15 November 2022

LAND SECURITIES GROUP PLC ("Landsec")

Results for the half year ended 30 September 2022

Strong strategic and operational momentum leave Landsec well placed in changing market

Mark Allan, Chief Executive of Landsec, commented:

"The strategy we launched two years ago was underpinned by two key principles of sustainable value creation: focusing our resources on where we have genuine competitive advantage, and preserving our strong balance sheet. At the time, interest rates and property yields were very low, so asset values in many sectors looked expensive. Acting on this, we sold nearly £2bn of mature, low yielding assets while focusing new investment exclusively on opportunities where we saw clear value, or situations which offered long term optionality.

Our competitive advantages remain our high-quality portfolio, our strong customer relationships, and the ability to unlock complex opportunities through our unique expertise, all of which is evidenced by our strong operational performance in the half year. Our business remains underpinned by a strong balance sheet, with a low 31% LTV, long 9.8-year average debt maturity and no need to refinance any debt until 2026. The successful execution of our strategy therefore means we are not only well placed for more challenging market conditions, but also have optionality to take advantage of new opportunities that will no doubt emerge as property markets continue to adjust to a new reality."

Financial highlights

	30 Sep 2022	Prior period (1)		30 Sep 2022	Prior period (1)
EPRA earnings (£m)(2)(3)	197	180	(Loss)/profit before tax (£m)	(192)	275
EPRA EPS (pence)(2)(3)	26.6	24.3	Basic EPS (pence)	(25.7)	37.2
EPRA NTA per share (pence)(2)(3)	1,010	1,063	Net assets per share (pence)	1,023	1,070
Total accounting return (%)	(2.9)	3.7	Dividend per share (pence)	17.6	15.5
Group LTV ratio (%)(2)(3)	31.1	34.4	Net debt (£m)	3,475	4,254

- EPRA EPS(2)(3) up 9.5% to 26.6p, supported by strong leasing and 8.3% LFL rental income growth
- Total accounting return of -2.9%, reflecting softening of London yields due to rising interest rates
- EPRA NTA per share(2) (3) down 5.0% to 1,010p, driven by a -2.9% movement in portfolio value
- Group LTV(2)(3) down to 31.1% (Mar-22: 34.4%) following £1bn of mature London office disposals
- Loss before tax of £192m (2021: £275m profit), with growth in earnings offset by market yield shift
- Total dividend up 13.5% to 17.6p per share, supported by increase in earnings
- Weighted average debt maturity up to 9.8 years (Mar-22: 9.1 years), providing solid financial base

Operational highlights: continued operational momentum, maintaining strong capital base

Positive leasing performance in Central London offices and major retail destinations, despite general macro challenges, highlight high quality of Landsec platform and portfolio, with strong progress on executing strategy since late 2020 creating balance sheet resilience and optionality for future growth.

Central London: strong leasing momentum and maintaining optionality to drive future growth

— Sold £1.0bn of mature offices, including 21 Moorfields development which crystallised 25% profit on cost, bringing total London office disposals over last two years to £1.8bn at an average yield of 4.35%
— Delivered strong leasing, with £41m of lettings completed or in solicitor's hand, 3% ahead of valuers' assumptions, and current occupancy stable vs March at 95.1%, as demand for high-quality space remains resilient, notwithstanding a 4.4% softening in values due to general market yield shift
— Only £110m capex left to spend on committed pipeline which is set to generate £38m ERV once fully let, 38% of which is pre-let or under offer, with lettings over past six months 11% ahead of ERV
— Maintained optionality on near-term pipeline, which could deliver 1.1m sq ft of Grade A space at yield on cost of 7%+ into a market which is expected to see a sharp reduction in new supply

Major retail destinations: continued strong leasing, as high-quality destinations return to growth

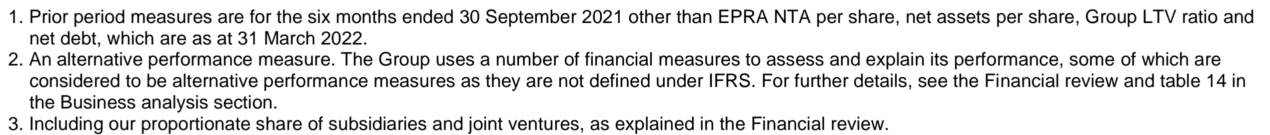
— Differentiated focus on brand and guest relationships continues to deliver results, capitalising on 'flight to prime' and upsizing of key brands, with 6.3% YoY sales growth and like-for-like sales 3.6% above 2019 levels, as consumer behaviour is reverting back to pre-pandemic trend
— Built further on growing leasing momentum, with £27m of lettings signed or in solicitors' hands on average 12% ahead of ERV, up from 2% for the year to March 2022, driving 120bps increase in occupancy since March to 94.4% and underpinning resilience in valuations, with values up 0.4%

