents	34	2	13	8	5	62	31
Other current assets	67	6	14	17	7	111	55
Current assets	101	8	27	25	12	173	86
Total assets	900	140	275	260	68	1,643	821
Trade and other payables and provisions	(21)	(10)	(11)	(10)	(4)	(56)	(28)
Current liabilities	(21)	(10)	(11)	(10)	(4)	(56)	(28)
Non-current liabilities	(177)	(144)	(16)	-	-	(337)	(168)
Non-current liabilities	(177)	(144)	(16)	-	-	(337)	(168)
Total liabilities	(198)	(154)	(27)	(10)	(4)	(393)	(196)
Net assets	702	(14)	248	250	64	1,250	625
Market value of investment properties(1)	859	132	238	245	57	1,531	766
Net cash/(debt) (2)	34	2	(3)	8	5	46	23

Joint ventures — 31 March 2020

Balance sheet	Nova, Victoria 100% £m	Southside Limited Partnership 100% £m	St. David's Limited Partnership 100% £m	Westgate Oxford Alliance Partnership 100% £m	Other 100% £m	Total 100% £m	Total Group share £m
Investment properties(1)	849	192	425	358	67	1,891	946
Non-current assets	849	192	425	358	67	1,891	946
Cash and cash equivalents	17	2	12	10	6	47	23
Other current assets	75	3	13	19	-	110	55
Current assets	92	5	25	29	6	157	78
Total assets	941	197	450	387	73	2,048	1,024
Trade and other payables and provisions	(33)	(4)	(12)	(12)	(1)	(62)	(31)
Current liabilities	(33)	(4)	(12)	(12)	(1)	(62)	(31)
Non-current liabilities	(179)	(144)	(16)	-	-	(339)	(169)
Non-current liabilities	(179)	(144)	(16)	-	-	(339)	(169)
Total liabilities	(212)	(148)	(28)	(12)	(1)	(401)	(200)
Net assets	729	49	422	375	72	1,647	824
Market value of investment properties(1)	908	193	417	372	68	1,958	979
Net cash/(debt) (2)	17	2	(4)	10	6	31	15

1. The difference between the book value and the market value of investment properties is the amount recognised in respect of lease incentives, head leases capitalised and properties treated as finance leases, where applicable.
2. Excludes funding provided by the Group and its joint venture partners. See note 13 for further details.

12. Joint arrangements continued

Joint ventures

Net investment	Nova, Victoria 50% £m	Southside Limited Partnership 50% £m	St. David's Limited Partnership 50% £m	Westgate Oxford Alliance Partnership 50% £m	Other 50% £m	Total Group share £m
At 1 April 2019	359	61	277	258	76	1,031
Total comprehensive (loss)/income	(5)	(35)	(59)	(59)	7	(151)
Cash contributed	13	-	-	-	-	13
Cash distributions	(2)	(1)	(7)	(12)	(47)	(69)
At 31 March 2020	365	25	211	187	36	824
Total comprehensive loss	**(12)**	**(32)**	**(87)**	**(58)**	**(3)**	**(192)**
Non-cash contributions	**9**	**-**	**-**	**-**	**-**	**9**
Cash distributions	**(11)**	**-**	**-**	**(4)**	**(1)**	**(16)**
At 31 March 2021	**351**	**(7)**	**124**	**125**	**32**	**625**

13. Capital structure

	Group	**Joint ventures**	**2021 Combined**	Group	Joint ventures	2020 Combined
	£m	**£m**	**£m**	£m	£m	£m
Property portfolio						
Market value of investment properties	**10,025**	**766**	**10,791**	11,802	979	12,781
Trading properties and long-term contracts	**36**	**-**	**36**	24	3	27
Total property portfolio (a)	**10,061**	**766**	**10,827**	11,826	982	12,808
Net debt						
Borrowings	**3,516**	**8**	**3,524**	5,332	8	5,340
Monies held in restricted accounts and deposits	**(10)**	**-**	**(10)**	(9)	-	(9)
Cash and cash equivalents	**-**	**(31)**	**(31)**	(1,345)	(23)	(1,368)
Fair value of interest-rate swaps	**(3)**	**-**	**(3)**	1	-	1
Fair value of foreign exchange swaps and forwards	**6**	**-**	**6**	(37)	-	(37)
Net debt (b)	**3,509**	**(23)**	**3,486**	3,942	(15)	3,927
Less: Fair value of interest-rate swaps	**3**	**-**	**3**	(1)	-	(1)
Adjusted net debt (c)	**3,512**	**(23)**	**3,489**	3,941	(15)	3,926
Adjusted total equity						
Total equity (d)	**7,212**	**-**	**7,212**	8,750	-	8,750
Fair value of interest-rate swaps	**(3)**	**-**	**(3)**	1	-	1
Adjusted total equity (e)	**7,209**	**-**	**7,209**	8,751	-	8,751
Gearing (b/d)	**48.7%**		**48.3%**	45.1%		44.9%
Adjusted gearing (c/e)	**48.7%**		**48.4%**	45.0%		44.9%
Group LTV (c/a)	**34.9%**		**32.2%**	33.3%		30.7%
Security Group LTV	**32.7%**			32.5%		
Weighted average cost of debt	**2.2%**		**2.2%**	1.8%		1.8%

14. Borrowings

	Secured/ unsecured	Fixed/ floating	Effective interest rate %	2021 Nominal/ notional value £m	2021 Fair value £m	2021 Book value £m	2020 Nominal/ notional value £m	2020 Fair value £m	2020 Book value £m
Current borrowings									
Commercial paper									
Sterling	Unsecured	Floating	LIBOR + margin	**84**	**84**	**84**	4	4	4
Euro	Unsecured	Floating	LIBOR + margin	**640**	**640**	**640**	796	796	796
US Dollar	Unsecured	Floating	LIBOR + margin	**182**	**182**	**182**	177	177	177
Total current borrowings				**906**	**906**	**906**	977	977	977
Non-current borrowings									
Medium term notes (MTN)									
A10 4.875% MTN due 2025	Secured	Fixed	5.0	**10**	**11**	**10**	10	11	10
A12 1.974% MTN due 2026	Secured	Fixed	2.0	**400**	**410**	**399**	400	406	399
A4 5.391% MTN due 2026	Secured	Fixed	5.4	**17**	**19**	**17**	17	20	17
A5 5.391% MTN due 2027	Secured	Fixed	5.4	**87**	**100**	**86**	95	113	94
A6 5.376% MTN due 2029	Secured	Fixed	5.4	**65**	**80**	**65**	65	84	65
A16 2.375% MTN due 2029	Secured	Fixed	2.5	**350**	**367**	**348**	350	366	347
A13 2.399% MTN due 2031	Secured	Fixed	2.4	**300**	**314**	**299**	300	314	299
A7 5.396% MTN due 2032	Secured	Fixed	5.4	**77**	**107**	**77**	81	111	80
A11 5.125% MTN due 2036	Secured	Fixed	5.1	**50**	**68**	**50**	50	71	50
A14 2.625% MTN due 2039	Secured	Fixed	2.6	**500**	**524**	**494**	500	521	494
A15 2.750% MTN due 2059	Secured	Fixed	2.7	**500**	**540**	**495**	500	542	495
				2,356	**2,540**	**2,340**	2,368	2,559	2,350
Syndicated and bilateral bank debt	Secured	Floating	LIBOR + margin	**209**	**209**	**209**	1,944	1,944	1,944
Amounts payable under head leases	Unsecured	Fixed	4.6	**61**	**105**	**61**	61	126	61
Total non-current borrowings				**2,626**	**2,854**	**2,610**	4,373	4,629	4,355
Total borrowings				**3,532**	**3,760**	**3,516**	5,350	5,606	5,332

