Half year results for the six months ended 30 September 2021

16 November 2021

Forward-looking statements

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

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

Half year results for the six months ended 30 September 2021

16 November 2021

Positive business performance. Building strategic momentum

Chief Executive Mark Allan said:

“We have used the last six months to drive our business forward, disposing of £250m of assets and progressing £616m of acquisitions that will accelerate our strategy and provide greater opportunities for growth.

“In focusing our strategy on shaping three distinct places – central London offices; major retail destinations; and mixed-use urban neighbourhoods – we are bringing renewed vigour to the business and creating value for all our stakeholders.

“One of the ways that we create value is by taking leadership positions on the issues that matter. Today, we are proud to set out a fully costed investment plan to transition our business towards net zero, ensuring that we deliver on our science-based target to reduce our carbon emissions by 70% by 2030.

“Our actions over the last six months and throughout the pandemic have enabled us to significantly increase operational activity and we remain in a strong financial position. We look forward to demonstrating further progress over the coming months.”

Financial results

- EPRA earnings [1][2] up 56.5% to £180m
- Gross rental income[1][2] down 3.8% to £282m
- Profit before tax for the period of £275m (2020: loss of £835m)
- EPRA earnings per share[1][2] up 56.8% to 24.3p
- Dividend in the period of 15.5p per share (2020: 12.0p)
- Combined Portfolio[1][2] valued at £11.0bn, with a valuation surplus[1][2] of £81m or 0.8%[3]
- EPRA Net Tangible Assets per share[1] up 2.7% to 1,012p
- Total business return[1] of 3.7%

Strong financial position

- Low leverage with a Group LTV ratio[1][2] at 31.8% (31 March 2021: 32.2%)
- Adjusted net debt[1][2] of £3.5bn (31 March 2021: £3.5bn)
- Weighted average cost of debt in the period of 2.3% (30 September 2020: 2.2%)
- Weighted average maturity of debt at 10.9 years (31 March 2021: 11.5 years)
- Cash and available facilities[2] of £1.6bn

Building strategic momentum

- Announced £250m of disposals; progressed strategic acquisitions totalling £616m.
- We are on-site with one million sq ft of committed development, and with recent and planned acquisitions we have a near-term pipeline of 2.5 million sq ft of potential development opportunity.
- Since our full year results, we have built a greater depth of understanding of how our strategy will evolve over the coming years as we focus on three things:
  - **Central London offices** where we develop, own and manage offices that offer a variety of propositions to meet the evolving needs of office customers ranging from global corporates to small, fast growing businesses.
  - **Major retail destinations** where we focus on owning and actively managing high quality assets that we believe will remain relevant to brands and guests alike in an ever-changing world.
  - **Mixed-use urban neighbourhoods** which recognise that the lines between where we live, where we work and where we spend our leisure time are increasingly blurred.
- What binds these three types of development together is the importance of a sense of place to their enduring success and to that of their surrounding areas.
- Our strategy remains grounded in an authentic purpose; built on sustainable competitive advantage and supported by long-term macro trends.
- In executing our strategy we are guided by three things: delivering sustainably, delivering for our customers and being disciplined with our capital.

Central London offices benefitting from resilient rents and investor demand

- Rents for prime, grade A London offices remained resilient and the central London office market saw a recovery in investment and operational activity during 2021.
- In August, we conditionally exchanged contracts to forward purchase Oval Works, a standalone office space that will form part of Berkeley's Oval Village. This purchase is in line with our strategy to offer a broader range of propositions for office customers.
- The disposal of 6-9 Harbour Exchange, E14, in November to Blackstone European Property Income Fund (BEPIF) for £197m, underlines strong investor demand for high quality income in central London. The sale price reflects a net initial yield of 3.99%.
- As identified in our full year results, a customer focus on environmental and wellbeing is becoming increasingly important in driving strong demand for Grade A office space.
- We completed 8 lettings or renewals totalling £15m, in line with ERV, and have a further £10m in solicitors' hands.
- We continue to maintain flexibility on our office development pipeline. We are ready to progress Timber Square and Portland House at the appropriate time and planning is due to be submitted on Red Lion Court by the end of this financial year. 21 Moorfields and The Forge are on track to complete in 2022, with Lucent and n2 the year after.

Catchment dominant retail destinations set to be long-term winners as retail rents and values stabilise

- The retail trends described in our annual results continue to play out, strengthening the position of higher quality retail destinations.
- The last six months have provided further evidence of prime retail rents stabilising with a significant increase in leasing activity: 181 lettings were completed or are in solicitors' hands, with rents 3.3% ahead of ERV.
- Key leasing deals within the period include Amazon 4-star, its first store of this type in the UK, Zara and Nespresso opening new global concepts as well as the bricks and mortar debuts of Crep

Collection Club and Vanilla. Other notable brands include Kids Around at Braintree Village and Luke 1977 at Gunwharf Quays, while Whittards of Chelsea took space at Clarks Village.

— Leisure and food and beverage are becoming increasingly important elements of a compelling retail offer. Performance at Gravity has been ahead of expectations since it opened at Southside in autumn 2021, with the centre seeing an increase in footfall and sales as well as a positive impact on leasing activity.

Strong momentum in strategic execution through thoughtful mixed-use urban neighbourhoods

— Our focus on developing and investing in mixed-use urban neighbourhoods recognises that the lines between where we live, where we work and where we spend our leisure time are becoming increasingly blurred. We are using our scale, expertise and track record to help adapt the built environment to meet people’s changing needs.

— Our acquisition of a 75% stake in MediaCity – Europe’s leading, digital, media and tech hub – in November demonstrates an acceleration in this pillar of our strategy and evidences our ability to bring forward investment opportunities in the near term in places where we believe we can achieve attractive and sustainable returns.

— In November, we also announced a recommended all cash offer to acquire the mixed-use regeneration specialist U and I Group PLC (U+I). This acquisition would add core regeneration assets to our pipeline and complement and enhance our existing development capabilities and placemaking skills.

— At O2 Finchley Road we have launched the final stage of consultation on our proposals for a mixed-use, residential-led neighbourhood, with the formal planning application on track for submission by the end of the financial year.

— Public consultation begins this month on our Lewisham shopping centre scheme. We expect to submit our planning application in the second half of 2022.

Leading the way to net zero. Fully costed net zero transition investment plan now in place

— In 2016, we were the first commercial real estate company in the world to set a science based target to reduce our carbon emissions.

— Today – two years ahead of Government requirements – we are setting out a fully costed £135m net zero transition investment plan to ensure we meet our science-based target to reduce our carbon emissions by 70% by 2030 from a 2013/14 baseline.

— This will ensure that we stay ahead of the Minimum Energy Efficiency Standards Regulations (MEES) which require a minimum EPC ‘B’ certification by 2030, as well as other regulatory requirements.

— This investment will focus on areas such as enhancements to building management systems through the use of artificial intelligence; the replacement of gas-fired boilers with electric alternatives such as air source heat pumps; and increasing onsite renewable capacity.

Results summary

	Six months ended 30 September 2021	Six months ended 30 September 2020	Change
EPRA earnings[(1)(2)]	£180m	£115m	Up 56.5%
Valuation surplus/(deficit)[(1)(2)]	£81m	£(945)m	Up 0.8%[(3)]
Profit/(loss) before tax	£275m	£(835)m	
Basic earnings/(loss) per share	37.2p	(112.8)p	
EPRA earnings per share[(1)(2)]	24.3p	15.5p	Up 56.8%
Dividend per share	15.5p	12.0p	Up 29.2%
Total business return	3.7%	-9.5%	
	30 September 2021	**31 March 2021**	
Net assets per share	1,003p	975p	Up 2.9%
EPRA Net Tangible Assets per share[(1)]	1,012p	985p	Up 2.7%
Group LTV ratio[(1)(2)]	31.8%	32.2%	

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 surplus represents the change in value of the Combined Portfolio over the period, adjusted for net investment.

Chief Executive's statement

Positive business performance. Building strategic momentum

The mid-point of our 2021-22 financial year affords a good opportunity to reflect not only on year to date performance as we emerge from the pandemic, but also progress against our new strategy a little over a year after we launched it. In both cases the picture is encouraging; the economic recovery following the pandemic has generally been at the stronger and more sustained end of our expectations range and our strategic clarity is allowing us to be more decisive in our capital allocation.

Our total return for the six months was 36 pence per share, equating to a 3.7% total business return. EPRA earnings were 24.3 pence per share while portfolio valuation movements contributed 10.9 pence meaning that, after dividends, EPRA NTA per share increased 27 pence to 1,012 pence at 30 September. We are proposing a second interim dividend of 8.5 pence, which together with the first interim dividend of 7 pence equates to a total of 15.5 pence per share for the first six months of the financial year.

When we launched our strategy in October 2020 we were clear in our intent to focus on three key areas – central London offices, major retail destinations and mixed-use urban neighbourhoods; areas where we believe we have a sustainable or attainable competitive advantage that will help us create long-term value for all our stakeholders. We were also clear that this would require meaningful asset recycling, with around £4bn of asset sales planned over the short to medium-term in order to fund investment into these key focus areas.

Initially, and in the midst of the pandemic, our priority was disposals and we made good progress in the last financial year. However, with the economy recovering strongly during 2021, we have been able to balance that with more focus on capital reinvestment. We now have a healthy pipeline of potential opportunities across each area of our business and this is affording us excellent visibility of the potential returns achievable in each area together with the associated risks. Adding this perspective to opportunities across our own portfolio means that we can be more decisive in our capital allocation, confident that we are enhancing prospective returns through the decisions we make.

Our recent £426m investment in MediaCity and our £190m recommended all cash offer for U and I Group PLC are clear evidence of the steps we are taking in this regard. In both cases, progress against our strategy is accelerated materially. The first phase of MediaCity is an established, high quality mixed-use location that offers attractive income-based returns while the acquisition also gives us the option of investing over £500m into the next phases of development with effect from early 2023. The proposed acquisition of U+I gives us the option of investing a further £600-800m into a significant, high quality pipeline of projects over the short to medium-term, starting in 2022. Anticipated returns from the investments are in line with or ahead of our target levels and, importantly, the projects offer development optionality rather than obligation, meaning that we preserve balance sheet flexibility.

Our positive business performance and delivery against strategic objectives reflects the capability and commitment of our teams, despite the challenging environment that everyone has been operating in. It also demonstrates the progress we are making with the cultural changes we are seeking to effect and which are critical to the successful delivery of our strategy in the long-term. While there is plenty more to be done, Landsec is now a more agile business, closer to its customers and better able to assess and respond to changing market conditions in a considered and effective way.

Prime London rents proving resilient. Investor demand driving prime yields down. Landsec portfolio well placed to benefit

At the time of our full year results announcement in May 2021 we said that we expected rents for prime, grade A London offices to be resilient, reflective of trends in occupier demand, while there was also the prospect of yields tightening as a result of the weight of capital looking to invest in London given its value relative to other global cities.

So far, this has proven to be the case with ERVs across our central London offices up 1.2% and average yields tightening by c.2bps. Values for central London retail are weaker, reflecting the slow return to cities over the period but, taken together with the uplift in value for our central London development portfolio, values for this part of the portfolio were up 0.8% over the six months.

We expect customer demand to remain resilient for the remainder of the financial year. Office utilisation has increased markedly over the past couple of months as confidence in the safety of workplaces and public transport has improved and government guidance has become clearer. Utilisation is now approximately 55% of pre-Covid levels and leasing activity, both with existing and new occupiers, continues to improve. During the period 26 lease events covering £27m of rent were either completed or agreed at levels supportive of ERV. Sustainability and flexibility are the key demands of customers and, in both cases, Landsec is well placed to respond.

The weight of investor demand for prime London office assets shows no signs of abating and yields could compress further from current levels as a result. There is also increasing evidence of investors pursuing a ‘build to core’ strategy, meaning that more capital is targeting prime development projects with the potential to push down development margins on new opportunities. Against this backdrop, we expect to continue targeting disposals of high quality core assets with little further value add potential and to remain disciplined in deploying capital into new development opportunities only where we have a clear competitive edge. In the medium-term the proportion of our portfolio invested in central London is likely to fall from the current level of approximately 70% as disposal proceeds exceed the amount reinvested in central London acquisition and development activity. It will, however, continue to represent the significant majority of our portfolio.

Prime retail rents and values stabilising. Catchment dominant destinations set to be long-term winners

The pandemic materially accelerated structural changes that were already underway in the retail sector, most notably the shift to online retail. Prime retail rents are currently close to 40% lower than their peak and values are down by approximately 65%. While the financial impact of this has unquestionably been painful, it does mean that the opportunity for a reset has also accelerated. As a result we have an increasingly positive view of the prospects for prime retail destinations.

At the time of our full year results announcement in May we said that prime retail rents appeared to be approaching sustainable levels and our experience over the past six months supports this view. Across all regional retail elements of our portfolio we have completed or agreed terms on 181 lettings, with rents agreed on average 3.3% above ERV, and portfolio vacancy has fallen from 8.8% to 7.5% over the same period. Lease terms are generally shorter and turnover-linked provisions are more common but incentives are also generally lower meaning that the impact on yields is not particularly pronounced.

We continue to expect prime retail destinations to be long-term beneficiaries of structural shifts in retail, provided that they offer experiences that cannot easily be replicated online. We estimate that approximately 17% of all retail floorspace in the UK is currently surplus to requirements, which we expect to rise to 25% by 2025. However, with rents for the prime locations most popular with shoppers now at affordable levels for retailers, vacancy is increasingly likely to be concentrated in secondary locations. In the past six months we have seen established retailers relocate into our centres from other nearby locations, others take the opportunity to upsize their existing space and digital native brands take physical space to complement their online offer.

It will, of course, take time for these trends to take hold across the market in a meaningful way but the outlook is increasingly encouraging. Our outlets portfolio saw like-for-like sales increase 7.9% versus 2019 for the 25 weeks after 12 April with values up 1.0% over the six months as a result. Shopping centre sales also benefited from the strong post pandemic recovery with brand partner sales now within approximately 3% of 2019 levels for this same period.

Equivalent yields across our shopping centres and outlets range from 6.8% to 7.5%, averaging 7.2%. With leasing evidence providing support for rent levels and investor demand beginning to return, these yields appear increasingly attractive on a relative basis and we expect to see interesting prime retail investment opportunities emerge. With our retail parks planned for sale in the short to medium-term, the overall proportion of our portfolio invested in core retail is likely to remain broadly flat at around 20%, but with greater focus on major retail destinations.

Thoughtful mixed-use development an increasingly critical ingredient in the fabric of cities. Momentum building in the Landsec portfolio

The lines between where people live, where they work and where they spend their leisure time are becoming increasingly blurred. With many parts of today’s built environment already in need of remodelling and sustainability such an important focus for everyone, there is a clear opportunity to reshape neighbourhoods and cities in a thoughtful way over time to meet these changing needs in a sustainable way.

At the start of the year we had a number of projects within our portfolio, mainly suburban London shopping centres, that had significant mixed-use development potential. Since then, we have added a further major project through our £426m acquisition of a 75% stake in MediaCity and have made continued progress with planning applications at O2 Finchley Road and Lewisham. With the next phase of MediaCity already benefitting from planning consent and giving us the option to invest over £500m into the next phases of development from 2023, a planning application at O2 Finchley Road on track for submission this financial year and an application at Lewisham targeted for late 2022, we are building momentum in this part of our business.

Our recommended all cash offer to acquire U+I, if completed, would add to this momentum. Not only would it bring in highly regarded, complementary mixed-use development skills, it also offers access to a significant pipeline of high quality urban regeneration projects that give us the option to invest between £600m and £800m in the short to medium-term.

The returns available from mixed-use development assets are attractive – development phases offer low double digit ungeared IRRs and investment phases mid-single digit yields – with rental growth prospects supported by successful placemaking. Furthermore, the phased nature of the projects allows us to manage capital commitments carefully and to adapt our strategy as we progress. Over the next few years we plan to increase the proportion of our portfolio invested in mixed-use assets to between 20% and 25%. The progress we have made with our existing projects, together with our recently completed or planned new investments, means that we now have real clarity on how this can be achieved.

A continued focus on capital discipline is crucial

Although there has been a strong and sustained recovery over the past few months, uncertainty remains elevated. It is still difficult to distinguish between short-term factors in the recovery and longer-term trends, making accurate forecasting of demand difficult, while supply chain challenges, both global and localised, risk slowing the recovery from here and driving inflation.

