17 May 2024

LAND SECURITIES GROUP PLC ("Landsec")

Results for the year ended 31 March 2024

Continued operational strength, as values for best assets begin to stabilise

Mark Allan, Chief Executive of Landsec, commented:

"Our continued operational outperformance, with rising occupancy and positive rental uplifts in retail and London, is driving robust like-for-like rental income growth and demonstrates the importance of owning and operating the best-in-class real estate. Around 80% of our portfolio is now invested in twelve places with significant scarcity value, where our competitive advantages in shaping and curating these places mean we expect like-for-like rents to continue to grow.

"Following a reset of values over the past two years driven by rising interest rates, the stabilisation in rates and evidence of continued rental growth is starting to attract increased investor interest for the best assets. Around 60% of our portfolio already showed stable values in the second half and overall yields were largely stable in the final quarter, pointing to a positive outlook for our overall return on equity.

"The quality and return prospects of our portfolio are further bolstered by our strong balance sheet. After a period of proactive capital recycling, most recently with over £600m of non-core assets sold in the past seven months, we have meaningful capacity to invest in high quality assets that add to our best-in-class portfolio at what we believe to be an attractive point in the cycle."

Financial highlights

	2024	2023		2024	2023
EPRA earnings (£m)(1)(2)	371	393(3)	Loss before tax (£m)	(341)	(622)
EPRA EPS (pence)(1)(2)	50.1	53.1(3)	Basic EPS (pence)	(43.0)	(83.6)
EPRA NTA per share (pence)(1)(2)	859	936	Net assets per share (pence)	863	945
Total return on equity (%)(1)(2)	(4.0)	(8.3)	Dividend per share (pence)	39.6	38.6
Group LTV ratio (%)(1)(2)	35.0	31.7	Net debt (£m)	3,517	3,348

- EPRA EPS(1)(2) stable vs prior year's underlying level(3) of 50.1p, in line with guidance, as occupancy growth and 2.8% LFL income growth offset rise in interest costs and impact of asset disposals
- Total dividend up 2.6% to 39.6p per share, in line with guidance of low single digit percentage growth
- Loss before tax moderated to £341m, reflecting a £625m or -6.0% adjustment in portfolio valuation weighted to first half of the year, as c. 60% of portfolio was effectively stable in value in second half
- Total return on equity improved to -4.0%, with 8.2% reduction in EPRA NTA per share(1) (2) to 859p, as outlook for return on equity turns more positive as values begin to stabilise
- Maintained strong balance sheet with, pro-forma for disposals post year-end, 7.0x net debt/EBITDA and a 32.3% Group LTV(1)(2) – down 2.1ppt over past two years despite adjustment in values
- FY25 EPRA EPS, post £572m net sales since H1, expected to be slightly below 50.1 pence in FY24 before any reinvestment of sales proceeds; FY26 currently expected to be slightly ahead of FY24

Operational highlights: high quality of portfolio underpins positive outlook for returns

Delivered continued outperformance in a market increasingly focused on best-in-class space, reflected in 8% uplifts on relettings/renewals and 130bps occupancy growth across London and major retail, driving 2.8% like-for-like net rental income growth. Values for best assets starting to stabilise, as interest rate outlook is more balanced and investor interest starts to return, which with c. 5.7% income return plus expectation of continued rental growth supports positive outlook for overall return on equity.

Central London: further growth in occupancy as property values begin to stabilise

- Delivered 1.4% LFL net income growth in offices, with overall occupancy +140bps to 97.3%, £35m of lettings signed or in solicitors' hands 6% above ERV and relettings/renewals 15% above previous rent
- Registered consistent upwards trend in office utilisation throughout the year, with unique daily entries across our buildings up 18% vs prior year, and 81% of lettings in year resulting in customers taking more or same space, as demand remains firmly focused on high-quality space in the best locations
- West End values (72% of our London portfolio, up from 48% three years ago) virtually stable in second half, with overall change in Central London values moderating to -2.4% vs -4.5% in first half. Yields remain stable in final quarter, as successful leasing drives 5.0% ERV growth, in line with top end of guidance, with further low to mid single digit percentage growth expected for current year
- Started two net zero carbon developments in Victoria and Southbank, with expected 7.2% gross yield on total cost and c. 12% yield on capex, as recently completed schemes are now 89% let or in solicitors' hands, with rents 12% ahead of initial assumptions

Major retail: strong income growth, as rental reversions reach inflection point and turn positive

- Delivered 6.9% LFL net income growth, with occupancy + 130bps to 95.4%, and £37m of lettings signed or in solicitors' hands 6% above ERV and 2% ahead of previous rent for relettings/renewals, marking inflection point in rental reversions
- Further focusing investment in best-in-class destinations, with the sale of our two smallest outlets and accretive investment of c. £100m in existing destinations over next c. 3 years
- Capitalised on clear focus from brands on fewer, bigger, better stores, with the attraction our locations offer reflected in 4.1% YoY sales growth, resulting in growing competition for space
- Attraction of high and growing cashflow reflected in 0.2% increase in asset values in second half (FY-1.1%), even though valuers' assumed 1.4% ERV growth continues to trail operational performance, with low to mid single digit percentage growth in ERVs expected for current year

Mixed-use: starting first on-site preparations in London whilst optimising rest of pipeline

- Secured planning consent for 1,800-homes Finchley Road scheme and detailed consent for first phase, with site enabling works starting later this year, ahead of potential start of main project in 2025
- Progressing optimisation of plans for Mayfield and rest of portfolio to enhance risk/return profile

Underpinning our strategy: strong capital base following pro-active capital recycling

- Sold £625m of subscale and non-core assets since March 2023 including £400m post year-end, on average in line with March 2023 book value, materially exceeding acquisitions of £136m
- Maintained strong capital base, with long 9.5-year average debt maturity, £1.9bn cash and undrawn facilities, and pro-forma for disposals since year-end, a low 7.0x net debt/EBITDA and low 32.3% LTV, creating significant balance sheet capacity to become net investor at attractive point in time
- Capitalised on sector-leading access to credit, with AA/AA- ratings, via £300m bond issue at 4.75%

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 14 in the Business analysis section.
2. Including our proportionate share of subsidiaries and joint ventures, as explained in the Financial review. The condensed consolidated preliminary financial information is prepared under UK adopted international accounting standards (IFRSs and IFRICs) 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 Group's results on a basis that adjusts for these forms of ownership to present a proportionate share. These metrics, including the Combined Portfolio, are examples of this approach, reflecting our economic interest in our properties regardless of our ownership structure. For further details, see table 14 in the Business analysis section.
3. Including the benefit of £22m year-on-year increase in surrender premiums; adjusted for this, underlying EPRA earnings and EPS were £371m and 50.1 pence respectively.

A live video webcast of the presentation will be available at 9.00am BST. A downloadable copy of the webcast will then be available by the end of the day.

We will also be offering an audio conference call line, details are available in the link below. Due to the large volume of callers expected, we recommend that you dial into the call 10 minutes before the start of the presentation.

Please note that there will be an interactive Q&A facility on both the webcast and conference call line.

Webcast link: https://webcast.landsec.com/2024-full-year-results
Call title: Landsec Annual Results 2024
Conference call: https://webcast.landsec.com/2024-full-year-results/vip_connect

Forward-looking statements

These full 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 full 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 full 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.

Chief Executive's statement

Successful execution on strategy. Focus on driving growth.

Over the last three years, our focus has been two-fold: firstly, on increasing our investments in best-in-class assets where our competitive advantages can drive long-term growth, and secondly on preserving balance sheet strength. The success of this is reflected in our continued like-for-like income growth and rising occupancy, significantly outperforming market averages. And despite the adjustment in property values over the past two years following the sharp rise in global interest rates, our pro-active capital recycling means that pro-forma for our recent hotels disposal, our 32.3% LTV is now lower than it was two years ago, and our net debt is down £1.1bn, creating balance sheet capacity to grow.

Owning the right real estate has never been more important, as the normalisation in cost of capital means value drivers in real estate have fundamentally changed compared to much of the 2010s decade, when ultra-cheap money and sector themes were key drivers of performance. Irrespective of sector, there is now a growing distinction between those assets that really fulfil customers' future expectations and hence deliver like-for-like income growth and those that do not. This means future performance across the entire sector will be much more driven by asset quality than generic themes.

The successful execution of our strategy over the last few years means Landsec is well positioned in this context. Customer demand for our high-quality product has remained robust despite the unsettled political/economic backdrop, concerns about hybrid working and cost of living pressures for consumers. In London, our £6.2bn West End-focused portfolio is almost full, with occupancy up to 97.3%, so rents are rising. In retail, our £1.8bn portfolio of nine major destinations has seen occupancy rise to 95.4% and we have started to drive positive reversionary uplifts on lettings and renewals. As a result, our like-for-like net rental income increased by 2.8% last year and, following a period of interest rate-driven asset repricing, the valuation of c. 60% of our portfolio was effectively stable in the second half of last year.

Looking forward, we expect high demand for best-in-class space to persist and, as supply of this space remains limited, this will continue to drive like-for-like income growth. Meanwhile, as the interest rate outlook today appears more balanced than at any point in the last couple of years, yields and values for the best assets are starting to stabilise. Having sold early when values were higher, we now have balance sheet capacity to invest at an attractive point in time. As a result, Landsec is well-placed for growth.

Continued strength in operational performance

Our financial results reflect the quality of our portfolio, the strong operational performance of our platform and our resilient capital base. Our FY23 earnings included the benefit of a £22m increase in surrender premiums, which we adjusted for in our 50.1 pence underlying EPRA EPS. Our EPRA EPS last year was stable vs this underlying level, in line with our guidance, as the 2.8% growth in like-for-like income we delivered, and the completion of our successful developments fully offset the impact of our significant disposals during the past two years and a rise in finance costs. Our dividend for the year is up 2.6% to 39.6 pence per share, again in line with our guidance, reflecting a healthy dividend cover of 1.27 times.

During the first half of the year, the marked rise in interest rates across the globe resulted in upwards pressure on valuation yields, but this eased in the second half and throughout the year the impact of this has been partly offset by our 3.2% ERV growth. This meant that our portfolio value was down 6.0%, or £625m, for the year, driving a £341m loss and a 8.2% reduction in EPRA NTA per share for the year. However, the impact of this was weighted towards the first half, as yields remained stable in the final quarter and our total return on equity for the year improved to -4.0% from -8.3% in the prior year.

Table 1: Highlights

	Mar 2024	Mar 2023	Change %
EPRA earnings (£m)[1,2]	**371**	393	**(5.6)**
Loss before tax (£m)	**(341)**	(622)	**(45.2)**
Total return on equity (%)	**(4.0)**	(8.3)	**(51.8)**
Basic (loss)/earnings per share (pence)	**(43.0)**	(83.6)	**(48.6)**
EPRA earnings per share (pence)[1,2]	**50.1**	53.1	**(5.6)**
Underlying EPRA earnings per share (pence) [1,2]	**50.1**	50.1	**-**
Dividend per share (pence)	**39.6**	38.6	**2.6**
Combined portfolio (£m)[1]	**9,963**	10,239	**(2.7)**
IFRS net assets (£m)	**6,447**	7,072	**(8.8)**
EPRA Net Tangible Assets per share (pence)[1]	**859**	936	**(8.2)**
Adjusted net debt (£m)[1]	**3,517**	3,287	**7.0**
Group LTV ratio (%)[1]	**35.0**	31.7	**10.4**
Proportion of portfolio rated EPC A - B (%)	**49**	36	
Average upfront embodied carbon reduction development pipeline (%)	**40**	36	
Energy intensity reduction vs 2020 (%)	**18**	17	

1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information in the Financial Review.
2. FY23 EPRA earnings and EPRA EPS include the benefit of £22m increase in surrender premiums; underlying EPRA EPS excludes this.

Our strategy

Since we launched our strategy in late 2020, our focus has consistently been on our two key principles of sustainable value creation: focusing our resources on where we have a genuine competitive advantage and maintaining a strong balance sheet. We have increased our investment in best-in-class assets where our skillset allows us to enhance returns and drive long-term growth. This has supported our like-for-like income growth and operational outperformance thus far and should continue to do so in the future. At the same time, our pro-active capital recycling means that, despite the rise in interest rates and adjustment in property values, pro-forma for our recent disposals, our 32.3% LTV and 7.0x net debt/EBITDA are low.

For much of the decade leading up to 2022, creating value in real estate was often about leveraging up a spread between rental yields and ultra-low borrowing costs or picking high-level sector themes. The significant rise in cost of capital across the globe has not only changed the former but also the latter, as shown by the challenges faced by low-margin online retail models and the shift back to physical retail. As such, irrespective of sector, quality has become a much more important driver of future performance, which means it can be misleading to look at market averages. Indeed, even though market-wide vacancy is elevated, with London offices at 8.8%, retail at 15% and even logistics at 7.8% now, the best assets in each of these sectors have little vacancy and so continue to show good rental growth.

The successful execution of our strategy means we are well placed to benefit from this. Since late 2020, we have sold around 40 standalone assets, including the 21 hotels we sold since the year-end. We reinvested principally in our key places, be it through development in Victoria, at Piccadilly Lights and in Southwark, or by buying out JV partners in our retail destinations at Bluewater and in Cardiff, such that c. 80% of our portfolio is now invested in twelve key locations with significant scarcity value. We expect each of these unique, multi-let places to drive superior income returns and growth over time.

This provides a critical underpin for capital values. The outlook for interest rates is more balanced now than it has been for a couple of years, but we remain of the view that it is unlikely that rates will come down sharply from current levels. In what will therefore likely remain a higher nominal rate environment, we think yields for assets which have inherent income growth and therefore provide a real income stream look attractive, yet for most assets which lack this growth, we think the risk to values remains down.

In today's more normalised rate environment, we continue to target to deliver a total return on equity of 8-10% p.a. over time, comprising a mix of income and capital returns, driven by rental growth and selective development upside. Short term movements in valuation yields are outside of our control and mean our return on equity will not be exactly in this range each individual year, as we have seen over the past twelve months. However, with an income return on our March 2024 NTA of c. 5.7%, an expectation of further rental growth and yields starting to stabilise, the outlook for this is encouraging.

As part of this, it is important that we operate efficiently. We reduced our overhead costs by 9% during the year and expect further savings over the next 2-3 years, driven partly by our investments in data and technology. Although our EPRA cost ratio has remained stable at 25%, this solely reflects the impact of capital allocation decisions: since late 2020, we have sold £2.2bn of mature, low-yielding offices which incurred minimal operating costs, but equally had little room to add further value and a mid-single digit forward IRR, whereas we acquired more operational assets that come with higher operating cost, but also a materially higher net income return and much higher forward IRR.

As borrowing costs and our cost of capital have increased, it is also critical we continue to think carefully about our capital allocation decisions. Including our £400m of disposals since the year-end, we have now sold £3.1bn of assets since late 2020, which means most of the c. £4bn disposal target we set out at that time is done. Looking ahead, we have three principal opportunities to invest in: acquiring major retail; our Central London pipeline; and our mixed-use pipeline. We also have three main sources of funding: our balance sheet headroom towards a slightly higher LTV now that rates and values are starting to stabilise; further capital recycling; or attracting other, complementary sources of capital which can enhance our overall growth, capitalise on our platform value, and grow our overall return on equity.

In terms of opportunities, the right major retail destinations offer attractive high single digit income returns with income now starting to grow, as seen across our own portfolio. Alongside our two committed office developments in London, where the yield on the overall capex we are investing is high at c. 12%, this is our key focus for investment at the moment and where we plan to apply most of our existing balance sheet capacity too. Following a period of limited transaction activity in this sector, we are now seeing signs of activity levels around the work-out of broken ownership structures starting to pick up. Further capital recycling out of our residual retail parks will add to our investment capacity in this space and, overall, this is expected to enhance our income growth and return on equity.

Given the significant size of our medium term London and mixed-use pipelines and our desire to maintain a sustainable level of development exposure, it is unlikely that we will fund all of this on our own balance sheet. Rents for highly sustainable, best-in-class space continue to grow and construction cost inflation has normalised, yet returns on future commitments will of course have to compensate for higher cost and higher exit yields. We continue to optimise costs, planning consents and delivery programmes in London and mixed-use to ensure any future commitments deliver an appropriate return and risk premium vs the return on any assets we choose to sell to fund our investment in these. We will progress the schemes that deliver this, adjust plans for others, or sell those where the holding cost of maintaining optionality does not outweigh the future upside. Overall, this will enhance our overall return on equity through development upside and longer term rental growth, reflecting the quality of our pipeline.

Creating value through our competitive advantages

In executing our strategy, we continue to focus on our three key competitive advantages: our high quality portfolio; the strength of our customer relationships; and our ability to unlock complex opportunities. Customer demand continues to polarise, as demand for modern, sustainable space in areas with exciting amenities in London remains strong, even though overall leasing across the market was down during the year. In retail, brands continue to focus on fewer, but bigger and better stores in key locations. Supply of both is constrained, which is driving income and rental value growth across our assets.

In London, 77% of our portfolio is now located in the vibrant West End and Southwark markets, up from 58% in 2020. Our recently completed schemes are 89% let or in solicitors' hands, up from 60% a year ago, with rents 12% above initial expectations. Office utilisation is up 18% for the year and 81% of our lettings over the year have seen customers grow or keep the same space. Across our existing portfolio we signed or are in solicitors' hands on £35m of leases, on average 6% above ERV, whilst occupancy is up 140bps to 97.3%. With 15% uplifts on relettings/renewals, our offices saw 1.4% LFL rental income growth and overall ERVs were up 5.0%, at the top end of our guidance of low to mid single digit growth.

Across our major retail destinations, we completed or are in solicitors' hands on £37m of lettings, on average 6% above ERV. Reflecting the marked turnaround of the best assets in this space, we have started to capture positive reversionary potential during the year, with relettings and renewals on average 2% above previous passing rent, whilst occupancy increased by a further 130bps to 95.4%. Combined with strong turnover growth, this meant we delivered 6.9% growth in LFL net rental income. Valuers' assumed ERVs continue to trail operational performance, up 1.4%, albeit in line with our guided range.

Our strong operational performance is supplemented by our ability to unlock complex opportunities, such as in London, where we completed three projects over live Underground stations featuring highly bespoke engineering solutions, combined creating c. £238m of value, or in mixed-use, where we secured planning consent for our 1,800 homes-scheme at Finchley Road, including detailed consent for the first phase. This ability is expected to serve us well when it comes to new opportunities in the year ahead.

Delivering sustainably

We continue to make progress against our carbon reduction targets, which are aligned with the Science Based Targets Initiative's (SBTi) Net-Zero Standard. Our near-term target is to reduce our direct and indirect greenhouse gas emissions by 47% by 2030 from a 2019/20 baseline and to reach net zero by 2040 from the same baseline year. So far, emissions have already reduced by 24% vs this baseline. During the year we updated our target to reduce our energy intensity by 52% by 2030 from a 2019/20 baseline, to align this with our carbon reduction target. We are already tracking a 18% reduction, having achieved an energy intensity reduction across our portfolio of 3.7% during the year vs the prior year.