Reconciliation of the movement in borrowings	**2021** £m	2020 £m
At the beginning of the year	**5,332**	3,781
Proceeds from new borrowings	**-**	1,701
Repayment of bank debt	**(1,755)**	-
Repayment of MTNs	**-**	(47)
Redemption of MTNs	**(12)**	(196)
Foreign exchange movement on non-Sterling borrowings	**(51)**	60
Other	**2**	33
At 31 March	**3,516**	5,332

Reconciliation of movements in liabilities arising from financing activities **2021**

	At the beginning of the year £m	Cash flows £m	Non-cash changes: Foreign exchange movements £m	Non-cash changes: Other changes in fair values £m	Other changes £m	At the end of the year £m
Borrowings	**5,332**	**(1,767)**	**(51)**	**-**	**2**	**3,516**
Derivative financial instruments	**(36)**	**(12)**	**51**	**-**	**-**	**3**
	5,296	**(1,779)**	**-**	**-**	**2**	**3,519**

2020

Borrowings	3,781	1,458	60	-	33	5,332
Derivative financial instruments	16	1	(60)	7	-	(36)
	3,797	1,459	-	7	33	5,296

14. Borrowings continued

Medium term notes

The MTNs are secured on the fixed and floating pool of assets of the Security Group. The Security Group includes investment properties, development properties, the X-Leisure fund, and the Group's investment in Westgate Oxford Alliance Limited Partnership, Nova Victoria, St. David's Limited Partnership and Southside Limited Partnership, in total valued at **£10.6bn** at 31 March 2021 (31 March 2020: £12.1bn). The secured debt structure has a tiered operating covenant regime which gives the Group substantial flexibility when the loan-to-value and interest cover in the Security Group are less than 65% and more than 1.45x respectively. If these limits are exceeded, the operating environment becomes more restrictive with provisions to encourage a reduction in gearing. The interest rate of each MTN is fixed until the expected maturity, being two years before the legal maturity date of the MTN. The interest rate for the last two years may either become floating on a LIBOR basis plus an increased margin (relative to that at the time of issue), or subject to a fixed coupon uplift, depending on the terms and conditions of the specific notes.

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

During the year, the Group purchased **£12m** (2020: £196m) of MTNs for a total premium of **£3m** (2020: £59m). Details of the purchases and associated premium by series are as follows:

MTN purchases			**2021**		2020
		Purchases £m	**Premium** £m	Purchases £m	Premium £m
A10	4.875% MTN due 2025	**-**	**-**	4	1
A4	5.391% MTN due 2026	**-**	**-**	8	1
A5	5.391% MTN due 2027	**8**	**2**	91	20
A6	5.376% MTN due 2029	**-**	**-**	12	3
A7	5.396% MTN due 2032	**4**	**1**	75	31
A11	5.125% MTN due 2036	**-**	**-**	6	3
		12	**3**	196	59

At 31 March 2021, the Group's committed revolving facilities totalled **£2,715m** (31 March 2020: £2,715m).

Syndicated and bilateral bank debt		**Authorised**		**Drawn**		**Undrawn**	
	Maturity as at 31 March 2021	**2021** £m	2020 £m	**2021** £m	2020 £m	**2021** £m	2020 £m
Syndicated debt	**2025**	**2,490**	2,490	**209**	1,797	**2,281**	693
Bilateral debt	**2024-25**	**225**	225	**-**	147	**225**	78
		2,715	2,715	**209**	1,944	**2,506**	771

All syndicated and bilateral facilities are committed and secured on the assets of the Security Group. During the year ended 31 March 2021, the amounts drawn under the Group's facilities decreased by **£1,735m**.

The terms of the Security Group funding arrangements require undrawn facilities to be reserved where syndicated and bilateral facilities mature within one year, or when commercial paper is issued. The total amount of cash and available undrawn facilities at 31 March 2021 was **£1,600m** (31 March 2020: £1,139m).

15. Monies held in restricted accounts and deposits

	2021 £m	2020 £m
Cash at bank and in hand	**3**	4
Short-term deposits	**7**	5
	10	9

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

Counterparties with external credit ratings	**2021** £m	2020 £m
A+	**7**	5
A	**2**	3
BBB+	**1**	1
	10	9

16. Cash and cash equivalents

	2021	2020
	£m	£m
Cash at bank and in hand	-	1,345
	-	1,345

As a result of the uncertainty created by Covid-19, the Group drew down on its facilities in March 2020 in order to cover the short-term commercial paper in issue at 31 March 2020 and to provide additional liquid funds. These facilities have been repaid during the year ended 31 March 2021.

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

	2021	2020
	£m	£m
Counterparties with external credit ratings		
A+	-	1,345
	-	1,345

The Group's cash and cash equivalents and bank overdrafts are subject to cash pooling arrangements. The following table provides details of cash balances and bank overdrafts which are subject to offsetting agreements.

			2021			2020
	Gross amounts of financial assets	Gross amounts of financial liabilities	Net amounts recognised in the balance sheet	Gross amounts of financial assets	Gross amounts of financial liabilities	Net amounts recognised in the balance sheet
	£m	£m	£m	£m	£m	£m
Assets						
Cash and cash equivalents	49	(49)	-	1,363	(18)	1,345
	49	(49)	-	1,363	(18)	1,345

17. Events after the reporting period

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

Alternative performance measures

Table 15: Alternative performance measures

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

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

Alternative performance measure	Nearest IFRS measure	Reconciliation
Revenue profit	Profit/loss before tax	Note 3
Adjusted earnings	Profit/loss attributable to shareholders	Note 4
Adjusted earnings per share	Basic earnings/loss per share	Note 4
Adjusted diluted earnings per share	Diluted earnings/loss per share	Note 4
EPRA net tangible assets	Net assets attributable to shareholders	Note 4
EPRA net tangible assets per share	Net assets attributable to shareholders	Note 4
Total business return	n/a	Note 4
Adjusted net cash inflow from operating activities	Net cash inflow from operating activities	Note 9
Combined Portfolio	Investment properties	Note 10
Adjusted net debt	Borrowings	Note 13
Group LTV	n/a	Note 13