Mixed-use urban neighbourhoods: progressing preparations, creating future optionality

— Progressed preparation of 9.0m sq ft future mixed-use pipeline, with signing of drawdown agreement for first phase of office development at Mayfield and detailed planning for first phase at MediaCity
— No existing capex commitments but potential to start first phases at Mayfield, MediaCity and, subject to planning, Finchley Road in 2023, providing optionality for future growth at limited holding cost
— U+I and Landsec teams integrated and sold or exchanged contracts to sell almost half of c. £180m of non-core U+I assets since acquisition in December 2021, on average 22% above book value

Underpinning our strategy: capital discipline and decisive action on sustainability

— Further strengthened capital base, with LTV down from 34.4% to 31.1%; average debt maturity up from 9.1 to 9.8 years; 84% of debt hedged, with an overall average cost of 2.7%; strong credit profile; and no need to refinance any debt until 2026 given existing £1.8bn undrawn facilities
— Secured £2.0bn of disposals since late 2020, ahead of plan to sell c. £4bn of assets over six years, with potential further disposals to increase optionality for future opportunities, as value of subscale portfolio remains relatively resilient at -1.2%
— Continued to progress net zero transition investment plan, with 43% of office portfolio already rated EPC 'B' or higher vs 15% for wider London office market, and announced target to reduce embodied carbon by 50% vs a typical development by 2030
— Announced Realising Potential Fund to invest £20m over next 10 years to enhance social mobility in our industry, to empower 30,000 people towards world of work and deliver £200m of social value



1. Prior period measures are for the six months ended 30 September 2021 other than EPRA NTA per share, net assets per share, Group LTV ratio and net debt, which are as at 31 March 2022.
2. 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.
3. Including our proportionate share of subsidiaries and joint ventures, as explained in the Financial review.

A live video webcast of the presentation will be available at 9.00am GMT. 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/2022-half-year-results
Call title: Landsec half year results 2022

Forward-looking statements

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

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

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

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

Chief Executive's statement

Successful execution on strategy. Well placed in changing markets.

When we launched our strategy two years ago, it was underpinned by two key principles of sustainable value creation: focusing our resources on where we have genuine competitive advantage, and preserving a strong balance sheet. At that time, interest rates and property yields in many sectors were at or close to all-time lows hence asset values in these sectors looked expensive. As a result, we focused on selling mature London office assets where our ability to add further value was limited and since then have sold £1.8bn of such assets, at an average yield of 4.35% and, on average, just 1% below book value.

From a new investment perspective, we focused only on opportunities where we saw clear value, such as our acquisition of a further 18.75% stake in Bluewater at an 8.15% initial yield and a 75% stake in MediaCity at a 5.8% yield, or situations which offered long term optionality, such as our acquisition of U+I, which added to our pipeline of mixed-use, multi-phased urban regeneration projects.

External market conditions have changed considerably over the last two years and especially since the start of this year. More so than ever, our areas of competitive advantage remain: i) our high quality portfolio; ii) the strength of our customer relationships; and iii) our ability to unlock complex opportunities through development and asset management expertise. These strengths are clearly evident in our strong operational performance in the first half of this year and we expect these to remain so going forward.

This remains underpinned by our balance sheet strength. Our leverage is low, with a 31% LTV and net debt/EBITDA of 8.7x; our average debt maturity is long at 9.8 years and we have no need to refinance any debt until 2026, taking into account our existing credit facilities; and remaining capex commitments are only £127m, or 1% of our portfolio value. As a result of the successful execution of our strategy, Landsec is not only well placed to weather challenging market conditions but also to take advantage of opportunities that will undoubtedly emerge as markets adjust to a higher rate, higher yield reality.

Strong operational performance. Resilient financial position.

Our operational performance over the six months to September 2022 has been positive, building further on the growing momentum delivered by our proactive focus on growing customer relationships. This is underpinned by the high quality of our portfolio, as people choose to spend time together in inspiring places, be it to work, shop or spend their leisure time. This is increasingly driving decision making for our customers, as they focus on the best space to attract their staff and customers.