Capital discipline is at the heart of our new strategy in three clear ways:

— At the time we announced our strategy in October 2020 we reduced our financial leverage tolerance levels to between 25% and 40% LTV. We continue to operate firmly within this range despite significant valuation declines in the year to March 2021, and our clear asset recycling plans mean that new investment will generally be funded through asset disposals.

— We have been clear that capital investment will be focused only on areas where we have a sustainable or attainable competitive advantage, which informed our decision to exit £1.3bn invested in subscale sectors (retail parks, leisure and hotels) over time. We are on track, with £52m of proceeds from retail park disposals in the period and, with investor demand strengthening across all three subscale sectors, we could choose to accelerate this as reinvestment options become clearer.

— We are focused on increasing optionality in our development programme, meaning that we can respond more quickly to market conditions, adapt accordingly and become a more agile business as a result. We have preserved optionality over two consented London developments – Timber Square and Portland House – as we progress our committed projects first; and our MediaCity investment boosts this further with future development phases capable of commencing on site from early 2023.

Sustainability is more important than ever. Our 2030 science-based carbon reduction pledge is now supported by a fully costed net zero transition plan

In 2016 we became the first commercial real estate business in the world to set a science-based carbon reduction target and in 2019 we increased our ambition to align with a 1.5 degree global warming scenario.

We have today announced a new net zero transition investment plan across our entire estate which will ensure that we remain at the forefront of everything that the property sector is doing to tackle the climate crisis.

This is a really important step to ensure we achieve the climate commitments we have made to reduce our carbon emissions by 70% by 2030 (versus a 2013/14 baseline) and to ensure that we stay ahead of the Minimum Energy Efficiency Standards Regulations (MEES), which require an EPC ‘B’ certification by 2030, as well as other regulatory requirements.

We have already reduced our carbon emissions by 55%. Over the next nine years we will invest approximately £135m across the portfolio to deliver further reductions. The investment programme will reduce operational energy use by optimising our building management systems through the use of AI; decarbonise our heating by replacing gas-fired boilers with electric alternatives such as air source heat pumps; and increase our onsite renewable capacity. We will also continue to engage and partner with customers to work collaboratively to drive down energy consumption.

Alongside this, we remain committed to designing and building net zero buildings with The Forge, our first net zero building, on track to complete in October 2022 having achieved a 25% reduction to date in embodied carbon from the initial design stage.

This investment equates to approximately 1% of portfolio value and, with increasingly clear evidence of stronger sustainability credentials underpinning stronger operational performance, is not only essential from an environmental perspective but an economic one too.

Outlook

As a result of the success of its vaccination programme, the UK appears reasonably well placed to navigate autumn and winter without needing to revert to lockdowns or other excessively restrictive measures. However, it is by no means certain that this will be the case. In addition, people's behaviour patterns are still difficult to predict; it is challenging to discern short-term 'pent up' demand driven factors from long-term trends; and supply chain disruption is likely to remain an issue for a number of months, raising inflation concerns.

We remain alert to all these risks but, overall, our outlook is one of cautious optimism. We are providing high quality, sustainable office space that is very well aligned to today's customer demands; in our retail portfolio we are generally seeing leasing activity supportive of ERVs for the first time in quite a while and increasing evidence of a 'flight to prime' for which our portfolio is well placed; and we are building real momentum with our mixed-use development activity. With a strong balance sheet, a portfolio suited to changing customer needs and a clear strategy that positions the business for long-term growth, Landsec is well placed for the future.

Mark Allan
Chief Executive

Financial review

Overview

We began the financial year with the Covid-19 restrictions beginning to ease across the country which has allowed us to drive a strong recovery. The six months to 30 September 2021 saw EPRA earnings of £180m, up 57% on the same period last year. This is primarily as a result of a reduction in the level of provisions for bad debts, which reflects the improvement in the period in our ability to collect both current and historical arrears. We have now collected 91% of the September quarter rent.

The strength of our balance sheet has enabled us both to support our customers and progress with the implementation of our strategy despite the financial impact of the pandemic. We have continued to progress our asset recycling plans and our existing development pipeline while still maintaining our adjusted net debt at £3.5bn, in line with 31 March 2021, and £1.6bn of cash and available facilities.

EPRA Net Tangible Assets (NTA) per share increased by 27 pence, or 2.7%, reflecting the higher EPRA earnings and an increase in the value of our assets, with a valuation surplus in the period of £81m, or 0.8%. The increase in EPRA NTA, along with dividends paid in the period, translates to a total business return in the six months of 36p per share, or 3.7%. The higher gross asset value, along with stable adjusted net debt levels, reduced our LTV to 31.8% from 32.2% at 31 March 2021.

We made a number of strategic transactions since the balance sheet date, including our acquisition of MediaCity, and the disposal of 6-9 Harbour Exchange, E14. In addition, we announced our recommended all cash offer for U and I Group PLC on 1 November 2021. In line with our strategy, we will continue with our asset recycling plan in the second half of the financial year.

Our strong recovery in the first six months of the financial year means we are able to pay a second quarterly dividend of 8.5p per share, bringing our total dividend for the first six months to 15.5p. While the dividend cover is higher than our policy at this stage in the year, we expect the full year dividend to be consistent with this policy, where dividends are covered 1.2 to 1.3 times by EPRA earnings.

Table 1: Highlights

	Six months ended 30 September 2021	Six months ended 30 September 2020
EPRA earnings [1]	**£180m**	£115m
Valuation surplus/(deficit)[1]	**£81m**	£(945)m
Profit/(loss) before tax	**£275m**	£(835)m
Basic earnings/(loss) per share	**37.2p**	(112.8)p
EPRA earnings per share[1]	**24.3p**	15.5p
Dividend per share	**15.5p**	12.0p
	30 September 2021	31 March 2021
Combined Portfolio[1]	**£11.0bn**	£10.8bn
EPRA Net Tangible Assets	**£7,510m**	£7,300m
Net assets per share	**1,003p**	975p
EPRA Net Tangible Assets per share	**1,012p**	985p
Adjusted net debt[1]	**£3.5bn**	£3.5bn
Group LTV ratio[1]	**31.8%**	32.2%

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

Presentation of financial information

The condensed consolidated interim financial information is prepared under IFRS where the Group's interests in joint ventures are shown collectively in the income statement and balance sheet, and all subsidiaries are consolidated at 100%. 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 £11.0bn, is an example of this approach, reflecting the economic interest we have in our properties regardless of our ownership structure.

During the period, the Group changed its key measure of underlying earnings performance from revenue profit to EPRA earnings to align our primary alternative performance measure with industry standard. There are no differences between the two metrics in any of the periods reported.

EPRA earnings represents the underlying financial performance of the Group's property rental business, which is our core operating activity. A full definition of EPRA earnings is given in the Glossary. This measure is based on the Best Practices Recommendations of the European Public Real Estate Association (EPRA) which are metrics widely used across the industry to aid comparability and includes our proportionate share of joint ventures' earnings. Similarly, EPRA Net Tangible Assets per share is our primary measure of net asset value.

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

Income statement

EPRA earnings

EPRA earnings increased by £65m to £180m for the six months ended 30 September 2021 (2020: £115m) as set out in the table below. The increase in EPRA earnings results in an 8.8p increase in EPRA earnings per share from 15.5p to 24.3p in the six months ended 30 September 2021.

Table 2: EPRA earnings(1)

		Six months ended 30 September 2021					Six months ended 30 September 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(2)		**148**	**74**	**17**	**43**	**282**	156	82	13	42	293	**(11)**
Net service charge expense		**-**	**(3)**	**(1)**	**(2)**	**(6)**	-	(2)	-	-	(2)	**(4)**
Net direct property expenditure		**(9)**	**(9)**	**(3)**	**(4)**	**(25)**	(1)	(7)	(2)	(3)	(13)	**(12)**
Movement in bad and doubtful debts provisions		**(2)**	**5**	**1**	**(1)**	**3**	(8)	(44)	(6)	(29)	(87)	**90**
Segment net rental income	3	**137**	**67**	**14**	**36**	**254**	147	29	5	10	191	**63**
Net administrative expenses						**(41)**					(37)	**(4)**
EPRA earnings before interest						**213**					154	**59**
Net finance expense						**(33)**					(39)	**6**
EPRA earnings						**180**					115	**65**

1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information above.
2. Includes finance lease interest, after rents payable.

Net rental income

Net rental income in the six months has increased by £63m compared with the same period in the prior year, primarily as a result of a £90m reduction in bad and doubtful debts charges following the strong recovery, and net investment activity. Assets we sold in the current and prior years have resulted in a £12m reduction in net rental income in the six months, with 55 Old Broad Street, EC2, acquired in the previous financial year, contributing £2m. More details on the movements in the period are shown in the table below.

Table 3: Net rental income[1]

		£m
Net rental income for the six months ended 30 September 2020		**191**
Gross rental income like-for-like movement in the period:		
Increase in turnover-based rents	20	
Surrender premiums received	7	
Impact of CVAs and administrations	(15)	
Increase in voids	(8)	
Other movements	(5)	
Total like-for-like gross rental income		**(1)**
Like-for-like net direct property expenditure		**(16)**
Movement in bad and doubtful debts provisions		**90**
Acquisitions since 1 April 2020		**2**
Disposals since 1 April 2020		**(12)**
		63
Net rental income for the six months ended 30 September 2021		**254**

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

Within the like-for-like portfolio, turnover-related income recovered well in the period, increasing by £20m, including £4m from our hotel portfolio and £3m from Piccadilly Lights, W1, both of which recovered strongly following the removal of Covid-19 related restrictions. We also received surrender premiums totalling £7m. While insolvency events in the current period have been very limited, reductions in rents from those which occurred in the previous financial year reduced our gross rental income by £15m in the six months ended 30 September 2021. Higher average vacancy rates across the portfolio, primarily due to vacancies arising in the previous financial year, reduced gross rental income by a further £8m.

Net direct property expenditure in the like-for-like portfolio increased by £16m in the period, with £4m due to letting and operational activity in the period, increasing from very low levels during the same period in the prior year and void-related costs contributing £3m. The one-off release of a provision in the prior year following an agreement which ended our obligations under one of our last remaining Landflex leases resulted in a £4m increase in net direct property expenditure when compared with the same period last year.

Recent rent collection and related provisions

Table 4: Rent collections

29 September 2021 quarter[(1)(2)]

	Gross amounts due 29 September £m	Monthly payment terms agreed £m	Net amounts due 29 September £m	Amounts received to date £m	Amounts received to date %	Amounts received September 20 %
Offices	57	(1)	**56**	**56**	**100%**	96%
Rest of central London	6	-	**6**	**5**	**83%**	50%
Regional retail	14	(1)	**13**	**12**	**92%**	50%
Urban opportunities	5	-	**5**	**3**	**60%**	60%
Subscale sectors	14	(1)	**13**	**9**	**69%**	47%
	96	**(3)**	**93**	**85**	**91%**	78%

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.

We have now collected 91% of the rent due on the September quarter day, compared with 78% in the same period last year. The majority of our customers have resumed payment following the release of trading restrictions and the finalisation of concessions granted from our £80m customer support fund, of which we have now allocated £53m to our customers.

We have also made good progress collecting our arrears, with 62% of unprovided balances that were outstanding at 31 March 2021 now collected – leaving £33m of the £87m outstanding at 31 October 2021. More detail on the remaining outstanding balances is included in the table below.

Table 5: Trade debtors and provisions for doubtful debts[(1)]

	Outstanding at 31 March 2021	Change in the period	Outstanding at 31 October 2021
Arising before 31 March 2021			
Trade and other receivables	214	(90)	124
Provision for doubtful debts	(127)	36	(91)
Net trade and other receivables	**87**	**(54)**	**33**
Arising between 1 April 2021 and 31 October 2021			
Trade and other receivables	-	33	33
Provision for doubtful debts	-	(9)	(9)
Net trade and other receivables	**-**	**24**	**24**
Total net trade and other receivables at 31 October 2021	**87**	**(30)**	**57**

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

Net administrative expenses

Net administrative expenses represent the administrative costs of the Group including joint ventures which increased by £4m to £41m at 30 September 2021 (2020: £37m) due to costs incurred to support business change activity. We are focused on cost discipline and expect to reduce our EPRA cost ratio, which was 23.7% at 30 September 2021, down towards 20% in the next couple of years.

Net finance expense (included in EPRA earnings)

Our net finance expense decreased by £6m to £33m primarily due to lower levels of average net debt in the period given the strength of our operational cash flow performance.

The weighted average cost of our debt, which is now calculated based on historical average rates for the period, rather than the rates at the end of the period, was 2.3% for the period ended 30 September 2021 (30 September 2020: 2.2%).

IFRS profit after tax

Our income statement has two key components, as shown in the table below. The first component is the income we generate from leasing our investment properties net of associated costs (including finance expense), which we refer to as 'EPRA earnings'. The second is 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 derivative financial instruments, which we call 'Capital and other items'.

Table 6: Income statement

	Table	**Six months ended 30 September 2021 £m**	Six months ended 30 September 2020 £m
EPRA earnings	2	**180**	115
Capital and other items	7	**95**	(950)
Profit/(loss) before tax		**275**	(835)
Taxation		**-**	-
Profit/(loss) attributable to shareholders		**275**	(835)
Basic earnings/(loss) per share		**37.2p**	(112.8)p
EPRA earnings per share		**24.3p**	15.5p

Profit before tax was £275m, compared with a loss of £835m for the same period in the prior year, due to an increase in the value of our assets (up £81m, compared with a £945m reduction last year) as well as a £65m increase in EPRA earnings.

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

Table 7: Capital and other items(1)

	Table	**Six months ended 30 September 2021 £m**	Six months ended 30 September 2020 £m
Valuation and profit on disposals			
Valuation surplus/(deficit)	8	**81**	(945)
Gain on modification of finance leases		**6**	-
Profit/(loss) on disposals		**6**	(1)
Fair value movement on interest rate swaps		**2**	(5)
Other net finance income		**-**	1
Capital and other items		**95**	(950)

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

The Combined Portfolio increased in value by 0.8% or £81m over the six months compared with a decrease in the prior period of £945m. We have also recognised a gain of £6m following the re-gear of two long leases at some of our leisure assets which are treated as tenant finance leases in the financial statements.

Table 8: Valuation analysis

	Market value 30 September 2021 £m	Valuation movement %	Rental value change[1] %	Net initial yield %	Equivalent yield %	Movement in equivalent yield bps
Offices	5,222	0.5%	1.2%	4.1%	4.6%	(2)
London retail	584	-6.9%	-5.3%	4.4%	4.6%	6
Other central London	426	0.5%	-0.1%	3.2%	4.4%	-
Total Central London	**6,232**	**-0.3%**	**0.5%**	**4.0%**	**4.6%**	**(1)**
Regional shopping centres	979	-4.1%	-1.8%	7.6%	7.5%	16
Outlets	737	1.0%	-0.5%	6.0%	6.8%	(6)
Total Regional retail	**1,716**	**-2.0%**	**-1.3%**	**6.9%**	**7.2%**	**6**
Total Urban opportunities	**391**	**-3.4%**	**-**	**6.7%**	**6.6%**	**8**
Leisure	532	4.2%	0.4%	6.4%	7.5%	(14)
Hotels	407	-0.1%	-	3.3%	5.5%	-
Retail parks	405	15.6%	-1.3%	6.3%	6.5%	(104)
Total Subscale sectors	**1,344**	**5.9%**	**-0.2%**	**5.4%**	**6.6%**	**(33)**
Total like-for-like portfolio	**9,683**	**0.1%**	**-0.1%**	**4.8%**	**5.4%**	**(3)**
Proposed developments	288	-5.5%	n/a	-	n/a	n/a
Development programme	904	11.0%	n/a	-	4.1%	n/a
Acquisitions	121	-1.5%	n/a	2.6%	4.9%	n/a
Total Combined Portfolio	**10,996**	**0.8%**	**-0.1%**	**4.3%**	**5.3%**	**(3)**

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

The component parts of the overall 0.8% (£81m) increase in the value of our Combined Portfolio reflect differences in the rate at which the underlying asset classes are recovering from the impact of Covid-19. The majority of the Covid-19 related allowances, which were introduced during 2020, have been reversed in the period, contributing 0.4% (£40m) to the overall valuation surplus. A total of £11m of Covid-19 allowances remained at the end of the period, primarily in the valuation of our central London retail and leisure assets.