EPRA disclosures

Table 16: EPRA net asset measures

EPRA net asset measures			**31 March 2021**
	EPRA NRV **£m**	**EPRA NTA** **£m**	**EPRA NDV** **£m**
Net assets attributable to shareholders	**7,212**	**7,212**	**7,212**
Excess of fair value over net investment in finance lease book value	**93**	**93**	**93**
Deferred tax liability on intangible asset	**1**	**1**	**-**
Goodwill on deferred tax liability	**(1)**	**(1)**	**(1)**
Other intangible asset	**-**	**(2)**	**-**
Fair value of interest-rate swaps	**(3)**	**(3)**	**-**
Excess of fair value of debt over book value (note 14)	**-**	**-**	**(244)**
Purchasers' costs[1]	**628**	**-**	**-**
Net assets used in per share calculation	**7,930**	**7,300**	**7,060**

	EPRA NRV	**EPRA NTA**	**EPRA NDV**
Diluted net assets per share	**1,070p**	**985p**	**953p**

			31 March 2020
	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m
Net assets attributable to shareholders	8,750	8,750	8,750
Excess of fair value over net investment in finance lease book value	90	90	90
Deferred tax liability on intangible asset	1	1	-
Goodwill on deferred tax liability	(1)	(1)	(1)
Other intangible asset	-	(7)	-
Fair value of interest-rate swaps	1	1	-
Excess of fair value of debt over book value (note 14)	-	-	(274)
Purchasers' costs[1]	768	-	-
Net assets used in per share calculation	9,609	8,834	8,565

	EPRA NRV	EPRA NTA	EPRA NDV
Diluted net assets per share	1,297p	1,192p	1,156p

1. EPRA NTA and EPRA NDV reflect IFRS values which are net of purchasers' costs. Purchasers' costs are added back when calculating EPRA NRV.

Table 17: EPRA performance measures

Measure	Definition for EPRA measure	Notes	31 March 2021 Landsec measure	31 March 2021 EPRA measure
Adjusted earnings	Recurring earnings from core operational activity	4	**£251m**	**£251m**
Adjusted earnings per share	Adjusted earnings per weighted number of ordinary shares	4	**33.9p**	**33.9p**
Adjusted diluted earnings per share	Adjusted diluted earnings per weighted number of ordinary shares	4	**33.9p**	**33.9p**
EPRA net tangible assets (NTA)	Net assets adjusted to exclude the fair value of interest-rate swaps, intangible assets and excess of fair value over net investment in finance lease book value	4	**£7,300m**	**£7,300m**
EPRA net tangible assets per share	Diluted net tangible assets per share	4	**985p**	**985p**
EPRA net disposal value (NDV)	Net assets adjusted to exclude the fair value of debt and goodwill on deferred tax and to include excess of fair value over net investment in finance lease book value	4	**£7,060m**	**£7,060m**
EPRA net disposal value per share	Diluted net disposal value per share	4	**953p**	**953p**
		Table		
Voids/vacancy rate	ERV of vacant space as a % of ERV of Combined Portfolio excluding the development programme[1]	18	**4.4%**	**4.3%**
Net initial yield (NIY)	Annualised rental income less non-recoverable costs as a % of market value plus assumed purchasers' costs[2]	20	**5.0%**	**4.9%**
Topped-up NIY	NIY adjusted for rent free periods[2]	20	**5.2%**	**5.0%**
Cost ratio[3]	Total costs as a percentage of gross rental income (including direct vacancy costs)[3]	21	**19.4%**	**42.3%**
	Total costs as a percentage of gross rental income (excluding direct vacancy costs)[3]	21	**n/a**	**40.0%**

1. Our measure reflects voids in our like-for-like portfolio only. The EPRA measure reflects voids in the Combined Portfolio excluding only properties under development.
2. Our NIY and Topped-up NIY relate to the Combined Portfolio, excluding properties in the development programme that have not yet reached practical completion, and are calculated by our external valuer. EPRA NIY and EPRA Topped-up NIY calculations are consistent with ours but exclude only properties currently under development. Topped-up NIY reflects adjustments of **£14m** and **£14m** for rent free periods and other incentives for the Landsec measure and EPRA measure, respectively.
3. The EPRA cost ratio is calculated based on gross rental income after rents payable and excluding costs recovered through rents but not separately invoiced of **£6m**, whereas our measure is based on gross rental income before rents payable and costs recovered through rents but not separately invoiced. We do not calculate a cost ratio excluding direct vacancy costs as we do not consider this to be helpful. Provisions for bad and doubtful debts have been excluded from our cost ratio.

Table 18: EPRA vacancy rate

The EPRA vacancy rate is based on the ratio of the estimated market rent for vacant properties versus total estimated market rent, for the Combined Portfolio excluding properties under development. There are no significant distorting factors influencing the EPRA vacancy rate.

	31 March 2021 £m
ERV of vacant properties	**27**
ERV of Combined Portfolio excluding properties under development	**624**
EPRA vacancy rate (%)	**4.3%**

Table 19: Change in net rental income from the like-for-like portfolio

	2021 £m	2020 £m	**Change** £m	**Change** %
Central London	**257**	276	**(19)**	**-6.9**
Regional retail	**68**	149	**(81)**	**-54.4**
Urban opportunities	**11**	21	**(10)**	**-47.6**
Subscale sectors	**41**	96	**(55)**	**-57.3**
	377	542	**(165)**	**-30.4**

Table 20: EPRA Net initial yield (NIY) and Topped-up NIY

	31 March 2021 **£m**
Combined Portfolio	10,791
Trading properties	37
Less: Properties under development, trading properties under development and land	(769)
Like-for-like investment property portfolio, proposed and completed developments, and completed trading properties	**10,059**
Plus: Allowance for estimated purchasers' costs	587
Grossed-up completed property portfolio valuation (a)	**10,646**
EPRA annualised cash passing rental income[1]	539
Net service charge expense[2]	(5)
Void costs and other deductions	(13)
EPRA Annualised net rent[1] (b)	**521**
Plus: Rent-free periods and other lease incentives (annualised)	14
Topped-up annualised net rents (c)	**535**
EPRA NIY (b/a)	**4.9%**
EPRA Topped-up NIY (c/a)	**5.0%**

1. EPRA Annualised cash passing rental income and EPRA annualised net rent as calculated by the Group's external valuer.
2. Including costs recovered through rents but not separately invoiced.

Table 21: Cost analysis

	£m
Gross rental income (before rents payable)	**578**
Rents payable	(9)
Gross rental income (after rents payable)	**569**
Net service charge expense	(5)
Net direct property expenditure	(32)
Bad and doubtful debts expense	(127)
Segment net rental income	**405**
Net indirect expenses	(80)
Segment profit before finance expense	**325**
Net finance expense - Group	(60)
Net finance expense - joint ventures	(14)
Revenue profit	**251**

Direct property costs £164m

Net indirect expenses[2] £80m

Total cost ratio[1] **19.4%**

	2021 Total £m	**2021 Cost ratio %[1]**	2020 Total £m	2020 Cost ratio %[1]
Gross rental income (before rents payable)	**578**		678	
Costs recovered through rents but not separately invoiced	(6)		(6)	
Adjusted gross rental income	**572**		672	
Rents payable	(9)		(15)	
EPRA gross rental income	**563**		657	
Managed operations	**7**	**1.2**	10	1.5
Tenant default	**127**	**22.2**	33	4.9
Void related costs	**13**	**2.3**	13	1.9
Other direct property costs	**11**	**1.9**	19	2.8
Development expenditure	**14**	**2.4**	9	1.3
Asset management, administration and compliance	**72**	**12.7**	70	10.4
Total (incl. direct vacancy costs)	**244**	**42.7**	154	22.9
Costs recovered through rents	(6)		(6)	
Tenant default[3]	(127)		(33)	
Adjusted total costs	**111**	**19.4**	115	17.1
Tenant default[3]	127		33	
EPRA costs (incl. direct vacancy costs)	**238**	**42.3**	148	22.5
Less: Direct vacancy costs	(13)		(13)	
EPRA (excl. direct vacancy costs)	**225**	**40.0**	135	20.5

1. Percentages represent costs divided by Adjusted gross rental income, except for EPRA measures which represent costs divided by EPRA gross rental income.
2. Net indirect expenses amounting to **£7m** (2020: £7m) have been capitalised as development costs and are excluded from table 21.
3. Provisions for bad and doubtful debts have been excluded from our cost ratio, including those relating to rent which will be earned in future accounting periods.