To make sure we meet our carbon reduction target and stay ahead of the proposed Minimum Energy Efficiency Standard Regulations requiring a minimum EPC 'B' rating by 2030, we have continued to progress our net zero transition investment plan. 49% of our overall portfolio is already rated B or higher, up from 36% a year ago. We have started air source heat pump retrofits at two sites and expect to start a further three this year, which will result in improved EPC ratings from 2025 onwards when these become operational. We also continue to focus on reducing upfront embodied carbon from our development schemes and improving energy efficiency across our operational assets, and have been expanding the work with our largest customers to help them identify ways to save energy.

In its first year, our Landsec Futures fund, which is aimed at improving social mobility in the real estate industry and will see us invest £20m over 2023-2033, has already made a significant contribution to our target to create £200m in social value and empower 30,000 people towards the world of work by 2030. Since 2019/20, we have now created £54m of social value and empowered 10,249 people to work.

Outlook

The UK macro outlook has improved over the past year, with a sharp reduction in inflation and a return to real wage growth for consumers, even though economic growth is expected to remain modest in the short term. Combined with the more normalised interest rate environment, this means it has never been more important to own the very best assets in the right locations that cater for customers' future needs and can therefore deliver positive like-for-like income growth.

In late 2022, we said that we expected property values would continue to adjust for some time after a decade of ultra-low interest rates. This has proven to be the case but there are increasingly signs that this is now coming to an end. The relative stabilisation of long-term rates is a clear positive and reflecting the historically attractive pricing of good quality income in London and major retail, we are starting to see interest emerge from investors who have not been active in these markets for some time. As such, we expect activity levels to pick up from here. The refinancing of cheap debt issued before 2022 remains a challenge for parts of the sector, yet absent any further macro shocks, we think the value of high-quality assets has largely bottomed out and will start to grow in the foreseeable future as rents rise.

Against this backdrop, our actions over the past three years leave us well placed:

- we increased our focus on high-quality places where customer demand is demonstrably strong;
- we preserved our balance sheet strength, providing room to grow at an attractive time in the cycle;
- we have a built pipeline of attractive opportunities with flexibility on future commitments.

As customer demand for the best space remains robust, we expect our Central London and major retail assets to again see ERVs grow by a low to mid single digit percentage this year. We are now capturing positive leasing reversion across all main parts of our portfolio, which delivered 2.8% growth in like-for-like net rental income last year, and we expect like-for-like growth to be similar for the year ahead.

Determining how this continued operational growth will then translate into EPS growth will depend on the quantum and timing of net investment from here, where we remain disciplined on quality and price. We have created meaningful balance sheet capacity through our significant asset disposals but our recent sales activity does reduce annualised earnings by c. 4%, all else equal. This means that, before reflecting the impact of any reinvestment of these sales proceeds, EPS for the year to March 2025 would likely be slightly below the 50.1 pence for 2024. For March 2026, we currently expect EPS to be slightly above this level, reflecting the combined effect of continued like-for-like income growth and accretive capital recycling. As a result, we continue to expect our dividend to grow by a low single digit percentage this year, as our dividend cover remains towards the high end of our 1.2-1.3x target range.

As macro-economic signals look more encouraging than they have for a while, with long-term interest rates stabilising and customer demand for the best assets remaining robust, the outlook for capital values of the best assets and, as a result, our overall return on equity is positive. With capacity to grow at an attractive point in time, we are positive about the future.

Operating and portfolio review

Overview

Our combined portfolio was valued at £10.0bn as of March, comprising the following segments:

- Central London (62%): our well-connected, high-quality office (84%) and retail and other commercial space (16%), located in the West End (69%), City (23%) and Southwark (8%).
- Major retail destinations (18%): our focused investments in six shopping centres and three retail outlets, which are amongst the highest selling locations for retailers in the UK.
- Mixed-use urban neighbourhoods (7%): our investments in mixed-use urban places in London and a small number of other major growth cities, with medium-term repositioning or development potential.
- Subscale (12%): assets in sectors where we have limited scale or competitive advantage and which we therefore plan to divest over time, split broadly equally between retail parks, leisure and hotels, the last of which we have sold since the year-end.

Investment activity

During the financial year we sold £225m of assets, including our two smallest retail outlets, a retail park in Romford, and two small leisure assets and two mixed-use development assets in London, on average at a 1% discount to March 2023 book value. Since the year-end we have sold our hotel portfolio for £400m, slightly ahead of the March 2023 book value. This crystallised the strong recovery in performance post Covid yet as the income on this portfolio was 100% turnover linked on long-term leases to Accor, there was no opportunity for us to influence or enhance its future operational performance.

During the year we made £136m of acquisitions and spent £220m on development capex. We acquired an 89,000 sq ft office in Kings Cross for £90m which we plan to reposition to Myo for an opening in 2025, with an expected IRR in the mid-teens. In addition, we bought a £30m site adjacent to our Timber Square development for an implied price of c. £100 per sq ft. This could almost double the size of the combined site and create a significant c. 670,000 sq ft estate across four buildings. We also spent £16m on a small number of site amalgamation opportunities adjacent to existing assets. Whilst these acquisitions do not produce income in the short term and therefore create a c. £6m earnings drag in the current year because of finance costs, they unlock substantial near-term upside potential at a low in-price.

With the sale of our hotel portfolio, we have now sold £3.1bn of the c. £4bn assets we said we intended to sell over a period of c. 6 years when we launched our updated strategy in late 2020. We will continue to recycle capital where assets do not meet our return requirements or fit our strategic focus, but this means we are now through the vast majority of our disposal programme. As such, our focus for the rest of the year is now on acquisitions, as we aim to recycle the proceeds of our hotels disposal into additional opportunities in major retail. In London and mixed-use, our own investment in new development commitments is likely to be funded principally through future disposals of mature or standalone assets, alongside other, complementary sources of capital.

Portfolio valuation

The marked increase in interest rates during the first half of the year meant that transaction activity across global property markets has been subdued. As a result, valuation yields softened so despite the fact that our successful leasing delivered 3.2% ERV growth, our portfolio value reduced by 6.0%. The impact of rising rates principally affected the first half of the year, as yields remained flat in the final quarter and c. 60% of our portfolio was effectively stable in value in the second half.

Our Central London portfolio was down 6.9% for the year, as upside from 5.0% ERV growth was offset by a 46bps increase in yields to 5.4%. The value of our West End office (-3.6%) and retail and other assets (-4.7%), which make up 77% of our London investment portfolio following our significant City disposals over the last three years, again proved more resilient than City values (-13.9%). This reflects strong ERV growth, driven by our successful leasing in Victoria, which means West End office values were stable in the second half. Development values were down 9.9% given the early stage these projects are in, but we are confident these will deliver attractive returns once these are completed and let.

Major retail valuations were virtually stable for the year, down just 1.1%, following a minor increase in the second half (+0.2%), reflecting their high income return and improving operational performance, with LFL net income up 6.9%. Valuers' assumed ERVs continue to trail operational performance and leasing, up just 1.4%, but despite this, major retail again was the best performing part of our core portfolio with a 7.1% total return over the year, ahead of Central London (-2.9%) and mixed-use (-8.9%).

In mixed-use, values were down 14.0%, mostly driven by outward yield shift at MediaCity and a softening of yields and a reduction in income at our three existing retail assets in Glasgow and London, as these have so far been managed for short-term income to maximise flexibility for future development.

Across our subscale portfolio, the value of our hotels was up slightly (0.6%), whilst retail park values were relatively resilient (-1.8%). The value of our leisure assets was down 8.2% as investor sentiment towards cinemas remains subdued, even though our largest leisure customer, Cineworld, successfully recapitalised during the year and operational performance and ERV growth remains positive.

Table 2: Valuation analysis

	Market value 31 March 2024 £m	(Deficit)/ Surplus £m	FY valuation change %	H2 valuation change %	LFL rental value change[1] %	Net initial yield %	Topped up net initial yield %	Equivalent yield %	LFL equivalent yield change bps
West End offices	3,109	(111)	(3.6)	(0.5)	6.9	4.2	5.5	5.3	37
City offices	1,192	(188)	(13.9)	(4.6)	1.3	3.9	5.4	6.0	78
Retail and other	991	(48)	(4.7)	(3.3)	5.0	4.6	4.8	4.9	30
Developments	926	(102)	(9.9)	(4.1)	n/a	0.0	0.1	5.4	n/a
Total Central London	**6,218**	**(449)**	**(6.9)**	**(2.4)**	**5.0**	**4.2[2]**	**5.3[2]**	**5.4**	**46**
Shopping centres	1,226	1	0.1	-	1.5	8.1	8.7	8.1	23
Outlets	605	(21)	(3.3)	0.5	1.3	6.3	6.5	7.0	17
Total Major retail	**1,831**	**(20)**	**(1.1)**	**0.2**	**1.4**	**7.5**	**8.0**	**7.8**	**22**
London	191	(23)	(10.3)	(8.7)	2.0	4.2	4.2	6.6	22
Major regional cities	510	(93)	(15.3)	(6.6)	(1.2)	6.7	6.7	7.7	106
Total Mixed-use urban[3]	**701**	**(116)**	**(14.0)**	**(7.8)**	**(0.3)**	**6.1[2]**	**6.1[2]**	**7.3**	**85**
Leisure	423	(35)	(8.2)	(5.5)	1.5	8.7	8.9	8.8	26
Hotels	400	2	0.6	(1.1)	5.7	7.3	7.3	7.2	54
Retail parks	390	(7)	(1.8)	(1.2)	1.4	6.0	6.8	6.8	38
Total Subscale sectors	**1,213**	**(40)**	**(3.2)**	**(2.6)**	**2.7**	**7.4**	**7.7**	**7.6**	**38**
Total Combined Portfolio	**9,963**	**(625)**	**(6.0)**	**(2.4)**	**3.2**	**5.4[2]**	**6.2[2]**	**6.2**	**45**

1. Rental value change excludes units materially altered during the period.
2. Excluding developments / land.
3. Previous Mixed-use urban sub-segments have been changed to a classification based on geographical location, which is better aligned to how these assets are managed internally and our revised approach to a number of assets.

Looking ahead, we expect that the relative stability in long-term rates and improvement in availability and pricing of credit will support a pick-up in investment activity. We are seeing investor interest emerge in London and shopping centres from parties who have not been active in these markets for years, but who are now attracted by historically attractive yields and clear evidence of rental growth for best-in-class assets. The refinancing of cheap debt issued pre-2022 remains a challenge for parts of the sector, yet the risk of disorderly sales substantially driving down the value of high-quality assets seems low. Markets remain sensitive to rates, yet values for the best assets have begun to stabilise, even though secondary likely has further to fall. Whilst we are principally focused on driving like-for-like income, we expect ERVs for our London and major retail assets to grow by a low to mid single digit percentage this year.

Leasing and operational performance

Central London

Customer demand remains firmly focused on buildings with the best sustainability credentials, transport connectivity and local amenities. The amount of space which meets these criteria remains limited, so pricing of this continues to go up, whereas space which does not meet these criteria is at risk of becoming obsolete, almost regardless of price. We continue to see the evidence of this strong demand across our portfolio, for example in the new record rents we achieved in Victoria.

Reflecting the appeal of our buildings and locations to people, we have seen an increase in daily turnstile tap-ins of 18%, significantly ahead of the growth in TFL public transport data. Across our leasing deals, we have also seen customers plan for, on average, c. 30% more square foot per person than they did before the pandemic in 2019, to create more space for collaboration, focus work or wellbeing. As such, of our £40m of office lettings over the past year, 47% saw customers increasing floorspace, whilst only 19% reflected customers downsizing. This is in line with market data which shows that only one-fifth of active tenant requirements is for less space.

We have consistently said that we felt that large HQ space and areas which lack the amenities to make people want to spend time there are most at risk as a result of more flexible ways of working. Virtually all of the £2.2bn offices we sold since late 2020 were large, single-let HQ buildings where our ability to add further value was limited, whilst we increased our focus on multi-let clusters in the lively, well-connected West End and Southbank markets. These now make up 77% of our London portfolio vs 58% in 2020.

In a world where demand is concentrated in the best part of the market, market averages become rather meaningless. This is illustrated by the fact that, whereas overall office vacancy in London is elevated, at 8.8%, 90% of all vacant space sits in 10% of all buildings and close to 40% of vacant space sits in just 1% of all offices in London. This shows vacancy is mostly a building issue, not a market-wide issue. It also shows offices are different than retail 5+ years ago, as in retail even the best locations saw vacancy rise and, as a result, rents fall, whereas in offices Grade A availability remains low, so rents continue to rise.

Even though take-up across the overall London market slowed, demand for space across our standing portfolio remained resilient. We signed lettings during the year totalling £30m of rent, on average 5% above valuers' assumptions, with a further £5m in solicitors' hands, 9% above valuers' estimates. Overall, relettings and renewals reflected a 15% uplift vs previous passing rent and occupancy increased 140bps to 97.3% - substantially outperforming the Central London market, where occupancy fell by 100bps. Our two existing Myo locations saw average occupancy for the year rise to 93%, up from 86%.

Major retail destinations

We have continued to see a further shift back from online to physical sales, with negative online non-food sales growth for the last two years. The exact split between online and offline is becoming less of a factor for the best locations as for most major brands online and physical channels are firmly interconnected. The increase in cost of capital and cost of doing business online is keeping pressure on low-margin online sales. This principally affects pure-play online models, which in response have shifted their focus to improving profitability rather than growing market share, increasing the cost for consumers to buy online.

Reflecting this, we continue to see growing demand from brands for physical space in the best locations. There is a clear focus on ‘fewer, bigger, better’ stores, as leading brands such as Inditex and H&M have announced significant investments in their best stores, even though they often continue to close the tail ends of their portfolio. Supported by the fact that for many key brands, including JD, Zara, Boots and Next sales growth in our centres is outperforming their overall sales growth, this explains the strong demand for our space. Across our portfolio, total sales grew 4.1% and like-for-like sales were up 1.5%. Footfall increased 3.9% and is now at c. 93% of pre-pandemic levels.

On the back of this, we delivered 6.9% like-for-like income growth and a 130bps increase in occupancy to 95.4% – effectively back to pre-pandemic levels. As a result, we are seeing improved pricing tension and selective competition for space. A year ago we said we expected the last large over-rented leases to reset during the year, which has happened. Despite this, for the first time in years we have started capturing positive uplifts on renewals and relettings. This was still modest at 1% for the year, but is up to 6% for deals in solicitors’ hands. In total, we completed 219 lettings totalling £27m of rent, on average 5% ahead of ERV, with a further £10m in solicitors’ hands, 7% above ERV.

Mixed-use urban neighbourhoods & subscale sectors

In mixed-use, the increase in vacancy partly reflects the fact that we have so far managed part of the existing income for maximum development flexibility. We expect this to reverse with our revised approach to these assets, which involves retaining more of the existing built stock to reduce embodied carbon and build on the existing income, rather than working towards a wholesale redevelopment in one go. The operational performance of our retail parks and leisure remains strong, with £7m of lettings on average 5% ahead of valuers’ assumptions plus a further £3m in solicitors’ hands at a 3% premium, whilst occupancy was up 30bps to 98.0%. We agreed a restructure of a number of leases with Cineworld following its recapitalisation during the first half resulting in an annual rent reduction of less than £1m, but all our units continue to trade. Our hotels, which are fully let to Accor, saw occupancy rise from 94% to 98% of pre-Covid levels, driving an increase in RevPAR, which supported our disposal post the year-end.

Table 3: Operational performance analysis

	Annualised rental income £m	Net estimated rental value £m	EPRA occupancy[1] %	LFL occupancy change[1] ppt	WAULT[1] Years
West End offices	160	186	99.6	0.1	6.5
City offices	70	93	93.7	3.2	7.8
Retail and other	43	55	97.2	1.9	5.7
Developments	8	93	n/a	n/a	n/a
Total Central London	**281**	**427**	**97.3**	**1.4**	**6.8**
Shopping centres	121	122	95.1	1.0	4.3
Outlets	48	49	96.0	2.0	3.0
Total Major retail	**169**	**171**	**95.4**	**1.3**	**3.9**
London	11	16	90.2	(3.5)	9.0
Major regional cities	37	38	93.5	(4.1)	6.8
Total Mixed-use urban[2]	**48**	**54**	**92.6**	**(4.0)**	**7.2**
Leisure	46	42	96.9	1.6	10.2
Hotels	35	29	n/a	n/a	7.1
Retail parks	27	29	97.5	(1.1)	5.9
Total Subscale sectors	**108**	**100**	**98.0**	**0.3**	**8.0**
Total Combined Portfolio	**606**	**752**	**96.5**	**0.8**	**6.2**

1. Excluding developments.
2. Previous Mixed-use urban sub-segments have been changed to a classification based on geographical location, which is better aligned to how these assets are managed internally and our revised approach to a number of assets.

Development pipeline

Central London

We continue to see good demand for the high-quality space we develop. During the year, we completed our n2 development in Victoria and Lucent behind Piccadilly Lights, both of which were effectively fully let within four months post completion, with rents on average 14% ahead of initial assumptions. At The Forge in Southwark, Myo opened in the Phosphor building just before Christmas, whilst the Bronze building is 42% let or in solicitors' hands. We also completed the development of 21 Moorfields, which we sold in September 2022 for £809m, crystallising a 25% profit on cost.

Aside from The Forge, we also opened two Myo locations at One New Change and New Street Square just before Christmas and in February, combined making up 138,000 sq ft, so all three of these are currently in lease-up. We are opening a new Myo at Lucent shortly and plan to open a seventh location in Kings Cross in 2025, which will bring our total Myo space to c. 300,000 sq ft. Rents are broadly in line with our underwriting assumptions, representing net margins of c. 20% over standard office space.

Whilst the sharp increase in interest rates over the past two years has naturally impacted property values, the flipside is that it is limiting new supply. Compared to a year ago, total space under construction has increased from 12m to 13m sq ft yet 42% of this is already pre-let. This means that speculative office space under construction which is expected to complete over 2024-26 is roughly half of the long-term average new-build office take-up in London. As demand remains focused on the best, most sustainable space, we expect this will drive further rental growth for the best quality assets.

As such, during the year we started the major refurbishment of Thirty High (formerly Portland House) in Victoria and the development of Timber Square in Southwark. Reflecting our positive outlook for rental values, we expect these to deliver a gross yield on cost of 7.2% and be highly earnings accretive, with an expected ERV of £59m once fully let vs £434m residual cost to complete.