Our operational results reflect this, with positive leasing in London and growth in occupancy and sales in retail. EPRA EPS for the half year was up 9.5% to 26.6 pence, supported by 8.3% growth in like-for-like gross rental income and 6.2% growth in like-for-like net rental income, whilst an increase in surrender premiums received driven by a lease regear in the prior year added 1.3 pence to EPS. The dividend for the half year is 17.6 pence, up 13.5% vs last year, reflecting a dividend cover over the period of 1.5 times.

Whilst our operational performance and growth in earnings were strong, our total accounting return for the period was -2.9%. The material increase in bond yields since March has started to put upward pressure on property yields, principally for those assets where yields were lowest. In the sectors we are in, this principally affected London offices, vindicating our decision to sell £1.8bn of mature assets over the past two years. Our solid leasing activity drove 1.8% ERV growth yet our overall portfolio value was down 2.9%, with a small 0.4% increase in retail valuations offset by a 4.4% reduction in London. Reflecting all this, EPRA NTA per share was down 5.0% to 1,010 pence.

Table 1: Highlights

	Sep 2022	Sep 2021	Change %
EPRA earnings (£m)[1]	**197**	180	**9.4**
(Loss)/profit before tax (£m)	**(192)**	275	**(170)**
Total accounting return (%)	**(2.9)**	3.7	**(6.6)**
Basic (loss)/earnings per share (pence)	**(25.7)**	37.2	**(169)**
EPRA earnings per share (pence)[1]	**26.6**	24.3	**9.5**
Dividend per share (pence)	**17.6**	15.5	**13.5**
	Sep 2022	Mar 2022	Change %
Combined portfolio (£m)[1]	**10,929**	12,017	**(9.1)**
IFRS net assets (£m)	**7,639**	7,991	**(4.4)**
EPRA Net Tangible Assets per share (pence) [1]	**1,010**	1,063	**(5.0)**
Adjusted net debt (£m)[1]	**3,441**	4,179	**(17.7)**
Group LTV ratio (%)[1]	**31.1**	34.4	**(3.3)**
Proportion of portfolio rated EPC 'B' or higher (%)	**37**	36	
Embodied carbon reduction development pipeline (%)	**23.8**	20.7	
Energy intensity reduction vs 2020 (%)	**16.9**	17.5	

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

Our strategy in a rapidly changing environment

Global economic and financial market conditions have changed significantly since our full year results in May. Interest rates across the board have surged in response to rising inflation, with the central bank support that artificially depressed these for most of the past decade now in reverse. It is difficult to assess where interest rates will settle in the medium term, but it seems clear that in a long term context, the ultra-low rate environment of the past decade was the aberration – not the adjustment we have seen this year.

This will likely have a lasting impact on asset values, be it equities, bonds or real estate. In public markets price adjustment is, as usual, well ahead of private markets, but in real estate it is well underway too now and, in our view, will likely continue. The psychology of investing in any financial asset means markets always overshoot, to the upside or downside, rather than smoothly revert to a new fair value.

Importantly, the strategy we set out in late 2020 was never based on a persistent low rate environment. This is why we said we would i) focus our investment on sectors where we have a genuine competitive advantage that helps us create long-term value, rather than sectors which happened to be in vogue at the time and where record-low yields are now rapidly correcting; ii) over time sell c. £2.5bn of mature London assets where yields were low, of which we have sold £1.8bn now; and iii) maintain capital discipline.

Our strategic focus on sustainable value creation in three key areas, Central London offices, major retail destinations and mixed-use urban neighbourhoods, remains the right one. Demand in each area remains resilient, underpinned by the strength of our customer relationships and high quality portfolio.

We are however mindful that financial market conditions have changed. As such, capital recycling will likely slow, although we remain pragmatic and are not holding on to yesterday's hope value. The fact that 75% of our residual c. £2bn capital recycling programme is focused on a range of sectors which for us were subscale, rather than assets where forward returns were modest puts us in a good place.

In terms of future investment, we are focused on maximising optionality in our future pipeline. For London, we plan to let early works packages on two office schemes with a total cost of c. £55m, which will allow us to maintain programme for delivery in what we expect to be a very supply-constrained market in 2025,

whilst buying an extra 6-9 months of time before we have to commit to a full development. In mixed-use, we have no commitments and the holding cost of our five main development sites is modest given the 6% income yield on the current use of these, but we retain optionality to start the first phases of Mayfield and MediaCity in early/mid 2023. We are open to new acquisitions, but financial discipline remains our priority. Pricing might well be better in 12-18 months than it is today, so returns will need to reflect this.

Our strategy remains grounded in our purpose; Sustainable places. Connecting communities. Realising potential. In executing this, we continue to be led by three things: delivering sustainably, delivering for our customers, and being disciplined with our capital.