Table 22: Acquisitions, disposals and capital expenditure

Investment properties	Group (excl. joint ventures) £m	Joint ventures £m	Year ended 31 March 2021 Combined Portfolio £m	Year ended 31 March 2020 Combined Portfolio £m
Net book value at the beginning of the year	**11,297**	**946**	**12,243**	13,177
Acquisitions	115	-	**115**	48
Capital expenditure	221	2	**223**	207
Capitalised interest	11	-	**11**	8
Net movement in capitalised head leases	1	-	**1**	31
Disposals	(579)	(15)	**(594)**	(49)
Net deficit on revaluation of investment properties	(1,448)	(198)	**(1,646)**	(1,179)
Transfer to trading properties	(11)	-	**(11)**	-
Net book value at the end of the year	**9,607**	**735**	**10,342**	12,243
Profit/(loss) on disposal of investment properties	**8**	**(3)**	**5**	(6)

Trading properties	£m	£m	£m	£m
Net book value at the beginning of the year	**24**	**3**	**27**	41
Transfer from investment properties	11	-	**11**	-
Capital expenditure	1	-	**1**	1
Disposals	-	(3)	**(3)**	(15)
Net book value at the end of the year	**36**	**-**	**36**	27
(Loss)/profit on disposal of trading properties	**-**	**(1)**	**(1)**	7

Acquisitions, development and other capital expenditure	Investment properties[1] £m	Trading properties £m	Combined Portfolio £m	Combined Portfolio £m
Acquisitions[2]	115	-	**115**	48
Development capital expenditure[3]	182	1	**183**	165
Other capital expenditure	41	-	**41**	43
Capitalised interest	11	-	**11**	8
Acquisitions, development and other capital expenditure	**349**	**1**	**350**	264

Disposals	£m	£m
Net book value – investment property disposals	**594**	49
Net book value – trading property disposals	**3**	15
Net book value – other net assets	**43**	-
Profit/(loss) on disposal – investment properties	**5**	(6)
(Loss)/profit on disposal – trading properties	**(1)**	7
Total disposal proceeds	**644**	65

1. See EPRA analysis of capital expenditure table 23 for further details.
2. Properties acquired in the year.
3. Development capital expenditure for investment properties comprises expenditure on the development pipeline and completed developments.

Table 23: EPRA analysis of capital expenditure

Year ended 31 March 2021

	Acquisitions[1] £m	Development capital expenditure[2] £m	Other capital expenditure: Incremental lettable space[3] £m	Other capital expenditure: No incremental lettable space £m	Other capital expenditure: Tenant improvements £m	Other capital expenditure: Total £m	Capitalised interest £m	Total capital expenditure – Combined Portfolio £m	Total capital expenditure – joint ventures (Group share) £m	Total capital expenditure – Group £m
Central London										
Offices	**89**	**180**	1	21	-	**22**	**11**	**302**	**1**	**301**
London retail	**23**	**2**	-	1	-	**1**	**-**	**26**	**-**	**26**
Other central London	**-**	**-**	-	-	-	**-**	**-**	**-**	**-**	**-**
Total Central London	**112**	**182**	**1**	**22**	**-**	**23**	**11**	**328**	**1**	**327**
Regional retail										
Regional shopping centres and shops	**3**	**-**	1	5	-	**6**	**-**	**9**	**1**	**8**
Outlets	**-**	**-**	-	4	1	**5**	**-**	**5**	**-**	**5**
Total Regional retail	**3**	**-**	**1**	**9**	**1**	**11**	**-**	**14**	**1**	**13**
Urban opportunities	**-**	**-**	**2**	**-**	**-**	**2**	**-**	**2**	**-**	**2**
Subscale sectors										
Leisure	**-**	**-**	1	-	1	**2**	**-**	**2**	**-**	**2**
Hotels	**-**	**-**	-	1	-	**1**	**-**	**1**	**-**	**1**
Retail parks	**-**	**-**	-	2	-	**2**	**-**	**2**	**-**	**2**
Total Subscale sectors	**-**	**-**	**1**	**3**	**1**	**5**	**-**	**5**	**-**	**5**
Total capital expenditure	**115**	**182**	**5**	**34**	**2**	**41**	**11**	**349**	**2**	**347**
Timing difference between accrual and cash basis								(34)	(4)	(30)
Total capital expenditure on a cash basis								**315**	**(2)**	**317**

1. Investment properties acquired in the year.
2. Expenditure on the development pipeline and completed developments.
3. Capital expenditure where the lettable area increases by at least 10%.

Other business analysis

Table 24: Top 12 occupiers at 31 March 2021

	% of Group rent[1]
Central Government	6.4
Deloitte	6.3
Cineworld	2.1
Boots	1.9
Sainsbury's	1.6
Taylor Wessing	1.5
Equinix	1.4
Lloyds Banking	1.2
M&S	1.2
Next	1.1
H&M	1.1
Vue	1.1
	26.9

1. On a proportionate basis.

Table 25: Development pipeline and trading property development schemes at 31 March 2021

Property	Description of use	Ownership interest %	Size sq ft	Letting status %	Market value £m	Net income/ ERV £m	Estimated completion date	Total development costs to date £m	Forecast total development cost £m
Developments approved or in progress									
The Forge, SE1	Office	100	139,000	-	67	10	Jun 2022	63	139
	Retail		1,000						
21 Moorfields, EC2	Office	100	564,000	100	523	38	Jul 2022	363	577
Wardour Street, W1[1]	Residential	100	5,000	-	8	n/a	Jul 2022	8	11
Lucent, W1	Office	100	111,000	-	95	13	Dec 2022	131	240
	Retail		30,000						
	Residential		3,000						
n2, SW1	Office	100	167,000	-	40	13	Jun 2023	54	205
Proposed developments									
Timber Square, SE1	Office	100	365,000	n/a	n/a	n/a	Feb 2024	n/a	n/a
	Retail		15,000						
Portland House, SW1	Office	100	360,000	n/a	n/a	n/a	Sep 2024	n/a	n/a
	Retail		40,000						

1. Affordable housing component of the Lucent development.

Property	Description of use	Ownership interest %	Size sq ft	Number of units	Sales exchanged by unit %	Estimated completion date	Total development costs to date £m	Forecast total development cost £m
Trading property development schemes								
Castle Lane, SW1	Residential	100	51,000	89	99	Apr 2023	11	46

Where the property is not 100% owned, floor areas and letting status shown above represent the full scheme whereas all other figures represent our proportionate share. Letting % is measured by ERV and shows letting status at 31 March 2021. Trading property development schemes are excluded from the development pipeline.