Table 4: Committed pipeline

Property	Sector	Size sq ft '000	Estimated completion date	Net income/ ERV £m	Market value £m	Costs to complete £m	TDC £m	Gross yield on TDC %
Thirty High, SW1	Office	299	Aug-25	30	238	183	412	7.3%
Timber Square, SE1	Office	381	Dec-25	29	137	251	411	7.1%
Total		**680**		**59**	**375**	**434**	**823**	**7.2%**

Table 5: Future Central London development pipeline

Property	Sector	Proposed sq ft '000	Indicative TDC £m	Indicative ERV £m	Gross yield on TDC %	Potential start date	Planning status
Near-term							
Red Lion Court, SE1	Office	250	335	24	7.2	H2 2024	Consented
Liberty of Southwark, SE1	Office/resi	225	260	17	7.4(1)	H1 2025	Consented
Total near-term		**475**	**595**	**41**	**7.3**		
Medium-term							
Old Broad Street, EC2	Office	285				2025	Consented
Hill House, EC4	Office	380				2026	Consented
Nova Place, SW1	Office	60				2025	Design
Southwark Bridge Road, SE1	Office	150				2025	Design
Timber Square Phase 2, SE1	Office	290				2026	Design
Total medium-term		**1,165**					
Total future pipeline		**1,640**					

1. Gross yield on cost adjusted for residential TDC.

In terms of future pipeline, we have started the deconstruction of the existing building at Red Lion Court to prepare this for a potential start late this year. We also secured planning consents for the development of 55 Old Broad Street and Hill House, at our New Street Square estate, and a significant increase in scale of our planning consent at Liberty of Southwark. Combined, this brings our consented pipeline to 1.1m sq ft. We also acquired a site adjacent to Timber Square for a low implied land value of c. £100 per sq ft, which unlocks the opportunity to create a significant c. 670,000 sq ft estate across two phases, with significant public realm incorporating the site's historic Victorian railway arches.

Mixed-use urban neighbourhoods

Landsec has a long history of creating thriving urban places, such as in Victoria, Oxford, Leeds or Cardiff. These places are scarce and their enduring attraction underpins their longer-term growth, even though the exact mix of uses of space differs by location. As consumer expectations on how we live, work and spend our leisure time continue to change, we have a number of opportunities in some of the fastest growing areas in the UK to create and curate the next generation of such places.

At Finchley Road, in zone two London, we received unconditional planning consent for our 1,800 homes masterplan including detailed consent for the first 600 homes during the year. We have started offsite utility upgrades with site preparatory and enabling works to follow in autumn this year. We anticipate spending c. £10m on these works over the next 18 months. This will put us in a position where we can commit to the development of the first 600 homes by late 2025. The investment for this would be roughly £300m, with a target IRR in the low double-digits. At the same time, we will look to rebuild the income in the existing retail asset ahead of its potential longer term redevelopment.

At Mayfield, adjacent to Manchester's main train station, we have been working with our JV partners on optimising the development strategy for this site. Building on the successful place we have created with the new 6-acre park, we have the option to start the first c. £140m office block late this year, which would then also unlock the future residential phases of this new mixed-use neighbourhood.

At Lewisham, south-east London, and Glasgow we are evolving our plans to focus more on masterplans that can be delivered in discrete incremental phases. Alongside this we will seek to embrace opportunities to retain and reinvent existing buildings in our ambition to reduce embodied carbon. This new approach will improve overall returns by retaining more of the existing income and growing this, alongside discrete development interventions. We are still finalising our plans, but this will likely result in less embodied carbon, lower risk and less capital intensive routes to realising the potential of these mixed-use estates.

Table 6: Mixed-use urban neighbourhoods pipeline

Property	Landsec share %	Proposed sq ft '000	Earliest start on site	Number of blocks	Estimated first/total scheme completion	Indicative TDC £m	Target yield on cost %	Planning status
Near-term								
Mayfield, Manchester	50-100	2,500	2024	18	2027/2034	800-950	7 - 8	Consented
Finchley Road, NW3	100	1,400	2025	10	2028/2035	950-1,050	6 - 7	Consented
Medium-term								
MediaCity, Greater Manchester	75		2026					Consented
Buchanan Galleries, Glasgow	100		2026					Design
Lewisham, SE13	100		2026					Design

Rents for the highly sustainable, best-in-class space we can deliver in London and across our mixed-use pipeline continue to grow and construction cost inflation has normalised, although returns on any future commitments will need to compensate for higher costs and higher exit yields. We will therefore continue to optimise designs, planning and delivery programmes to ensure our future developments deliver an attractive return and sufficient risk premium vs the return on assets we sell to fund our investment in these. The significant size of our medium-term London and mixed-use pipelines means it is unlikely that we will fund all of this on our own balance sheet, so we will explore opportunities to access other, complementary sources of capital to help accelerate the delivery of these opportunities.

Delivering in a sustainable way

Aligned to the Science Based Targets Initiative's (SBTi) new Net-Zero Standard, we have committed to a target to reduce direct and indirect greenhouse gas emissions by 47% by 2030 vs a 2019/20 base year and to reach net zero by 2040 from the same base year. This includes emissions from all sources, including all of our reported Scope 3 emissions such as the emissions from our development pipeline, supply chain and customers. So far, our emissions have already reduced by 24% compared to this baseline. To align with our revised carbon reduction target, we have updated our energy intensity target to reduce energy intensity by 52% by 2030 from a 2019/20 baseline. We are currently tracking a 18% reduction, having achieved an energy intensity reduction across our portfolio of 3.7% vs the prior year.

We continue to progress our net zero carbon transition plan, which will ensure we deliver our near-term science-based target and meet the proposed Minimum Energy Efficiency Standard of EPC 'B' by 2030. The expected cost to deliver this plan is already reflected in our current portfolio valuation. 49% of our portfolio is already rated 'B' or higher, including 44% of our office portfolio, up from 36% a year ago. We expect this to increase from 2025 onwards, as the benefits from our net zero investments come through.

We have now started the retrofit of air source heat pumps at two office locations. We expect to start a further three retrofit projects in the current year and progressing detailed designs for another one. During the year, we have expanded the work with our customers on energy audits from 25 to 38 of our largest customers. These cover 56% of the energy used by our customers in our office portfolio and so far this work has identified potential annual carbon and energy savings of 10-40% for the majority of customers.

With respect to our target to reduce upfront embodied carbon by 50% vs a typical development by 2030, to below 500kgCO_2e/sqm for offices and 400kgCO_2e/sqm for residential, our future pipeline is currently tracking at an average 40% reduction. The two schemes we started this year are already close to, or ahead of our 2030 reduction target. At Timber Square, we achieved a reduction to 522kgCO_2e/sqm due to retention of part of the existing structure, a highly optimised design and the use of low carbon cross laminated timber, whilst at Thirty High, retaining the original structure and upgrading the existing façade resulted in an upfront embodied carbon intensity of just 347kgCO_2e/sqm.

In March, we launched our new nature strategy, Let nature in, which recognises the interdependency between the climate and biodiversity crises and aims to consistently enhance nature across our portfolio to improve biodiversity in the built environment; promote health, wellbeing, and community engagement; and create nature-based solutions to mitigate and adapt to climate change.

Our Landsec Futures fund, which will see us invest £20m over 2023-2033, aimed at improving social mobility in real estate and tackling issues local to our assets, continues to support the delivery of our 2030 target to create £200m of social value and empower 30,000 people towards the world of work. From our 2019/20 baseline, we have so far created £54m of social value and empowered 10,249 people.

Financial review

Overview

External market conditions improved as the year progressed. The relative stability in interest rates of late, after the significant rise in the first half of the year, material reduction in inflation and return to real wage growth for consumers are all supportive for the outlook. Even though we do not anticipate a sharp reduction in rates, our high-quality portfolio, strong operational performance and robust capital base provide an attractive base for future growth.

Reflecting the continued strength in customer demand, like-for-like gross rental income was up 3.0%, or 2.8% on a net rental income basis, driven by a further increase in occupancy, positive uplifts on relettings and renewals, and growth in turnover income. Combined with a reduction in overhead costs, this offset the impact of higher finance costs and disposals. As a result, our EPRA earnings were in line with the prior year's underlying level of £371m and, in line with our guidance, EPRA EPS was stable at 50.1p pence. Our total dividend for the year of 39.6p pence is up 2.6%, in line with our guidance of low single digit percentage growth. Our dividend cover of 1.27x remains comfortably within our target range of 1.2-1.3x on an annual basis.

Our successful leasing activity increased overall occupancy and drove 3.2% growth in ERVs but as investment volumes across the wider market remained subdued, the valuation of our portfolio was down £625m, or 6.0%. This was driven by an increase in valuation yields in the first half of the year in particular, as c. 60% of our portfolio was stable in value in the second half. This yield movement primarily drove an overall IFRS loss before tax of £341m and basic EPS of -43.0 pence, compared with a loss of £622m for the prior year, and a reduction in EPRA NTA per share of 8.2% to 859 pence. Including dividends paid, our total return on equity was -4.0%, reflecting a 5.3% income return and 4.2% upside from ERV growth and developments, offset by -13.5% on account of yield shift.

Our balance sheet remains strong and comfortably within our operating guidelines. Net debt increased slightly by £0.2bn to £3.5bn during the year, which combined with the valuation movement of our portfolio resulted in an LTV of 35.0% at the end of March. More importantly, at a time when investment activity is low and the approach to valuations varies widely in different markets, as a cash measure, our net debt/EBITDA at the year-end remained low at 7.4x vs 7.0x a year ago, in line with our target to keep this below 8x. Moreover, pro-forma for our £0.4bn of disposals since the year-end, our net debt/EBITDA is down to 7.0x whilst our 32.3% LTV is lower than it was in March 2022, before the correction in values, and net debt is £1.1bn down since then. Combined with our average debt maturity of 9.5 years and £1.9bn of cash and undrawn facilities, this provides substantial capacity to invest in growth.

Presentation of financial information

The condensed consolidated preliminary financial information is prepared under UK adopted international accounting standards (IFRSs and IFRICs) 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 Group's results on a basis that adjusts for these forms of ownership to present a proportionate share. The Combined Portfolio, with assets totalling £10.0bn, is an example of this approach, reflecting our economic interest in our properties regardless of our ownership structure.

Our key measure of underlying earnings performance is EPRA earnings, which 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 14 in the Business analysis section.

Income statement

Our strong leasing performance continues to underpin the growth of our high-quality income. Our pro-active disposals over the past two years have created room for future growth, even though this came at a modest cost to income during the year. Finance costs increased due to a rise in interest rates and lower capitalised interest following our recent development completions, but this has been offset by our positive like-for-like income growth, income from our successful developments and a reduction in administrative expenses.

Headline EPRA earnings in the prior year benefitted from a £22m year-on-year increase in surrender premiums received, which we adjusted for in the underlying earnings we reported a year ago. As such, EPRA earnings of £371m are in line with the prior year's underlying level.

Table 7: Income statement[(1)]

	Year ended 31 March 2024					Year ended 31 March 2023					
	Central London £m	**Major retail £m**	**Mixed-use urban £m**	**Subscale sectors £m**	**Total £m**	Central London £m	Major retail £m	Mixed-use urban £m	Subscale sectors £m	Total £m	**Change £m**
Gross rental income[(2)]	**291**	**181**	**57**	**112**	**641**	310	171	57	109	647	(6)
Net service charge expense	**(4)**	**(7)**	**(3)**	**(2)**	**(16)**	(1)	(8)	(2)	(1)	(12)	(4)
Net direct property expenditure	**(24)**	**(23)**	**(12)**	**(16)**	**(75)**	(20)	(31)	(10)	(13)	(74)	(1)
Segment net rental income	**263**	**151**	**42**	**94**	**550**	289	132	45	95	561	(11)
Net administrative expenses					**(77)**					(84)	7
EPRA earnings before interest					**473**					477	(4)
Net finance expense					**(102)**					(84)	(18)
EPRA earnings					**371**					393[(3)]	(22)
Capital/other items											
Valuation deficit					**(625)**					(848)	223
Loss on changes in finance leases					**-**					(6)	6
Loss on disposals					**(16)**					(144)	128
Impairment charges					**(12)**					(24)	12
Fair value movement on interest rate swaps					**(17)**					22	(39)
Other					**(20)**					(12)	(8)
Loss before tax attributable to shareholders of the parent					**(319)**					(619)	300
Non-controlling interests					**(22)**					(3)	(19)
Loss before tax					**(341)**					(622)	281

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.
3. Underlying EPRA earnings of £371m excluding £22m year-on-year increase in surrender premiums

Net rental income

Reported gross rental income was down £6m to £641m, but up £16m adjusted for the aforementioned £22m year-on-year increase in surrender premiums in the prior year and up 3.0% on a like-for-like basis excluding the impact of these movements. Surrender premiums over the last twelve months were £2m higher than the underlying level over the previous two years, at £18m, part of which relates to income foregone during the year. We expect surrender receipts going forward to be lower than the levels in recent years, as a result of lower levels of customer rightsizing or repurposing activity across our portfolio.

Net rental income was up £11m on an underlying basis. Direct property costs increased by £1m and net service charge expenses were up £4m, primarily driven by the costs associated with the initial lease-up phase of our recent London office developments. The impact from the repurposing of conventional office space to introduce two Myos reduced net rental income by £2m, but given the c. 20% premium on Myo rent we achieve, we expect this to more than reverse as we lease up this space. Investment activity reduced income by £9m, reflecting our significant deleveraging. On a like-for-like basis, our net rental income was up £13m, or 2.8%. Reflecting continued demand for our space, we expect like-for-like growth for the current year to be broadly similar.

In line with our guidance, our gross to net margin for the year reduced slightly to 85.8% from 86.7% in the prior year due to the start-up costs of opening three new Myo locations and our completed developments. The sale of our hotel portfolio will reduce our overall margin but on a like-for-like basis we expect our gross to net margin to improve so we expect our overall margin to be broadly stable this year. Overall, insolvencies remain low, with rent from customers in administration at 0.4%, in line with the prior year.

Table 8: Net rental income[1]

	£m
Net rental income for the year ended 31 March 2023	**561**
Gross rental income like-for-like movement in the period[2]:	
Increase in variable and turnover-based rents	**8**
Other movements	**8**
Total like-for-like gross rental income	**16**
Like-for-like net service charge expense	**-**
Like-for-like net direct property expenditure	**(3)**
Decrease in surrender premiums received	**(20)**
Developments[2]	**5**
Acquisitions since 1 April 2022[2]	**12**
Disposals since 1 April 2022[2]	**(21)**
Net rental income for the year ended 31 March 2024	**550**

1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information above.
2. Gross rental income on a like-for-like basis and the impact of developments, acquisitions and disposals exclude surrender premiums received.

Net administrative expenses

Net administrative expenses were down £7m to £77m, as the cost savings from the organisational review we undertook in late 2022 and our continued focus on ensuring our cost base is efficient more than offset inflation. For the current year, we expect continued efficiency improvements to offset inflation and we anticipate further savings from our investments in data and technology over time.

Our EPRA cost ratio was virtually stable at 25.0% vs 25.2% in the prior year, which reflects our capital allocation decisions. Naturally, assets with long leases to a single tenant often have lower operating costs than more operational sectors such as flexible office, shopping centres, or for example residential, yet this does not mean they generate a better overall return. Illustrating this, over the last three years we have sold £2.2bn of virtually triple-net offices with a 17-year lease term where our ability to add further value was limited and which had an expected mid-single digit forward IRR. We invested in more operational assets with a higher net income yield and much higher IRR, which clearly improved our overall returns, even though the combined impact of this increased our EPRA cost ratio by almost 3ppt.

Net finance expenses

Net interest costs increased by £18m to £102m, which reflected an increase in our weighted average cost of debt and a reduction in capitalised interest following the completion of our recent London developments, partly offset by our deleveraging through disposals. All else equal, we expect net interest costs for this year to be up slightly, as the reduction in debt following our recent disposals is offset by an increase in average borrowing costs reflecting our recent £300m bond issue and the higher average floating rate compared to last year, with 94% of our debt fixed or hedged at the end of March.

Non-cash finance income, which includes the fair value movements on derivatives, caps and hedging and which is not included in EPRA earnings, decreased from a net income of £23m during the prior year to a net expense of £24m. This is predominantly due to the fair value movements of our interest-rate swaps as a result of the increase in interest rates over the period.

Valuation of investment properties

The independent external valuation of our Combined Portfolio showed a reduction in value of £625m. Our strong leasing activity resulted in 3.2% ERV growth, yet the upside of this was more than offset by a 45bps increase in valuation yields driven by the sharp increase in bond yields during the first half of the year. This upwards pressure on yields reduced during the second half, as our valuers indicated yields were broadly stable in the final quarter of the year.

IFRS loss after tax

Substantially all our activity during the year was covered by UK REIT legislation, which means our tax charge for the period remained minimal. The IFRS loss after tax primarily as a result of the above fair value adjustment of our investment portfolio moderated to £341m, compared to £622m for the prior year.

Net assets and return on equity

Our total return on equity for the year was -4.0%, compared with -8.3% for the prior year. Our income return at NTA is an attractive 5.3%, whilst ERV growth and development upside drove a capital return of 4.2%. The combination of these two factors therefore yielded a return of 9.5%, with the remaining negative impact driven by an increase in valuations yields. As yields for the best assets begin to stabilise, this shows we are inherently well placed to deliver the 8-10% return on equity we target over time.

After the £291m of dividends paid, EPRA Net Tangible Assets, which reflects the value of our Combined Portfolio less adjusted net debt, reduced to £6,398m, or 859 pence per share. This represents a 8.2% reduction versus the prior year, half of which was made up for by dividends.

Table 9: Balance sheet[1]

	31 March 2024 £m	31 March 2023 £m
Combined Portfolio	**9,963**	10,239
Adjusted net debt	**(3,517)**	(3,287)
Other net assets	**(48)**	15
EPRA Net Tangible Assets	**6,398**	6,967
Shortfall of fair value over net investment in finance leases book value	**5**	6
Other intangible asset	**2**	2
Excess of fair value over trading properties book value	**(25)**	(12)
Fair value of interest-rate swaps	**22**	42
Net assets, excluding amounts due to non-controlling interests	**6,402**	7,005
Net assets per share	**863p**	945p
EPRA Net Tangible Assets per share (diluted)	**859p**	936p

1. 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 2023	6,967	936
EPRA earnings	371	50
Like-for-like valuation movement	(460)	(62)
Development valuation movement	(102)	(14)
Impact of acquisitions/disposals	(63)	(8)
Total valuation deficit	(625)	(84)
Dividends	(291)	(39)
Loss on disposals	(16)	(3)
Other	(8)	(1)
EPRA Net Tangible Assets at 31 March 2024	**6,398**	**859**

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

Net debt and leverage

Adjusted net debt, which includes our share of JV borrowings, increased by £230m to £3,517m during the year. We spent £137m on acquisitions and invested £328m in capex, largely on London office developments, the preparation of future developments and the investment in our existing assets. This was partly offset by the sale of investment properties generating receipts of £176m during the period.