Within the like-for-like portfolio, our office assets increased in value by 0.5% reflecting the resilience of the London office market, with our portfolio also benefitting from the increasing demand for high-quality space as rental values increased by 1.2% and yields compressed slightly. This was partly offset by a decline in value at 3 New Street Square, EC4, where we are taking vacant possession ahead of development and the associated surrender premium is expected to be recognised in the second half of financial year.

Central London retail has continued to decline in value, by 6.9% in the period, due to the combined effect of the slow return of office workers and international tourism. We also agreed lease surrenders on two of the retail spaces under Piccadilly Lights, resulting in a further decline in the valuation, while the related surrender premiums have been recognised directly in gross rental income, as outlined above. This has been partly offset by some stabilisation in recent months reflecting letting momentum as we start to repurpose our assets.

The value of our ‘other central London’ assets, primarily Piccadilly Lights, have increased in value by 0.5% in the period due the strong rate of recovery in the income from short term lettings on the screen.

The declines in value at our regional shopping centres were weighted towards the first quarter with the second quarter benefitting from strong operational activity. These assets also benefitted from the release of £12m of Covid-19 allowances. Occupancy levels at our outlets have seen a faster recovery and experienced a strong sales performance, which is reflected in the 1.0% valuation surplus. Due to the structure of most outlet leases, there will be a time lag between recovery in sales performance and receipt of turnover rents.

Assets within our urban opportunities portfolio have an existing retail use and valuation movements in the period therefore reflect retail valuation sentiment rather than redevelopment potential. These assets have declined in value by 3.4% in the period.

Our leisure assets have also stabilised over the first half of this year and increased in value by 4.2%, with rental values increasing by 0.4%, consistent with our recent letting experience including two significant re-gears with SnoZone, and a contraction in yields.

Our retail parks increased in value by 15.6%, reflecting the rapid recovery of the investment market in this sector, with yields moving in significantly, by 104bps.

In addition to the like-for-like portfolio, our development programme increased in value by 11.0% as we approach the practical completion date for 21 Moorfields, EC2, for which we released £33m of development profit during the period. Our proposed developments declined in value by 5.5% as a result of updated cost budgets reflective of Covid-19 related impacts and the current construction cost environment.

Profit/(loss) on disposals

We realised a total of £6m in net profits from the disposal of £42m of assets from subscale sectors, with the sale of Blackpool Retail Park in May 2021 and Derwent Howe Retail Park, Workington in September 2021 (2020: £1m net loss on disposals).

Balance sheet

The strength of our balance sheet and liquidity position has provided resilience during the pandemic and enables progress with our strategic transition. A continued focus on capital discipline is crucial to maintain our position of strength and manage our financial risk through a conservative level of gearing, aligning the timing and quantum of asset acquisitions and disposals, and an appropriate exposure to development activity.

Our net assets principally comprise the Combined Portfolio less net debt. Both IFRS net assets and EPRA Net Tangible Assets increased over the six months ended 30 September 2021 primarily due to the increase in the value of our investment properties and retained operational earnings. We have made good progress recovering historical and current rental debts, and adjusted net debt is broadly consistent with March 2021 levels. Our Group LTV at 30 September reduced to 31.8% from 32.2% at 31 March 2021 and with cash and available facilities of £1.6bn, we remain positioned to support the execution of our strategy.

Table 9: Balance sheet

	30 September 2021 £m	31 March 2021 £m
Combined Portfolio	**10,996**	10,791
Adjusted net debt	**(3,505)**	(3,489)
Other net assets/(liabilities)	**19**	(2)
EPRA Net Tangible Assets	**7,510**	7,300
Excess of fair value over net investment in finance leases book value	**(99)**	(93)
Other intangible asset	**2**	2
Fair value of interest-rate swaps	**6**	3
Net assets	**7,419**	7,212
Net assets per share	**1,003p**	975p
EPRA Net Tangible Assets per share[1]	**1,012p**	985p
Group LTV[2]	**31.8%**	32.2%
Security Group LTV	**32.4%**	32.7%

1. EPRA Net Tangible Assets per share is a diluted measure.
2. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information above.

Table 10: Movement in EPRA Net Tangible Assets[1]

	£m	Diluted per share pence
EPRA Net Tangible Assets at 31 March 2021	7,300	985
EPRA earnings	180	24
Valuation surplus	81	11
Dividends	(66)	(9)
Other	15	1
EPRA Net Tangible Assets at 30 September 2021	**7,510**	**1,012**

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

Development pipeline

We have continued to make good progress with our existing development pipeline in the six months to 30 September 2021, despite the supply chain challenges being experienced across the market. For those developments already on site, we have limited our exposure to significant increases in total development cost through the construction contracts already in place. However, these pressures have negatively impacted the valuation of our proposed developments, which declined in value by 5.5%, or £17m, in the period.

Table 11: Development pipeline

Property	Sector	Size sq ft '000	Estimated completion date	Net income/ ERV £m	Market value £m	Capital expenditure to complete £m	Market value + outstanding TDC £m	Gross yield on market value + outstanding TDC %
Developments approved or in progress								
21 Moorfields, EC2	Office	564	Sep 2022	38	675	192[(1)]	877[(1)]	4.3
The Forge, SE1	Office	140	Oct 2022	10	75	66	143	6.6
Lucent, W1	Mixed-use	144	Mar 2023	13	125	81	211	6.2
n2, SW1	Office	167	Jun 2023	13	56	128	189	6.8
Total		**1,015**		**74**	**931**	**467**	**1,420**	

Property	Sector	Proposed sq ft '000	Indicative capital expenditure to complete £m	Estimated completion date	Planning/development status
Proposed developments					
Timber Square, SE1	Office	380	260-280	2024	Planning granted. Demolition ongoing.
Portland House, SW1	Office	295	180-200	2025	Planning granted. Refurbishment options being refined.
Central London potential scheme					
Red Lion Court, SE1	Office	235	210-230	2026	Progressing design through to planning submission in the first half of 2022.
Total		**910**	**650+**		

1. Includes estimated overage payable of £36m as at 30 September 2021.

Capital expenditure

We have continued to invest in our investment portfolio, with £40m of capital expenditure on the Combined Portfolio in the period, preparing our assets for development, refurbishing our properties ahead of letting and meeting our obligations under fire safety regulations. A significant proportion of the capital investment in our portfolio will shift towards achieving our key carbon reduction targets in coming years.

We have now performed a detailed assessment of the capital expenditure needed on our portfolio to enable us to reach our carbon reduction targets. We have a fully costed net zero carbon transition investment plan of £135m across our Combined Portfolio to enable us to achieve our science-based target and meet minimum energy efficiency standards (MEES) of 'EPC B' by 2030. Our plan also aligns our portfolio with the Carbon Risk Real Estate Monitor (CRREM) energy intensity pathway for commercial buildings under a 1.5 degree global warming scenario. Our transition plan will enable us to capture incremental rental value over time as our customers increasingly demand sustainable space.

Net debt and gearing

We have maintained our conservative gearing and strong liquidity position at 30 September 2021, remaining broadly net debt neutral in the period. Group LTV, presented on a proportionate basis, decreased from 32.2% at 31 March 2021 to 31.8% at 30 September 2021, due to the increase in the value of our assets and strong operating cash inflows.

Our asset recycling plans mean acquisitions will be funded through disposals, and we intend to maintain a low LTV, within our current target range of 25% to 40% and generally below the mid 30's for the foreseeable future.

Net debt and adjusted net debt remained broadly stable, increasing by only £21m and £16m respectively, in the period. The main elements behind the increase in net debt are set out in our statement of cash flows and note 14 to the financial statements. The main movements in adjusted net debt are outlined in table 13 below. For a reconciliation of net debt to adjusted net debt, see note 13 to the financial statements.

Table 12: Net debt and gearing

	30 September 2021	31 March 2021
Net debt	**£3,530m**	£3,509m
Adjusted net debt[1]	**£3,505m**	£3,489m
Group LTV[1]	**31.8%**	32.2%
Security Group LTV	**32.4%**	32.7%

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

Table 13: Movement in adjusted net debt[1]

	£m
Adjusted net debt at 31 March 2021	**3,489**
Adjusted net cash inflow from operating activities	**(172)**
Dividends paid	**75**
Capital expenditure	**164**
Disposals	**(52)**
Other	**1**
Adjusted net debt at 30 September 2021	**3,505**

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

Adjusted net cash inflow from operating activities was £172m and we paid dividends of £75m in the period. Our third quarterly dividend relating to the year ended 31 March 2021 was paid early, on 30 March 2021, to ensure we remained compliant with the Property Income Distribution (PID) requirements of the REIT regime.

Capital expenditure on investment properties was £164m, with £127m related to our development programme. Net cash flow from disposals totalled £52m, with £23m received from the sale of Blackpool Retail Park and £29m from the sale of Derwent Howe Retail Park, Workington. Our asset recycling plans are on track and we expect our disposals this year to be weighted towards the second half of the year.

Financing

Our approach to capital discipline is to broadly align acquisitions with disposals proceeds of equal quantum and timing – investment 'waves' – to maintain stable levels of net debt over time. We use the operational flexibility provided by our committed revolving facilities to provide shorter-term financing to bridge any gaps between the timing of acquisitions and disposals within these 'waves'. This approach to capital discipline and our balance sheet capacity have enabled us to make our recommended all cash offer for U and I Group PLC on 1 November 2021 as well as complete the acquisition of MediaCity on 2 November 2021. At 30 September 2021 our cash and available undrawn facilities were £1.6bn, the components of which are shown in the table below.

At 30 September 2021, our committed revolving facilities totalled £2,715m (31 March 2021: £2,715m). The pricing of our facilities which fall due in more than one year range from SONIA + credit adjustment spread (CAS) +65 basis points to SONIA + CAS +75 basis points. Borrowings under our commercial paper programme typically have a maturity of up to three months, currently carry a weighted average interest rate of LIBOR +10 basis points and are unsecured.

Table 14: Available undrawn facilities

	30 September 2021 £m	31 March 2021 £m
Committed revolving credit facilities	**2,715**	2,715
Drawn bank debt	**(401)**	(209)
Outstanding commercial paper	**(779)**	(906)
Cash and cash equivalents[(1)]	**65**	31
Available undrawn facilities[(1)]	**1,600**	1,631
Weighted average maturity of debt	**10.9 years**	11.5 years
Weighted average cost of debt[(1)(2)]	**2.3%**	2.2%

1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information above.
2. The weighted average cost of debt relate to the periods ended 30 September 2020 and 2021.

Dividend

We will be paying a higher second quarterly dividend of 8.5p per share on 4 January 2022 to shareholders registered at the close of business on 26 November 2021. This will be paid wholly as a Property Income Distribution. Taken together with the first quarterly dividend of 7.0p per share, paid wholly as a Property Income Distribution on 8 October 2021, our first half dividend will be 15.5p per share (six months ended 30 September 2020: 12.0p per share). The increase in our quarterly dividend reflects our strong performance in the six months ended 30 September 2021 and our confidence in our continued recovery from the pandemic.

It is our policy that dividend payments annually are covered 1.2 to 1.3 times by EPRA earnings. While the dividend cover is higher than our policy at this stage in the year, we expect the full year dividend to fall within this range.

Vanessa Simms
Chief Financial Officer

Operating and portfolio review

At a glance

- Valuation surplus of 0.8%[1]
- £30m of investment lettings, with a further £28m in solicitors' hands
- Like-for-like vacancy: 5.2% (31 March 2021: 4.9%) and units in administration: 1.0% (31 March 2021: 2.2%)
- 1.0 million sq ft of developments on site

Central London
- Valuation surplus of 0.8%[1]
- £15m of investment lettings, with a further £12m in solicitors' hands
- Like-for-like vacancy: 4.8% (31 March 2021: 3.2%) and units in administration: 0.1% (31 March 2021: 0.3%)

Regional retail
- Valuation deficit of 2.0%[1]
- £7m of investment lettings, with a further £9m in solicitors' hands
- Like-for-like vacancy: 7.5% (31 March 2021: 8.8%) and units in administration: 2.8% (31 March 2021: 5.4%)
- Footfall down 28.2% (Springboard national benchmark down 28.7%)
- Like-for-like same store sales up 0.5%, compared with the same period in 2019

Urban opportunities
- Valuation deficit of 3.4%[1]
- £3m of investment lettings in solicitors' hands
- Like-for-like vacancy: 3.8% (31 March 2021: 3.9%) and units in administration: 2.4% (31 March 2021: 3.5%)

Subscale sectors
- Valuation surplus of 5.9%[1]
- £8m of investment lettings, with a further £4m in solicitors' hands
- Like-for-like vacancy: 3.4% (31 March 2021: 4.3%) and units in administration: 0.9% (31 March 2021: 3.0%)

Our £11.0bn Combined Portfolio is comprised of office space in London, and retail, leisure and hotel assets across the UK. As the economy has recovered following the removal of lockdown restrictions, we have seen a strong recovery in our markets and this is reflected in our performance over the six months. We have seen high levels of letting activity, added materially to our pipeline of opportunities, and have progressed our committed developments. Throughout all of our activity our customers and sustainability have been our priorities and are key to us achieving our purpose.

1. On a proportionate basis.

Central London portfolio

Our £7.5bn Central London portfolio comprises offices (86%), associated ground level retail (8%) and other assets (6%), the most significant of which is Piccadilly Lights, W1.

The central London office market saw a recovery in both investment and occupational activity during the first half of the year. Investment volumes across the market were £5.0bn, nearly three times the same period last year, with the majority of investment demand continuing to come from overseas investors. The ongoing weight of demand for prime office assets saw yields tighten by 25bps in both the City and the West End during the period.

Central London office take-up totalled 4.3 million sq ft in the six months, up 92% compared with the same period last year. The market gained momentum throughout the period; and in the three months to September take up was 2.7 million sq ft, 59% ahead of the previous quarter and the third consecutive rising quarter. Occupiers have choice in the market, with availability at 25.7 million sq ft, 10.4 million sq ft above the long-term average. However, nearly 80% of availability is second-hand space, which doesn't necessarily meet the requirements of occupiers, many of whom are becoming more demanding in their expectations.

Environmental and wellbeing factors are now amongst the top requirements for those seeking new space and, despite the amount of space available across the market, 30% of the take-up in the six months was of new, or significantly refurbished, grade A space. We expect this to be a trend that continues to play out. It is still too early to draw firm conclusions about the long-term impact of working from home on office usage, but as occupiers return in greater numbers their views on how much space they need, and how they will use it, will become clearer. The continued demand for grade A space, both during the lockdowns and in the aftermath, underlines our longer-term confidence in the London office market and our own portfolio.

Office occupancy levels have remained well below pre-Covid levels throughout the six months. This, combined with the lack of international tourism, has particularly impacted central London retail, where the bounce back in sales and footfall has been more muted than the wider retail market. However, with steadily rising office utilisation and travel restrictions easing, the outlook is improving.

Leasing and operational activity

Physical occupancy in our office portfolio averaged 25.3% of total occupancy during the last six months. We saw a steady increase in occupancy from April to the end of August, and a marked increase in September, coinciding with the end of the summer holidays. Since September, average occupancy reached 55% of pre-Covid levels, peaking at 66%.

It has been an active period for leasing activity. We completed 14 lettings or renewals totalling £15m and have a further £12m relating to 12 lettings or renewals in solicitors' hands, at rental levels supportive of ERVs. Of the 300,000 sq ft of space we had in discussions in Victoria in May, 130,000 sq ft has transacted and a further 100,000 sq ft is in solicitors' hands. We are currently in discussions with 15 customers across 830,000 sq ft of space within the London office portfolio. These discussions include upsizes, downsizes and regears and we are encouraged by the level of proactive engagement. Increased flexibility is a theme with some customers seeking to reduce their space, but overall this is offset by others looking to expand their office footprint.

At Myo in 123 Victoria Street, SW1, current occupancy is 67%. The flexible nature of this product means some customers didn’t renew their leases at expiry during lockdown and occupancy fell below the 85% run-rate we target for this business. Again, interest in this offer has improved markedly since late summer and with the pipeline of current interest we expect to be in excess of 85% occupancy before the end of the financial year.