Total development cost

Refer to the Glossary for definition. Of the properties in the development pipeline at 31 March 2021, the only property on which interest was capitalised on the land cost was 21 Moorfields, EC2.

Net income/ERV

Net income/ERV represents headline annual rent on let units plus ERV at 31 March 2021 on unlet units, both after rents payable.

Table 26: Combined Portfolio analysis
Like-for-like segmental analysis

	Market value[1]		Valuation movement[1]		Rental income[1]		Annualised rental income[2]	Annualised net rent[3]		Net estimated rental value[4]	
	31 March 2021	31 March 2020	**Surplus/ (deficit)**	**Surplus/ (deficit)**	**31 March 2021**	31 March 2020	**31 March 2021**	**31 March 2021**	30 September 2020	**31 March 2021**	31 March 2020
	£m	£m	**£m**	**%**	**£m**	£m	**£m**	**£m**	£m	**£m**	£m
Central London											
Offices	**5,194**	5,408	**(214)**	**-4.3%**	**238**	235	**234**	**250**	255	**266**	272
London retail	**623**	852	**(224)**	**-26.7%**	**36**	41	**34**	**34**	37	**30**	40
Other central London	**420**	427	**(5)**	**-1.2%**	**17**	22	**13**	**13**	13	**21**	21
Total Central London	**6,237**	6,687	**(443)**	**-7.1%**	**291**	298	**281**	**297**	305	**317**	333
Regional retail											
Regional shopping centres and shops	**1,041**	1,679	**(635)**	**-38.2%**	**115**	139	**98**	**95**	107	**95**	122
Outlets	**722**	881	**(164)**	**-18.5%**	**47**	62	**39**	**40**	48	**61**	63
Total Regional retail	**1,763**	2,560	**(799)**	**-31.4%**	**162**	201	**137**	**135**	155	**156**	185
Urban opportunities	**360**	469	**(110)**	**-23.4%**	**25**	29	**24**	**24**	24	**26**	29
Subscale sectors											
Leisure	**483**	615	**(137)**	**-22.9%**	**41**	45	**39**	**38**	38	**40**	43
Hotels	**406**	469	**(64)**	**-13.4%**	**4**	28	**4**	**4**	6	**25**	30
Retail parks	**397**	442	**(43)**	**-10.1%**	**34**	38	**33**	**34**	35	**32**	35
Total Subscale sectors	**1,286**	1,526	**(244)**	**-16.2%**	**79**	111	**76**	**76**	79	**97**	108
Like-for-like portfolio[8]	**9,646**	11,242	**(1,596)**	**-14.8%**	**557**	639	**518**	**532**	563	**596**	655
Proposed developments[1]	**286**	294	**(41)**	**-12.4%**	**1**	12	**1**	**1**	1	**-**	-
Development programme[9]	**713**	566	**(1)**	**-0.2%**	**-**	-	**-**	**-**	-	**67**	68
Acquisitions[10]	**146**	55	**(8)**	**-5.4%**	**4**	1	**7**	**6**	3	**16**	3
Sales[11]	**-**	624	**-**	**-**	**16**	26	**-**	**-**	23	**-**	28
Combined Portfolio	**10,791**	12,781	**(1,646)**	**-13.7%**	**578**	678	**526**	**539**	590	**679**	754
Properties treated as finance leases					**(9)**	(9)					
Combined Portfolio	**10,791**	12,781	**(1,646)**	**-13.7%**	**569**	669					

Total portfolio analysis

	Market value[1]		Valuation movement[1]		Rental income[1]		Annualised rental income[2]	Annualised net rent[3]		Net estimated rental value[4]	
	31 March 2021	31 March 2020	**Surplus/ (deficit)**	**Surplus/ (deficit)**	**31 March 2021**	31 March 2020	**31 March 2021**	**31 March 2021**	30 September 2020	**31 March 2021**	31 March 2020
	£m	£m	**£m**	**%**	**£m**	£m	**£m**	**£m**	£m	**£m**	£m
Central London											
Offices	**6,268**	6,810	**(251)**	**-4.1%**	**254**	268	**237**	**252**	277	**345**	362
London retail	**659**	928	**(229)**	**-26.0%**	**38**	43	**36**	**36**	39	**31**	45
Other central London	**420**	437	**(4)**	**-1.0%**	**17**	22	**13**	**13**	13	**21**	21
Total Central London	**7,347**	8,175	**(484)**	**-6.5%**	**309**	333	**286**	**301**	329	**397**	428
Regional retail											
Regional shopping centres and shops	**1,041**	1,679	**(635)**	**-38.2%**	**115**	139	**98**	**95**	107	**95**	122
Outlets	**722**	881	**(164)**	**-18.5%**	**47**	62	**39**	**40**	48	**61**	63
Total Regional retail	**1,763**	2,560	**(799)**	**-31.4%**	**162**	201	**137**	**135**	155	**156**	185
Urban opportunities	**372**	484	**(112)**	**-23.3%**	**26**	29	**25**	**25**	25	**27**	30
Subscale sectors											
Leisure	**506**	649	**(144)**	**-23.0%**	**43**	47	**41**	**40**	41	**42**	45
Hotels	**406**	469	**(64)**	**-13.4%**	**4**	28	**4**	**4**	6	**25**	30
Retail parks	**397**	444	**(43)**	**-10.1%**	**34**	40	**33**	**34**	34	**32**	36
Total Subscale sectors	**1,309**	1,562	**(251)**	**-16.4%**	**81**	115	**78**	**78**	81	**99**	111
Combined Portfolio	**10,791**	12,781	**(1,646)**	**-13.7%**	**578**	678	**526**	**539**	590	**679**	754
Properties treated as finance leases					**(9)**	(9)					
Combined Portfolio	**10,791**	12,781	**(1,646)**	**-13.7%**	**569**	669					
Represented by:											
Investment portfolio	**10,025**	11,802	**(1,448)**	**-13.1%**	**519**	610	**481**	**492**	543	**629**	688
Share of joint ventures	**766**	979	**(198)**	**-21.3%**	**50**	59	**45**	**47**	47	**50**	66
Combined Portfolio	**10,791**	12,781	**(1,646)**	**-13.7%**	**569**	669	**526**	**539**	590	**679**	754
Analysis by asset use:											
Offices	**6,279**	6,826	**(255)**	**-4.2%**	**255**	270	**238**	**253**	279	**349**	364
Retail	**3,136**	4,348	**(1,173)**	**-27.4%**	**257**	309	**227**	**226**	250	**241**	291
Leisure, hotels and other	**1,376**	1,607	**(218)**	**-13.9%**	**66**	99	**61**	**60**	61	**89**	99
Combined Portfolio	**10,791**	12,781	**(1,646)**	**-13.7%**	**578**	678	**526**	**539**	590	**679**	754