Since the year-end we have sold £400m of assets, which would reduce adjusted net debt to £3,117m on a pro-forma basis. Following the completion of our recent London pipeline, we have £399m committed capex to spend over the next two years on our two new projects in Victoria and Southbank.

The other key elements behind the decrease in net debt are set out in our statement of cash flows and note 9 to the financial statements, with the main movements in adjusted net debt shown below. A reconciliation between net debt and adjusted net debt is shown in note 13 of the financial statements.

Table 11: Movement in adjusted net debt[1]

	£m
Adjusted net debt at 31 March 2023	**3,287**
Adjusted net cash inflow from operating activities	**(353)**
Dividends paid	**291**
Capital expenditure	**328**
Acquisitions	**137**
Disposals	**(176)**
Other	**3**
Adjusted net debt at 31 March 2024	**3,517**

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

Due to the modest increase in borrowings, net debt/EBITDA increased slightly to 7.4x based on our net debt at the end of March 2024, or 7.3x based on our weighted-average net debt for the period. We target net debt/EBITDA to remain below 8x over time. Group LTV which includes our share of JVs, increased from 31.7% to 35.0%. This reduces to 32.3% pro-forma for the hotels disposal post the year-end, which is 2.1ppt lower than it was in March 2022, before the sharp rise in interest rates and resulting correction in property values. We expect our LTV to increase slightly from this level as we will look to invest at an attractive point in the cycle, but to remain within our target range of 25% to 40%.

Table 12: Net debt and leverage

	31 March 2024	31 March 2023
Net debt	**£3,594m**	£3,348m
Adjusted net debt[(1)]	**£3,517m**	£3,287m
Interest cover ratio	**3.9x**	4.5x
Net debt/EBITDA (period-end)	**7.4x**	7.0x
Net debt/EBITDA (weighted average)	**7.3x**	8.0x
Group LTV[(1)]	**35.0%**	31.7%
Security Group LTV	**37.0%**	33.0%

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

Financing

Our gross borrowings of £3,703m are diversified across various sources, including £2,607m of Medium Term Notes (MTNs), £415m of syndicated and bilateral bank loans and £681m of commercial paper. Our MTNs and the majority of bank loans form part of our Security Group, which provides security on a floating pool of assets valued at £9.2bn. This structure provides flexibility to include or exclude assets, and an attractive cost of funding, with our MTNs currently rated AA and AA- with a stable outlook respectively by S&P and Fitch.

Our Security Group has a number of tiered covenants, yet below 65% LTV and above 1.45x ICR, these involve very limited operational restrictions. A default only occurs when LTV is more than 100% or the ICR falls below 1.0x. Our portfolio could withstand a c. 43% fall in value before we reach the 65% LTV threshold and c. 63% before reaching 100% LTV, whilst our EBITDA could fall by c. 63% before we reach the 1.45x ICR threshold and c. 74% before reaching 1.0x ICR.

We had £1.9bn of cash and undrawn facilities at the end of March 2024, providing substantial flexibility. As expected, the percentage of borrowings which is fixed or hedged reduced slightly to 94%, reflecting our net investment in the year. Across the year we redeemed £427m of MTNs on their expected maturity dates. In March, we issued a £300m bond with a maturity of 7.5 years at 4.75%, representing a spread of 103bps over the reference gilt rate. This spread shows the strength of our credit profile, and ensured our overall debt maturity remains long, at 9.5 years, providing clear visibility and underpinning the resilience of our attractive earnings profile. Our average cost of debt rose to 3.3% compared with 2.7% in the prior year. Reflecting our strong financial position, we expect this to increase only slightly during the year ahead. At the end of March 2024, we had a limited £306m of debt maturing in the next two years.

Table 13: Available facilities[(1)]

	31 March 2024 £m	31 March 2023 £m
Medium Term Notes	**2,607**	2,736
Drawn bank debt	**415**	383
Outstanding commercial paper	**681**	312
Cash and available undrawn facilities	**1,889**	2,353
Total committed credit facilities	**2,907**	3,007
Weighted average maturity of debt	**9.5 years**	10.3 years
Percentage of borrowings fixed or hedged[(1)]	**94%**	98%
Weighted average cost of debt[(2)]	**3.3%**	2.7%

1. Calculated as fixed rate debt and hedges over gross debt based on the nominal values of debt and hedges.
2. Including amortisation and commitment fees; excluding this the weighted average cost of debt is 3.2% at 31 March 2024.

Outlook

Looking ahead, our high-quality portfolio, strong operational performance actions and strong capital base mean that, with an LTV and net debt-position which is lower than it was two years ago, we are well placed to invest at an attractive point in the cycle.

We maintain our target to deliver an 8-10% annual return on equity over time, comprising a mix of income and capital returns, driven by rental growth and selective development upside. Short term movements in valuation yields are outside of our control, and mean our return on equity will not be exactly in this range each individual year, as we have seen over the past twelve months. However, with an income return on NTA of c. 5.7%, an expectation of further low-to-mid single digit ERV growth in London and Major Retail this year and yields starting to stabilise, the outlook for this is encouraging.

We are now capturing positive leasing reversion, which supported 2.8% growth in like-for-like net rental income over the past year and we expect growth for the current year to be similar. How this will translate into EPS growth depends on the quantum and timing of net investment from here. We have meaningful balance sheet capacity following our significant disposals yet our recent sales will reduce annualised earnings by c. 4%, all else equal. This means that, before reflecting the impact of any reinvestment of these sales proceeds, EPS for the year to March 2025 would likely be slightly below the 50.1 pence for 2024. For March 2026, we currently expect EPS to be slightly above this level, reflecting the combined effect of continued like-for-like income growth and accretive capital recycling. As a result, we continue to expect our dividend to grow by a low single digit percentage this year, as our dividend cover remains towards the high end of our 1.2-1.3x target range.

Principal risks and uncertainties

The Board undertakes an annual assessment of the principal risks as part of the Strategic Planning and Business Planning processes, taking account of those that would threaten our business model, future performance, solvency or liquidity or the Group's strategic objectives. From this, the Group has identified ten principal risks and uncertainties and has assessed how these are managed through a combination of strategic risk management, mitigating controls, or insurance.

The Group's approach to the management and mitigation of these risks is included in the 2024 Annual Report. The table below sets out our ten principal risks, with explanations of changes in the risk profile across the year.

Changes to our principal risks from half-year have been minor, as economic headwinds have stabilised, but not abated, especially interest rates and inflation. Whilst these factors put upward pressure on a number of risks, Landsec has mitigated these pressures well and positioned itself strongly to take advantage of future opportunities.

Risk description	Change in year
Macroeconomic outlook	⇩
Changes in the macro-economic environment result in reduction in demand for space or deferral of decisions by retail and office occupiers. Due to the length of build projects, the prevailing economic climate at initiation may be vastly different from that at completion.	The UK economy has continued to be challenging during 2023/24, with interest rates remaining high and high inflation also having an impact through much of the period. Whilst the operating environment is still affected by the implications of the recent economic environment, the outlook is considered to be positive, with interest rates expected to start falling during 2024/25. As such, the risk score has been reduced during the period. The risk remains within appetite.
Office occupier market	⇔
Structural changes in customer expectations leading to changes in demand for office space and the consequent impact on income and asset values. Further, the risk encompasses the inability to identify or adapt to changing markets in a timely manner.	The outlook in respect of the office occupancy market is positive, with increased demand and social appetite for office working continuing to strengthen. Whilst the current macro-economic environment is also looking positive, it currently continues to apply pressure in respect of the buoyancy of the market meaning this risk is considered to have remained stable over the period. The residual risk at year end was below appetite our 'flexible' appetite however over the course of our Strategic Plan we expect this risk to be brought into appetite through opportunities for stronger leasing terms.

Retail and hospitality occupier market	⇔
Structural changes in customer expectations leading to changes in demand for retail or hospitality space and the consequent impact on income and asset values.	Similar to the office occupier market, the outlook in respect of the retail and hospitality occupier market is positive but this risk is currently considered to have remained stable throughout the period as the economic environment continues to have had an impact. Our Strategic Plan and Business Plans outline initiatives to further commercialise the use of our assets, expand customer experience and raise awareness of our retail centres. Whilst diversifying the offerings to our customers acts as a risk mitigation, the risk to be taken in respect of potential yields for these initiatives, and the onboarding of customers, will increase the overall risk, bringing these risks into appetite.
Capital allocation	⇧
Capital allocated to specific assets, sectors or locations does not yield the expected returns i.e. we are not effective in placing capital or recycling.	In line with our Strategic and Business Plans, we are anticipating increased development exposure leading to this risk to have increased. Our strategy remains to introduce third-party capital into a number of our projects however we continue to have flexibility to seek to resize our development to be appropriate for our own balance sheet as required.
Development strategy	⇧
We may be unable to generate expected returns as a result of changes in the occupier market for a given asset during the course of the development, or cost or time overruns on the scheme.	The external factors that influence this risk, such as market conditions and inflation, have remained stable over the year. However, we are expecting to invest in a number of new developments during the upcoming year which will increase this risk to be closer to our flexible appetite.
Information security and cyber threat	⇔
Data loss or disruption to business processes, corporate systems or building-management systems resulting in a negative reputational, operational, regulatory or financial impact.	Significant investment and operational strengthening has been made over recent years, most recently including the onboarding of a new Chief Data & Technology Officer during the year. The emphasis is now focused on continuous improvement of the processes and controls. The current position of this risk remains within the overall Cautious risk appetite alignment for operational risks.
Change projects	⇔
Landsec is engaging in a number of important internal change programmes. These projects aim to deliver important benefits, both operationally and culturally. There is a risk that these projects fail to deliver the benefits	Landsec has various technology and operational change programmes underway, such as the upgrade and improvement of the ERP system.

identified in a timely manner and to budget.	Whilst cultural change programmes are drawing to a close, we continue to get deeper into the operational change programmes. As such, the overall risk has remained stable. The current position of this risk, remains within the overall Cautious risk appetite alignment for operational risks.
Health and safety	⬄
Failure to identify, mitigate or react effectively to major health or safety incidents, leading to: - Serious injury, illness or loss of life - Criminal/civil proceedings - Loss of stakeholder confidence - Delays to building projects and access restrictions to our properties resulting in loss of income - Inadequate response to regulatory changes - Reputational impact	During the period, the risks associated with the use of Reinforced Autoclaved Aerated Concrete (RAAC) have been assessed, with action plans in place where necessary, however the overall implications on Landsec's Health & Safety environment are considered immaterial. The likelihood of a major health, safety or security incident has remained constant throughout the year and within appetite.
People and skills	⬄
Inability to attract, retain and develop the right people and skills to meet our strategic objectives, grow enterprise value and meet shareholder expectations.	In recent years, this risk had increased due to a combination of attrition due to ongoing transformation programmes as well as the buoyant employment market at the time. However, these pressures have now stabilised leading to this risk remaining unchanged overall and within appetite over the period.
Climate-change transition	⬄
Climate change risk has two elements: - Our near and long-term science-based carbon reduction targets by 2030 and 2040 are not met in time or are achieved at a significantly higher cost than expected, leading to regulatory, reputational and commercial impact. - Failure to ensure all new developments are net zero in construction and operation, as defined by the emerging net zero standard for assets, leads to an inability to service market demand for high-quality assets that meet the highest environmental and wellbeing standards.	Operational and supply chain issues are impacting the availability and cost of sustainable resources, which are key to meeting the business's embodied carbon targets. This is under regular review, however the overall risk position is considered to have remained stable over the year, currently sitting just below the Cautious risk appetite target.

Statement of Directors' Responsibilities

The Annual Report 2024 will contain the following statements regarding responsibility for the financial statements and business reviews included therein.

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and the Company financial statements in accordance with the requirements of the Companies Act 2006. Under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules and Company law, group financial statements are required to be prepared in accordance with UK adopted international accounting standards (IFRSs and IFRICs). Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit and loss of the Group and the Company for that period.

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

- select suitable accounting policies in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- in respect of the Group financial statements, state whether international accounting standards in conformity with the requirements of the Companies Act 2006 (and UK adopted international accounting standards) have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the Company financial statements, state whether international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- provide additional disclosures when compliance with the specific requirements of UK adopted international accounting standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's and Company's financial position and performance; and
- prepare the Group's and Company's financial statements on a going concern basis, unless it is inappropriate to do so.

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

Directors' responsibility statement under the Disclosure and Transparency Rules

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

- the Group financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 (and UK adopted international accounting standards)
- give a true and fair view of the assets, liabilities, financial position, performance and cash flows of the Company and Group as a whole; and
- the Strategic Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties faced by the Group and Company.

Directors' statement under the UK Corporate Governance Code

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

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

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

- Sir Ian Cheshire, Chairman*
- Mark Allan, Chief Executive
- Vanessa Simms, Chief Financial Officer
- Edward Bonham Carter, Senior Independent Director*
- James Bowling*
- Madeleine Cosgrave*
- Christophe Evain*
- Moni Mannings*
- Miles Roberts*
- Manjiry Tamhane*

*Non-executive Directors

The Statement of Directors' Responsibilities was approved by the Board of Directors on 16 May 2024 and is signed on its behalf by:

Mark Allan	**Vanessa Simms**
Chief Executive	**Chief Financial Officer**

Financial statements

Income statement		Year ended 31 March 2024			Year ended 31 March 2023		
		EPRA earnings	Capital and other items	Total	EPRA earnings	Capital and other items	Total
	Notes	£m	£m	£m	£m	£m	£m
Revenue	5	**766**	**58**	**824**	726	65	791
Costs	6	**(325)**	**(84)**	**(409)**	(289)	(93)	(382)
		441	**(26)**	**415**	437	(28)	409
Share of post-tax profit/(loss) from joint ventures	12	**21**	**(19)**	**2**	29	(30)	(1)
Loss on disposal of investment properties		**-**	**(16)**	**(16)**	-	(144)	(144)
Net deficit on revaluation of investment properties	10	**-**	**(628)**	**(628)**	-	(827)	(827)
Loss on changes in finance leases		**-**	**-**	**-**	-	(6)	(6)
Operating profit/(loss)		**462**	**(689)**	**(227)**	466	(1,035)	(569)
Finance income	7	**11**	**1**	**12**	11	23	34
Finance expense	7	**(102)**	**(24)**	**(126)**	(84)	(3)	(87)
Profit/(loss) before tax		**371**	**(712)**	**(341)**	393	(1,015)	(622)
Taxation				**-**			-
Loss for the year				**(341)**			(622)
Attributable to:							
Shareholders of the parent				**(319)**			(619)
Non-controlling interests				**(22)**			(3)
				(341)			(622)
Loss per share attributable to shareholders of the parent:							
Basic (loss)/earnings per share	4			**(43.0)p**			(83.6)p
Diluted (loss)/earnings per share	4			**(43.0)p**			(83.6)p

Statement of comprehensive income	Year ended 31 March 2024	Year ended 31 March 2023
	Total	Total
	£m	£m
Loss for the year	**(341)**	(622)
Items that may be subsequently reclassified to the income statement:		
Movement in cash flow hedges	**(1)**	(1)
Items that will not be subsequently reclassified to the income statement:		
Net re-measurement loss on defined benefit pension scheme	**(5)**	(12)
Deferred tax credit on re-measurement above	**4**	3
Other comprehensive loss for the year	**(2)**	(10)
Total comprehensive loss for the year	**(343)**	(632)
Attributable to:		
Shareholders of the parent	**(321)**	(629)
Non-controlling interests	**(22)**	(3)
	(343)	(632)

Balance sheet

	Notes	2024 £m	2023 £m
Non-current assets			
Investment properties	10	**9,330**	9,658
Intangible assets		**3**	6
Net investment in finance leases		**21**	21
Investments in joint ventures	12	**529**	533
Investments in associates		**-**	3
Trade and other receivables		**159**	146
Other non-current assets		**48**	67
Total non-current assets		**10,090**	10,434
Current assets			
Trading properties	11	**100**	118
Trade and other receivables		**379**	365
Monies held in restricted accounts and deposits	15	**6**	4
Cash and cash equivalents	16	**78**	41
Other current assets		**11**	4
Total current assets		**574**	532
Total assets		**10,664**	10,966
Current liabilities			
Borrowings	14	**(975)**	(315)
Trade and other payables		**(348)**	(306)
Provisions		**(30)**	-
Other current liabilities		**-**	(24)
Total current liabilities		**(1,353)**	(645)
Non-current liabilities			
Borrowings	14	**(2,805)**	(3,223)
Trade and other payables		**(4)**	(17)
Provisions		**(42)**	-
Other non-current liabilities		**(13)**	(9)
Total non-current liabilities		**(2,864)**	(3,249)
Total liabilities		**(4,217)**	(3,894)
Net assets		**6,447**	7,072
Equity			
Capital and reserves attributable to shareholders			
Ordinary shares		**80**	80
Share premium		**319**	318
Other reserves		**23**	13
Retained earnings		**5,980**	6,594
Equity attributable to shareholders of the parent		**6,402**	7,005
Equity attributable to non-controlling interests		**45**	67
Total equity		**6,447**	7,072

The financial statements on pages 28 to 49 were approved by the Board of Directors on 16 May 2024 and were signed on its behalf by:

Mark Allan **Vanessa Simms**

Directors

Statement of changes in equity		Attributable to shareholders of the parent						
	Notes	Ordinary shares £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
At 1 April 2022		80	317	9	7,511	7,917	74	7,991
Total comprehensive loss for the financial year		-	-	-	(629)	(629)	(3)	(632)
Transactions with shareholders of the parent:								
Share-based payments		-	1	4	2	7	-	7
Dividends paid to shareholders of the parent	8	-	-	-	(290)	(290)	-	(290)
Total transactions with shareholders of the parent		-	1	4	(288)	(283)	-	(283)
Dividends paid to non-controlling interests		-	-	-	-	-	(4)	(4)
Total transactions with shareholders		-	1	4	(288)	(283)	(4)	(287)
At 31 March 2023		80	318	13	6,594	7,005	67	7,072
Total comprehensive loss for the financial year		**-**	**-**	**-**	**(321)**	**(321)**	**(22)**	**(343)**
Transactions with shareholders of the parent:								
Share-based payments		**-**	**1**	**10**	**(2)**	**9**	**-**	**9**
Dividends paid to shareholders of the parent	**8**	**-**	**-**	**-**	**(291)**	**(291)**	**-**	**(291)**
Total transactions with shareholders of the parent		**-**	**1**	**10**	**(293)**	**(282)**	**-**	**(282)**
At 31 March 2024		**80**	**319**	**23**	**5,980**	**6,402**	**45**	**6,447**

Statement of cash flows

	Notes	2024 £m	2023 £m
Cash flows from operating activities			
Net cash generated from operations	9	**429**	356
Interest received		**24**	16
Interest paid		**(101)**	(92)
Rents paid		**(14)**	(13)
Capital expenditure on trading properties		**(19)**	(6)
Disposal of trading properties		**18**	18
Development income proceeds received		**-**	54
Other operating cash flows		**1**	9
Net cash inflow from operating activities	9	**338**	342
Cash flows from investing activities			
Investment property development expenditure		**(202)**	(253)
Other investment property related expenditure		**(126)**	(102)
Acquisition of investment properties, net of cash acquired		**(137)**	(94)
Disposal of investment properties		**176**	1,269
Cash distributions from joint ventures	12	**17**	14
Net cash (outflow)/inflow from investing activities		**(272)**	834
Cash flows from financing activities			
Net proceeds from new borrowings (net of finance fees)		**708**	394
Repayment of borrowings	14	**(427)**	(1,407)
Net cash (outflow)/inflow from derivative financial instruments	14	**(18)**	25
Dividends paid to shareholders of the parent	14	**(291)**	(289)
Dividends paid to non-controlling interests	8	**-**	(4)
Increase in monies held in restricted accounts and deposits		**(2)**	-
Other financing cash flows		**1**	-
Net cash outflow from financing activities		**(29)**	(1,281)
Increase/(decrease) in cash and cash equivalents for the year		**37**	(105)
Cash and cash equivalents at the beginning of the year		**41**	146
Cash and cash equivalents at the end of the year	16	**78**	41

Notes to the financial statements

1. Basis of preparation and consolidation

Basis of preparation

These financial statements have been prepared on a going concern basis and in accordance with UK adopted international accounting standards (IFRSs and IFRICs), as applied in accordance with the provisions of the Companies Act 2006. The financial statements have been prepared in Pounds Sterling (rounded to the nearest one million), which is the presentation currency of the Group (Land Securities Group PLC and all its subsidiary undertakings), and under the historical cost convention as modified by the revaluation of investment property, financial assets at fair value through profit or loss, derivative financial instruments and pension assets.

