

Glossary

Adjusted earnings per share (EPS)

Earnings per share based on revenue profit plus profits on trading properties and long-term development contracts all after tax.

Adjusted net asset value (NAV) per share

NAV per share adjusted to add back deferred tax associated with investment properties and capitalised interest, the adjustment arising from the de-recognition of the bond exchange, together with cumulative mark-to-market adjustment arising on interest swaps and similar instruments used for hedging purposes. After REIT conversion, the adding back of deferred tax is no longer relevant.

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 is our wholly-owned investment property portfolio combined with our share of the value of properties held in joint ventures, but excludes any investment properties owned by Trillium. Unless stated these are the pro-forma numbers we use when discussing the investment property business.

Development pipeline

The Group's development programme together with any proposed schemes that are not yet included in the development programme but which are more likely to proceed than not.

Development programme

The Group's development programme comprises projects which are completed but less than 95% let; developments on site; committed developments (being projects which are approved and the building contract let); and authorised developments (those projects approved by the Board for which the building contract has not yet been let). For reporting purposes we retain properties in the programme until they are 95% let.

Development surplus

Excess of latest valuation over the total development cost (TDC).

Diluted figures

Reported amount adjusted to include the effects of potential shares issuable under employee share schemes.

Earnings per share (EPS)

Profit after taxation attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the period.

EPRA

European Public Real Estate Association.

Equivalent yield

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 expenditures but disregarding potential changes in market rents and reflecting the actual cash flow rents.

Estimated rental value (ERV)

The estimated market rental value of lettable space as determined biannually by the Group's valuers. This will normally be different to the rent being paid.

Exceptional item

An item of income or expense that is deemed to be sufficiently material, either by its size or nature, to require separate disclosure.

Finance lease

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

Gearing (net)

Total borrowings, including bank overdrafts, less short-term deposits, corporate bonds and cash, at book value, plus non-equity shareholders' funds as a percentage of equity shareholders' funds.

Gross income yield

The annual net rent on investment properties expressed as a percentage of the valuation ignoring costs of purchase or sale.

Head lease

A lease under which the Group holds an investment property.

Initial yield

Annualised net rents on investment properties expressed as a percentage of the acquisition cost.

Interest rate swap

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

Investment portfolio

The investment portfolio comprises the Group's wholly-owned investment properties together with the properties held for development but excludes Trillium properties.

Joint venture

An entity in which the Group holds an interest on a long-term basis and is jointly controlled by the Group and one or more venturers under a contractual arrangement whereby decisions on financial and operating policies essential to the operation, performance and financial position of the venture require each venturer's consent.

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, under IFRS, the value of the rent-free period 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.

Like-for-like portfolio

Properties that have been in the investment or combined portfolio for the whole of the current and previous financial year.

Loan-to-value (LTV)

LTV is the ratio of gross debt less cash and short-term deposits to non-current assets. For the Security Group, LTV is the ratio of debt lent to the Security Group divided by the value of secured assets.

London Portfolio

This business includes all London offices and Central London retail, but excludes those assets held in the Metro Shopping Fund LP.

Mark-to-market adjustment

An accounting adjustment to change the book value of an asset or liability to its market value.

Net asset value (NAV) per share

Total equity divided by the number of ordinary shares in issue at the period end.

Open market value

Open market value is an opinion of the best price at which the sale of an interest in the property would complete unconditionally for cash consideration on the date of valuation (as determined by the Group's external valuers). In accordance with usual practice, the Group's external valuers report valuations net, after the deduction of the prospective purchaser's costs, including stamp duty, agent and legal fees.

Operating properties

Properties acquired and managed by Trillium as part of its property outsourcing contracts with third parties and which do not meet the accounting definition of investment property.

Other investment portfolio

This comprises all other investment properties not included in Retail or London Portfolio.

Outline planning consent

This gives consent in principle for a development, and covers matters such as use and building mass. Full details of the development scheme must be provided in an application for full planning consent, including detailed design, external appearance and landscaping before a project can proceed. An outline planning permission will lapse if full planning permission is not granted within three years.

Private Finance Initiative (PFI)

A particular form of PPP, that is a government or public authority initiative to acquire private financing for public sector infrastructure.

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.

Public Private Partnership (PPP)

A partnership that brings together, for mutual benefit, a public body and a private company in a long-term joint venture for the purpose of delivering public projects or services.

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.

Retail Portfolio

This business includes our shopping centres, shops, retail warehouse properties and assets held in retail joint ventures but not Central London retail.

Return on average capital employed

Group profit before interest, plus joint venture profit before tax, divided by the average capital employed (defined as shareholders' funds plus net debt).

Return on average equity

Group profit before tax plus joint venture tax divided by the average equity shareholders' funds.

Revenue profit

Profit before tax, excluding profits on the sale of non-current assets and trading properties, profits on long-term development contracts, revaluation surpluses, mark-to-market adjustments on interest rate swaps and similar instruments used for hedging purposes, the adjustment to interest payable resulting from the amortisation of the bond exchange de-recognition, debt restructuring charges and any exceptional items.

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 once the rent reaches the ERV.

Total business return

Dividend per share, plus the increase in adjusted diluted net asset value per share, divided by the adjusted diluted net asset value per share at the beginning of the period.

Total development cost (TDC)

All capital expenditure on a project including the opening book value of the property on commencement of development, together with all finance costs less residential costs.

Total property return

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

Total shareholder return

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.

Underlying operating profit

Operating profit before profit on disposal of non-current properties, revaluation of investment properties, and exceptional items stated within operating profit.

Unitary charge

The basic payment received by Trillium under a property outsourcing contract.

Voids

The area in a property or portfolio, excluding developments, which is currently available for letting.

Weighted average cost of capital (WACC)

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

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.