At Dashwood, EC2, we have completed the refurbishment works which have delivered our three office products – Blank Canvas, Customised and Myo – totalling 120,000 sq ft of space across 14 floors. Letting progress at Myo, which occupies four floors, was slow initially but we have seen good levels of interest since the summer and expect occupancy to increase to at least 50% in the second half of the year. We also now have leases on two of the Blank Canvas floors agreed. At the adjacent 55 Old Broad Street, EC2, we retain development optionality for the end of 2024.

The current vacancy rate in the office portfolio is 4.4%, compared with 3.1% at March. The increase primarily relates to vacant space at Dashwood, and is in line with our expectations. We anticipate the vacancy rate will fall by March as we begin to let the space available.

We saw some increase in footfall across our central London retail assets over the six months but it remained relatively low, down 54.1% in September compared with 2019. Despite this, we are still seeing interest from a range of occupiers in taking space. Zara opened at One New Change, EC4, and we have a further four units in the centre under offer. In Victoria, we have seen good demand from F&B and leisure operators where we are finalising four lettings.

Vacancy in our central London retail assets was 11.9% at the end of September, compared with 5.0% at March. Nearly all of the increase relates to the units under the screen at Piccadilly Lights, where we agreed surrenders with two of the three occupiers during the period. We are currently working on new opportunities for this prime location, which will complement the new retail space that will be created at the adjacent Lucent, W1, development.

On the screen at Piccadilly Lights, we have seen strong demand, with delayed bookings from last year, as well as increased interest from a wide range of new, high-end brands seeking to capitalise on the broad media coverage advertising on the lights can bring. Year to date, over 60 brands have committed to space on a short-term letting basis, demonstrating the appeal of the Lights even in times of reduced footfall in Piccadilly Circus. If current levels of activity continue in the second half, short term income from the screen will be close to 2019 levels this financial year.

Cash collections from the office portfolio have continued to be strong, and have improved significantly at our retail assets. September quarter collections now stand at 100% for our office portfolio, and 83% for the central London retail portfolio.

Investment activity

In August, we conditionally exchanged contracts to forward purchase Oval Works, SE11, a standalone office space that will form part of Berkeley’s Oval Village, with completion due in autumn 2024. This purchase is in line with our strategy to offer a broader range of propositions for office customers – rents for prime conventional space in this area of London are expected to be approximately 20-30% below prevailing levels in the City.

Development activity

We continue to make good progress on our committed development programme, despite market-wide labour shortages and supply chain disruption. We are not immune to the effects of these challenges, but we have limited overall cost increases to 2% across our programme and project completion dates are all within four months of our previously stated timings.

Work continues at the 100% pre-let 21 Moorfields, EC2, with practical completion now scheduled for September 2022.

With take-up activity increasing we remain confident about the office market we are delivering speculative space into. We expect pre-let interest in our three speculative schemes – Lucent, W1, the Forge, SE1 and n2, SW1 – to increase as they enter the last year of construction. We are already seeing a good level of interest in pre-lets at these schemes as these milestones approach with 250,000 sq ft of active interest.

We continue to focus on preserving optionality in our development pipeline. At Timber Square, demolition will complete in the new year and we maintain flexibility on when to commit to the next phase, allowing us to manage our exposure to speculative development. At Portland House, SW1, we are refining our plans for the development with a view to being ready to proceed during 2022. We remain on track to submit planning at Red Lion Court, SE1, by the end of this financial year.

Regional retail

Our £1.7bn Regional retail portfolio comprises seven regional shopping centres and five outlets. Across the rest of the portfolio we also hold other retail assets within our Central London portfolio (£0.6bn) and our Subscale portfolio (£0.4bn), which are generally subject to the same market trends as described below.

The trends in the retail market we described at our annual results in May continue to play out. Retail vacancy rates in the UK market remain high at 14.5% and we expect this market vacancy to increase further as a significant amount of retail space becomes obsolete. This should strengthen the position of higher quality retail destinations which provide attractive brand propositions to their guests and the right space and environment to support brand partners' omni-channel strategies.

We have seen strong post lockdown recovery across the retail market and nearly all retail formats have benefitted to some extent from pent-up demand and the ability to be able to shop in physical stores again. The trends are encouraging and our portfolio is well-placed to benefit. The best performing shopping centres are those that offer the most compelling mix of places to shop, eat and play. The outlet model is one of the strongest retail formats and has demonstrated its appeal over the last six months with a strong recovery in sales performance. Retail parks have shown their continued popularity with shoppers, with those focused around home and leisure retail performing the most strongly.

Leasing and operational activity

In line with the recovery in the retail market, there has been a significant increase in leasing activity across all our retail assets over the last six months. 181 lettings were completed or are in solicitors' hands with headline rents 3.3% ahead of ERVs. Some of these leases are shorter than previous deals, and a larger proportion of the leases have a turnover element, but this activity provides support for the view that rents are approaching sustainable levels. In light of the greater flexibility within these leases, incentives are typically lower as a result.

Almost 60% of our retail leases now include a turnover element, although this component still comprises less than 10% of our rental income from these assets on a net basis after fixed elements are reflected. This supports our brand partners but also provides us with access to trading data which can provide valuable insights into how to evolve our space to best meet the needs of our brand partners and guests.

Like-for-like vacancy at our shopping centres and outlets improved over the period and is now 7.5%, down from 8.8% at 31 March 2021. Units in administration stand at 2.8% (31 March 2021: 5.4%). Insolvency events were extremely low in the period, with just two retailers entering into CVA/restructuring plans. However, the lifting of the rent collection moratorium in March 2022 may impact the market. A relatively small number of retailers continue to withhold rental payments, with rent collection improving quarter on quarter this year. We have now collected 92% of Regional retail rents due on 29 September.

The footfall at our centres has increased since the easing of lockdown measures but has not yet returned to pre-Covid levels. For the first six months of the year, footfall at our shopping centres was 28.6% below 2019 and in our outlets it was 26.2% below. In the month of September, footfall was 18.6% below 2019 at both our shopping centres and outlets. Our sales data shows that when guests visit a centre, they are more likely to make a purchase. Like-for-like sales in our shopping centres were 3.6% below 2019 for the first six months of the year, and in outlets like-for-like sales were 7.5% higher. Again, recent performance has been stronger – in September like-for-like sales in our shopping centres were 0.9% above 2019 levels and in outlets, like-for-like sales were 8.7% higher.

The bounce back in consumer activity has resulted in many occupiers having the confidence to take new space, and there are some clear trends emerging in the leasing market.

We continue to see strong appetite from the major retailers to make sure they have the right space in the right locations. Over the last 18 months we have successfully concluded deals with Zara in four locations, and their footprint across our portfolio is now 210,000 sq ft. The success of these stores is enabling us to have more in-depth conversations with Inditex about other brands in their line-up and potential expansion across our portfolio. Other examples of major retailers seeking to expand include Nike at Gunwharf Quays and M&S at White Rose, Leeds, where they will open a new flagship store for the north of England in the space vacated by Debenhams.

With mid-sized retailers, we see a desire to take space in the locations that work for them, and with rent at the right level. In our shopping centres we have let space to Space NK at Trinity Leeds, Pandora at White Rose, Leeds and Nespresso have opened their first new global concept store at Bluewater. The majority of these deals have been agreed broadly in line with March ERVs. We have also seen good traction with mid-sized occupiers across our outlet portfolio; where we relocate or introduce new brands into units that have previously had weaker trading performance. We have secured lettings with Kids Around at Braintree Village and Luke 1977 at Gunwharf Quays, while Whittards of Chelsea opened their second store in the outlet portfolio at Clarks Village. The majority of these deals have been agreed on terms ahead of ERV.

We also continue to see digitally-native retailers, big and small, seeking to take space in our centres as they develop their strategies to include physical retail. Amazon opened its first Amazon 4-star store in the UK at Bluewater in October. The 3,500 sq ft store in Bluewater offers a curated range of products rated 4 stars and above, or trending on Amazon.co.uk. Other digitally native brands expanding in the period include the Crep Collection Club, the trend-led sneaker specialists, and Vanilla, the accessible fashion concept brand, both also taking space at Bluewater. The majority of these deals have been agreed on terms in line with March ERVs.

Leisure and food and beverage continue to be essential elements of a compelling offer in our centres. Gravity opened at Southside in August, taking the space vacated by Debenhams, and has been trading ahead of expectations. We have seen the knock-on effect of increased footfall and sales at the centre since opening, as well as a positive impact on leasing activity, with offers received from a range of occupiers for the surrounding units. At Bluewater, we secured a letting with Big Easy, the barbeque and lobster restaurant and bar brand, in what will be Big Easy's first location outside London when it opens in November. As we develop our plans for each of our shopping centres, we constantly evaluate the balance between retail and other uses to ensure they offer the best experience for our guests and trading environment for our brand partners.

Urban opportunities

Our Urban opportunities portfolio comprises £0.4bn of urban assets of 1.8 million sq ft, with redevelopment potential to extend to a gross internal area of over 8.6 million sq ft of mixed-use space. The current assets are primarily retail focused assets that are no longer fit for purpose and offer potential for multi-phase mixed-use urban neighbourhoods that will transform the built environment. 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 O2, Finchley Road, we launched the final stage of public consultation on our proposals for the site. We remain on track to submit the formal planning application by the end of the financial year. The current proposals are for the creation of a new, pedestrianised, sustainable neighbourhood which will include: around 1,860 new homes for sale and rent, with a target of 35% affordable homes; public open space representing 50% of the site; new shops and leisure spaces; and new community facilities such as a community centre and a health centre.

At Lewisham shopping centre, public consultation begins this month. We expect to submit our planning submission in the second half of 2022. Our plans entail a mixed-use scheme including a significant quantum of new homes, together with offices and retail spaces. We have made further progress on site assembly with the purchase of a 46,000 sq ft site on the high street, adding to our nine acre site ownership. With Lewisham selected as the London Borough of Culture for 2022, we continue to work closely with the local council, activating the existing shopping centre, while designing the master plan details for the longer-term sustainable regeneration of the site.

The purchase of a 75% interest in MediaCity, Greater Manchester, for £426m has accelerated our returns profile for our mixed-use urban neighbourhoods strategy and is in line with our approach to invest in areas with long-term growth potential. Phase one generates £31m of net operating income per annum (100%) and over half the income has rent reviews linked to RPI, with floors and caps guaranteeing future rental uplifts. Phase two comprises 15 acres with outline planning consent for gross internal area of 1.6 million sq ft including office and residential use, providing future development optionality to invest further into the estate.

Subscale sectors

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

Our £0.4bn of retail parks delivered a valuation surplus of 15.6% in the first six months with yields tightening by 104 bps. In line with our strategy, we took advantage of the strength of this market to dispose of two retail parks for a headline price of £53m, 12% ahead of March book value. We have eight parks remaining in our portfolio and will recycle our capital out of these assets into value-creating opportunities over the next couple of years.

Our £0.5bn leisure assets delivered a valuation surplus of 4.2% and are well-placed to benefit from the ongoing consumer-led recovery. With strong customer demand for experience and leisure-based activity, we are seeing good interest from a number of occupiers in renewing leases and extending terms. We completed 40 lettings in our Leisure assets, 7.1% ahead of ERV including renewals with SnoZone at Xscape Yorkshire for 20 years and Tenpin at Parrswood for 15 years. The cinema sector has also seen a recovery in attendance with the premiere of the new James Bond film in September.

All of our Accor hotels are now fully operational. Recovery in this market has been stronger than we were anticipating with occupancy for September at 82.5% of pre-Covid levels. This recovery reflects the increase in travel for both business and leisure purposes over the last six months. The 22 hotels were valued at £0.4bn at 30 September which was largely unchanged from 31 March 2021.

Principal risks and uncertainties

The principal risks of the business are set out on pages 71-77 of the 2021 Annual Report that was published in May. The Board has reviewed the principal risks again and concluded that they have not changed since the year end report, though the context for many has evolved as lockdown restrictions have eased and the implications of Brexit have become clearer. Disruption in the London office and retail and hospitality markets, accelerated by Covid-19-related lockdowns, remain our highest rated risks. This positioning reflects the continued uncertainty around demand for office and retail space. The ongoing impact of the pandemic and supply chain challenges coupled with staffing shortages in some sectors creates uncertainty in the short- to medium-term. There is also uncertainty over infection rates going into the autumn and winter seasons, which could lead to a partial reintroduction of restrictions that adversely impact our business.

Our principal risks fall into eight categories: customer (London office); customer (retail and hospitality); market cyclicality; people and skills; major health, safety and security incident; information security and cyber threat; public and Government response to climate change; and investment and development strategy. A summary of our principal risks is as follows:

Customer: London Office – offices have performed relatively well in the past six months. Our office space is generally a premium product, which has not seen the same devaluations as experienced by 'secondary office' space offered by other businesses. Our tenants continue to pay rents and our portfolio teams have had positive customer conversations relating to the demand for this space which is well regarded in the market. There is still uncertainty around the demand for office space and the ongoing impact of the hybrid working model adopted by many organisations.

Customer: Retail & Hospitality – retail markets remain challenging due to the pandemic. Despite high levels of footfall and sales in retail locations following the easing of lockdown restrictions and the reopening of centres, there is uncertainty as we move into winter. The resurgence of Covid-19 cases along with supply chain challenges and staffing shortages in some sectors gives more uncertainty in the short- to medium-term.

Investment and Development Strategy – the hybrid working model adopted by most organisations further contributes to the uncertainty in demand of existing and future office space. This, coupled with supply chain and inflationary pressures, may impact our investment and development activity in the short- to medium-term.

Market cyclicality – this risk remains high due to the ongoing impact of the pandemic, increases in inflation and the potential for higher interest rates in the medium-term. However, economic growth has exceeded expectations since the end of lockdown due to pent up demand and a rebound in the employment market.

Public and Government response to climate change – this is an important risk that has two key elements. The first is that changing customer attitudes to climate change response impact demand for our assets. Secondly, there is an increasing risk to Landsec assets from climate change related weather events, such as winter storms and flooding. This is a long-term risk and development of our mitigation plans is progressing well and closely monitored.

Our three principal operational risks (**people and skills; health, safety and security; and information security and cyber**) have all remained stable in the six months since year end.

Statement of Directors' Responsibilities

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

— DTR 4.2.7 (R): an indication of important events that have occurred during the six month period ended 30 September 2021 and their impact on the condensed interim financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

— DTR 4.2.8 (R): any related party transactions in the six month period ended 30 September 2021 that have materially affected, and any changes in the related party transactions described in the 2021 Annual Report that could materially affect, the financial position or performance of the enterprise during that period.

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

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

*Non-executive Directors

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

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

By order of the Board

Mark Allan
Chief Executive

Vanessa Simms
Chief Financial Officer

Independent review report to Land Securities Group PLC

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half year financial report for the six months ended 30 September 2021 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related notes to the financial statements 1 to 17. We have read the other information contained in the half year financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half year financial report for the six months ended 30 September 2021 is not prepared, in all material respects, in accordance with UK-adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

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

As disclosed in note 1, the annual financial statements of the Group will be prepared in accordance with UK-adopted international accounting standards. The condensed set of financial statements included in this half year financial report has been prepared in accordance with UK-adopted International Accounting Standard 34, 'Interim Financial Reporting'.