To support this execution and drive pace, we initiated a review of our operating model six months ago with the aim of creating a culture which is more agile and efficient, with less internal complexity and more external focus. This will allow us to make the most of the substantial talent within Landsec, whose strong capability and dedication is key to our success. We have already made a number of changes and once completed by the year-end, this will improve our efficiency. With a strong capital base, high quality existing portfolio, and significant optionality in our pipeline, this will leave us well placed to drive longer term growth, notwithstanding the near-term economic challenges.

Central London – growing customer focus on quality supports further ERV growth

Central London comprises 61% of our overall portfolio by value. 63% of this is located in the West End, with a further 6% in Southwark and 31% in the City, down from 39% at the start of the year. In a market where customers increasingly focus on flexibility, the best quality space which offers the right amenities to attract talent, and buildings which have the right sustainability credentials, we are well positioned; 48% of our assets have been developed over the past ten years vs c. 20% for the overall market, and 43% of our offices have an EPC rating of ‘B’ or higher vs 15% for the market.

Reflecting this, following record leasing last year, leasing activity remained strong, with £10m of lettings on average 1% above valuers’ assumptions, and a further £31m in solicitors’ hands, 3% ahead of valuers’ assumptions. Current occupancy is stable vs March, at 95.1%, which means our vacancy is roughly half that of the London market. We continue to see a gradual increase in office utilisation, as London continues to get busier, and strong interest in our expanding Myo flexible offer.

Sustained demand for high-quality space drove 2.8% ERV growth, supporting our expectation for ERVs to grow by a low to mid single digit percentage this year. Unsurprisingly, rising bond yields put upward pressure on property yields, with equivalent yields up 21bps to 4.7%, leading to a 4.4% value reduction. We expect yields to soften further, yet how much is reliant on where rates settle. We expect the impact of this on values will continue to be partly offset by ERV growth, as Grade A space remains in short supply.

We significantly de-risked our current development pipeline via the £809m sale of 21 Moorfields, which despite a 9% discount to March book value, crystallised a 25% profit on cost. Our three other committed schemes are expected to produce an ERV of £38m once fully let, with just £110m of capex left to spend. Demand remains encouraging, with 38% of this space let or under offer and the £9m of lettings which we agreed terms on since our FY results in May were on average 11% ahead of ERV. We intend to start early works on Timber Square and Portland House shortly, with a modest c. £55m initial commitment, keeping flexibility on the residual c. £400m capex until mid-next year while markets remain unsettled.

Major retail destinations – continued leasing momentum drives growth in prime locations

Major retail destinations comprise 18% of our portfolio, split c. 60/40% between prime shopping centres and outlets. Building on the positive momentum we created during the previous financial year, operational performance over the first half of the year has been strong. Highlighting the attraction of our high-quality destinations, sales were up 6.3% vs last year and LFL sales are now 3.6% above pre-Covid levels.

For many leading brands, online and physical channels are now firmly inter-connected, so we continue to see existing brands upsize, new brands opening stores in our assets as they move from nearby locations to benefit from higher footfall, and digital native brands opening stores to grow customer connectivity and experience. Consumer behaviour has gradually reverted back to pre-Covid trends, with online sales down and in-store sales growing over the past six months. Indeed, both Shopify and Next recently reported that the material acceleration in online sales during the pandemic turned out to be only temporary.

Given the inflationary pressure on margins for many brands, both online and physical, we expect that the rationalisation of the tail-end of brands' store portfolios will further accelerate. This adds to the challenges for secondary retail locations, where there remains a significant excess of space, yet brands' focus on fewer, but bigger and better stores, mean prime destinations continue to get stronger.

Supported by the investment in our team over the past year and our differentiated focus on growing brand relationships and guest experience, the above trends are clearly visible across our portfolio. We delivered a 120bps increase in occupancy since March to 94.4% and we signed £12m of new lettings, on average 20% above ERV, with a further £15m in solicitor's hands 7% above ERV. This means that over the past 18 months we have now let or re-let 23% of our total retail rent, on average 8% above ERV. We recognise that the economic pressures facing consumers could lead to some let-up in this strong leasing momentum over the coming months, although we are seeing little sign of this yet. Our positive operational performance meant values were up 0.4% over the six months, with the high c. 7-8% yield on prime shopping centres in particular still providing an attractive buffer vs higher interest rates.