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

On 16 May 2024, the consolidated financial statements of the Group and this preliminary announcement were authorised for issue in accordance with a resolution of the Directors and will be delivered to the Registrar of Companies following the Group's Annual General Meeting. Statutory accounts for the year ended 31 March 2023 have been filed unqualified and do not contain any statement under Section 498(2) or Section 498(3) of the Companies Act 2006. The annual financial information presented in this preliminary announcement for the year ended 31 March 2024 is based on, and consistent with, the financial information in the Group's audited financial statements for the year ended 31 March 2023. The audit report on these financial statements is unqualified and did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006. This preliminary announcement does not constitute statutory financial statements of the Group within the meaning of Section 435 of the Companies Act 2006. While the information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of IFRS, this announcement does not itself contain sufficient information to comply with IFRS.

A copy of the Group's Annual Report for the year ended 31 March 2023 can be found on the website at landsec.com/investors.

Going concern

The impact of international and domestic political and economic events over the course of the year has resulted in the UK facing a prolonged period of high inflation, rising interest rates and minimal GDP growth. Therefore, the Directors have continued to place additional focus on the appropriateness of adopting the going concern assumption in preparing the financial statements for the year ended 31 March 2024. The Group's going concern assessment considers changes in the Group's principal risks (see pages 23-25) 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 base case, downside and reverse stress test models, as well as a cash flow model which considers the impact of pessimistic assumptions on the Group's operating environment (the 'mitigated downside scenario'). This mitigated downside scenario reflects unfavourable macro-economic conditions, a deterioration in our ability to collect rent and service charge from our customers and removes uncommitted capital expenditure, acquisitions, disposals and developments.

The Group's key metrics from the mitigated downside scenario as at the end of the going concern assessment period, which covers the 16 months to 30 September 2025, are shown below alongside the actual position at 31 March 2024.

Key metrics	31 March 2024	Mitigated downside scenario 30 September 2025
Security Group LTV	**37.0%**	42.8%
Adjusted net debt	**£3,517m**	£3,885m
EPRA net tangible assets	**£6,398m**	£5,559m
Available financial headroom	**£1.9bn**	£0.9bn

In our mitigated downside 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 16 months from the date of authorisation of these financial statements. Under this scenario, the Security Group's asset values would need to fall by a further 34% from the sensitised values forecasted at 30 September 2025 to be non-compliant with the LTV covenant. This equates to a 43% fall in the value of the Security Group's assets from the 31 March 2024 values for the LTV to reach 65%. The Directors consider the likelihood of this occurring over the going concern assessment period to be remote.

The Security Group also requires earnings before interest of at least £198m in the full year ending 31 March 2025 and at least £232m in the full year ending 31 March 2026 for interest cover to remain above 1.45x in the mitigated downside scenario, which would ensure compliance with the Group's covenant through to the end of the going concern assessment period. Security Group earnings post year end 31 March 2024 are above the level required to meet the interest cover covenant for the year ended 31 March 2025. The Directors do not anticipate a reduction in Security Group earnings over the period ending 30 September 2025 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, although breaching the interest cover covenant, the Group continues to have sufficient cash reserves to continue in operation throughout the going concern assessment period.

Based on these considerations, together with available market information and the Directors' knowledge and experience of the Group's property portfolio and markets, the Directors have adopted the going concern basis in preparing the financial statements of the Group and parent for the year ended 31 March 2024.

Basis of consolidation and presentation of results

The consolidated financial statements for the year ended 31 March 2024 incorporate the financial statements of the Company and all its subsidiary undertakings. Subsidiary undertakings are those entities controlled by the Company. Control exists where an entity is exposed to variable returns and has the ability to affect those returns through its power over the investee.

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

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

Where equity in a subsidiary is not attributable, directly or indirectly, to the shareholders of the parent, this is classified as a non-controlling interest. Total comprehensive income or loss and the total equity of the Group are attributed to the shareholders of the parent and to the non-controlling interests according to their respective ownership percentages.

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

Our property portfolio is a combination of properties that are wholly owned by the Group, part owned through joint arrangements and properties owned by the Group but where a third party holds a non-controlling interest. Internally, management review the results of the Group on a basis that adjusts for these different forms of ownership to present a proportionate share. The Combined Portfolio, with assets totalling **£10.0bn**, is an example of this approach, reflecting the economic interest we have in our properties regardless of our ownership structure. 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 (see note 10). We consider this presentation provides further understanding to stakeholders of the activities and performance of the Group, as it aggregates the results of all of the Group's property interests which under IFRS are required to be presented across a number of line items in the statutory financial statements.

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

EPRA earnings is the Group's measure of the underlying pre-tax profit of the property rental business. EPRA earnings 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. Changes in accounting policies and standards

The accounting policies used in these financial statements are consistent with those applied in the last annual financial statements, as amended where relevant to reflect the adoption of new standards, amendments and interpretations which became effective in the year as listed below:

- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of accounting policies
- Amendments to IAS 8 – Definition of Accounting Estimates
- Amendments to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction
- Amendments to IAS 12 – International tax reform – Pillar Two model rules
- IFRS 17 – Insurance Contracts

There has been no material impact on the financial statements of adopting any new standards, amendments and interpretations.

Amendments to IFRS

A number of new standards, amendments to standards and interpretations have been issued but are not yet effective for the Group as listed below:

- Amendments to IAS 1 – Classification of liabilities as current or non current
- Amendments to IAS 1 – Non-current Liabilities with Covenants
- Amendments to IAS 7 and IFRS 7 – Disclosures: Supplier finance arrangements
- Amendments to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture
- Amendments to IFRS 16 – Lease liability in a sale and leaseback
- Amendments to IAS 21 – Lack of exchangeability
- IFRS 18 – Presentation and Disclosure in Financial Statements

The Group has yet to assess the full outcome of these new standards, amendments and interpretations, however with the exception of IFRS 18 these new standards, amendments and interpretations are not expected to have a significant impact on the Group's financial statements.

3. Segmental information

The Group's operations are all in the UK and are managed across four operating segments, being Central London, Major retail destinations (Major retail), Mixed-use urban neighbourhoods (Mixed-use urban) and Subscale sectors.

The Central London segment includes all assets geographically located within central London. Major retail destinations includes all regional shopping centres and shops outside London and our outlets. The Mixed-use urban 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 before 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 for centralised functions, 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 and non-wholly owned subsidiaries, on a pooled basis. Individual joint ventures and non-wholly owned subsidiaries 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.

Segmental results

					2024					2023[2]
EPRA earnings	**Central London £m**	**Major retail £m**	**Mixed-use urban £m**	**Subscale sectors £m**	**Total £m**	Central London £m	Major retail £m	Mixed-use urban £m	Subscale sectors £m	Total £m
Rental income	**294**	**188**	**58**	**112**	**652**	313	179	58	107	657
Finance lease interest	**-**	**-**	**-**	**1**	**1**	-	-	-	2	2
Gross rental income (before rents payable)	**294**	**188**	**58**	**113**	**653**	313	179	58	109	659
Rents payable[1]	**(3)**	**(7)**	**(1)**	**(1)**	**(12)**	(3)	(8)	(1)	-	(12)
Gross rental income (after rents payable)	**291**	**181**	**57**	**112**	**641**	310	171	57	109	647
Service charge income	**59**	**53**	**11**	**-**	**123**	46	42	10	-	98
Service charge expense	**(63)**	**(60)**	**(14)**	**(2)**	**(139)**	(47)	(50)	(12)	(1)	(110)
Net service charge expense	**(4)**	**(7)**	**(3)**	**(2)**	**(16)**	(1)	(8)	(2)	(1)	(12)
Other property related income	**20**	**11**	**4**	**3**	**38**	15	10	3	3	31
Direct property expenditure	**(43)**	**(42)**	**(16)**	**(18)**	**(119)**	(34)	(44)	(14)	(16)	(108)
Movement in bad and doubtful debts provision	**(1)**	**8**	**-**	**(1)**	**6**	(1)	3	1	-	3
Segment net rental income	**263**	**151**	**42**	**94**	**550**	289	132	45	95	561
Other income					**1**					3
Administrative expense					**(74)**					(82)
Depreciation					**(4)**					(5)
EPRA earnings before interest					**473**					477
Finance income					**11**					11
Finance expense					**(102)**					(84)
Joint venture net finance expense					**(11)**					(11)
EPRA earnings attributable to shareholders of the parent					**371**					393

1. Included within rents payable is lease interest payable of **£4m** (2023: £4m) across the four segments.
2. A reconciliation from the Group income statement to the information presented in the segmental results table for the year ended 31 March 2023 is included in table 27.

3. Segmental information continued

The following table reconciles the Group's income statement to the segmental results.

Reconciliation of segmental information note to statutory reporting

	Year ended 31 March 2024					
	Group income statement £m	Joint ventures[(1)] £m	Adjustment for non-wholly owned subsidiaries[(2)] £m	Total £m	EPRA earnings £m	Capital and other items £m
Rental income	622	38	(8)	652	652	-
Finance lease interest	1	-	-	1	1	-
Gross rental income (before rents payable)	**623**	**38**	**(8)**	**653**	**653**	**-**
Rents payable	(11)	(1)	-	(12)	(12)	-
Gross rental income (after rents payable)	**612**	**37**	**(8)**	**641**	**641**	**-**
Service charge income	117	8	(2)	123	123	-
Service charge expense	(133)	(9)	3	(139)	(139)	-
Net service charge expense	(16)	(1)	1	(16)	(16)	-
Other property related income	35	3	-	38	38	-
Direct property expenditure	(114)	(6)	1	(119)	(119)	-
Movement in bad and doubtful debts provision	6	-	-	6	6	-
Segment net rental income	**523**	**33**	**(6)**	**550**	**550**	**-**
Other income	1	-	-	1	1	-
Administrative expenses	(73)	(1)	-	(74)	(74)	-
Depreciation, including amortisation of software	(4)	-	-	(4)	(4)	-
EPRA earnings before interest	**447**	**32**	**(6)**	**473**	**473**	**-**
Share of post-tax profit/(loss) from joint ventures	2	(2)	-	-	-	-
Loss on disposal of investment properties[(3)]	(16)	-	-	(16)	-	(16)
Net deficit on revaluation of investment properties	(628)	(19)	22	(625)	-	(625)
Net development contract and transaction expenditure	(18)	-	-	(18)	-	(18)
Fair value gain on remeasurement of investment	3	-	-	3	-	3
Impairment of amounts due from joint ventures	(2)	-	-	(2)	-	(2)
Impairment of goodwill	(1)	-	-	(1)	-	(1)
Impairment of trading properties	(11)	-	-	(11)	-	(11)
Depreciation	(2)	-	-	(2)	-	(2)
Other costs	(1)	-	-	(1)	-	(1)
Operating (loss)/profit	**(227)**	**11**	**16**	**(200)**	**473**	**(673)**
Finance income	12	-	-	12	11	1
Finance expense	(126)	(11)	6	(131)	(113)	(18)
(Loss)/profit before tax	**(341)**	**-**	**22**	**(319)**	**371**	**(690)**
Taxation	-	-	-	-		
(Loss)/profit for the year	**(341)**	**-**	**22**	**(319)**		

1. Reallocation of the share of post-tax profit from joint ventures reported in the Group income statement to the individual line items reported in the segmental results table.
2. Removal of the non-wholly owned share of results of the Group's subsidiaries. The non-wholly owned subsidiaries are consolidated at 100% in the Group's income statement, but only the Group's share is included in EPRA earnings reported in the segmental results table. The non-owned element of the Group's subsidiaries are included in the 'Capital and other items' column presented in the Group's income statement, together with items not directly related to the underlying rental business such as investment properties valuation changes, profits or losses on the disposal of investment properties, the proceeds from, and costs of, the sale of trading properties, income from and costs associated with development contracts, amortisation and impairment of intangibles, and other attributable costs, arising on business combinations.
3. Included in the loss on disposal of investment properties is a **£2m** charge (2023: £9m charge) related to the provision for fire safety remediation works on properties no longer owned by the Group but for which the Group is responsible for remediating under the Building Safety Act 2022.

4. Performance measures

In the tables below, we present earnings per share attributable to shareholders of the parent, calculated in accordance with IFRS, and net assets per share attributable to shareholders of the parent 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 return on equity. Refer to table 14 in the Business Analysis section for further details on these alternative performance measures.

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 year to year.

Earnings per share		**Year ended 31 March 2024**		Year ended 31 March 2023
	Loss for the year £m	**EPRA earnings £m**	Loss for the year £m	EPRA earnings £m
Loss attributable to shareholders of the parent	**(319)**	**(319)**	(619)	(619)
Valuation and loss on disposals	**-**	**650**	-	1,016
Net finance expense/(income) (excluded from EPRA earnings)	**-**	**20**	-	(21)
Impairment of goodwill	**-**	**1**	-	5
Other	**-**	**19**	-	12
(Loss)/profit used in per share calculation	**(319)**	**371**	(619)	393
	IFRS	**EPRA**	IFRS	EPRA[2]
Basic (loss)/earnings per share	**(43.0)p**	**50.1p**	(83.6)p	53.1p
Diluted (loss)/earnings per share[1]	**(43.0)p**	**50.1p**	(83.6)p	53.1p

1. In the year ended 31 March 2024, share options are excluded from the weighted average diluted number of shares when calculating IFRS and EPRA diluted (loss)/earnings per share because they are not dilutive.
2. Underlying EPRA EPS excluding the benefit of increased surrender premiums in the prior year was 50.1p.

Net assets per share			**31 March 2024**			31 March 2023
	Net assets £m	**EPRA NDV £m**	**EPRA NTA £m**	Net assets £m	EPRA NDV £m	EPRA NTA £m
Net assets attributable to shareholders of the parent	**6,402**	**6,402**	**6,402**	7,005	7,005	7,005
Shortfall of fair value over net investment in finance leases book value	**-**	**(5)**	**(5)**	-	(6)	(6)
Deferred tax liability on intangible asset	**-**	**-**	**-**	-	-	1
Goodwill on deferred tax liability	**-**	**-**	**-**	-	(1)	(1)
Other intangible asset	**-**	**-**	**(2)**	-	-	(2)
Fair value of interest-rate swaps	**-**	**-**	**(22)**	-	-	(42)
Excess of fair value of trading properties over book value	**-**	**25**	**25**	-	12	12
Shortfall of fair value of debt over book value (note 14)	**-**	**313**	**-**	-	324	-
Net assets used in per share calculation	**6,402**	**6,735**	**6,398**	7,005	7,334	6,967
	IFRS	**EPRA NDV**	**EPRA NTA**	IFRS	EPRA NDV	EPRA NTA
Net assets per share	**863p**	**n/a**	**n/a**	945p	n/a	n/a
Diluted net assets per share	**859p**	**904p**	**859p**	942p	986p	936p

Number of shares		**2024**		2023
	Weighted average million	**31 March million**	Weighted average million	31 March million
Ordinary shares	**751**	**752**	751	751
Treasury shares	**(7)**	**(7)**	(7)	(7)
Own shares	**(3)**	**(3)**	(4)	(3)
Number of shares – basic	**741**	**742**	740	741
Dilutive effect of share options	**3**	**3**	4	3
Number of shares – diluted	**744**	**745**	744	744

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

Total return on equity based on EPRA NTA	**Year ended 31 March 2024 pence**	Year ended 31 March 2023 pence
Decrease in EPRA NTA per share	**(77)**	(127)
Dividend paid per share in the year (note 8)	**39**	39
Total return (a)	**(38)**	(88)
EPRA NTA per share at the beginning of the year (b)	**936**	1,063
Total return on equity (a/b)	**(4.0)%**	(8.3)%

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, income from development contracts or transactions and the non-owned element of the Group's subsidiaries which are presented in the 'Capital and other items' column.

	2024			2023		
	EPRA earnings £m	Capital and other items £m	Total £m	EPRA earnings £m	Capital and other items £m	Total £m
Rental income (excluding adjustment for lease incentives)	**598**	**8**	**606**	606	8	614
Adjustment for lease incentives	**16**	**-**	**16**	(2)	-	(2)
Rental income	**614**	**8**	**622**	604	8	612
Service charge income	**115**	**2**	**117**	88	3	91
Trading property sales proceeds	**-**	**26**	**26**	-	22	22
Other property related income	**35**	**-**	**35**	29	-	29
Finance lease interest	**1**	**-**	**1**	2	-	2
Development contract and transaction income	**-**	**22**	**22**	-	32	32
Other income	**1**	**-**	**1**	3	-	3
Revenue per the income statement	**766**	**58**	**824**	726	65	791

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

	2024				2023			
	Group £m	Joint ventures £m	Adjustment for non-wholly owned subsidiaries £m	Total £m	Group £m	Joint ventures £m	Adjustment for non-wholly owned subsidiaries £m	Total £m
Rental income	**622**	**38**	**(8)**	**652**	612	53	(8)	657
Service charge income	**117**	**8**	**(2)**	**123**	91	10	(3)	98
Other property related income	**35**	**3**	**-**	**38**	29	2	-	31
Finance lease interest	**1**	**-**	**-**	**1**	2	-	-	2
Other income	**1**	**-**	**-**	**1**	3	-	-	3
Revenue in the segmental information note	**776**	**49**	**(10)**	**815**	737	65	(11)	791
Development contract and transaction income	**22**	**-**	**-**	**22**	32	-	-	32
Trading property sales proceeds	**26**	**-**	**-**	**26**	22	-	-	22
Revenue including Capital and other items	**824**	**49**	**(10)**	**863**	791	65	(11)	845

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 development contracts or transactions, amortisation and impairments of intangible assets, and other attributable costs, arising on business combinations and the non-owned element of the Group's subsidiaries which are presented in the 'Capital and other items' column.