Responsibilities of the directors

The directors are responsible for preparing the half year financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Auditor's Responsibilities for the review of the financial information

In reviewing the half year report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the half year financial report. Our conclusion is based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

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

Ernst & Young LLP
London
15 November 2021

Financial statements

Unaudited income statement		Six months ended 30 September 2021			Six months ended 30 September 2020		
	Notes	EPRA earnings £m	Capital and other items £m	Total £m	EPRA earnings £m	Capital and other items £m	Total £m
Revenue	5	**314**	**1**	**315**	327	-	327
Costs – movement in bad and doubtful debts provisions	6	**7**	**-**	**7**	(77)	-	(77)
Costs – other	6	**(124)**	**(1)**	**(125)**	(105)	-	(105)
		197	**-**	**197**	145	-	145
Share of post-tax profit/(loss) from joint ventures	12	**12**	**(13)**	**(1)**	1	(124)	(123)
Profit on disposal of investment properties		**-**	**6**	**6**	-	2	2
Net surplus/(deficit) on revaluation of investment properties	10	**-**	**94**	**94**	-	(824)	(824)
Gain on modification of finance leases		**-**	**6**	**6**	-	-	-
Operating profit/(loss)		**209**	**93**	**302**	146	(946)	(800)
Finance income	7	**4**	**2**	**6**	8	1	9
Finance expense	7	**(33)**	**-**	**(33)**	(39)	(5)	(44)
Profit/(loss) before tax		**180**	**95**	**275**	115	(950)	(835)
Taxation		**-**	**-**	**-**	-	-	-
Profit/(loss) attributable to shareholders		**180**	**95**	**275**	115	(950)	(835)
Profit/(loss) per share attributable to shareholders:							
Basic earnings/(loss) per share	4			**37.2p**			(112.8)p
Diluted earnings/(loss) per share	4			**37.1p**			(112.8)p

Unaudited statement of comprehensive income	Six months ended 30 September 2021 Total £m	Six months ended 30 September 2020 Total £m
Profit/(loss) attributable to shareholders	**275**	(835)
Items that will not be subsequently reclassified to the income statement:		
Movement in the fair value of other investments	**(2)**	(1)
Net re-measurement gain/(loss) on defined benefit pension scheme	**1**	(11)
Deferred tax (charge)/credit on defined benefit pension scheme	**(1)**	2
Other comprehensive loss attributable to shareholders	**(2)**	(10)
Total comprehensive income/(loss) attributable to shareholders	**273**	(845)

Unaudited balance sheet	Notes	**30 September 2021 £m**	31 March 2021 £m
Non-current assets			
Investment properties	10	**9,822**	9,607
Intangible assets		**7**	8
Net investment in finance leases		**160**	152
Investments in joint ventures	12	**634**	625
Trade and other receivables		**152**	170
Other non-current assets		**24**	22
Total non-current assets		**10,799**	10,584
Current assets			
Trading properties	11	**42**	36
Trade and other receivables		**365**	354
Monies held in restricted accounts and deposits		**9**	10
Cash and cash equivalents		**26**	-
Other current assets		**14**	6
Total current assets		**456**	406
Total assets		**11,255**	10,990
Current liabilities			
Borrowings	14	**(779)**	(906)
Trade and other payables		**(230)**	(252)
Other current liabilities		**(13)**	(7)
Total current liabilities		**(1,022)**	(1,165)
Non-current liabilities			
Borrowings	14	**(2,802)**	(2,610)
Trade and other payables		**(3)**	(1)
Other non-current liabilities		**(9)**	(2)
Total non-current liabilities		**(2,814)**	(2,613)
Total liabilities		**(3,836)**	(3,778)
Net assets		**7,419**	7,212
Equity			
Capital and reserves attributable to shareholders			
Ordinary shares		**80**	80
Share premium		**317**	317
Other reserves		**6**	28
Retained earnings		**7,016**	6,787
Total equity		**7,419**	7,212

The financial statements on pages 31 to 49 were approved by the Board of Directors on 15 November 2021 and were signed on its behalf by:

M C Allan **V K Simms**

Directors

Unaudited 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 2020	80	317	27	8,326	8,750
Total comprehensive loss for the financial period	-	-	-	(845)	(845)
Transactions with shareholders:					
Share-based payments	-	-	2	-	2
Acquisition of own shares	-	-	(3)	-	(3)
Total transactions with shareholders	-	-	(1)	-	(1)
At 30 September 2020	80	317	26	7,481	7,904
Total comprehensive loss for the financial period	-	-	-	(561)	(561)
Transactions with shareholders:					
Share-based payments	-	-	2	-	2
Dividends paid to shareholders	-	-	-	(133)	(133)
Total transactions with shareholders	-	-	2	(133)	(131)
At 31 March 2021	80	317	28	6,787	7,212
Total comprehensive income for the financial period	**-**	**-**	**-**	**273**	**273**
Transactions with shareholders:					
Share-based payments	**-**	**-**	**(1)**	**1**	**-**
Dividends paid to shareholders	**-**	**-**	**-**	**(66)**	**(66)**
Transfer of treasury shares	**-**	**-**	**(21)**	**21**	**-**
Total transactions with shareholders	**-**	**-**	**(22)**	**(44)**	**(66)**
At 30 September 2021	**80**	**317**	**6**	**7,016**	**7,419**

Unaudited statement of cash flows

	Notes	Six months ended 30 September 2021 £m	2020 £m
Cash flows from operating activities			
Net cash generated from operations	9	**202**	133
Interest paid		**(46)**	(47)
Interest received		**7**	-
Rents paid		**(4)**	(3)
Other operating cash flows		**(1)**	1
Net cash inflow from operating activities		**158**	84
Cash flows from investing activities			
Investment property development expenditure		**(127)**	(77)
Other investment property related expenditure		**(33)**	(20)
Acquisition of investment properties		**-**	(8)
Disposal of investment properties		**52**	-
Cash distributions from joint ventures	12	**2**	7
Other investing cash flows		**(1)**	(2)
Net cash outflow from investing activities		**(107)**	(100)
Cash flows from financing activities			
Proceeds from new borrowings (net of finance fees)	14	**192**	102
Repayment of borrowings	14	**(142)**	(1,468)
Net cash (outflow)/inflow from derivative financial instruments		**(1)**	38
Dividends paid to shareholders	8	**(75)**	-
Decrease in monies held in restricted accounts and deposits		**1**	-
Other financing cash flows		**-**	(3)
Net cash outflow from financing activities		**(25)**	(1,331)
Increase/(decrease) in cash and cash equivalents for the period		**26**	(1,347)
Cash and cash equivalents at the beginning of the period		**-**	1,345
Cash and cash equivalents/(bank overdraft) at the end of the period		**26**	(2)

Notes to the financial statements

1. Basis of preparation and consolidation

Basis of preparation

This condensed consolidated interim financial information (financial statements) for the six months ended 30 September 2021 has been prepared on a going concern basis and in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and IAS 34 'Interim Financial Reporting' as contained in UK-adopted international accounting standards (IFRS).

The condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2021, prepared in accordance with international accounting standards in conformity with the Companies Act 2006 and in accordance with IFRSs and IFRICs adopted pursuant to Regulation (EC) No 1606/2002 as it applied in the European Union, were approved by the Board of Directors on 17 May 2021 and delivered to the Registrar of Companies. The report of the auditor on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498(2) or (3) of the Companies Act 2006. The annual financial statements for years ending after 31 March 2021 will be prepared in accordance with UK-adopted international accounting standards. The condensed consolidated interim financial information has been reviewed, not audited, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2021.

This condensed consolidated interim financial information was approved for issue by the Directors on 15 November 2021.

Going concern

While the impact of Covid-19 on the Group has reduced in the six months ended 30 September 2021, we are still in a period of recovery and therefore the Directors have continued to place additional focus on the appropriateness of adopting the going concern assumption in preparing the financial statements. The Group's going concern assessment considers changes in the Group's principal risks (see page 28) 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 deterioration in our ability to collect rent and service charge from our customers and removes uncommitted acquisitions, disposals and developments. The acquisition of MediaCity, on 2 November 2021, and the proposed all cash offer for U and I Group PLC, announced on 1 November 2021, remain in the model as committed acquisitions. 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 13 months to 31 December 2022, are shown below alongside the actual position at 30 September 2021.

Key metrics	**30 September 2021**	**30 September 2021 Latest Viability scenario 31 December 2022**	31 March 2021 Viability scenario 31 December 2022
Security Group LTV	32.4%	**40.9%**	37.1%
Adjusted net debt	£3,505m	**£4,780m**	£3,435m
EPRA Net Tangible Assets	£7,510m	**£7,230m**	£6,245m
Available financial headroom	£1,600m	**£489m**	£1,653m

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 13 months from the date of authorisation of these financial statements. The value of our assets would need to fall from 30 September 2021 values by a further 36% 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 £81m in the full year ending 30 September 2022 for interest cover to remain above 1.45x in the Viability scenario, which would ensure compliance with the Group's covenant through to the end of the going concern assessment period. Security Group earnings in the six months to 30 September 2021 are already above the level required to meet the interest cover covenant for the year ending 31 March 2022. Therefore, the Directors do not anticipate a reduction in Security Group earnings over the period ending 31 December 2022 to a level that would result in a breach of the interest cover covenant.

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 period ended 30 September 2021.

1. Basis of preparation and consolidation continued

Presentation of results

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

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

EPRA earnings is the Group's measure of the underlying pre-tax profit of the property rental business. EPRA earnings has replaced revenue profit as the Group's primary measure of underlying performance in the period ended 30 September 2021 to align with industry standard. Adjusted earnings is also no longer reported. There were no differences between these three measures at 30 September 2020 and 2021. It excludes all items of a capital nature, such as valuation movements and profits and losses on the disposal of investment properties, as well as exceptional items. The Group believes that EPRA earnings provides additional understanding of the Group's operational performance to shareholders and other stakeholder groups. A full definition of EPRA earnings is given in the Glossary. The components of EPRA earnings are presented on a proportionate basis in note 3. EPRA earnings is an alternative performance measure.

2. Significant accounting policies

The condensed consolidated interim financial information has been prepared on the basis of the accounting policies, significant judgements and estimates as set out in the notes to the Group's annual financial statements for the year ended 31 March 2021, as amended where relevant to reflect the new standards, amendments and interpretations which became effective in the period. There has been no material impact on the financial statements of adopting these new standards, amendments and interpretations.

Significant accounting estimate – Impairment of trade receivables

As set out in the Group's annual financial statements for the year ended 31 March 2021, the Group's assessment of expected credit losses is inherently subjective due to the forward-looking nature of the assessments. At 30 September 2021, trade receivable balances have decreased as the Group's customers have begun to recover from the impact of Covid-19 and resumed paying their rent and service charge. However, the Government's ongoing rent collections moratorium means higher balances than usual remain outstanding at the end of the period. Provisions for expected credit losses have decreased, with a release of **£7m** recognised in the income statement in the period.

The Group's approach to determining expected credit losses remains consistent with that described in the annual financial statements for the year ended 31 March 2021 and assessments continue to be made on a customer by customer basis. As such, any changes in individual customer credit ratings, payment behaviours, actual or expected insolvency filings or company voluntary arrangements, as well as any agreements reached in allocating our customer support fund, could result in a change in the appropriate level of provisioning. A 10% increase/decrease in the provisions against amounts receivable by the Group and its joint ventures in the period would result in a decrease/increase in EPRA earnings of **£10m** and an equivalent reduction/increase in the Group's profit after tax.

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.

Management has determined the Group's operating segments based on the information reviewed by senior management to make strategic decisions. The chief operating decision maker is 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 after tax is EPRA earnings. 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 administrative costs, which are predominantly staff costs, are all treated as administrative 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 25.

3. Segmental information continued

EPRA earnings	Six months ended 30 September 2021 Central London £m	Regional retail £m	Urban opps £m	Subscale sectors £m	Total £m	Six months ended 30 September 2020 Central London £m	Regional retail £m	Urban opps £m	Subscale sectors £m	Total £m
Rental income	146	77	17	42	282	154	84	13	42	293
Finance lease interest	4	-	-	1	5	4	-	-	-	4
Gross rental income (before rents payable)	150	77	17	43	287	158	84	13	42	297
Rents payable[1]	(2)	(3)	-	-	(5)	(2)	(2)	-	-	(4)
Gross rental income (after rents payable)	148	74	17	43	282	156	82	13	42	293
Service charge income	20	19	2	-	41	20	18	3	-	41
Service charge expense	(20)	(22)	(3)	(2)	(47)	(20)	(20)	(3)	-	(43)
Net service charge expense	-	(3)	(1)	(2)	(6)	-	(2)	-	-	(2)
Other property related income	6	6	1	1	14	10	5	1	1	17
Direct property expenditure	(15)	(15)	(4)	(5)	(39)	(11)	(12)	(3)	(4)	(30)
Movement in bad and doubtful debts provisions	(2)	5	1	(1)	3	(8)	(44)	(6)	(29)	(87)
Segment net rental income	137	67	14	36	254	147	29	5	10	191
Other income					3					1
Administrative expense					(41)					(35)
Depreciation					(3)					(3)
EPRA earnings before interest					213					154
Finance income					4					8
Finance expense					(33)					(39)
Joint venture net finance expense					(4)					(8)
EPRA earnings					180					115

1. Included within rents payable is lease interest payable of **£2m** (2020: £2m) for the Central London segment.

Reconciliation of EPRA earnings to profit/(loss) before tax	Six months ended 30 September 2021 Total £m	Six months ended 30 September 2020 Total £m
EPRA earnings	180	115
Capital and other items		
Valuation and profit on disposals		
Net surplus/(deficit) on revaluation of investment properties	81	(945)
Gain on modification of finance leases	6	-
Profit on disposal of investment properties	6	-
Loss on disposal of trading properties	-	(1)
	93	(946)
Net finance income/(expense) (excluded from EPRA earnings)		
Fair value movement on interest-rate swaps	2	(5)
Other net finance income	-	1
	2	(4)
Profit/(loss) before tax	275	(835)

4. Performance measures

In the tables below, we present earnings per share and net assets per share calculated in accordance with IFRS, together with 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 EPRA earnings per share, EPRA Net Tangible Assets per share and total business return.

EPRA earnings, which is a tax adjusted measure of underlying earnings, is the basis for the calculation of EPRA earnings per share. We believe EPRA earnings and EPRA 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 period to period.

Earnings per share	**Six months ended 30 September 2021**		Six months ended 30 September 2020	
	Profit for the year £m	**EPRA earnings £m**	Loss for the year £m	EPRA earnings £m
Profit/(loss) attributable to shareholders	**275**	**275**	(835)	(835)
Valuation and profit on disposals	**-**	**(93)**	-	946
Net finance (income)/expense (excluded from EPRA earnings)	**-**	**(2)**	-	4
Profit/(loss) used in per share calculation	**275**	**180**	(835)	115
	IFRS	**EPRA**	IFRS	EPRA
Basic earnings/(loss) per share	**37.2p**	**24.3p**	(112.8)p	15.5p
Diluted earnings/(loss) per share[1]	**37.1p**	**24.3p**	(112.8)p	15.5p

1. In the period ended 30 September 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	**30 September 2021**			31 March 2021		
	Net assets £m	**EPRA NDV £m**	**EPRA NTA £m**	Net assets £m	EPRA NDV £m	EPRA NTA £m
Net assets attributable to shareholders	**7,419**	**7,419**	**7,419**	7,212	7,212	7,212
Excess of fair value over net investment in finance leases book value	**-**	**99**	**99**	-	93	93
Deferred tax liability on intangible asset	**-**	**-**	**1**	-	-	1
Goodwill on deferred tax liability	**-**	**(1)**	**(1)**	-	(1)	(1)
Other intangible asset	**-**	**-**	**(2)**	-	-	(2)
Fair value of interest-rate swaps	**-**	**-**	**(6)**	-	-	(3)
Excess of fair value of debt over book value (note 14)	**-**	**(266)**	**-**	-	(244)	-
Net assets used in per share calculation	**7,419**	**7,251**	**7,510**	7,212	7,060	7,300
	IFRS	**EPRA NDV**	**EPRA NTA**	IFRS	EPRA NDV	EPRA NTA
Net assets per share	**1,003p**	**n/a**	**n/a**	975p	n/a	n/a
Diluted net assets per share	**1,000p**	**977p**	**1,012p**	973p	953p	985p

Number of shares	**Six months ended 30 September 2021 Weighted average million**	**30 September 2021 million**	Six months ended 30 September 2020 Weighted average million	31 March 2021 million
Ordinary shares	**751**	**751**	751	751
Treasury shares	**(7)**	**(7)**	(10)	(10)
Own shares	**(4)**	**(4)**	(1)	(1)
Number of shares – basic	**740**	**740**	740	740
Dilutive effect of share options	**1**	**2**	1	1
Number of shares – diluted	**741**	**742**	741	741

Total business return is calculated as the cash dividends per share paid in the period 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 period.

Total business return based on EPRA NTA	**Six months ended 30 September 2021 pence**	Six months ended 30 September 2020 pence
Increase/(decrease) in EPRA NTA per share	**27**	(113)
Dividend paid per share in the period (note 8)	**9**	-
Total return (a)	**36**	(113)
EPRA NTA per share at the beginning of the period (b)	**985**	1,192
Total business return (a/b)	**3.7%**	-9.5%

5. Revenue

All revenue is classified within the 'EPRA earnings' column of the income statement, with the exception of proceeds from the sale of trading properties and income from long-term development contracts which are presented in the 'Capital and other items' column.