Mixed-use urban neighbourhoods – progressing significant pipeline of future opportunities

Our portfolio of mixed-use urban neighbourhood assets makes up 8% of our overall portfolio, split roughly evenly between our standing investments in MediaCity, Greater Manchester and five future regeneration projects in London, Manchester and Glasgow. Given their existing use, the majority of these projects are income producing with a blended yield of 6%, minimising their holding cost whilst we prepare for future development. Comprising a mix of residential, office and leisure space, the overall GDV of these schemes is in excess of £4bn with a potential staged delivery of individual phases over the next 10-15 years.

There remains a structural need to remodel many parts of today's built environment to make sure they are fit for changing consumer expectations with respect to how we live, work and spend our leisure time and to increasing sustainability demands. Situated in attractive locations with strong transport links in some of the fastest growing urban areas in the UK, our pipeline remains well placed to cater for these demands. At the same time, Landsec's sustainability and development expertise, combined with the now fully integrated U+I team's placemaking skills, means we are well positioned to deliver this.

We have continued to make good progress in terms of preparing our pipeline, through planning and other pre-development activities. This means we now have optionality to start the first phases at Mayfield and MediaCity in early/mid 2023. However, the changes in capital market conditions have a clear impact on our underwriting assumptions, so any decision to start these will have to reflect an appropriate level of return, with target IRRs in the low to mid-teens. We continue to make good progress on planning at our residential-led scheme at Finchley Road, with a decision expected in the second half of the financial year.

Sustainability and energy efficiency

We continue to progress the net zero transition investment plan we set out a year ago. We are on track to complete the concept design for installing air source heat pumps for four offices and progress the detailed design for the first two buildings, and to optimise the building management systems across our offices this year. Delivery of our investment plan will ensure we transition to net zero and stay ahead of the Minimum Energy Efficiency Standard Regulations, which require a minimum EPC 'B' certification by 2030, as well as other regulatory requirements, and the cost to achieve EPC 'B' is already reflected in our valuations.

We delivered a 17% reduction in energy intensity for the first half of 2022/23 compared with 2019/20. This represents a 32% reduction against our 2013/14 baseline, so we remain on track vs our 2030 target to reduce energy intensity by 45%. We will continue to drive down our energy consumption with a combination of energy efficiency measures alongside our net zero transition investment programme.

We started working with our largest customers last year to help them identify opportunities to save energy and have expanded this during the period. Given the rise in energy costs, this has become even more relevant. Our retail customers typically purchase their energy directly, but where we purchase energy on behalf of customers, costs have been fully hedged for the current and next financial years and 40% hedged for the year after, limiting the impact on their overall cost base.

Outlook

Looking ahead, we anticipate global economic uncertainty to remain elevated. Decades of globalisation, fuelling growth and depressing inflation, have started to go into reverse, with rising geopolitical tensions adding to risks around energy reliance and supply chains. Positively, the turbulence in UK politics in late summer has started to normalise, although political stability remains fragile.

Still, it is clear that London remains a top global city which continues to attract new businesses and talent; that the future of major retail destinations is more positive than most, including many retailers themselves, thought two years ago; and that there remains a structural need to remodel city centres in a sustainable way. It is difficult to say where interest rates will settle and whilst we think this is unlikely to be where they have been for the past decade, our strategic decisions over the past two years mean we are in excellent shape for any eventuality:

- our portfolio quality is high, which has increasingly become a decisive factor for customers;
- our balance sheet is strong, with an LTV of 31% and no refinancing needs until 2026;
- we have sold nearly £2bn of mature, low-yielding assets most at risk of repricing;
- we have an attractive pipeline of opportunities with full flexibility on any future commitments.

Despite the uncertain economic outlook, our long 9.8-year average debt maturity provides visibility and underpins the sustainability of our earnings. We continue to expect underlying EPRA EPS for this year to grow by a low to mid-single digit percentage, excluding the benefit from increased surrender premiums which were up £10m in the first half of the year, and we expect dividend for the full year to grow in line with underlying EPRA EPS. Beyond FY23, the exact shape of earnings progression will rely on the pace of future disposals and reinvestments, but our strategy and strong capital base continue to offer the potential to grow earnings and total accounting return over time.

Operating and portfolio review

Overview

Our combined portfolio was valued at £10.9bn as of September, comprising the following segments:

- Central London (61%): our high-quality office (84%) and retail and other commercial space (16%), located in the West End (63%), City (31%) and Southwark (6%). Of our investment assets, 48% has been developed in the last ten years, compared to c. 20% for the overall London office market.
- Major retail destinations (18%): our investments in six shopping centres and five retail outlets, with the seven largest assets comprising 83% of the overall retail portfolio value, most of which are amongst the highest selling locations for retailers in the UK.
- Mixed-use urban neighbourhoods (8%): our investments in mixed-use assets and future development opportunities, focused on five sites in London, Manchester and Glasgow, of which some still have a short-term use as retail ahead of their medium-term redevelopment.
- Subscale (13%): assets in sectors where we have limited scale and which we therefore intend to divest over time, with a broadly equal split between retail parks, hotels and leisure assets.