	2024 EPRA earnings £m	2024 Capital and other items £m	2024 Total £m	2023 EPRA earnings £m	2023 Capital and other items £m	2023 Total £m
Rents payable	11	-	11	10	-	10
Service charge expense	130	3	133	98	2	100
Direct property expenditure	113	1	114	98	2	100
Movement in bad and doubtful debts provision	(6)	-	(6)	(2)	-	(2)
Administrative expenses	73	-	73	80	-	80
Impairment of trading properties	-	11	11	-	19	19
Cost of trading property disposals	-	26	26	-	21	21
Development contract and transaction expenditure	-	40	40	-	41	41
Depreciation, including amortisation of software	4	2	6	5	3	8
Impairment of amounts due from joint ventures	-	2	2	-	-	-
Impairment of goodwill	-	1	1	-	5	5
Fair value gain on remeasurement of investment	-	(3)	(3)	-	-	-
Other costs	-	1	1	-	-	-
Total costs per the income statement	**325**	**84**	**409**	289	93	382

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

	2024 Group £m	2024 Joint ventures £m	2024 Adjustment for non-wholly owned subsidiaries £m	2024 Total £m	2023 Group £m	2023 Joint ventures £m	2023 Adjustment for non-wholly owned subsidiaries £m	2023 Total £m
Rents payable	11	1	-	12	10	2	-	12
Service charge expense	133	9	(3)	139	100	12	(2)	110
Direct property expenditure	114	6	(1)	119	100	10	(2)	108
Administrative expenses	73	1	-	74	80	2	-	82
Depreciation, including amortisation of software	4	-	-	4	5	-	-	5
Movement in bad and doubtful debts provision	(6)	-	-	(6)	(2)	(1)	-	(3)
Costs in the segmental information note	**329**	**17**	**(4)**	**342**	293	25	(4)	314
Impairment of trading properties	11	-	-	11	19	-	-	19
Cost of trading property disposals	26	-	-	26	21	-	-	21
Development contract and transaction expenditure	40	-	-	40	41	-	-	41
Depreciation	2	-	-	2	3	-	-	3
Impairment of amounts due from joint ventures	2	-	-	2	-	-	-	-
Impairment of goodwill	1	-	-	1	5	-	-	5
Fair value gain on remeasurement of investment	(3)	-	-	(3)	-	-	-	-
Other costs	1	-	-	1	-	-	-	-
Costs including Capital and other items	**409**	**17**	**(4)**	**422**	382	25	(4)	403

7. Net finance expense

	2024 EPRA earnings £m	**2024 Capital and other items £m**	**2024 Total £m**	2023 EPRA earnings £m	2023 Capital and other items £m	2023 Total £m
Finance income						
Interest receivable from joint ventures	**11**	**-**	**11**	11	-	11
Fair value movement on interest-rate swaps	**-**	**-**	**-**	-	23	23
Other interest receivable	**-**	**1**	**1**	-	-	-
	11	**1**	**12**	11	23	34
Finance expense						
Bond and debenture debt	**(85)**	**-**	**(85)**	(68)	-	(68)
Bank and other short-term borrowings	**(35)**	**(2)**	**(37)**	(38)	(2)	(40)
Fair value movement on interest-rate swaps	**-**	**(22)**	**(22)**	-	-	-
Other interest payable	**(1)**	**-**	**(1)**	-	(1)	(1)
	(121)	**(24)**	**(145)**	(106)	(3)	(109)
Interest capitalised in relation to properties under development	**19**	**-**	**19**	22	-	22
	(102)	**(24)**	**(126)**	(84)	(3)	(87)
Net finance (expense)/income	**(91)**	**(23)**	**(114)**	(73)	20	(53)
Joint venture net finance expense	**(11)**	**-**	**-**	(11)	-	-
Net finance expense included in EPRA earnings	**(102)**	**-**	**-**	(84)	-	-

Lease interest payable of **£4m** (2023: £4m) is included within rents payable as detailed in note 3.

8. Dividends

Dividends paid						**Year ended 31 March**	
		Pence per share				**2024**	2023
	Payment date	**PID**	**Non-PID**	**Total**		**£m**	£m
For the year ended 31 March 2022:							
Third interim	7 April 2022	8.50	-	8.50			63
Final	22 July 2022	13.00	-	13.00			96
For the year ended 31 March 2023:							
First interim	7 October 2022	8.60	-	8.60			64
Second interim	3 January 2023	9.00	-	9.00			67
Third interim	**6 April 2023**	**9.00**	**-**	**9.00**		**67**	
Final	**21 July 2023**	**12.00**	**-**	**12.00**		**89**	
For the year ended 31 March 2024:							
First interim	**6 October 2023**	**9.00**	**-**	**9.00**		**67**	
Second interim	**2 January 2024**	**9.20**	**-**	**9.20**		**68**	
Gross dividends						**291**	290
Dividends in the statement of changes in equity						**291**	290
Timing difference on payment of withholding tax						**-**	(1)
Dividends in the statement of cash flows						**291**	289

The third quarterly interim dividend of **9.3p** per ordinary share, or **£69m** in total (2023: 9.0p or £67m in total), was paid on 12 April 2024 as a Property Income Distribution (PID). The Board has recommended a final dividend for the year ended 31 March 2024 of **12.1p** per ordinary share (2023: 12.0p) to be paid as a PID. This final dividend will result in a further estimated distribution of **£90m** (2023: £90m). Subject to shareholders' approval at the Annual General Meeting, the final dividend will be paid on 26 July 2024 to shareholders registered at the close of business on 14 June 2024.

The total dividend paid and recommended in respect of the year ended 31 March 2024 is **39.6p** per ordinary share (2023: 38.6p) resulting in a total estimated distribution of **£294m** (2023: £288m).

The first quarterly dividend for the year ending 31 March 2025 will be paid in October 2024 and will be announced in due course.

A Dividend Reinvestment Plan (DRIP) has been available in respect of all dividends paid during the year. The last day for DRIP elections for the final dividend is close of business on 28 June 2024.

9. Net cash generated from operations

Reconciliation of operating loss to net cash generated from operations

	2024 £m	2023 £m
Operating loss	**(227)**	(569)
Adjustments for:		
Net deficit on revaluation of investment properties	**628**	827
Loss on changes in finance leases	**-**	6
Profit on disposal of trading properties	**-**	(1)
Loss on disposal of investment properties	**16**	144
Share of (profit)/loss from joint ventures	**(2)**	1
Share-based payment charge	**8**	6
Impairment of goodwill	**1**	5
Impairment of amounts due from joint ventures	**2**	-
Fair value gain on remeasurement of investment	**(3)**	-
Non-cash development contract and transaction expenditure	**26**	-
Rents payable	**11**	10
Depreciation and amortisation	**4**	5
Impairment of trading properties	**11**	19
	475	453
Changes in working capital:		
Increase in receivables	**(32)**	(17)
Decrease in payables and provisions	**(14)**	(80)
Net cash generated from operations	**429**	356

Reconciliation to adjusted net cash inflow from operating activities	**2024** £m	**2023** £m
Net cash inflow from operating activities	**338**	342
Joint ventures net cash inflow from operating activities	**15**	17
Adjusted net cash inflow from operating activities[1]	**353**	359

1. Includes cash flows relating to the interest in MediaCity which is not owned by the Group but is consolidated in the Group numbers.

10. Investment properties

	2024 £m	2023 £m
Net book value at the beginning of the year	**9,658**	11,207
Transfer from joint venture	**-**	23
Acquisitions of investment properties	**144**	218
Capital expenditure	**374**	356
Capitalised interest	**19**	22
Net movement in head leases capitalised[1]	**(30)**	(16)
Disposals[2]	**(207)**	(1,319)
Net deficit on revaluation of investment properties	**(628)**	(827)
Transfers to trading properties	**-**	(6)
Net book value at the end of the year	**9,330**	9,658

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

The market value of the Group's investment properties, as determined by the Group's external valuers, 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.

	2024				2023			
	Group (excl. joint ventures) £m	**Joint ventures[1] £m**	**Adjustment for non-wholly owned subsidiaries £m**	**Combined Portfolio £m**	Group (excl. joint ventures) £m	Joint ventures[1] £m	Adjustment for non-wholly owned subsidiaries £m	Combined Portfolio £m
Market value	**9,465**	**616**	**(118)**	**9,963**	9,743	635	(139)	10,239
Less: properties treated as finance leases	**(18)**	**-**	**-**	**(18)**	(17)	-	-	(17)
Plus: head leases capitalised	**77**	**1**	**-**	**78**	107	1	-	108
Less: tenant lease incentives	**(194)**	**(32)**	**-**	**(226)**	(175)	(35)	-	(210)
Net book value	**9,330**	**585**	**(118)**	**9,797**	9,658	601	(139)	10,120
Net (deficit)/surplus on revaluation of investment properties	**(628)**	**(19)**	**22**	**(625)**	(827)	(30)	9	(848)

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

The net book value of leasehold properties where head leases have been capitalised is **£1,604m** (2023: £1,723m).

Investment properties include capitalised interest of **£290m** (2023: £271m). The average rate of interest capitalisation for the year is **4.8%** (2023: 3.0%). The gross historical cost of investment properties is **£8,502m** (2023: £8,280m).

11. Trading properties

	Development land and infrastructure £m	**Residential £m**	**Total £m**
At 1 April 2022	128	17	145
Transfer from investment properties	6	-	6
Capital expenditure	6	(3)	3
Disposals	(17)	-	(17)
(Impairment)/reversal of impairment	(25)	6	(19)
At 31 March 2023	98	20	118
Capital expenditure	**6**	**7**	**13**
Capitalised interest	**-**	**1**	**1**
Disposals	**(21)**	**-**	**(21)**
Impairment	**(11)**	**-**	**(11)**
At 31 March 2024	**72**	**28**	**100**

The cumulative impairment provision at 31 March 2024 in respect of Development land and infrastructure was **£36m** (2023: £25m); and in respect of Residential was **£nil** (2023: £nil).

12. Joint arrangements

The Group's principal joint arrangements are described below:

Joint ventures	Percentage owned & voting rights(1)	Business segment	Year end date(2)	Joint venture partner
Held at 31 March 2024				
Nova, Victoria(3)	50%	Central London	31 March	Suntec Real Estate Investment Trust
Southside Limited Partnership	50%	Major retail	31 March	Invesco Real Estate European Fund
Westgate Oxford Alliance Limited Partnership	50%	Major retail, Subscale sectors	31 March	The Crown Estate Commissioners
Harvest(4)	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
Mayfield(5)(6)	50%	Mixed-use urban	31 March	LCR Limited, Manchester City Council, Transport for Greater Manchester
Curzon Park Limited(6)	50%	Subscale sectors	31 March	Derwent Developments (Curzon) Limited
Plus X Holdings Limited(6)	50%	Subscale sectors	31 March	Paul David Rostas, Matthew Edmund Hunter
Landmark Court Partnership Limited(6)	51%	Central London	31 March	TTL Landmark Court Properties Limited
Opportunities for Sittingbourne Limited(6)	50%	Mixed-use urban	31 March	Swale Borough Council
Cathedral (Movement, Greenwich) LLP(6)	52%	Mixed-use urban	31 March	Mr Richard Upton
Circus Street Developments Limited(6)	50%	Mixed-use urban	31 March	High Wire Brighton Limited

Joint operation	Ownership interest	Business segment	Year end date(3)	Joint operation partners
Held at 31 March 2023				
Bluewater, Kent	48.75%	Major retail	31 March	M&G Real Estate and GIC Royal London Asset Management Aberdeen Standard Investments

1. Investments under joint arrangements are not always represented by an equal percentage holding by each partner. In a number of joint ventures that are not considered principal joint ventures and therefore not included in the table above, the Group holds a majority shareholding but has joint control and therefore the arrangement is accounted for as a joint venture.
2. The year end date shown is the accounting reference date of the joint arrangement. In all cases, the Group's accounting is performed using financial information for the Group's own reporting year and reporting date.
3. 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.
4. Harvest includes Harvest 2 Limited Partnership, Harvest Development Management Limited, Harvest 2 Selly Oak Limited, Harvest 2 GP Limited and Harvest GP Limited.
5. Mayfield includes Mayfield Development Partnership LP and Mayfield Development (General Partner) Limited.
6. Included within Other in subsequent tables.

All of the Group's joint arrangements listed above have their principal place of business in the United Kingdom. All of the Group's principal joint arrangements own and operate investment property, with the exception of:
— The Ebbsfleet Limited Partnership and Plus X Holdings Limited, which are holding companies;
— Harvest, which is engaged in long-term development contracts; and
— Curzon Park Limited, Landmark Court Partnership Limited, Opportunities for Sittingbourne Limited and Circus Street Developments Limited, which are companies continuing their business of property development.
The activities of all the Group's principal joint arrangements are therefore strategically important to the business activities of the Group.

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

12. Joint arrangements continued

Joint ventures **Year ended 31 March 2024**

Comprehensive income statement	Nova, Victoria 100% £m	Southside Limited Partnership 100% £m	Westgate Oxford Alliance Partnership 100% £m	Other 100% £m	Total 100% £m	Total Group share £m
Revenue[1]	**49**	**11**	**35**	**5**	**100**	**49**
Gross rental income (after rents payable)	**34**	**11**	**26**	**5**	**76**	**37**
Net rental income	**34**	**10**	**22**	**1**	**67**	**33**
EPRA earnings before interest	**32**	**9**	**21**	**1**	**63**	**32**
Finance expense	**(16)**	**(6)**	**-**	**-**	**(22)**	**(11)**
Net finance expense	**(16)**	**(6)**	**-**	**-**	**(22)**	**(11)**
EPRA earnings	**16**	**3**	**21**	**1**	**41**	**21**
Capital and other items						
Net deficit on revaluation of investment properties	**(24)**	**(3)**	**(1)**	**(9)**	**(37)**	**(19)**
(Loss)/profit before tax	**(8)**	**-**	**20**	**(8)**	**4**	**2**
Post-tax (loss)/profit	**(8)**	**-**	**20**	**(8)**	**4**	**2**
Total comprehensive (loss)/income	**(8)**	**-**	**20**	**(8)**	**4**	**2**
Group share of (loss)/profit before tax	**(4)**	**-**	**10**	**(4)**	**2**	
Group share of post-tax (loss)/profit	**(4)**	**-**	**10**	**(4)**	**2**	
Group share of total comprehensive (loss)/income	**(4)**	**-**	**10**	**(4)**	**2**	

Joint ventures Year ended 31 March 2023

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]	49	10	33	34	4	130	65
Gross rental income (after rents payable)	36	10	25	27	4	102	51
Net rental income	36	7	16	22	2	83	42
EPRA earnings before interest	35	6	15	22	2	80	40
Finance expense	(17)	(6)	-	-	-	(23)	(11)
Net finance expense	(17)	(6)	-	-	-	(23)	(11)
EPRA earnings	18	-	15	22	2	57	29
Capital and other items							
Net (deficit)/surplus on revaluation of investment properties[2]	(67)	1	6	(8)	8	(60)	(30)
(Loss)/profit before tax[2]	(49)	1	21	14	10	(3)	(1)
Post-tax (loss)/profit[2]	(49)	1	21	14	10	(3)	(1)
Total comprehensive (loss)/income[2]	(49)	1	21	14	10	(3)	(1)
Group share of (loss)/profit before tax[2]	(24)	-	10	7	6	(1)	
Group share of post-tax (loss)/profit[2]	(24)	-	10	7	6	(1)	
Group share of total comprehensive (loss)/income[2]	(24)	-	10	7	6	(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.
2. On 24 March 2023 the Group acquired the remaining 50% interest in St David's Limited Partnership. Results from its operations prior to that date are included as share of profit or loss from joint ventures.

12. Joint arrangements continued

Joint ventures — 31 March 2024

Balance sheet	Nova, Victoria 100% £m	Southside Limited Partnership 100% £m	Westgate Oxford Alliance Partnership 100% £m	Other 100% £m	Total 100% £m	Total Group share £m
Investment properties[1]	727	130	223	91	1,171	585
Non-current assets	727	130	223	91	1,171	585
Cash and cash equivalents	32	4	21	4	61	31
Other current assets	58	7	11	85	161	80
Current assets	90	11	32	89	222	111
Total assets	817	141	255	180	1,393	696
Trade and other payables and provisions	(23)	(6)	(16)	(35)	(80)	(40)
Current liabilities	(23)	(6)	(16)	(35)	(80)	(40)
Non-current liabilities	(104)	(147)	-	(19)	(270)	(135)
Non-current liabilities	(104)	(147)	-	(19)	(270)	(135)
Total liabilities	(127)	(153)	(16)	(54)	(350)	(175)
Net assets/(liabilities)	690	(12)	239	126	1,043	521
Comprised of:						
Net assets	690	-	239	130	1,059	529
Accumulated losses recognised as net liabilities[2]	-	(12)	-	(4)	(16)	(8)
Market value of investment properties[1]	780	131	230	91	1,232	616
Net cash/(debt) [3]	32	4	21	4	61	31

Joint ventures — 31 March 2023

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]	748	134	-	225	98	1,205	601
Non-current assets	748	134	-	225	98	1,205	601
Cash and cash equivalents	36	3	-	23	7	69	35
Other current assets	64	9	-	13	68	154	78
Current assets	100	12	-	36	75	223	113
Total assets	848	146	-	261	173	1,428	714
Trade and other payables and provisions	(22)	(10)	-	(14)	(48)	(94)	(48)
Current liabilities	(22)	(10)	-	(14)	(48)	(94)	(48)
Non-current liabilities	(131)	(145)	-	-	-	(276)	(138)
Non-current liabilities	(131)	(145)	-	-	-	(276)	(138)
Total liabilities	(153)	(155)	-	(14)	(48)	(370)	(186)
Net assets/(liabilities)	695	(9)	-	247	125	1,058	528
Comprised of:							
Net assets	695	-	-	247	125	1,067	533
Accumulated losses recognised as net liabilities[2]	-	(9)	-	-	-	(9)	(5)
Market value of investment properties[1]	807	134	-	233	98	1,272	635
Net cash/(debt) [3]	36	3	-	23	7	69	35

1. The difference between the book value and the market value of investment properties is the amount recognised in respect of lease incentives, head leases capitalised and properties treated as finance leases, where applicable.
2. The Group's share of accumulated losses of a joint venture interest are recognised as net liabilities where there is an obligation to provide for these losses.
3. Excludes funding provided by the Group and its joint venture partners.