	Six months ended 30 September 2021			Six months ended 30 September 2020		
	EPRA earnings	Capital and other items	Total	EPRA earnings	Capital and other items	Total
	£m	£m	£m	£m	£m	£m
Rental income (excluding adjustment for lease incentives)	**269**	**-**	**269**	284	-	284
Adjustment for lease incentives	**(11)**	**-**	**(11)**	(16)	-	(16)
Rental income	**258**	**-**	**258**	268	-	268
Service charge income	**36**	**-**	**36**	38	-	38
Other property related income	**12**	**-**	**12**	16	-	16
Finance lease interest	**5**	**-**	**5**	4	-	4
Long-term development contract income	**-**	**1**	**1**	-	-	-
Other income	**3**	**-**	**3**	1	-	1
Revenue per the income statement	**314**	**1**	**315**	327	-	327

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

	Six months ended 30 September 2021			Six months ended 30 September 2020		
	Group	Joint ventures	Total	Group	Joint ventures	Total
	£m	£m	£m	£m	£m	£m
Rental income	**258**	**24**	**282**	268	25	293
Service charge income	**36**	**5**	**41**	38	3	41
Other property related income	**12**	**2**	**14**	16	1	17
Trading property sales proceeds	**-**	**-**	**-**	-	4	4
Finance lease interest	**5**	**-**	**5**	4	-	4
Long-term development contract income	**1**	**-**	**1**	-	1	1
Other income	**3**	**-**	**3**	1	-	1
Revenue in the segmental information note	**315**	**31**	**346**	327	34	361

6. Costs

All costs are classified within the 'EPRA earnings' column of the income statement, with the exception of the cost of sale of trading properties, costs arising on long-term development contracts and amortisation and impairments of intangible assets arising on business combinations which are presented in the 'Capital and other items' column.

	Six months ended 30 September 2021			Six months ended 30 September 2020		
	EPRA earnings £m	**Capital and other items £m**	**Total £m**	EPRA earnings £m	Capital and other items £m	Total £m
Rents payable	**4**	**-**	**4**	3	-	3
Service charge expense	**42**	**-**	**42**	39	-	39
Direct property expenditure	**34**	**-**	**34**	25	-	25
Administrative expenses	**41**	**-**	**41**	35	-	35
Depreciation	**3**	**-**	**3**	3	-	3
Long-term development contract expenditure	**-**	**1**	**1**	-	-	-
Costs – other per the income statement	**124**	**1**	**125**	105	-	105
Movement in bad and doubtful debts provisions – rent	**(3)**	**-**	**(3)**	67	-	67
Movement in bad and doubtful debts provisions – service charge	**(4)**	**-**	**(4)**	10	-	10
Total costs per the income statement	**117**	**1**	**118**	182	-	182

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	**4**	**1**	**5**	3	1	4
Service charge expense	**42**	**5**	**47**	39	4	43
Direct property expenditure	**34**	**5**	**39**	25	5	30
Administrative expenses	**41**	**-**	**41**	35	-	35
Depreciation	**3**	**-**	**3**	3	-	3
Cost of trading property disposals	**-**	**-**	**-**	-	5	5
Long-term development contract expenditure	**1**	**-**	**1**	-	1	1
Movement in bad and doubtful debts provisions – rent	**(3)**	**4**	**1**	67	8	75
Movement in bad and doubtful debts provisions – service charge	**(4)**	**-**	**(4)**	10	2	12
Costs in the segmental information note	**118**	**15**	**133**	182	26	208

The Group's costs include employee costs for the period of **£33m** (2020: £30m), of which **£3m** (2020: £2m) is within service charge expense and **£30m** (2020: £28m) is within administrative expenses.

7. Net finance expense

	Six months ended 30 September 2021			Six months ended 30 September 2020		
	EPRA earnings £m	**Capital and other items £m**	**Total £m**	EPRA earnings £m	Capital and other items £m	Total £m
Finance income						
Interest receivable from joint ventures	**4**	**-**	**4**	8	-	8
Fair value movement on interest-rate swaps	**-**	**2**	**2**	-	-	-
Fair value movement on other derivatives	**-**	**-**	**-**	-	1	1
	4	**2**	**6**	8	1	9
Finance expense						
Bond and debenture debt	**(33)**	**-**	**(33)**	(33)	-	(33)
Bank and other short-term borrowings	**(7)**	**-**	**(7)**	(11)	-	(11)
Fair value movement on interest-rate swaps	**-**	**-**	**-**	-	(5)	(5)
	(40)	**-**	**(40)**	(44)	(5)	(49)
Interest capitalised in relation to properties under development	**7**	**-**	**7**	5	-	5
	(33)	**-**	**(33)**	(39)	(5)	(44)
Net finance expense	**(29)**	**2**	**(27)**	(31)	(4)	(35)
Joint venture net finance expense	**(4)**			(8)		
Net finance expense included in EPRA earnings	**(33)**			(39)		

Lease interest payable of **£2m** (2020: £2m) is included within rents payable as detailed in note 3.

8. Dividends

Dividends paid	Payment date	Pence per share PID	Pence per share Non-PID	Pence per share Total	Six months ended 30 September 2021 £m	Six months ended 30 September 2020 £m
For the year ended 31 March 2020:						
Third interim	-	-	-	-		-
Final	-	-	-	-		-
For the year ended 31 March 2021:						
Final	**23 July 2021**	**9.00**	-	**9.00**	**66**	
Gross dividends					**66**	-
Dividends in the statement of changes in equity					**66**	-
Timing difference on payment of withholding tax					**9**	-
Dividends in the statement of cash flows					**75**	-

The third interim dividend for the year ended 31 March 2021 was paid earlier than usual, on 30 March 2021. Therefore, only the 2021 final dividend was paid during the six months ended 30 September 2021. On 8 October 2021, the Company paid a first interim dividend in respect of the current financial year of **7.0p** per ordinary share, wholly as a Property Income Distribution (PID), representing **£52m** in total (2020: £nil).

The Board has declared a second interim dividend of **8.5p** per ordinary share to be payable wholly as a PID (2020: 12.0p which represented a dividend for the first two quarters of the financial year to 31 March 2021) on 4 January 2022 to shareholders registered at the close of business on 26 November 2021.

A Dividend Reinvestment Plan (DRIP) has been available in respect of all dividends paid during the period. The last day for DRIP elections for the second interim dividend is close of business on 9 December 2021.

9. Net cash generated from operations

Reconciliation of operating profit/(loss) to net cash generated from operations	Six months ended 30 September 2021 £m	Six months ended 30 September 2020 £m
Operating profit/(loss)	**302**	(800)
Adjustments for:		
Net (surplus)/deficit on revaluation of investment properties	**(94)**	824
Gain on modification of finance leases	**(6)**	-
Profit on disposal of investment properties	**(6)**	(2)
Share of loss from joint ventures	**1**	123
Share-based payment charge	**1**	2
Rents payable	**4**	3
Depreciation	**3**	3
Other	**1**	1
	206	154
Changes in working capital:		
Increase in receivables	**(11)**	(24)
Increase in payables and provisions	**7**	3
Net cash generated from operations	**202**	133

Reconciliation to adjusted net cash inflow from operating activities	Six months ended 30 September 2021 £m	Six months ended 30 September 2020 £m
Net cash inflow from operating activities	**158**	84
Joint ventures net cash inflow from operating activities	**14**	6
Trading property disposals	**-**	(4)
Other	**-**	1
Adjusted net cash inflow from operating activities	**172**	87

10. Investment properties

	Six months ended 30 September 2021 £m	Six months ended 31 March 2021 £m	Six months ended 30 September 2020 £m
Net book value at the beginning of the period	**9,607**	10,525	11,297
Acquisitions	**-**	88	27
Net movement in head leases capitalised[1]	**(1)**	1	-
Capital expenditure	**163**	116	105
Capitalised interest	**7**	6	5
Disposals	**(42)**	(505)	(74)
Net surplus/(deficit) on revaluation of investment properties	**94**	(624)	(824)
Transfers to trading properties	**(6)**	-	(11)
Net book value at the end of the period	**9,822**	9,607	10,525

1. See note 14 for details of the amounts payable under head leases and note 6 for details of the rents payable in the income statement.

The fair value of investment properties at 30 September 2021 was determined by the Group's external valuer, CBRE. The valuations are in line with RICS standards and were arrived at by reference to market evidence of transactions for similar properties. The valuations performed by the independent valuer are reviewed internally by senior management and relevant people within the business. This includes discussions of the assumptions used by the external valuer, as well as a review of the resulting valuations. Discussions about the valuation process and results are held between senior management, the Audit Committee and the external valuer on a half-yearly basis.

The market value of the Group's investment properties, as determined by the Group's external valuer, differs from the net book value presented in the balance sheet due to the Group presenting 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.

	30 September 2021			31 March 2021		
	Group (excl. joint ventures) £m	**Joint ventures[1] £m**	**Combined Portfolio £m**	Group (excl. joint ventures) £m	Joint ventures[1] £m	Combined Portfolio £m
Market value	**10,243**	**753**	**10,996**	10,025	766	10,791
Less: properties treated as finance leases	**(261)**	**-**	**(261)**	(249)	-	(249)
Plus: head leases capitalised	**60**	**9**	**69**	61	9	70
Less: tenant lease incentives	**(220)**	**(36)**	**(256)**	(230)	(40)	(270)
Net book value	**9,822**	**726**	**10,548**	9,607	735	10,342
Net surplus/(deficit) on revaluation of investment properties	**94**	**(13)**	**81**	(1,448)	(198)	(1,646)

1. Refer to note 12 for a breakdown of this amount by entity.

11. Trading properties

	Development land and infrastructure £m	**Residential £m**	**Total £m**
At 1 April 2020	24	-	24
Transfers from investment properties	-	11	11
At 30 September 2020	24	11	35
Capital expenditure	-	1	1
At 31 March 2021	24	12	36
Transfer from investment properties	**-**	**6**	**6**
At 30 September 2021	**24**	**18**	**42**

There were no cumulative impairment provisions in respect of either Development land and infrastructure or Residential at 30 September 2021 and 31 March 2021.

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 30 September 2021				
Nova, Victoria[2]	50%	Central London	31 March	Suntec Real Estate Investment Trust
Southside Limited Partnership	50%	Regional retail	31 March	Invesco Real Estate European Fund
St. David's Limited Partnership	50%	Regional retail	31 March[3]	Intu Properties plc[4]
Westgate Oxford Alliance Limited Partnership	50%	Regional retail, Subscale sectors	31 March	The Crown Estate Commissioners
Harvest[5][6]	50%	Subscale sectors	31 March	J Sainsbury plc
The Ebbsfleet Limited Partnership[6]	50%	Subscale sectors	31 March	Ebbsfleet Property Limited
West India Quay Unit Trust[6]	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 30 September 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 period and reporting date.
2. Nova, Victoria includes the Nova Limited Partnership, Nova Residential Limited Partnership, Nova GP Limited, Nova Business Manager Limited, Nova Residential (GP) Limited, Nova Residential Intermediate Limited, 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 Real Estate Investment Trust, but retained an interest in Victoria Circle Developer Limited which is included in Other in subsequent tables from that date.
3. On 22 September 2021, the year end date for St. David's Limited Partnership was changed from 31 December to 31 March.
4. 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.
5. Harvest includes Harvest 2 Limited Partnership, Harvest Development Management Limited, Harvest 2 Selly Oak Limited, Harvest 2 GP Limited and Harvest GP Limited.
6. Included within Other in subsequent tables.

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 is a holding company 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 — **Six months ended 30 September 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]	**23**	**5**	**14**	**19**	**2**	**63**	**31**
Gross rental income (after rents payable)	**17**	**5**	**11**	**12**	**2**	**47**	**23**
Net rental income	**9**	**6**	**6**	**10**	**2**	**33**	**16**
EPRA earnings before interest	**8**	**6**	**5**	**10**	**2**	**31**	**16**
Finance expense	**(4)**	**(3)**	**-**	**-**	**-**	**(7)**	**(4)**
Net finance expense	**(4)**	**(3)**	**-**	**-**	**-**	**(7)**	**(4)**
EPRA earnings	**4**	**3**	**5**	**10**	**2**	**24**	**12**
Capital and other items							
Net (deficit)/surplus on revaluation of investment properties	**(4)**	**(3)**	**(14)**	**(7)**	**1**	**(27)**	**(13)**
(Loss)/profit before tax	**-**	**-**	**(9)**	**3**	**3**	**(3)**	**(1)**
Post-tax (loss)/profit	**-**	**-**	**(9)**	**3**	**3**	**(3)**	**(1)**
Total comprehensive (loss)/income	**-**	**-**	**(9)**	**3**	**3**	**(3)**	**(1)**
	50%	**50%**	**50%**	**50%**	**50%**	**50%**	
Group share of (loss)/profit before tax	**-**	**-**	**(4)**	**1**	**2**	**(1)**	
Group share of post-tax (loss)/profit	**-**	**-**	**(4)**	**1**	**2**	**(1)**	
Group share of total comprehensive (loss)/income	**-**	**-**	**(4)**	**1**	**2**	**(1)**	

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

Six months ended 30 September 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]	29	5	16	16	3	69	34
Gross rental income (after rents payable)	18	5	12	11	2	48	24
Net rental income	16	1	1	1	-	19	9
EPRA earnings before interest	16	-	-	1	-	17	9
Finance expense	(13)	(3)	-	-	-	(16)	(8)
Net finance expense	(13)	(3)	-	-	-	(16)	(8)
EPRA earnings	3	(3)	-	1	-	1	1
Capital and other items							
Net deficit on revaluation of investment properties	(22)	(38)	(107)	(67)	(8)	(242)	(121)
Loss on disposal of investment properties	(4)	-	-	-	-	(4)	(2)
Loss on disposal of trading properties	(1)	-	-	-	-	(1)	(1)
Loss before tax	(24)	(41)	(107)	(66)	(8)	(246)	(123)
Post-tax loss	(24)	(41)	(107)	(66)	(8)	(246)	(123)
Total comprehensive loss	(24)	(41)	(107)	(66)	(8)	(246)	(123)
	50%	50%	50%	50%	50%	50%	
Group share of loss before tax	(12)	(21)	(53)	(33)	(4)	(123)	
Group share of post-tax loss	(12)	(21)	(53)	(33)	(4)	(123)	
Group share of total comprehensive loss	(12)	(21)	(53)	(33)	(4)	(123)	

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 **30 September 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]	796	131	241	228	57	1,453	726
Non-current assets	796	131	241	228	57	1,453	726
Cash and cash equivalents	33	4	18	19	4	78	39
Other current assets	61	9	13	15	8	106	53
Current assets	94	13	31	34	12	184	92
Total assets	890	144	272	262	69	1,637	818
Trade and other payables and provisions	(23)	(14)	(10)	(10)	(4)	(61)	(31)
Current liabilities	(23)	(14)	(10)	(10)	(4)	(61)	(31)
Non-current liabilities	(154)	(144)	(23)	-	-	(321)	(160)
Non-current liabilities	(154)	(144)	(23)	-	-	(321)	(160)
Total liabilities	(177)	(158)	(33)	(10)	(4)	(382)	(191)
Net assets	713	(14)	239	252	65	1,255	627
Market value of investment properties[1]	848	132	231	238	58	1,507	753
Net cash	33	3	2	19	4	61	31

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)	34	2	(3)	8	5	46	23

1. The difference between the book value and the market value of investment properties is the amount recognised in respect of lease incentives, head leases capitalised and properties treated as finance leases, where applicable.