Investment activity

We made significant progress on our objective to recycle capital out of mature assets during the period, with a view to reinvest this into higher growth opportunities over time. In late 2020, we said we intended to sell a combined c. £4bn of London offices and assets in sectors which were subscale for us over a period of circa six years. Two years later, we have now sold £2.0bn, including £1.0bn over the past half year.

Our largest sale was the £809m disposal of our 21 Moorfields, EC2 development project in September. The building is fully pre-let to Deutsche Bank for 25 years and therefore offered little room to add further value. The total consideration represented a 9% discount to March book value, partly reflecting the fact that construction will only complete in March 2023, but crystallised a 25% profit on cost. Shortly after the March 2022 year-end we also sold 32-50 Strand, WC2 for £195m, 15% above its prior book value.

As a result, we have now sold £1.8bn of mature London offices over the past two years, at an average yield of 4.35% and 1% discount to book value. Since the acquisition of U+I late last year, we have also sold or exchanged contracts to sell close to half of its non-core assets for £85m, on average 22% above book value. We have not made any material acquisitions during the period.

Looking ahead, we expect capital recycling will slow given increased uncertainty in global capital markets. The residual c. £2bn of assets earmarked for disposal over the next four years are broadly equally split between four sectors, allowing us to tap into different pools of demand. Furthermore, for 75% of this c. £2bn our intention to sell purely reflects a lack of scale, rather than any caution on forward returns. Our strong capital base means we can therefore afford to be selective, although we remain pragmatic about value given the opportunities additional cash could potentially provide over the next 12-18 months.

Portfolio valuation

The rise in interest rates over the period meant that transaction volumes across global and UK property markets slowed considerably during the half year and that, especially over the last few months, pricing started to adjust. This adjustment has been most pronounced in sectors where yields compressed most during prior years, such as logistics, or for assets which had been valued as bond-like income.

Against this backdrop, our portfolio value reduced by 2.9% over the period. Our Central London portfolio value was down 4.4%, with a 21bps increase in yields. This was partly offset by 2.8% growth in ERVs, with 2.2% growth in the West End driven by our strong letting evidence in Victoria, which makes up the lion share of our London portfolio. City ERVs were up 3.3%, principally reflecting a major lease regear at a higher rent, with associated refurbishment works now taken as cost in the valuation. As a result, West End values (-4.2%) were more resilient than City (-9.7%). Developments were broadly stable, as our successful pre-letting activity drove an increase in ERVs, offsetting a softening of valuation yields.

Despite the challenging macro backdrop, the value of our retail portfolio was up 0.4%. Shopping centre values rose 1.1%, as our continued positive letting activity drove 2.4% ERV growth. Yields remained stable at 7.4% and, following their correction in recent years, continue to offer a healthy margin over funding costs. Outlet values were down slightly at -0.6%, partly reflecting a small reduction in turnover income following strong sales last year, driven by the clearance of excess stock post lockdowns.

In mixed-use, the value of our completed assets at MediaCity was down 4.8% as yields moved out 18bps, offsetting a 2.0% increase since our acquisition at the FY valuation in March. The rest of our mixed-use assets, which principally comprise our future development schemes, were up in value by 2.0%, partly driven by valuation upside at Mayfield. The value of our subscale assets was down 1.2%, as positive growth in the value of our hotel portfolio (+5.3%) reflecting their strong operational performance, was offset by a modest softening in leisure values (-2.6%) and principally retail parks (-5.4%), which saw a softening in yields following their 31.9% increase in value over the prior twelve months.

Looking ahead, we expect valuation yields to continue to see upward pressure from rising funding costs, especially for those sectors where they are lowest. For us, this principally affects London offices, even though we expect that in the West End and Southwark part of the impact on value of this will be offset by further rental value growth, as Grade A availability remains scarce. We expect the impact on other parts of our portfolio to be less and shopping centre values in particular to remain much more resilient, given their high initial yields and increasing visibility on their sustainability of income.