12. Joint arrangements continued

Joint ventures

Net investment	Nova, Victoria Group share £m	Southside Limited Partnership Group share £m	St. David's Limited Partnership Group share £m	Westgate Oxford Alliance Partnership Group share £m	Other Group share £m	Total Group share £m
At 1 April 2022	372	(5)	113	125	90	695
Total comprehensive (loss)/income	(24)	-	10	7	6	(1)
Cash distributions	-	-	(4)	(8)	(2)	(14)
Other distributions	-	-	-	-	(7)	(7)
Disposals and transfers from joint arrangements	-	-	(119)	-	(25)	(144)
Other non-cash movements	-	-	-	-	(1)	(1)
At 31 March 2023	348	(5)	-	124	61	528
Total comprehensive (loss)/income	**(4)**	**-**	**-**	**10**	**(3)**	**3**
Cash and other distributions	**-**	**-**	**-**	**(12)**	**(5)**	**(17)**
Other non-cash movements	**-**	**-**	**-**	**(1)**	**8**	**7**
At 31 March 2024	**344**	**(5)**	**-**	**121**	**61**	**521**
Comprised of:						
At 31 March 2023						
Non-current assets	348	-	-	124	61	533
Non-current liabilities[1]	-	(5)	-	-	-	(5)
At 31 March 2024						
Non-current assets	**344**	**-**	**-**	**121**	**64**	**529**
Non-current liabilities[1]	**-**	**(5)**	**-**	**-**	**(3)**	**(8)**

1. The Group's share of accumulated losses of a joint venture interest are recognised as net liabilities where there is an obligation to provide for these losses.

13. Capital structure

	2024				2023			
	Group £m	Joint ventures £m	Adjustment for non-wholly owned subsidiaries £m	Combined £m	Group £m	Joint ventures £m	Adjustment for non-wholly owned subsidiaries £m	Combined £m
Property portfolio								
Market value of investment properties	**9,465**	**616**	**(118)**	**9,963**	9,743	635	(139)	10,239
Trading properties and long-term contracts	**100**	**-**	**-**	**100**	118	-	-	118
Total property portfolio (a)	**9,565**	**616**	**(118)**	**10,063**	9,861	635	(139)	10,357
Net debt								
Borrowings	**3,703**	**-**	**(73)**	**3,630**	3,431	-	(73)	3,358
Monies held in restricted accounts and deposits	**(6)**	**-**	**-**	**(6)**	(4)	-	1	(3)
Cash and cash equivalents	**(78)**	**(31)**	**4**	**(105)**	(41)	(35)	2	(74)
Fair value of interest-rate swaps	**(23)**	**-**	**2**	**(21)**	(44)	-	2	(42)
Fair value of foreign exchange swaps and forwards	**(2)**	**-**		**(2)**	6	-	-	6
Net debt (b)	**3,594**	**(31)**	**(67)**	**3,496**	3,348	(35)	(68)	3,245
Add/(less): Fair value of interest-rate swaps	**23**	**-**	**(2)**	**21**	44	-	(2)	42
Adjusted net debt (c)	**3,617**	**(31)**	**(69)**	**3,517**	3,392	(35)	(70)	3,287
Adjusted total equity								
Total equity (d)	**6,447**	**-**	**(45)**	**6,402**	7,072	-	(67)	7,005
Fair value of interest-rate swaps	**(23)**	**-**	**2**	**(21)**	(44)	-	2	(42)
Adjusted total equity (e)	**6,624**	**-**	**(43)**	**6,381**	7,028	-	(65)	6,963
Gearing (b/d)	**55.7%**			**54.6%**	47.3%			46.3%
Adjusted gearing (c/e)	**56.3%**			**55.1%**	48.3%			47.2%
Group LTV (c/a)	**37.8%**			**35.0%**	34.4%			31.7%
EPRA LTV[1]				**36.3%**				33.2%
Security Group LTV	**37.0%**				33.0%			
Weighted average cost of debt	**3.3%**			**3.3%**	2.7%			2.7%

1. EPRA LTV differs from Group LTV as it includes net payables and receivables, and includes trading properties at fair value and debt instruments at nominal value rather than book value.

14. Borrowings

	Secured/ unsecured	Fixed/ floating	Effective interest rate %	2024 Nominal/ notional value £m	2024 Fair value £m	2024 Book value £m	2023 Nominal/ notional value £m	2023 Fair value £m	2023 Book value £m
Current borrowings									
Commercial paper									
Sterling	Unsecured	Floating	Various(1)	**15**	**15**	**15**	-	-	-
Euro	Unsecured	Floating	Various(1)	**518**	**518**	**518**	167	167	167
US Dollar	Unsecured	Floating	Various(1)	**148**	**148**	**148**	145	145	145
Syndicated and bilateral bank debt	Secured	Floating	SONIA + margin	**292**	**292**	**292**	-	-	-
Total current borrowings				**973**	**973**	**973**	312	312	312
Amounts payable under head leases				**2**	**2**	**2**	3	3	3
Tot current borrowings including amounts payable under head leases				**975**	**975**	**975**	315	315	315
Non-current borrowings									
Medium term notes (MTN)									
A10 4.875% MTN due 2025	Secured	Fixed	0.0	**-**	**-**	**-**	10	10	10
A12 1.974% MTN due 2026	Secured	Fixed	0.0	**-**	**-**	**-**	400	389	400
A4 5.391% MTN due 2026	Secured	Fixed	0.0	**-**	**-**	**-**	17	17	17
A5 5.391% MTN due 2027	Secured	Fixed	5.4	**87**	**86**	**87**	87	87	87
A16 2.375% MTN due 2027	Secured	Fixed	2.5	**350**	**325**	**349**	350	317	348
A6 5.376% MTN due 2029	Secured	Fixed	5.4	**65**	**66**	**65**	65	66	65
A13 2.399% MTN due 2031	Secured	Fixed	2.4	**300**	**270**	**299**	300	263	299
A18 4.750% MTN due 2031	Secured	Fixed	4.9	**300**	**299**	**297**	-	-	-
A7 5.396% MTN due 2032	Secured	Fixed	5.4	**77**	**78**	**77**	77	79	77
A17 4.875% MTN due 2034	Secured	Fixed	5.0	**400**	**403**	**393**	400	406	394
A11 5.125% MTN due 2036	Secured	Fixed	5.1	**50**	**48**	**50**	50	50	50
A14 2.625% MTN due 2039	Secured	Fixed	2.6	**500**	**387**	**495**	500	378	494
A15 2.750% MTN due 2059	Secured	Fixed	2.7	**500**	**309**	**495**	500	312	495
				2,629	**2,271**	**2,607**	2,756	2,374	2,736
Syndicated and bilateral bank debt	Secured	Floating	SONIA + margin	**123**	**123**	**123**	383	383	383
Total non-current borrowings				**2,752**	**2,394**	**2,730**	3,139	2,757	3,119
Amounts payable under head leases	Unsecured	Fixed	4.0	**75**	**98**	**75**	104	142	104
Total non-current borrowings including amounts payable under head leases				**2,827**	**2,492**	**2,805**	3,243	2,899	3,223
Total borrowing including amounts payable under head leases				**3,802**	**3,467**	**3,780**	3,558	3,214	3,538
Total borrowings excluding amounts payable under head leases				**3,725**	**3,367**	**3,703**	3,451	3,069	3,431

1. Non-Sterling commercial paper is immediately swapped into Sterling. The interest rate is fixed at the time of the issuance for the duration (1 to 3 months) and tracks SONIA swap rates.

Reconciliation of the movement in borrowings	**2024** £m	2023 £m
At the beginning of the year	**3,538**	4,553
Net proceeds from ECP issuance	**378**	-
Net proceeds from bank debt	**33**	-
Repayment of bank debt	**-**	(1,407)
Repayment of MTNs	**(427)**	-
Issue of MTNs (net of finance fees)	**297**	394
Foreign exchange movement on non-Sterling borrowings	**(9)**	14
Movement in amounts payable under head leases	**(30)**	(16)
At 31 March	**3,780**	3,538

14. Borrowings continued

Reconciliation of movements in liabilities arising from financing activities **2024**

	At the beginning of the year	Cash flows	Non-cash changes: Foreign exchange movements	Non-cash changes: Other changes in fair values	Non-cash changes: Other changes	At the end of the year
	£m	£m	£m	£m	£m	£m
Borrowings	**3,538**	**281**	**(9)**	**-**	**(30)**	**3,780**
Derivative financial instruments	**(38)**	**(18)**	**10**	**21**	**-**	**(25)**
	3,500	**263**	**1**	**21**	**(30)**	**3,755**

						2023
Borrowings	4,553	(1,013)	14	-	(16)	3,538
Derivative financial instruments	(26)	25	(14)	(23)	-	(38)
	4,527	(988)	-	(23)	(16)	3,500

Medium term notes

The MTNs are secured on the fixed and floating pool of assets of the Security Group. The Security Group includes wholly owned investment properties, development properties, and a number of the Group’s investment in other assets, in total valued at **£9.2bn** at 31 March 2024 (31 March 2023: £9.6bn). 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 SONIA 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 and discount to redemption value. The MTNs are listed on the Irish Stock Exchange and their fair values are based on their respective market prices.

During the year, the Group purchased £nil of MTNs (2023: £nil) for a total premium of £nil (2023: £nil).

At 31 March 2024, the Group’s committed facilities totalled **£2,907m** (31 March 2023: £3,007m).

Syndicated and bilateral bank debt	**Maturity as at 31 March 2024**	**Authorised 2024**	Authorised 2023	**Drawn 2024**	Drawn 2023	**Undrawn 2024**	Undrawn 2023
		£m	£m	£m	£m	£m	£m
Syndicated debt	**2024-27**	**2,682**	2,782	**415**	383	**2,267**	2,399
Bilateral debt	**2026**	**225**	225	**-**	-	**225**	225
		2,907	3,007	**415**	383	**2,492**	2,624

All syndicated and bilateral facilities are committed and secured on the assets of the Security Group, with the exception of facilities secured on the assets at MediaCity (of which £292m was drawn at 31 March 2024 and £292m drawn at 31 March 2023). During the year ended 31 March 2024, the amounts drawn under the Group’s facilities decreased by **£32m**.

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. Commercial paper in issuance at 31 March 2024 was **£681m** (31 March 2023: £312m). The total amount of cash and available undrawn facilities, net of commercial paper, at 31 March 2024 was **£1,889m** (31 March 2023: £2,353m).

15. Monies held in restricted accounts and deposits

	2024 £m	2023 £m
Short-term deposits	**6**	4
	6	4

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

	2024 £m	2023 £m
Counterparties with external credit ratings		
A+	**6**	4
	6	4

16. Cash and cash equivalents

	2024 £m	2023 £m
Cash at bank and in hand	**78**	41
	78	41

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

	2024 £m	2023 £m
Counterparties with external credit ratings		
A+	**78**	34
A	**-**	6
A-	**-**	1
	78	41

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

			2024			2023
	Gross amounts of financial assets £m	**Gross amounts of financial liabilities £m**	**Net amounts recognised in the balance sheet £m**	Gross amounts of financial assets £m	Gross amounts of financial liabilities £m	Net amounts recognised in the balance sheet £m
Assets						
Cash and cash equivalents	**230**	**(152)**	**78**	101	(60)	41
	230	**(152)**	**78**	101	(60)	41

17. Events after the reporting period

On 8 May 2024, the Group sold its interest in LS Hotels Limited for a headline price of £400m.

No other significant events occurred after the reporting period but before the financial statements were authorised for issue.

Alternative performance measures

Table 14: 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 and where the reconciliations of these measures can be found. The definitions of APMs are included in the Glossary.

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 return on equity	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 LTV	n/a	Note 13

EPRA disclosures

Table 15: EPRA net asset measures

EPRA net asset measures			**31 March 2024**
	EPRA NRV £m	**EPRA NTA £m**	**EPRA NDV £m**
Net assets attributable to shareholders	**6,402**	**6,402**	**6,402**
Shortfall of fair value over net investment in finance lease book value	**(5)**	**(5)**	**(5)**
Deferred tax liability on intangible asset	**-**	**-**	**-**
Goodwill on deferred tax liability	**-**	**-**	**-**
Other intangible asset	**-**	**(2)**	**-**
Fair value of interest-rate swaps	**(22)**	**(22)**	**-**
Shortfall of fair value of debt over book value (note 14)	**-**	**-**	**313**
Excess of fair value of trading properties over book value	**25**	**25**	**25**
Purchasers' costs[1]	**605**	**-**	**-**
Net assets used in per share calculation	**7,005**	**6,398**	**6,735**

	EPRA NRV	**EPRA NTA**	**EPRA NDV**
Diluted net assets per share	**940p**	**859p**	**904p**

			31 March 2023
	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m
Net assets attributable to shareholders	7,005	7,005	7,005
Shortfall of fair value over net investment in finance lease book value	(6)	(6)	(6)
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	(42)	(42)	-
Shortfall of fair value of debt over book value (note 14)	-	-	324
Excess of fair value of trading properties over book value	12	12	12
Purchasers' costs[1]	617	-	-
Net assets used in per share calculation	7,586	6,967	7,334

	EPRA NRV	EPRA NTA	EPRA NDV
Diluted net assets per share	1,020p	936p	986p

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 16: EPRA performance measures

Measure	Definition for EPRA measure	Notes	31 March 2024 EPRA measure
EPRA earnings	Recurring earnings from core operational activity	4	£371m
EPRA earnings per share	EPRA earnings per weighted number of ordinary shares	4	50.1p
EPRA diluted earnings per share[1]	EPRA diluted earnings per weighted number of ordinary shares	4	50.1p
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	£6,398m
EPRA Net Tangible Assets per share	Diluted Net Tangible Assets per share	4	859p
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	£6,735m
EPRA net disposal value per share	Diluted net disposal value per share	4	904p
EPRA loan-to-value (LTV)[2]	Ratio of adjusted net debt, including net payables, to the sum of the net assets, including net receivables, of the Group, its subsidiaries and joint ventures, all on a proportionate basis, expressed as a percentage	13	36.3%
		Table	
Voids/vacancy rate	ERV of vacant space as a % of ERV of Combined Portfolio excluding the development programme[3]	17	3.5%
Net initial yield (NIY)	Annualised rental income less non-recoverable costs as a % of market value plus assumed purchasers' costs[4]	19	5.4%
Topped-up NIY	NIY adjusted for rent free periods[4]	19	6.2%
Cost ratio[5]	Total costs as a percentage of gross rental income (including direct vacancy costs)[5]	20	25.0%
	Total costs as a percentage of gross rental income (excluding direct vacancy costs)[5]	20	20.3%

1. In the year ended 31 March 2024, share options are excluded from the weighted average diluted number of shares when calculating EPRA diluted earnings per share because they are not dilutive, based on IFRS loss for the year.
2. EPRA LTV differs from the Group LTV presented in note 13 as it includes net payables and receivables and includes trading properties at fair value and debt instruments at nominal value rather than book value.
3. This measure reflects voids in the Combined Portfolio excluding only properties under development.
4. This measure relates to the Combined Portfolio, excluding properties currently under development, and are calculated by our external valuer. Topped-up NIY reflects adjustments of £82m for rent free periods and other incentives.
5. This measure is calculated based on gross rental income after rents payable and excluding costs recovered through rents but not separately invoiced of £9m.

Table 17: EPRA vacancy rate

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

	31 March 2024 £m
ERV of vacant properties	22
ERV of Combined Portfolio excluding properties under development	632
EPRA vacancy rate (%)	**3.5**

Table 18: Change in net rental income from the like-for-like portfolio

	2024	2023	Change	
	£m	£m	£m	%
Central London	230	229	1	0%
Major retail	131	122	9	7%
Subscale sectors	111	108	3	3%
	472	459	13	3%

Table 19: EPRA Net initial yield (NIY) and Topped-up NIY

	31 March 2024 £m
Combined Portfolio	9,963
Trading properties	125
Less: Properties under development, trading properties under development and land	(1,087)
Like-for-like investment property portfolio, proposed and completed developments, and completed trading properties	**9,001**
Plus: Allowance for estimated purchasers' costs	546
Grossed-up completed property portfolio valuation (a)	**9,547**
EPRA annualised cash passing rental income[1]	603
Net service charge expense[2]	(16)
Void costs and other deductions	(73)
EPRA Annualised net rent[1] (b)	**514**
Plus: Rent-free periods and other lease incentives (annualised)	82
Topped-up annualised net rents (c)	**596**
EPRA NIY (b/a)	**5.4%**
EPRA Topped-up NIY (c/a)	**6.2%**

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

Table 20: Cost analysis

	£m
Gross rental income (before rents payable)	**653**
Rents payable	(12)
Gross rental income (after rents payable)	**641**
Net service charge expense	(16)
Net direct property expenditure	(81)
Movement in bad and doubtful debts provision	6
Segment net rental income	**550**
Net indirect expenses	(77)
Segment profit before finance expense	**473**
Net finance expense - Group	(91)
Net finance expense - joint ventures	(11)
EPRA earnings	**371**

Direct property costs £90m

Net indirect expenses £77m

	2024 Total £m	2024 Cost ratio %[1]	2023 Total £m	2023 Cost ratio %[1]
Gross rental income (before rents payable)	**653**		659	
Costs recovered through rents but not separately invoiced	(9)		(9)	
Adjusted gross rental income	**644**		650	
Rents payable	(12)		(12)	
EPRA gross rental income	**632**		638	
Managed operations	**10**		10	
Tenant default	**(6)**		(3)	
Void related costs	**30**		27	
Other direct property costs	**54**		48	
Development expenditure	**9**		14	
Asset management, administration and compliance	**70**		74	
Total (incl. direct vacancy costs)	**167**		170	
Costs recovered through rents	(9)		(9)	
EPRA costs (incl. direct vacancy costs)	**158**	**25.0**	161	25.2
Less: Direct vacancy costs	(30)		(27)	
EPRA (excl. direct vacancy costs)	**128**	**20.3**	134	21.0

1. Percentages represent costs divided by EPRA gross rental income.

Table 21: Acquisitions, disposals and capital expenditure

Investment properties	Group (excl. joint ventures) £m	Joint ventures £m	Adjustment for non-wholly owned subsidiaries[1] £m	Year ended 31 March 2024 Combined Portfolio £m	Year ended 31 March 2023 Combined Portfolio £m
Net book value at the beginning of the year	**9,658**	**601**	**(139)**	**10,120**	11,833
Transfer from joint venture	-	-	-	**-**	11
Acquisitions	144	-	-	**144**	223
Capital expenditure	374	3	(1)	**376**	340
Capitalised interest	19	-	-	**19**	22
Net movement in head leases capitalised	(30)	-	-	**(30)**	(25)
Disposals	(207)	-	-	**(207)**	(1,430)
Net deficit on revaluation of investment properties	(628)	(19)	(22)	**(625)**	(848)
Transfer to trading properties	-	-	-	**-**	(6)
Net book value at the end of the year	**9,330**	**585**	**(118)**	**9,797**	10,120
Loss on disposal of investment properties	**(16)**	**-**	**-**	**(16)**	(144)

Trading properties	£m	£m	£m	£m	£m
Net book value at the beginning of the year	**118**	**-**	**-**	**118**	146
Transfer from investment properties	-	-	-	**-**	6
Capital expenditure	13	-	-	**13**	3
Capitalised interest	1	-	-	**1**	-
Disposals	(21)	-	-	**(21)**	(18)
Movement in impairment	(11)	-	-	**(11)**	(19)
Net book value at the end of the year	**100**	**-**	**-**	**100**	118
Profit 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]	144	-	**144**	223
Development capital expenditure[3]	220	6	**226**	278
Other capital expenditure	156	7	**163**	65
Capitalised interest	19	1	**20**	22
Acquisitions, development and other capital expenditure	**539**	**14**	**553**	588

Disposals	£m	£m
Net book value – investment property disposals	**207**	1,430
Net book value – trading property disposals	**21**	18
Net book value – other net assets	**3**	52
Loss on disposal – investment properties	**(16)**	(144)
Profit on disposal – trading properties	**-**	1
Other	**1**	(3)
Total disposal proceeds	**216**	1,354

1. See EPRA analysis of capital expenditure table 22 for further details.
2. Properties acquired in the year.
3. Development capital expenditure for investment properties comprises expenditure on the future development pipeline and completed developments.