Table 26: Combined Portfolio analysis continued
Like-for-like segmental analysis

	Gross estimated rental value(5)		Net initial yield(6)		Equivalent yield(7)		Voids (by ERV)(1)	
	31 March 2021	31 March 2020	**31 March 2021**	31 March 2020	**31 March 2021**	31 March 2020	**31 March 2021**	31 March 2020
	£m	£m	**%**	%	**%**	%	**%**	%
Central London								
Offices	**270**	275	**4.4%**	4.4%	**4.6%**	4.6%	**3.5%**	1.2%
London retail	**30**	41	**4.4%**	4.5%	**4.5%**	4.3%	**4.0%**	2.5%
Other central London	**21**	21	**2.6%**	3.4%	**4.4%**	4.3%	**-**	0.5%
Total Central London	**321**	337	**4.3%**	4.3%	**4.6%**	4.6%	**3.3%**	1.3%
Regional retail								
Regional shopping centres and shops	**102**	130	**7.9%**	6.4%	**7.6%**	6.2%	**7.9%**	4.8%
Outlets	**61**	63	**5.3%**	5.6%	**6.8%**	5.9%	**6.8%**	4.4%
Total Regional retail	**163**	193	**6.8%**	6.1%	**7.3%**	6.1%	**7.5%**	4.7%
Urban opportunities	**26**	29	**5.6%**	4.9%	**5.9%**	5.2%	**5.0%**	4.8%
Subscale sectors								
Leisure	**40**	44	**6.9%**	5.8%	**7.6%**	6.4%	**5.2%**	2.3%
Hotels	**25**	30	**3.3%**	2.3%	**5.5%**	5.2%	**-**	-
Retail parks	**33**	35	**7.4%**	7.6%	**7.6%**	7.4%	**1.2%**	3.4%
Total Subscale sectors	**98**	109	**5.9%**	5.2%	**6.9%**	6.3%	**2.5%**	2.0%
Like-for-like portfolio(8)	**608**	668	**5.0%**	4.9%	**5.5%**	5.2%	**4.4%**	2.5%
Proposed developments(1)	**-**	-	**-**	-	**n/a**	n/a	**n/a**	n/a
Development programme(9)	**69**	70	**-**	-	**4.3%**	4.3%	**n/a**	n/a
Acquisitions(10)	**16**	3	**3.3%**	5.5%	**5.4%**	5.8%	**n/a**	n/a
Sales(11)	**-**	28	**-**	3.9%	**n/a**	n/a	**n/a**	n/a
Combined Portfolio	**693**	769	**4.5%**	4.5%	**5.4%**	5.1%	**n/a**	n/a

Total portfolio analysis

	Gross estimated rental value(5)		Net initial yield(6)	
	31 March 2021	31 March 2020	**31 March 2021**	31 March 2020
	£m	£m	**%**	%
Central London				
Offices	**351**	367	**3.7%**	3.8%
London retail	**31**	46	**4.3%**	4.3%
Other central London	**21**	21	**2.6%**	3.4%
Total Central London	**403**	434	**3.7%**	3.8%
Regional retail				
Regional shopping centres and shops	**102**	130	**7.9%**	6.4%
Outlets	**61**	63	**5.3%**	5.6%
Total Regional retail	**163**	193	**6.8%**	6.1%
Urban opportunities	**27**	30	**5.6%**	4.9%
Subscale sectors				
Leisure	**42**	46	**6.9%**	5.8%
Hotels	**25**	30	**3.3%**	2.3%
Retail parks	**33**	36	**7.4%**	7.6%
Total Subscale sectors	**100**	112	**5.9%**	5.3%
Combined Portfolio	**693**	769	**4.5%**	4.5%
Represented by:				
Investment portfolio	**641**	702	**4.5%**	4.6%
Share of joint ventures	**52**	67	**5.3%**	4.4%
Combined Portfolio	**693**	769	**4.5%**	4.5%
Analysis by use type:				
Offices	**354**	370	**3.7%**	3.8%
Retail	**249**	300	**6.1%**	5.8%
Leisure, hotels and other	**90**	99	**5.1%**	4.1%
Combined Portfolio	**693**	769	**4.5%**	4.5%

Notes:

1. Refer to Glossary for definition.
2. Annualised rental income is annual 'rental income' (as defined in the Glossary) at the balance sheet date, except that car park and commercialisation income are included on a net basis (after deduction for operational outgoings). Annualised rental income includes temporary lettings.
3. Annualised net rent is annual cash rent, after the deduction of rent payable, as at the balance sheet date. It is calculated using the same methodology as annualised rental income but is stated net of rent payable and before tenant lease incentive adjustments. 31 March 2020 annualised net rent data not available, therefore 30 September 2020 information has been included for comparative purposes.
4. Net estimated rental value is gross estimated rental value, as defined in the Glossary, after deducting expected rent payable.
5. Gross estimated rental value (ERV) – refer to Glossary for definition. The figure for proposed developments relates to the existing buildings and not the schemes proposed.
6. Net initial yield – refer to Glossary for definition. This calculation includes all properties including those sites with no income.
7. Equivalent yield – refer to Glossary for definition. Proposed developments are excluded from the calculation of equivalent yield on the Combined Portfolio.
8. The like-for-like portfolio – refer to Glossary for definition. Capital expenditure on refurbishments, acquisitions of head leases and similar capital expenditure has been allocated to the like-for-like portfolio in preparing this table.
9. The development programme – refer to Glossary for definition. Net initial yield figures are only calculated for properties in the development programme that have reached practical completion.
10. Includes all properties acquired since 1 April 2019.
11. Includes all properties sold since 1 April 2019.

Table 27: Combined Portfolio value by location at 31 March 2021[1]

	Central London %	Regional retail %	Urban opportunities %	Subscale sectors %	Total %
Central, inner, and outer London	68.1	-	2.9	3.4	**74.4**
South East and East	-	8.6	5.0	-	**13.6**
Midlands	-	-	1.0	-	**1.0**
Wales and South West	-	2.2	0.5	-	**2.7**
North, North West, Yorkshire, and Humberside	-	4.2	2.0	-	**6.2**
Scotland and Northern Ireland	-	1.4	0.7	-	**2.1**
Total	**68.1**	**16.4**	**12.1**	**3.4**	**100.0**

1. % figures calculated by reference to the Combined Portfolio value of **£10.8bn**.

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

Table 28: Combined Portfolio performance relative to MSCI Total property return – year ended 31 March 2021

	Landsec %	MSCI %
Central London	-2.3	-2.6 (1)
Regional retail	-28.4	-23.6 (2)
Urban opportunities	-21.4	-17.5 (3)
Subscale sectors	-12.8	n/a (4)
Combined Portfolio	**-9.6**	**1.2** (5)

1. MSCI Central and Inner London Office benchmark / Central London Retail weighted by Landsec exposure.
2. MSCI All Shopping Centres benchmark.
3. MSCI Rest of London Shopping Centres benchmark.
4. No benchmark available.
5. MSCI All Property Quarterly Universe.