12. Joint arrangements continued

Joint ventures

Net investment	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 2020	365	25	211	187	36	824
Total comprehensive loss	(12)	(21)	(53)	(33)	(4)	(123)
Non-cash contributions	8	-	-	-	-	8
Cash distributions	(7)	-	-	-	-	(7)
At 30 September 2020	354	4	158	154	32	702
Total comprehensive (loss)/profit	-	(11)	(34)	(25)	1	(69)
Non-cash contributions	1	-	-	-	-	1
Cash distributions	(4)	-	-	(4)	(1)	(9)
At 31 March 2021	351	(7)	124	125	32	625
Total comprehensive (loss)/profit	**-**	**-**	**(4)**	**1**	**2**	**(1)**
Non-cash contributions	**5**	**-**	**-**	**-**	**-**	**5**
Cash distributions	**-**	**-**	**-**	**-**	**(2)**	**(2)**
At 30 September 2021	**356**	**(7)**	**120**	**126**	**32**	**627**
Comprised of:						
Non-current assets	**356**	**-**	**120**	**126**	**32**	**634**
Non-current liabilities	**-**	**(7)**	**-**	**-**	**-**	**(7)**

13. Capital structure

	30 September 2021			31 March 2021		
	Group £m	**Joint ventures £m**	**Combined £m**	Group £m	Joint ventures £m	Combined £m
Property portfolio						
Market value of investment properties	**10,243**	**753**	**10,996**	10,025	766	10,791
Trading properties and long-term contracts	**42**	**-**	**42**	36	-	36
Total property portfolio (a)	**10,285**	**753**	**11,038**	10,061	766	10,827
Net debt						
Borrowings	**3,581**	**8**	**3,589**	3,516	8	3,524
Monies held in restricted accounts and deposits	**(9)**	**-**	**(9)**	(10)	-	(10)
Cash and cash equivalents	**(26)**	**(39)**	**(65)**	-	(31)	(31)
Fair value of interest-rate swaps	**(6)**	**-**	**(6)**	(3)	-	(3)
Fair value of foreign exchange swaps and forwards	**(10)**	**-**	**(10)**	6	-	6
Net debt (b)	**3,530**	**(31)**	**3,499**	3,509	(23)	3,486
Less: Fair value of interest-rate swaps	**6**	**-**	**6**	3	-	3
Adjusted net debt (c)	**3,536**	**(31)**	**3,505**	3,512	(23)	3,489
Adjusted total equity						
Total equity (d)	**7,419**	**-**	**7,419**	7,212	-	7,212
Fair value of interest-rate swaps	**(6)**	**-**	**(6)**	(3)	-	(3)
Adjusted total equity (e)	**7,413**	**-**	**7,413**	7,209	-	7,209
Gearing (b/d)	**47.6%**		**47.2%**	48.7%		48.3%
Adjusted gearing (c/e)	**47.7%**		**47.3%**	48.7%		48.4%
Group LTV (c/a)	**34.4%**		**31.8%**	34.9%		32.2%
Security Group LTV	**32.4%**			32.7%		
Weighted average cost of debt[1]	**2.1%**		**2.3%**	1.9%		2.3%

1. The weighted average cost of debt is now calculated based on historical average rates for the period, rather than the spot rates. The weighted average cost of debt for 31 March 2021 has been restated to reflect this change in methodology.

14. Borrowings

	Secured/ unsecured	Fixed/ floating	Effective interest rate %	30 September 2021 Nominal/ notional value £m	30 September 2021 Fair value £m	30 September 2021 Book value £m	31 March 2021 Nominal/ notional value £m	31 March 2021 Fair value £m	31 March 2021 Book value £m
Current borrowings									
Commercial paper									
Sterling	Unsecured	Floating	LIBOR + margin	**100**	**100**	**100**	84	84	84
Euro	Unsecured	Floating	LIBOR + margin	**534**	**534**	**534**	640	640	640
US Dollar	Unsecured	Floating	LIBOR + margin	**145**	**145**	**145**	182	182	182
Total current borrowings				**779**	**779**	**779**	906	906	906
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**	**409**	**400**	400	410	399
A4 5.391% MTN due 2026	Secured	Fixed	5.4	**17**	**19**	**17**	17	19	17
A5 5.391% MTN due 2027	Secured	Fixed	5.4	**87**	**98**	**86**	87	100	86
A6 5.376% MTN due 2029	Secured	Fixed	5.4	**65**	**78**	**65**	65	80	65
A16 2.375% MTN due 2029	Secured	Fixed	2.5	**350**	**367**	**348**	350	367	348
A13 2.399% MTN due 2031	Secured	Fixed	2.4	**300**	**315**	**299**	300	314	299
A7 5.396% MTN due 2032	Secured	Fixed	5.4	**77**	**107**	**77**	77	107	77
A11 5.125% MTN due 2036	Secured	Fixed	5.1	**50**	**68**	**50**	50	68	50
A14 2.625% MTN due 2039	Secured	Fixed	2.6	**500**	**534**	**494**	500	524	494
A15 2.750% MTN due 2059	Secured	Fixed	2.7	**500**	**560**	**495**	500	540	495
				2,356	**2,566**	**2,341**	2,356	2,540	2,340
Syndicated and bilateral bank debt	Secured	Floating	SONIA + margin[1]	**401**	**401**	**401**	209	209	209
Amounts payable under head leases	Unsecured	Fixed	4.6	**60**	**101**	**60**	61	105	61
Total non-current borrowings				**2,817**	**3,068**	**2,802**	2,626	2,854	2,610
Total borrowings				**3,596**	**3,847**	**3,581**	3,532	3,760	3,516

1. During the six month period ended 30 September 2021, the reference rate on syndicated and bilateral bank debt transitioned from LIBOR to an equivalent SONIA + credit adjustment spread.

Reconciliation of the movement in borrowings	**Six months ended 30 September 2021 £m**	Year ended 31 March 2021 £m
At the beginning of the period	**3,516**	5,332
Proceeds from new borrowings	**192**	-
Repayment of borrowings	**(142)**	(1,755)
Redemption of MTNs	**-**	(12)
Foreign exchange movement on non-Sterling borrowings	**15**	(51)
Other	**-**	2
At the end of the period	**3,581**	3,516

Reconciliation of movements in liabilities arising from financing activities

Six months ended 30 September 2021	**At the beginning of the period £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 period £m**
Borrowings	**3,516**	**50**	**15**	**-**	**-**	**3,581**
Derivative financial instruments	**3**	**(1)**	**(15)**	**(3)**	**-**	**(16)**
	3,519	**49**	**-**	**(3)**	**-**	**3,565**

Year ended 31 March 2021						
Borrowings	5,332	(1,767)	(51)	-	2	3,516
Derivative financial instruments	(36)	(12)	51	-	-	3
	5,296	(1,779)	-	-	2	3,519

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 **£10.9bn** at 30 September 2021 (31 March 2021: £10.6bn). 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 period, the Group did not purchase any MTNs (31 March 2021: £12m of MTNs for a total premium of £3m).

Syndicated and bilateral bank debt		Authorised		Drawn		Undrawn	
	Maturity as at 30 September 2021	30 Sept 2021	31 March 2021	30 Sept 2021	31 March 2021	30 Sept 2021	31 March 2021
		£m	£m	£m	£m	£m	£m
Syndicated debt	**2026**	**2,490**	2,490	**401**	209	**2,089**	2,281
Bilateral debt	**2025-26**	**225**	225	**-**	-	**225**	225
		2,715	2,715	**401**	209	**2,314**	2,506

All syndicated and bilateral facilities are committed and secured on the assets of the Security Group. During the period ended 30 September 2021, the amounts drawn under the Group's facilities increased by **£192m**.

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 30 September 2021 was **£1,561m** (31 March 2020: £1,600m).

Fair values

The fair value of the amounts payable under the Group's lease obligations, using a discount rate of **2.3%** (31 March 2021: 2.2%), is **£101m** (31 March 2021: £105m). The fair value of the Group's net investment in tenant finance leases, calculated by the Group's external valuer by applying a weighted average equivalent yield of **4.6%** (31 March 2021: 4.6%), is **£261m** (31 March 2021: £249m).

The fair values of any floating rate financial liabilities are assumed to be equal to their nominal value. The fair values of the MTNs fall within Level 1 of the fair value hierarchy, the syndicated and bilateral facilities, commercial paper, interest-rate swaps and foreign exchange swaps fall within Level 2, and the amounts payable and receivable under leases fall within Level 3.

The fair values of the financial instruments have been determined by reference to relevant market prices, where available. The fair values of the Group's outstanding interest-rate swaps have been estimated by calculating the present value of future cash flows, using appropriate market discount rates. These valuation techniques fall within Level 2.

The fair value of the other investments is calculated by reference to the net assets of the underlying entity. The valuation is not based on observable market data and therefore the other investments are considered to fall within Level 3.

15. Contingencies

The Group has contingent liabilities in respect of legal claims, tax queries, guarantees and warranties arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.

16. Related party transactions

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

17. Events after the reporting period

On 1 November 2021, the Group announced a recommended all cash offer for the purchase of the entire ordinary share capital of U and I Group PLC for £190m.

On 2 November 2021, the Group acquired a 75% interest in MediaCity for a headline price of £426m via the purchase of share capital in the holding company, Peel Holdings (Media) Limited.

On 11 November 2021, contracts were exchanged to sell the Group's interests in a wholly owned subsidiary, LS Harbour Exchange Limited for a headline price of £197m.

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
EPRA earnings	Profit/loss before tax	Note 3
EPRA earnings per share	Basic earnings/loss per share	Note 4
EPRA 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			**30 September 2021**
	EPRA NRV	**EPRA NTA**	**EPRA NDV**
	£m	**£m**	**£m**
Net assets attributable to shareholders	**7,419**	**7,419**	**7,419**
Excess of fair value over net investment in finance lease book value	**99**	**99**	**99**
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	**(6)**	**(6)**	**-**
Excess of fair value of debt over book value (note 14)	**-**	**-**	**(266)**
Purchasers' costs[(1)]	**722**	**-**	**-**
Net assets used in per share calculation	**8,234**	**7,510**	**7,251**

	EPRA NRV	**EPRA NTA**	**EPRA NDV**
Diluted net assets per share	**1,110p**	**1,012p**	**977p**

			31 March 2021
	EPRA NRV	EPRA NTA	EPRA NDV
	£m	£m	£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

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	30 September 2021 Landsec measure	30 September 2021 EPRA measure
EPRA earnings	Recurring earnings from core operational activity	4	**£180m**	**£180m**
EPRA earnings per share	EPRA earnings per weighted number of ordinary shares	4	**24.3p**	**24.3p**
EPRA diluted earnings per share	EPRA diluted earnings per weighted number of ordinary shares	4	**24.3p**	**24.3p**
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	**£7,510m**	**£7,510m**
EPRA Net Tangible Assets per share	Diluted Net Tangible Assets per share	4	**1,012p**	**1,012p**
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	**£7,251m**	**£7,251m**
EPRA net disposal value per share	Diluted net disposal value per share	4	**977p**	**977p**
		Table		
Voids/vacancy rate	ERV of vacant space as a % of ERV of Combined Portfolio excluding the development programme(1)	18	**6.4%**	**6.4%**
Net initial yield (NIY)	Annualised rental income less non-recoverable costs as a % of market value plus assumed purchasers' costs(2)		**4.8%**	**5.0%**
Topped-up NIY	NIY adjusted for rent free periods(2)		**5.1%**	**5.2%**
Cost ratio(3)	Total costs as a percentage of gross rental income (including direct vacancy costs)(3)		**24.2%**	**23.7%**
	Total costs as a percentage of gross rental income (excluding direct vacancy costs)(3)		**n/a**	**19.7%**

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 £28m and £28m 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 £3m, 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.

	30 September 2021 £m
ERV of vacant properties	**40**
ERV of Combined Portfolio excluding properties under development	**620**
EPRA vacancy rate (%)	**6.4%**

Table 19: Change in net rental income from the like-for-like portfolio (before movement in bad and doubtful debt provisions)

	30 September 2021 £m	30 September 2020 £m	Change £m	Change %
Central London	**136**	138	**(2)**	**-1.4**
Regional retail	**60**	71	**(11)**	**-15.5**
Urban opportunities	**13**	11	**2**	**18.2**
Subscale sectors	**36**	37	**(1)**	**-2.7**
	245	257	**(12)**	**-4.7**

Table 20: Acquisitions, disposals and capital expenditure

Investment properties	Group (excl. joint ventures) £m	Joint ventures £m	**Six months ended 30 September 2021** Combined Portfolio £m	Six months ended 30 September 2020 Combined Portfolio £m
Net book value at the beginning of the period	**9,607**	**735**	**10,342**	12,243
Acquisitions	-	-	**-**	27
Net movement in head leases capitalised	(1)	-	**(1)**	-
Capital expenditure	163	4	**167**	106
Capitalised interest	7	-	**7**	5
Disposals	(42)	-	**(42)**	(89)
Net surplus/(deficit) on revaluation of investment properties	94	(13)	**81**	(945)
Transfers to trading properties	(6)	-	**(6)**	(11)
Net book value at the end of the period	**9,822**	**726**	**10,548**	11,336
Profit on disposal of investment properties	**6**	**-**	**6**	**-**

Trading properties	£m	£m	£m	£m
Net book value at the beginning of the period	**36**	**-**	**36**	27
Transfers from investment properties	6	-	**6**	11
Disposals	-	-	**-**	(3)
Net book value at the end of the period	**42**	**-**	**42**	35
Loss on disposal of trading properties	**-**	**-**	**-**	(1)

Acquisitions, development and other capital expenditure	Investment properties[1] £m	Trading properties £m	Combined Portfolio £m	Combined Portfolio £m
Acquisitions[2]	-	-	**-**	27
Development capital expenditure[3]	127	-	**127**	85
Other capital expenditure	40	-	**40**	21
Capitalised interest	7	-	**7**	5
Acquisitions, development and other capital expenditure	**174**	**-**	**174**	138

Disposals	£m	£m
Net book value – investment property disposals	**42**	89
Net book value – trading property disposals	**-**	3
Net book value – other net assets of investment property disposals	**4**	-
Profit on disposal – investment properties	**6**	-
Loss on disposal – trading properties	**-**	(1)
Total disposal proceeds	**52**	91

1. See EPRA analysis of capital expenditure table 21 for further details.
2. Properties acquired in the period.
3. Development capital expenditure for investment properties comprises expenditure on the development pipeline and completed developments.

Table 21: EPRA analysis of capital expenditure

Six months ended 30 September 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	-	**127**	2	9	-	**11**	**7**	**145**	**-**	**145**
London retail	-	**-**	-	3	-	**3**	**-**	**3**	**-**	**3**
Other central London	-	**-**	-	4	-	**4**	**-**	**4**	**-**	**4**
Total Central London	**-**	**127**	**2**	**16**	**-**	**18**	**7**	**152**	**-**	**152**
Regional retail										
Regional shopping centres	-	**-**	-	7	1	**8**	**-**	**8**	**4**	**4**
Outlets	-	**-**	-	7	-	**7**	**-**	**7**	**-**	**7**
Total Regional retail	**-**	**-**	**-**	**14**	**1**	**15**	**-**	**15**	**4**	**11**
Urban opportunities	**-**	**-**	**-**	**4**	**-**	**4**	**-**	**4**	**-**	**4**
Subscale sectors										
Leisure	-	**-**	-	1	-	**1**	**-**	**1**	**-**	**1**
Hotels	**-**	**-**	-	1	-	**1**	**-**	**1**	**-**	**1**
Retail parks	-	**-**	-	1	-	**1**	**-**	**1**	**-**	**1**
Total Subscale sectors	**-**	**-**	**-**	**3**	**-**	**3**	**-**	**3**	**-**	**3**
Total capital expenditure	**-**	**127**	**2**	**37**	**1**	**40**	**7**	**174**	**4**	**170**
Conversion from accrual to cash basis								(3)	-	(3)
Total capital expenditure on a cash basis[4]								**171**	**4**	**167**

1. Investment properties acquired in the period.
2. Expenditure on the development pipeline and completed developments.
3. Capital expenditure where the lettable area increases by at least 10%.
4. Includes interest paid of **£7m**.

Other business analysis

Table 22: Top 12 occupiers at 30 September 2021

	% of Group rent[1]
Central Government	6.2
Deloitte	6.1
Accor	2.6
Cineworld	2.1
Boots	1.8
Equinix	1.5
Taylor Wessing	1.5
Sainsbury's	1.4
M&S	1.2
H&M	1.1
Vue	1.1
Samsung	1.0
	27.6

1. On a proportionate basis.

Table 23: Development pipeline and trading property development schemes at 30 September 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									
21 Moorfields, EC2	Office	100	564,000	100	675	38	Sep 2022	416	619[1]
The Forge, SE1	Office	100	139,000	-	75	10	Oct 2022	80	148
	Retail		1,000						
Lucent, W1	Office	100	111,000	-	125	13	Mar 2023	158	245
	Retail		30,000						
	Residential		3,000						
n2, SW1	Office	100	167,000	-	56	13	Jun 2023	73	207
Proposed developments									
Timber Square, SE1	Office	100	365,000	n/a	n/a	n/a	Mar 2024	n/a	n/a
	Retail		15,000						
Portland House, SW1	Office	100	280,000	n/a	n/a	n/a	Aug 2025	n/a	n/a
	Retail		15,000						

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								
Wardour Street, W1[2]	Residential	100	5,000	8	100	Jun 2022	8	11
Castle Lane, SW1	Residential	100	52,000	89	99	Jan 2024	12	46

1. Includes estimated overage payable of £36m as at 30 September 2021.
2. Affordable housing component of the Lucent development.