Table 2: Valuation analysis

	Market value 30 Sep 2022	Surplus/ (deficit)	Valuation movement	LFL rental value change[1]	Net initial yield	Topped-up net initial yield	Equivalent yield	Movement in LFL equivalent yield
	£m	£m	%	%	%	%	%	bps
West End offices	2,761	(116)	-4.2	2.2	4.6	5.0	4.8	21
City offices	1,746	(183)	-9.7	3.3	3.3	4.0	4.9	27
Retail and other	1,089	2	0.2	2.7	4.2	4.4	4.6	14
Developments	1,102	(7)	-0.6	n/a	0.3	0.3	4.5	-
Total Central London	**6,698**	**(304)**	**-4.4**	**2.8**	**4.1**[2]	**4.6**[2]	**4.7**	**21**
Shopping centres	1,150	12	1.1	2.4	7.7	8.1	7.4	5
Outlets	740	(5)	-0.6	-0.9	5.9	6.0	6.7	-4
Total Major retail	**1,890**	**7**	**0.4**	**1.1**	**7.0**	**7.3**	**7.1**	**1**
Completed investment	393	(20)	-4.8	n/a	5.3	5.3	5.9	18
Developments	497	11	2.0	n/a	5.2	5.3	5.3	-
Total Mixed-use urban	**890**	**(9)**	**-1.0**	**n/a**	**5.3**[2]	**5.3**[2]	**5.6**	**18**
Leisure	563	(14)	-2.6	-0.4	6.9	7.0	7.2	27
Hotels	444	23	5.3	-1.1	5.2	5.2	5.5	-1
Retail parks	444	(26)	-5.4	1.8	6.1	6.4	6.0	29
Total Subscale sectors	**1,451**	**(17)**	**-1.2**	**0.1**	**6.1**	**6.2**	**6.3**	**17**
Total Combined Portfolio	**10,929**	**(323)**	**-2.9**	**1.8**	**5.1**[2]	**5.4**[2]	**5.4**	**19**

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

Leasing and operational performance

Central London

Across the Central London market, office take-up increased 78% YoY to 12.4m sq ft, in line with the 10-year average. Space under offer is broadly stable since March and, at 3.8m sq ft, remains ahead of the 3.4m sq ft 10-year average. Vacancy came down slightly, from 9.0% to 8.3%, although 79% of this is second-hand space, of which a large part does not necessarily fit today's customer and sustainability requirements. Vacancy remains elevated in the City at 12.2%, yet fell 0.7ppt to 3.9% in the West End.

Against this backdrop, we signed ten lettings and renewals in Central London, totalling £10m of rent, on average 1% ahead of valuers' assumptions, with a further £31m in solicitors' hands, 3% above valuers' estimates. Overall, office lettings were 2% above ERV. Retail lettings were at a 5% premium, as demand picked up materially, with office utilisation gradually increasing and tourism up significantly compared to last year. Overall occupancy was down 30bps to 94.8% at the end of September, but has increased back to 95.1% since the period-end. We also continue to see good demand for our Myo flexible space, with 123 Victoria Street 98% let and Dashwood 86% let, vs 98% and 64% six months ago, which supports our plans to open four new Myo locations, totalling 160,000 sq ft, over the next 18 months.

Looking forward, we expect more flexible ways of working will reduce overall demand for office space in the UK, although the impact of this will not be evenly spread. We expect large HQ type space and areas which offer little reason to visit beyond doing a job to see a much bigger impact than places which offer exciting amenities for people to give them a reason to want to spend time there. We continue to see good demand for the high quality space we offer, with current negotiations on new lettings on average ahead of ERV, so we expect our high occupancy will further improve in the second half.

Major retail destinations

Demand for retail space in prime locations has continued to grow. Total retail sales across our portfolio grew 6.3% YoY and LFL sales are now 3.6% above 2019 levels, highlighting the value of our major retail destinations for brands and consumers. At the same time, online sales have fallen back to pre-pandemic trends, as consumer behaviour continues to normalise. Many leading brands now recognise online and physical channels as fully inter-connected, as e.g. Next and Shopify recently commented that the surge in online sales as a result of Covid which many thought to be permanent has proven to be only temporary.

The growth in sales across our portfolio relative to the sharp c. 35% reset in income over the years to FY21 means the affordability of our space for brands has improved significantly, at a time that the cost of doing business online has increased materially. Whilst we expect brands will continue to rationalise their store footprints and potentially even accelerate this, with inflation putting pressure on marginal stores, their focus on 'fewer, bigger, better' stores has started to drive a tangible return to growth for our assets.