Table 29: Lease lengths

	Weighted average unexpired lease term at 31 March 2021	
	Like-for-like portfolio Mean(1) Years	Like-for-like portfolio, completed developments and acquisitions Mean(1) Years
Central London		
Offices	7.3	7.2
London retail	5.2	5.2
Other central London	53.5	53.5
Total Central London	**7.3**	**7.2**
Regional retail		
Regional shopping centres and shops	4.9	4.9
Outlets	3.3	3.3
Total Regional retail	**4.4**	**4.4**
Urban opportunities	**6.2**	**6.1**
Subscale sectors		
Leisure	10.3	10.3
Hotels	12.1	12.1
Retail parks	5.0	5.0
Total Subscale sectors	**8.0**	**8.0**
Combined Portfolio	**6.6**	**6.6**

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 30: 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).

					Year ended 31 March 2021
	Group income statement £m	Joint ventures[1] £m	Total £m	Revenue profit £m	Capital and other items £m
Rental income	519	50	569	569	-
Finance lease interest	9	-	9	9	-
Gross rental income (before rents payable)	**528**	**50**	**578**	**578**	**-**
Rents payable	(7)	(2)	(9)	(9)	-
Gross rental income (after rents payable)	**521**	**48**	**569**	**569**	**-**
Service charge income	70	9	79	79	-
Service charge expense	(75)	(9)	(84)	(84)	-
Net service charge expense	(5)	-	(5)	(5)	-
Other property related income	31	1	32	32	-
Direct property expenditure	(56)	(8)	(64)	(64)	-
Bad and doubtful debts expense	(110)	(17)	(127)	(127)	-
Segment net rental income	**381**	**24**	**405**	**405**	**-**
Other income	2	-	2	2	-
Indirect expense	(75)	(2)	(77)	(77)	-
Depreciation	(5)	-	(5)	(5)	-
Revenue profit before interest	**303**	**22**	**325**	**325**	**-**
Share of post-tax loss from joint ventures	(192)	192	-	-	-
Net deficit on revaluation of investment properties	(1,448)	(198)	(1,646)	-	(1,646)
Profit/(loss) on disposal of investment properties	8	(3)	5	-	5
Loss on disposal of trading properties	-	(1)	(1)	-	(1)
Exceptional items	(4)	-	(4)	-	(4)
Other	3	2	5	-	5
Operating (loss)/profit	**(1,330)**	**14**	**(1,316)**	**325**	**(1,641)**
Finance income	16	-	16	15	1
Finance expense	(79)	(14)	(93)	(89)	(4)
Loss before tax	**(1,393)**	**-**	**(1,393)**	**251**	**(1,644)**
Taxation	-	-	-		
Loss attributable to shareholders	**(1,393)**	**-**	**(1,393)**		

1. Reallocation of the share of post-tax loss from joint ventures reported in the Group income statement to the individual line items reported in the segmental information note.

Table 30: Reconciliation of segmental information note to statutory reporting continued

	Year ended 31 March 2020					
	Group income statement £m	Joint ventures[1] £m	Proportionate share of earnings[2] £m	Total £m	Revenue profit £m	Capital and other items £m
Rental income	611	59	(1)	669	669	-
Finance lease interest	9	-	-	9	9	-
Gross rental income (before rents payable)	**620**	**59**	(1)	**678**	**678**	**-**
Rents payable	(13)	(2)	-	(15)	(15)	-
Gross rental income (after rents payable)	**607**	**57**	(1)	**663**	**663**	**-**
Service charge income	88	10	-	98	98	-
Service charge expense	(90)	(12)	-	(102)	(102)	-
Net service charge expense	(2)	(2)	-	(4)	(4)	-
Other property related income	31	2	-	33	33	-
Direct property expenditure	(65)	(11)	-	(76)	(76)	-
Bad and doubtful debts expense	(28)	(5)	-	(33)	(33)	-
Segment net rental income	**543**	**41**	(1)	**583**	**583**	**-**
Other income	2	-	-	2	2	-
Indirect expense	(69)	(3)	-	(72)	(72)	-
Depreciation	(4)	-	-	(4)	(4)	-
Revenue profit before interest	**472**	**38**	(1)	**509**	**509**	**-**
Share of post-tax loss from joint ventures	(151)	151	-	-	-	-
Net deficit on revaluation of investment properties	(1,000)	(181)	2	(1,179)	-	(1,179)
Loss on disposal of investment properties	(6)	-	-	(6)	-	(6)
Profit on disposal of trading properties	-	7	-	7	-	7
Profit from long-term development contracts	-	3	-	3	-	3
Exceptional items	(5)	-	-	(5)	-	(5)
Other	-	-	(1)	(1)	-	(1)
Operating (loss)/profit	**(690)**	**18**	-	(672)	509	(1,181)
Finance income	18	-	-	18	17	1
Finance expense	(165)	(16)	-	(181)	**(112)**	(69)
Joint venture tax	-	(2)	-	(2)	-	(2)
(Loss)/profit before tax	**(837)**	**-**	-	**(837)**	**414**	(1,251)
Taxation	5	-	-	5		
Loss attributable to shareholders	**(832)**	**-**	-	**(832)**		

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

Table 31: Property Income Distribution (PID) calculation

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Loss before tax per income statement	**(1,393)**	(837)
Accounting (profit)/loss on residual operations	**(47)**	5
Prior year adjustment	**-**	7
Loss attributable to tax-exempt operations	**(1,440)**	(825)
Adjustments		
Capital allowances	**(45)**	(47)
Capitalised interest	**(7)**	(5)
Revaluation deficit	**1,646**	1,179
Tax exempt disposals	**(6)**	7
Capital expenditure	**9**	4
Other tax adjustments	**(3)**	2
Goodwill amortisation and impairment	**5**	5
Estimated tax-exempt income for the year	**159**	320
PID thereon (90%)	**143**	288

The table above provides a reconciliation of the Group's loss before tax to its estimated tax exempt income, 90% of which the Company is required to distribute as a PID to comply with REIT regulations.

The Company has 12 months after the year end to make the minimum distribution. Accordingly, PID dividends paid in the year may relate to the distribution requirements of previous periods. The table below sets out the dividend allocation for the years ended 31 March 2021 and 31 March 2020:

	PID allocation			**Ordinary dividend**	**Total dividend**
	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m	Pre-31 March 2020 £m	£m	£m
Dividends paid in year to 31 March 2020	-	204	138	-	342
Dividends paid in year to 31 March 2021	49	84	-	-	133
Minimum PID to be paid by 31 March 2022	94	-	n/a	n/a	n/a
Total PID required	**143**	288			

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 ordinarily open from 08:30 to 17:30, Monday to Friday, excluding UK public holidays.

Correspondence address:

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

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

3. Shareholder enquiries

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

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

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

5. Dividends

A third quarterly interim dividend of **6p** per ordinary share, or **£44m** in total (2020: Nil), was paid on 30 March 2021 as a Property Income Distribution (PID). The Board has recommended a final dividend for the year ended 31 March 2021 of **9p** per ordinary share (2020: £Nil) to be paid as a PID. This final dividend will result in a further estimated distribution of **£67m** (2020: £Nil). Subject to shareholders' approval at the Annual General Meeting, the final dividend will be paid on 23 July 2021 to shareholders registered at the close of business on 18 June 2021.