Table 22: EPRA analysis of capital expenditure

Year ended 31 March 2024

	Acquisitions[1] £m	Development capital expenditure[2] £m	Other capital expenditure: Incremental lettable space[3] £m	Other capital expenditure: No incremental lettable space[4] £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	Adjustment for non-wholly owned subsidiaries £m	Total capital expenditure – Group £m
Central London											
West End offices	-	42	-	11	1	12	7	61	1	-	60
City offices	-	-	-	66	-	66	1	67	-	-	67
Retail and other	8	-	-	11	-	11	-	19	-	-	19
Developments	123	155	-	-	-	-	11	289	-	-	289
Total Central London	**131**	**197**	**-**	**88**	**1**	**89**	**19**	**436**	**1**	**-**	**435**
Major retail											
Shopping centres	2	-	1	24	-	25	-	27	-	-	27
Outlets	-	-	-	9	1	10	-	10	-	-	10
Total Major retail	**2**	**-**	**1**	**33**	**1**	**35**	**-**	**37**	**-**	**-**	**37**
Mixed-use urban											
London	-	11	-	1	-	1	-	12	-	-	12
Major regional cities	-	12	-	6	-	6	-	18	2	(1)	17
Total Mixed-use urban	**-**	**23**	**-**	**7**	**-**	**7**	**-**	**30**	**2**	**(1)**	**29**
Subscale sectors											
Leisure	11	-	-	16	-	16	-	27	-	-	27
Hotels	-	-	-	2	-	2	-	2	-	-	2
Retail parks	-	-	-	7	-	7	-	7	-	-	7
Total Subscale sectors	**11**	**-**	**-**	**25**	**-**	**25**	**-**	**36**	**-**	**-**	**36**
Total capital expenditure	**144**	**220**	**1**	**153**	**2**	**156**	**19**	**539**	**3**	**(1)**	**537**
Timing difference between accrual and cash basis								(70)	2	-	(72)
Total capital expenditure on a cash basis								**469**	**5**	**(1)**	**465**

1. Investment properties acquired in the year.
2. Expenditure on the future development pipeline and completed developments.
3. Capital expenditure where the lettable area increases by at least 10%.
4. Includes £35m of expenditure relating to Myo.

Table 23: Top 12 occupiers at 31 March 2024

	% of Group rent[1]
Accor	5.6
Central Government	5.5
Deloitte	2.2
Taylor Wessing	1.6
Cineworld	1.5
Boots	1.4
Peel	1.3
Qube RT	1.3
BBC	1.2
Sainsburys	1.0
H&M	1.0
Cheil	0.9
	24.5

1. On a proportionate basis.

Table 24: Committed and future development pipeline and trading property development schemes at 31 March 2024

Central London

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
Committed development pipeline									
Thirty High, SW1	Office	100	299,000	-	238	30	Aug-2025	229	412
Timber Square, SE1	Office	100	381,000	-	137	29	Dec-2025	160	411

Property	Description of use	Ownership interest %	Proposed sq ft	Potential start date
Future development pipeline				
Liberty of Southwark, SE1	Office/ Residential	100	225,000	2025
Red Lion Court, SE1	Office	100	250,000	2024

Property	Description of use	Ownership interest %	Size sq ft	Number of units	Sales exchanged by unit %	Estimated completion date	Total development costs to date £m	Forecast total development cost £m
Trading property development schemes								
Castle Lane, SW1	Residential	100	52,000	89	99	Jul-2024	38	47

Mixed-use urban

Property	Ownership interest %	Proposed sq ft	Potential start date
Future development pipeline			
Mayfield, Manchester	50-100	2,500,000	2024
Finchley Road, NW3	100	1,400,000	2025

Where the property is not 100% owned, floor areas and letting status shown above represent the full scheme whereas all other figures represent our proportionate share. Letting % is measured by ERV and shows letting status at 31 March 2024. Trading property development schemes are excluded from the future development pipeline.

Total development cost

Refer to the Glossary for definition.

Net income/ERV

Net income/ERV represents headline annual rent on let units plus ERV at 31 March 2024 on unlet units, both after rents payable.

Table 25: Combined Portfolio analysis
Total portfolio analysis

	Market value[1]		Valuation movement[1]		Rental income[1]		Annualised rental income[2]		Net estimated rental value[3]	
	31 March 2024	31 March 2023	**(Deficit)/ surplus**	**Surplus/ (deficit)**	**31 March 2024**	31 March 2023	**31 March 2024**	31 March 2023	**31 March 2024**	31 March 2023
	£m	£m	**£m**	**%**	**£m**	£m	**£m**	£m	**£m**	£m
Central London										
West End offices	**3,109**	2,653	**(111)**	**(3.6)**	**148**	140	**160**	134	**186**	146
City offices	**1,192**	1,304	**(188)**	**(13.9)**	**68**	76	**70**	61	**93**	87
Retail and other	**991**	1,095	**(48)**	**(4.7)**	**58**	76	**43**	42	**55**	56
Developments[4]	**926**	1,190	**(102)**	**(9.9)**	**20**	21	**8**	5	**93**	57
Total Central London	**6,218**	6,242	**(449)**	**(6.9)**	**294**	313	**281**	242	**427**	346
Major retail										
Shopping centres	**1,226**	1,196	**1**	**0.1**	**131**	120	**121**	114	**122**	123
Outlets	**605**	684	**(21)**	**(3.3)**	**57**	59	**48**	56	**49**	60
Total Major retail	**1,831**	1,880	**(20)**	**(1.1)**	**188**	179	**169**	170	**171**	183
Mixed-use urban										
London	**191**	285	**(23)**	**(10.3)**	**17**	19	**11**	16	**16**	22
Major regional cities	**510**	530	**(93)**	**(15.3)**	**41**	39	**37**	36	**38**	35
Total Mixed-use urban[5]	**701**	815	**(116)**	**(14.0)**	**58**	58	**48**	52	**54**	57
Subscale sectors										
Leisure	**423**	476	**(35)**	**(8.2)**	**48**	51	**46**	51	**42**	50
Hotels	**400**	408	**2**	**0.6**	**35**	30	**35**	31	**29**	28
Retail parks	**390**	418	**(7)**	**(1.8)**	**30**	28	**27**	28	**29**	30
Total Subscale sectors	**1,213**	1,302	**(40)**	**(3.2)**	**113**	109	**108**	110	**100**	108
Combined Portfolio	**9,963**	10,239	**(625)**	**(6.0)**	**653**	659	**606**	574	**752**	694
Properties treated as finance leases	**-**	-	**-**	**-**	**(1)**	(2)				
Combined Portfolio	**9,963**	10,239	**(625)**	**(6.0)**	**652**	657				
Represented by:										
Investment portfolio	**9,347**	9,603	**(606)**	**(6.2)**	**613**	603	**569**	536	**712**	655
Share of joint ventures	**616**	636	**(19)**	**(3.2)**	**39**	54	**37**	38	**40**	39
Combined Portfolio	**9,963**	10,239	**(625)**	**(6.0)**	**652**	657	**606**	574	**752**	694

Total portfolio analysis

	Net initial yield[6]		Equivalent yield[7]	
	31 March 2024	Movement in like-for-like[8]	**31 March 2024**	Movement in like-for-like[8]
	%	bps	**%**	bps
Central London				
West End offices	**4.2**	24	**5.3**	37
City offices	**3.9**	64	**6.0**	78
Retail and other	**4.6**	42	**4.9**	30
Developments[4]	**(0.0)**	n/a	**5.4**	n/a
Total Central London	**4.2**	39	**5.4**	46
Major retail				
Shopping centres	**8.1**	3	**8.1**	23
Outlets	**6.3**	13	**7.0**	17
Total Major retail	**7.5**	8	**7.8**	22
Mixed-use urban				
London	**4.2**	(108)	**6.6**	22
Major regional cities	**6.7**	64	**7.7**	106
Total Mixed-use urban[5]	**6.1**	21	**7.3**	85
Subscale sectors				
Leisure	**8.7**	51	**8.8**	26
Hotels	**7.3**	61	**7.2**	54
Retail parks	**6.0**	(63)	**6.8**	38
Total Subscale sectors	**7.4**	17	**7.6**	38
Combined Portfolio	**5.4**	31	**6.2**	45
Represented by:				
Investment portfolio	**5.4**	n/a	**6.2**	n/a
Share of joint ventures	**6.0**	n/a	**6.0**	n/a
Combined Portfolio	**5.4**	n/a	**6.2**	n/a

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. Comprises the development pipeline – refer to Glossary for definition.
5. The prior year data has been restated to align with the updated categories disclosed.
6. Net initial yield – refer to Glossary for definition. This calculation includes all properties including those sites with no income.
7. Equivalent yield – refer to Glossary for definition. Future developments are excluded from the calculation of equivalent yield on the Combined Portfolio.
8. The like-for-like portfolio – refer to Glossary for definition.

Table 26: Floor Areas

	31 March 2024 Million sq ft
Central London	
West End offices	2.7
City offices	1.6
Retail and other	1.1
Total Central London	**5.4**
Major retail	
Shopping centres	6.7
Outlets	1.0
Total Major retail	**7.7**
Mixed-use urban	
London	0.8
Major regional cities	2.0
Total Mixed-use urban	2.8
Subscale sectors	
Leisure	3.3
Hotels	1.9
Retail parks	1.7
Total Subscale sectors	**6.9**
Total	**22.8**

Table 27: Reconciliation of segmental information note to statutory reporting for the year ended 31 March 2023

	Group income statement £m	Joint ventures[1] £m	Adjustment for non-wholly owned subsidiaries[2] £m	Total £m	EPRA earnings £m	Capital and other items £m
	Year ended 31 March 2023					
Rental income	612	53	(8)	657	657	-
Finance lease interest	2	-	-	2	2	-
Gross rental income (before rents payable)	**614**	**53**	**(8)**	**659**	**659**	**-**
Rents payable	(10)	(2)	-	(12)	(12)	-
Gross rental income (after rents payable)	**604**	**51**	**(8)**	**647**	**647**	**-**
Service charge income	91	10	(3)	98	98	-
Service charge expense	(100)	(12)	2	(110)	(110)	-
Net service charge expense	(9)	(2)	(1)	(12)	(12)	-
Other property related income	29	2	-	31	31	-
Direct property expenditure	(100)	(10)	2	(108)	(108)	-
Movement in bad and doubtful debt provision	2	1	-	3	3	-
Segment net rental income	**526**	**42**	**(7)**	**561**	**561**	**-**
Other income	3	-	-	3	3	-
Administrative expenses	(80)	(2)	-	(82)	(82)	-
Depreciation	(5)	-	-	(5)	(5)	-
EPRA earnings before interest	**444**	**40**	**(7)**	**477**	**477**	**-**
Share of post-tax profit from joint ventures	(1)	1	-	-	-	-
Profit on disposal of trading properties	1	-	-	1	-	1
Loss on disposal of investment properties[3]	(144)	-	-	(144)	-	(144)
Net deficit on revaluation of investment properties	(827)	(30)	9	(848)	-	(848)
Net development contract expenditure	(9)	-	-	(9)	-	(9)
Loss on changes in finance leases	(6)	-	-	(6)	-	(6)
Impairment of goodwill	(5)	-	-	(5)	-	(5)
Impairment of trading properties	(19)	-	-	(19)	-	(19)
Depreciation	(3)	-	-	(3)	-	(3)
Operating (loss)/profit	**(569)**	**11**	**2**	**(556)**	**477**	**(1,033)**
Finance income	34	-	1	35	11	24
Finance expense	(87)	(11)	-	(98)	(95)	(3)
(Loss)/profit before tax	**(622)**	**-**	**3**	**(619)**	**393**	**(1,012)**
Taxation	-	-	-	-		
(Loss)/profit for the year	**(622)**	**-**	**3**	**(619)**		

1. Reallocation of the share of post-tax loss from joint ventures reported in the Group income statement to the individual line items reported in the segmental information note.
2. Removal of the non-wholly owned share of results of the Group's subsidiaries. The non-wholly owned subsidiaries are consolidated at 100% in the Group's income statement, but only the Group's share is included in EPRA earnings reported in the segmental information note.
3. Included in the loss on disposal of investment properties is a £9m charge related to the provision for fire safety remediation works on properties no longer owned by the Group but for which the Group is responsible for remediating under the Building Safety Act 2022.

Table 28: Property Income Distribution (PID) calculation

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Loss before tax per income statement	**(341)**	(622)
Accounting loss on residual operations	**(23)**	(67)
Prior year adjustment	**-**	77
Loss attributable to tax-exempt operations	**(364)**	(612)
Adjustments		
Capital allowances	**(55)**	(43)
Capitalised interest	**(20)**	(22)
Revaluation deficit	**649**	848
Tax exempt disposals	**12**	142
Capital expenditure	**6**	5
Other tax adjustments	**(27)**	(27)
Goodwill amortisation and impairment	**-**	5
Estimated tax-exempt income for the year	**201**	296
PID thereon (90%)	**181**	266

As a REIT, our income and capital gains from qualifying activities are exempt from corporation tax. 90% of this income must be distributed as a Property Income Distribution and is taxed at the shareholder level to give a similar tax position to direct property ownership. Non-qualifying activities, such as sales of trading properties, are subject to corporation tax. This year, there was no net tax charge (2023: £nil).

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

The Company has 12 months after the year end to make the minimum distribution. Accordingly, PID dividends paid in the year may relate to the distribution requirements of previous periods. The table below sets out the dividend allocation for the years ended 31 March 2024 and 31 March 2023:

	PID allocation			**Ordinary dividend**	**Total dividend**
	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m	Pre-31 March 2023 £m	£m	£m
Dividends paid in year to 31 March 2023	-	156	134	-	290
Dividends paid in year to 31 March 2024	181	110	-	-	291
Minimum PID to be paid by 31 March 2025	-	-	n/a	n/a	-
Total PID required	**181**	266			

The Group has met all the REIT requirements, including the payment by 31 March 2024 of the minimum Property Income Distribution (PID) for the year ended 31 March 2023. The forecast minimum PID for the year ended 31 March 2024 is £181m, which must be paid by 31 March 2025. The Group has already made PID dividends relating to 31 March 2024 of £181m.

Our latest tax strategy can be found on our corporate website. In the year, the total taxes we incurred and collected were £136m (2023: £134m), of which £37m (2023: £38m) was directly borne by the Group including environmental taxes, business rates and stamp duty land tax. The Group has a low tax risk rating from HMRC.

Investor information

1. Company website: landsec.com

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

2. Registrar: Equiniti Group PLC

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

Telephone:

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

Correspondence address:

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

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

3. Shareholder enquiries

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

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

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

5. Dividends

The Board has recommended a final dividend for the year ended 31 March 2024 of **12.1p** per ordinary share to be paid as Property Income Distribution (PID). Subject to shareholders' approval at the Annual General Meeting, the final dividend will be paid on 26 July 2024 to shareholders registered at the close of business on 14 June 2024. The last date for Dividend Reinvestment Plan (DRIP) elections will be 28 June 2024. The total dividend paid and payable in respect of the year ended 31 March 2024 is **39.6p** (2023: 38.6p).

The first quarterly dividend for the year ending 31 March 2025 will be paid in October 2024 and will be announced in due course.

6. Dividend related services

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

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

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

You may only participate in the DRIP if you are resident in the UK.

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

7. Financial reporting calendar

	2024
Financial year end	31 March
Preliminary results announcement	17 May
Annual General Meeting	11 July

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.

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.

Developments/development pipeline
Development pipeline consists of future developments, committed developments, projects under construction and developments which have reached practical completion within the last two years but are not yet 95% let.

Development gross yield on total development cost
Gross ERV, before adjustment for lease incentives, divided by total development cost. Gross ERV reflects Landsec's or the valuer's view of expected ERV at completion of the scheme.

EPRA earnings
Profit before tax, excluding profits on the sale of non-current assets and trading properties, profits on 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 loan-to- value (LTV)
Ratio of adjusted net debt, including net payables, to the sum of the net assets, including net receivables, of the Group, its subsidiaries and joint ventures, all on a proportionate basis, expressed as a percentage. The calculation includes trading properties at fair value and debt at nominal value.

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.

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

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.

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 fair value movement on interest-rate swaps, foreign exchange swaps, capitalised interest and interest on the pension scheme assets and liabilities). The calculation excludes joint ventures.

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

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.

Like-for-like portfolio
The like-for-like portfolio includes all properties which have been in the portfolio since 1 April 2021 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.

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.

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.

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.

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.

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.

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 return on equity
Dividend paid per share in the year plus the change in EPRA Net Tangible Assets per share, divided by EPRA Net Tangible Assets per share at the beginning of the year.

Total cost ratio
Total cost ratio represents all costs included within 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 year in which the property is added to our development programme, together with capitalised interest, being the Group's borrowing costs associated with direct expenditure on the property under development. Interest is also capitalised on the purchase cost of land or property where it is acquired specifically for redevelopment. The TDC for trading property development schemes excludes any estimated tax on disposal.

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

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, unless the scale of refurbishment is such that the property is not deemed lettable. 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 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.