Where the property is not 100% owned, floor areas and letting status shown above represent the full scheme whereas all other figures represent our proportionate share. Letting % is measured by ERV and shows letting status at 30 September 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 30 September 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 30 September 2021 on unlet units, both after rents payable.

Table 24: Combined Portfolio analysis
Like-for-like segmental analysis

	Market value[1]		Valuation movement[1]		Rental income[1]		Annualised rental income[2]		Net estimated rental value[3]	
	30 September 2021	31 March 2021	Surplus/ (deficit)	Surplus/ (deficit)	30 September 2021	30 September 2020	30 September 2021	31 March 2021	30 September 2021	31 March 2021
	£m	£m	£m	%	£m	£m	£m	£m	£m	£m
Central London										
Offices	**5,222**	5,194	**24**	**0.5%**	**116**	120	**227**	234	**270**	266
London retail	**584**	623	**(43)**	**-6.9%**	**21**	19	**30**	34	**28**	30
Other central London	**426**	420	**2**	**0.5%**	**11**	7	**14**	13	**21**	21
Total Central London	**6,232**	6,237	**(17)**	**-0.3%**	**148**	146	**271**	281	**319**	317
Regional retail										
Regional shopping centres	**979**	1,012	**(42)**	**-4.1%**	**51**	61	**94**	92	**88**	90
Outlets	**737**	722	**8**	**1.0%**	**26**	23	**57**	39	**60**	61
Total Regional retail	**1,716**	1,734	**(34)**	**-2.0%**	**77**	84	**151**	131	**148**	151
Urban opportunities	**391**	400	**(14)**	**-3.4%**	**17**	13	**31**	30	**32**	32
Subscale sectors										
Leisure	**532**	506	**20**	**4.2%**	**22**	22	**42**	42	**42**	42
Hotels	**407**	406	**-**	**-0.1%**	**6**	2	**14**	4	**25**	25
Retail parks	**405**	351	**54**	**15.6%**	**14**	16	**29**	29	**28**	28
Total Subscale sectors	**1,344**	1,263	**74**	**5.9%**	**42**	40	**85**	75	**95**	95
Like-for-like portfolio[6]	**9,683**	9,634	**9**	**0.1%**	**284**	283	**538**	517	**594**	595
Proposed developments[1]	**288**	286	**(17)**	**-5.5%**	**-**	-	**-**	1	**-**	-
Development programme[7]	**904**	713	**91**	**11.0%**	**-**	-	**-**	-	**67**	67
Acquisitions[8]	**121**	112	**(2)**	**-1.5%**	**2**	-	**5**	4	**13**	13
Sales[9]	**-**	46	**-**	**-**	**1**	14	**-**	4	**-**	4
Combined Portfolio	**10,996**	10,791	**81**	**0.8%**	**287**	297	**543**	526	**674**	679
Properties treated as finance leases	**-**	-	**-**	**-**	**(5)**	(4)				
Combined Portfolio	**10,996**	10,791	**81**	**0.8%**	**282**	293				

Total portfolio analysis

	Market value[1]		Valuation movement[1]		Rental income[1]		Annualised rental income[2]		Net estimated rental value[3]	
	30 September 2021	31 March 2021	Surplus/ (deficit)	Surplus/ (deficit)	30 September 2021	30 September 2020	30 September 2021	31 March 2021	30 September 2021	31 March 2021
	£m	£m	£m	%	£m	£m	£m	£m	£m	£m
Central London										
Offices	**6,500**	6,268	**97**	**1.6%**	**117**	131	**231**	237	**348**	345
London retail	**619**	659	**(44)**	**-6.7%**	**22**	20	**31**	36	**30**	31
Other central London	**426**	420	**2**	**0.5%**	**11**	7	**14**	13	**21**	21
Total Central London	**7,545**	7,347	**55**	**0.8%**	**150**	158	**276**	286	**399**	397
Regional retail										
Regional shopping centres	**979**	1,041	**(42)**	**-4.1%**	**51**	61	**94**	98	**88**	95
Outlets	**737**	722	**8**	**1.0%**	**26**	23	**57**	39	**60**	61
Total Regional retail	**1,716**	1,763	**(34)**	**-2.0%**	**77**	84	**151**	137	**148**	156
Urban opportunities	**391**	372	**(14)**	**-3.4%**	**17**	13	**31**	25	**32**	27
Subscale sectors										
Leisure	**532**	506	**20**	**4.2%**	**22**	22	**42**	41	**42**	42
Hotels	**407**	406	**-**	**-0.1%**	**6**	2	**14**	4	**25**	25
Retail parks	**405**	397	**54**	**15.6%**	**15**	18	**29**	33	**28**	32
Total Subscale sectors	**1,344**	1,309	**74**	**5.9%**	**43**	42	**85**	78	**95**	99
Combined Portfolio	**10,996**	10,791	**81**	**0.8%**	**287**	297	**543**	526	**674**	679
Properties treated as finance leases	**-**	-	**-**	**-**	**(5)**	(4)				
Combined Portfolio	**10,996**	10,791	**81**	**0.8%**	**282**	293				
Represented by:										
Investment portfolio	**10,243**	10,025	**94**	**1.0%**	**258**	268	**495**	481	**624**	629
Share of joint ventures	**753**	766	**(13)**	**-1.8%**	**24**	25	**48**	45	**50**	50
Combined Portfolio	**10,996**	10,791	**81**	**0.8%**	**282**	293	**543**	526	**674**	679
Analysis by asset use:										
Offices	**6,511**	6,279	**97**	**1.6%**	**119**	131	**231**	238	**352**	349
Retail	**3,076**	3,136	**(32)**	**-1.0%**	**128**	133	**239**	227	**233**	241
Leisure, hotels and other	**1,409**	1,376	**16**	**1.2%**	**40**	33	**73**	61	**89**	89
Combined Portfolio	**10,996**	10,791	**81**	**0.8%**	**287**	297	**543**	526	**674**	679

Table 24: Combined Portfolio analysis continued
Like-for-like segmental analysis

	Net initial yield[4]		Equivalent yield[5]	
	30 September 2021	31 March 2021	**30 September 2021**	31 March 2021
	%	%	**%**	%
Central London				
Offices	**4.1%**	4.4%	**4.6%**	4.6%
London retail	**4.4%**	4.4%	**4.6%**	4.5%
Other central London	**3.2%**	2.6%	**4.4%**	4.4%
Total Central London	**4.0%**	4.3%	**4.6%**	4.6%
Regional retail				
Regional shopping centres	**7.6%**	7.4%	**7.5%**	7.4%
Outlets	**6.0%**	5.3%	**6.8%**	6.8%
Total Regional retail	**6.9%**	6.5%	**7.2%**	7.3%
Urban opportunities	**6.7%**	7.0%	**6.6%**	6.5%
Subscale sectors				
Leisure	**6.4%**	6.9%	**7.5%**	7.6%
Hotels	**3.3%**	3.3%	**5.5%**	5.5%
Retail parks	**6.3%**	7.4%	**6.5%**	7.5%
Total Subscale sectors	**5.4%**	5.9%	**6.6%**	6.9%
Like-for-like portfolio[6]	**4.8%**	5.0%	**5.4%**	5.5%
Proposed developments[1]	**-**	-	**n/a**	n/a
Development programme[7]	**-**	-	**4.1%**	4.3%
Acquisitions[8]	**2.6%**	2.4%	**4.9%**	5.0%
Sales[9]	**-**	7.3%	**n/a**	n/a
Combined Portfolio	**4.3%**	4.5%	**5.3%**	5.4%

Total portfolio analysis

	Net initial yield[4]	
	30 September 2021	31 March 2021
	%	%
Central London		
Offices	**3.3%**	3.7%
London retail	**4.2%**	4.3%
Other central London	**3.2%**	2.6%
Total Central London	**3.4%**	3.7%
Regional retail		
Regional shopping centres	**7.6%**	7.9%
Outlets	**6.0%**	5.3%
Total Regional retail	**6.9%**	6.8%
Urban opportunities	**6.7%**	5.6%
Subscale sectors		
Leisure	**6.4%**	6.9%
Hotels	**3.3%**	3.3%
Retail parks	**6.3%**	7.4%
Total Subscale sectors	**5.4%**	5.9%
Combined Portfolio	**4.3%**	4.5%
Represented by:		
Investment portfolio	**4.2%**	4.5%
Share of joint ventures	**5.2%**	5.3%
Combined Portfolio	**4.3%**	4.5%
Analysis by use type:		
Offices	**3.3%**	3.7%
Retail	**6.3%**	6.1%
Leisure, hotels and other	**4.5%**	5.1%
Combined Portfolio	**4.3%**	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. Net estimated rental value is gross estimated rental value, as defined in the Glossary, after deducting expected rent payable.
4. Net initial yield – refer to Glossary for definition. This calculation includes all properties including those sites with no income.
5. Equivalent yield – refer to Glossary for definition. Proposed developments are excluded from the calculation of equivalent yield on the Combined Portfolio.
6. The like-for-like portfolio – refer to Glossary for definition. Capital expenditure on refurbishments, acquisitions of head leases and similar capital expenditure has been allocated to the like-for-like portfolio in preparing this table.
7. The development programme – refer to Glossary for definition. Net initial yield figures are only calculated for properties in the development programme that have reached practical completion.
8. Includes all properties acquired since 1 April 2020.
9. Includes all properties sold since 1 April 2020.

Table 25: 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).

	Six months ended 30 September 2021				
	Group income statement £m	Joint ventures[1] £m	Total £m	EPRA earnings £m	Capital and other items £m
Rental income	258	24	282	282	-
Finance lease interest	5	-	5	5	-
Gross rental income (before rents payable)	**263**	**24**	**287**	**287**	**-**
Rents payable	(4)	(1)	(5)	(5)	-
Gross rental income (after rents payable)	**259**	**23**	**282**	**282**	**-**
Service charge income	36	5	41	41	-
Service charge expense	(42)	(5)	(47)	(47)	-
Net service charge expense	(6)	-	(6)	(6)	-
Other property related income	12	2	14	14	-
Direct property expenditure	(34)	(5)	(39)	(39)	-
Movement in bad and doubtful debts provisions	7	(4)	3	3	-
Segment net rental income	**238**	**16**	**254**	**254**	**-**
Other income	3	-	3	3	-
Administrative expenses	(41)	-	(41)	(41)	-
Depreciation	(3)	-	(3)	(3)	-
EPRA earnings before interest	**197**	**16**	**213**	**213**	**-**
Share of post-tax loss from joint ventures	(1)	1	-	-	-
Profit on disposal of investment properties	6	-	6	-	6
Net surplus/(deficit) on revaluation of investment properties	94	(13)	81	-	81
Gain on modification of finance leases	6	-	6	-	6
Operating profit	**302**	**4**	**306**	**213**	**93**
Finance income	6	-	6	4	2
Finance expense	(33)	(4)	(37)	(37)	-
Profit before tax	**275**	**-**	**275**	**180**	**95**
Taxation	-	-	-	-	-
Profit attributable to shareholders	**275**	**-**	**275**	**180**	**95**

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 25: Reconciliation of segmental information note to statutory reporting continued

	Six months ended 30 September 2020				
	Group income statement £m	Joint ventures[1] £m	Total £m	EPRA earnings £m	Capital and other items £m
Rental income	268	25	293	293	-
Finance lease interest	4	-	4	4	-
Gross rental income (before rents payable)	**272**	**25**	**297**	**297**	**-**
Rents payable	(3)	(1)	(4)	(4)	-
Gross rental income (after rents payable)	**269**	**24**	**293**	**293**	**-**
Service charge income	38	3	41	41	-
Service charge expense	(39)	(4)	(43)	(43)	-
Net service charge expense	(1)	(1)	(2)	(2)	-
Other property related income	16	1	17	17	-
Direct property expenditure	(25)	(5)	(30)	(30)	-
Movement in bad and doubtful debts provision	(77)	(10)	(87)	(87)	-
Segment net rental income	**182**	**9**	**191**	**191**	**-**
Other income	1	-	1	1	-
Administrative expenses	(35)	-	(35)	(35)	-
Depreciation	(3)	-	(3)	(3)	-
EPRA earnings before interest	**145**	**9**	**154**	**154**	**-**
Share of post-tax loss from joint ventures	(123)	123	-	-	-
Profit/(loss) on disposal of investment properties	2	(2)	-	-	-
Net deficit on revaluation of investment properties	(824)	(121)	(945)	-	(945)
Loss on disposal of trading properties	-	(1)	(1)	-	(1)
Operating (loss)/profit	**(800)**	**8**	**(792)**	**154**	**(946)**
Finance income	9	-	9	8	1
Finance expense	(44)	(8)	(52)	(47)	(5)
(Loss)/profit before tax	**(835)**	**-**	**(835)**	**115**	**(950)**
Taxation	-	-	-	-	-
Loss attributable to shareholders	**(835)**	**-**	**(835)**	**115**	**(950)**

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 26: Lease lengths

	Weighted average unexpired lease term at 30 September 2021	
	Like-for-like portfolio	**Like-for-like portfolio, completed developments and acquisitions**
	Mean[1]	**Mean[1]**
	Years	**Years**
Central London		
Offices	7.2	7.2
London retail	5.4	5.3
Other central London	53.0	53.0
Total Central London	**7.3**	**7.2**
Regional retail		
Regional shopping centres	4.7	4.7
Outlets	2.9	2.9
Total Regional retail	**4.1**	**4.1**
Urban opportunities	**5.6**	**5.6**
Subscale sectors		
Leisure	11.1	11.1
Hotels	10.0	10.0
Retail parks	4.6	4.6
Total Subscale sectors	**8.2**	**8.2**
Combined Portfolio	**6.6**	**6.5**

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.

Investor information

1. Company website: landsec.com

The Group's half year 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 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 portfolio.shareview.co.uk and follow the registration instructions.

3. Shareholder enquiries

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

4. Share dealing services: shareview.co.uk

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

5. 2021/22 second quarterly dividend

The Board has declared a second quarterly dividend for the year ending 31 March 2022 of 8.5p per ordinary share which will be paid on 4 January 2022 to shareholders registered at the close of business on 26 November 2021. This will be paid wholly as a Property Income Distribution (PID). Together with the first quarterly dividend of 7.0p already paid on 8 October 2021 wholly as a PID, the first half dividend will be 15.5p per ordinary share (six months ended 30 September 2020: 12.0p).

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 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	**2022**
Financial year end	31 March
Preliminary results announcement	17 May*
Half year results announcement	15 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 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 2020.

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 period.

EPRA
European Public Real Estate Association.

EPRA earnings
Profit after 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.

EPRA earnings per share
Earnings per share based on EPRA earnings.

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 Reinstatement Value (NRV) 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 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 and add back purchasers' costs.

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.

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 EPRA earnings 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 2020 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).

Net assets per share
Equity attributable to owners divided by the number of ordinary shares in issue at the end of the period. 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.

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.

SONIA
The Sterling Overnight Index Average reflects the average overnight interest rate paid by banks for unsecured sterling transactions with a range of institutional investors. It is calculated based on actual transactions and is often used as a reference rate in bank facilities.

Temporary lettings
Lettings for a period of one year or less. These are included within voids, but excluded from vacancy rates.

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

Total business return
Dividend paid per share in the period plus the change in EPRA Net Tangible Assets per share, divided by EPRA Net Tangible Assets per share at the beginning of the period.

Total cost ratio
Total cost ratio represents all costs included within EPRA earnings, 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 period 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 Shareholder Return (TSR)
The growth in value of a shareholding over a specified period, assuming that dividends are reinvested to purchase additional units of the stock.

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

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

Vacancy rates
Vacancy rates are expressed as a percentage of ERV and represent all unlet space, including vacant properties where refurbishment work is being carried out and vacancy in respect of pre-development properties. The screen at Piccadilly Lights, W1 is excluded from the vacancy rate calculation as it will always carry advertising although the number and duration of our agreements with advertisers will vary.

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.