The total dividend paid and recommended in respect of the year ended 31 March 2021 is **27p** per ordinary share (2020: 23.2p) resulting in a total estimated distribution of **£200m** (2020: £172m).

The first quarterly dividend for the year ending 31 March 2022 will be paid in October 2021 and will be announced in due course.

6. Dividend related services

Dividend payments to UK shareholders – Dividend mandates
Dividends are no longer paid by cheque. Shareholders whose dividends have previously been paid by cheque will need to have their dividends paid directly into their personal bank or building society account or alternatively participate in our Dividend Reinvestment Plan (see below) to receive dividends in the form of additional shares. To facilitate this, please contact Equiniti or complete a mandate instruction available on our website: landsec.com/investors and return it to Equiniti.

Dividend payments to overseas shareholders – Overseas Payment Service (OPS)
Dividends are no longer paid by cheque. Shareholders need to request that their dividends be paid directly to a personal bank account overseas. For more information, please contact Equiniti or download an application form online at https://shareview.co.uk.

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 UK.

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

	2021
Financial year end	31 March
Preliminary results announcement	18 May
Half-yearly results announcement	9 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 net cash inflow from operating activities
Net cash inflow from operating activities including the Group's share of our joint ventures' net cash inflow from operating activities.

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

Adjusted net debt
Net debt excluding cumulative fair value movements on interest-rate swaps and amounts payable under head leases. It generally includes the net debt of subsidiaries and joint ventures on a proportionate basis.

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

BREEAM
Building Research Establishment's Environmental Assessment Method.

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

Completed developments
Completed developments consist of those properties previously included in the development programme, which have been transferred from the development programme since 1 April 2019.

Development pipeline
The development programme together with proposed developments.

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

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

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

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

EPRA
European Public Real Estate Association.

EPRA net disposal value (NDV) per share
Diluted net assets per share adjusted to remove the impact of goodwill arising as a result of deferred tax, and to include the difference between the fair value and the book value of the net investment in tenant finance leases and fixed interest rate debt.

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

EPRA net tangible assets (NTA) per share
Diluted net assets per share adjusted to remove the cumulative fair value movements on interest-rate swaps and similar instruments, the carrying value of goodwill arising as a result of deferred tax and other intangible assets, deferred tax on intangible assets and to include the difference between the fair value and the book value of the net investment in tenant finance leases.

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

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

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

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

F&B
Food and beverage.

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

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

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

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

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

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

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

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

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

Like-for-like portfolio
The like-for-like portfolio includes all properties which have been in the portfolio since 1 April 2019 but excluding those which are acquired or sold since that date. Properties in the development pipeline and completed developments are also excluded.

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

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

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

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

Net assets per share
Equity attributable to owners divided by the number of ordinary shares in issue at the end of the year. Net assets per share is also commonly known as net asset value per share (NAV per share).

Net initial yield
Net initial yield is a calculation by the Group’s external valuer of the yield that would be received by a purchaser, based on the Estimated Net Rental Income expressed as a percentage of the acquisition cost, being the market value plus assumed usual purchasers’ costs at the reporting date. The calculation is in line with EPRA guidance. Estimated Net Rental Income is determined by the valuer and is based on the passing cash rent less rent payable at the balance sheet date, estimated non-recoverable outgoings and void costs including service charges, insurance costs and void rates.

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

Net zero carbon building
A building for which an overall balance has been achieved between carbon emissions produced and those taken out of the atmosphere, including via offset arrangements. This relates to operational emissions for all buildings while, for a new building, it also includes supply-chain emissions associated with its construction.

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

Passing cash rent
Passing cash rent is passing rent excluding units that are in a rent free period at the reporting date.

Passing rent
The estimated annual rent receivable as at the reporting date which includes estimates of turnover rent and estimates of rent to be agreed in respect of outstanding rent review or lease renewal negotiations. Passing rent may be more or less than the ERV (see over-rented, reversionary and ERV). Passing rent excludes annual rent receivable from units in administration save to the extent that rents are expected to be received. Void units at the reporting date are deemed to have no passing rent. Although temporary lets of less than 12 months are treated as void, income from temporary lets is included in passing rents.

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-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.

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

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 Board approval or are still subject to main planning conditions being satisfied, but which are more likely to proceed than not.

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

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

Rental income
Rental income is as reported in the income statement, on an accruals basis, and adjusted for the spreading of lease incentives over the term certain of the lease in accordance with IFRS 16 (previously, SIC-15). It is stated gross, prior to the deduction of ground rents and without deduction for operational outgoings on car park and commercialisation activities.

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

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

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

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

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

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

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

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

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

Total business return
Dividend paid per share in the year plus the change in EPRA net tangible assets per share, divided by EPRA net tangible assets per share at the beginning of the year.

Total cost ratio
Total cost ratio represents all costs included within revenue profit, other than rents payable, financing costs and provisions for bad and doubtful debts, expressed as a percentage of gross rental income before rents payable adjusted for costs recovered through rents but not separately invoiced.

Total development cost (TDC)
Total development cost refers to the book value of the site at the commencement of the project, the estimated capital expenditure required to develop the scheme from the start of the financial year in which the property is added to our development programme, together with capitalised interest, being the Group’s borrowing costs associated with direct expenditure on the property under development. Interest is also capitalised on the purchase cost of land or property where it is acquired specifically for redevelopment. The TDC for trading property development schemes excludes any estimated tax on disposal.

Total property return (TPR)
The change in market value, adjusted for net investment, plus the net rental income of our investment properties expressed as a percentage of opening market value plus the time weighted capital expenditure incurred during the year.

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

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

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

Valuation surplus/deficit
The valuation surplus/deficit represents the increase or decrease in the market value of the Combined Portfolio, adjusted for net investment and the effect of accounting for lease incentives under IFRS 16 (previously SIC-15). The market value of the Combined Portfolio is determined by the Group’s external valuer.

Voids
Voids are expressed as a percentage of ERV and represent all unlet space, including voids where refurbishment work is being carried out and voids in respect of pre-development properties. Temporary lettings for a period of one year or less are also treated as voids. The screen at Piccadilly Lights, W1 is excluded from the void calculation as it will always carry advertising although the number and duration of our agreements with advertisers will vary. Commercialisation lettings are also excluded from the void calculation.

Weighted average cost of capital (WACC)
Weighted average cost of debt and notional cost of equity, used as a benchmark to assess investment returns.

Weighted average unexpired lease term
The weighted average of the unexpired term of all leases other than short-term lettings such as car parks and advertising hoardings, temporary lettings of less than one year, residential leases and long ground leases.

Yield shift
A movement (negative or positive) in the equivalent yield of a property asset.

Zone A
A means of analysing and comparing the rental value of retail space by dividing it into zones parallel with the main frontage. The most valuable zone, Zone A, is at the front of the unit. Each successive zone is valued at half the rate of the zone in front of it.