We completed 103 lettings totalling £12m in the first half of this year, ahead of the same period last year, on average a marked 20% ahead of ERV. This was partly driven by three sizeable outlet lettings at more than double the ERV, but even excluding these, the average premium vs ERV was still a material 15%, including a 7% premium for shopping centre lettings. In addition, we have a further £15m of lettings in solicitors' hands, on average 7% ahead of ERV, with shopping centre leases 8% ahead.

Close to 80% of the 103 leases we signed during the half year had some turnover linkage, although the average turnover element was only 15% of the overall rent, so even the fixed base rent was well above ERV. On an overall basis, c. 40% of our leases now have a turnover component, with turnover rent making up 17% of our overall retail income. This growing insight in turnover provides us with valuable data and, across a nation-wide portfolio, a unique insight in underwriting sustainable income levels.

As a result, since March, occupancy has increased 120bps to 94.4%. We continue to monitor credit risks in our portfolio, but units in administration remain low at 0.5%, in line with March. There have been no CVAs and minimal insolvencies during the period, as many of the most challenged business models already folded during the pandemic. We note that Cineworld, which makes up 0.6% of the annual rent of our major retail destinations, has filed for Chapter 11 bankruptcy protection in the US, although it continues to trade and pay rent. Footfall across our shopping centres increased 21% YoY and is now at 86% of pre-pandemic levels, compared to 82% for the UK market and up from 80% six months ago.

Looking forward, we are mindful consumers face significant headwinds as a result of macro-economic challenges, but given our strong letting pipeline we expect occupancy to grow further in the second half. Moreover, the stark contrast between sales in our shopping centres which are now close to pre-pandemic levels vs rents which are c. 35% lower and values which are 63% down since 2017, means the outlook for income and values in our view remains attractive.

Mixed-use urban neighbourhoods

At present, the completed investment assets in our mixed-use portfolio solely comprise our investment in MediaCity, which we acquired in late 2021. Over half of the income is RPI linked with caps and collars at 2-5%, securing future income growth. Occupancy remained stable during the period, but since the period-end this has increased to 97.5%. Our mixed-use development assets include our three shopping centres in London and Glasgow which are held for future development, but where the existing income is managed on a short-term basis to maximise our flexibility to obtain access for development.

Subscale sectors

The operational performance of our subscale assets remained robust, despite some slowdown in leisure compared to the reopening bounce last year. We completed £2m of retail park and leisure lettings across 14 deals during the half year, 10% above valuers' assumptions, with a further £5m of rent in solicitors' hands, 11% above valuers' assumptions, and overall occupancy was broadly stable. Our hotels, which are all let to Accor, have seen occupancy rise to 94% of pre-pandemic levels, up from 67% last year, which drove a material increase in RevPAR.

Table 3: Operational performance analysis

	Annualised rental income	Estimated rental value	LFL Occupancy [1]	LFL occupancy change [1]	WAULT[1]
	£m	£m	%	ppt	years
West End offices	132	143	98.4	-	6.5
City offices	79	104	90.3	-1.0	7.8
Retail and other	43	54	94.1	-0.2	7.6
Developments	5	64	n/a	n/a	n/a
Total Central London	**259**	**365**	**94.8**	**-0.3**	**7.0**
Shopping centres	106	104	93.9	1.1	4.2
Outlets	57	61	95.2	1.4	3.2
Total Major retail	**163**	**165**	**94.4**	**1.2**	**3.9**
Completed investment	24	24	n/a	n/a	9.7
Developments	29	32	n/a	n/a	n/a
Total Mixed-use urban	**53**	**56**	**n/a**	**n/a**	**9.7**
Leisure	50	51	95.6	-0.9	10.4
Hotels	25	25	n/a	-	8.7
Retail parks	29	29	97.4	0.9	4.3
Total Subscale sectors	**104**	**105**	**97.3**	**-0.1**	**8.0**
Total Combined Portfolio	**579**	**691**	**95.1**	**-**	**6.4**

1. Excluding developments

Investing in sustainability, people and culture

A year ago, we were the first UK property company to announce a fully costed net zero carbon transition plan, which would see us invest £135m of capex in our existing portfolio by 2030 to deliver our science based target and meet the Minimum Energy Efficiency Standard of EPC 'B' by 2030. Since then, we have completed air source heat pump feasibility studies for six offices, with four progressing to concept design and one to detailed design. We have also completed building management system optimisations for five offices, with a further seven to be completed this financial year, where we are identifying on average a 10% annual energy saving. In addition, we are on track to expand the energy audits with 15 of our largest customers, which identified annual carbon and costs savings of 10-15%, to an additional ten customers. Highlighting its quality, 43% of our office portfolio is already rated 'B' or higher, which compares to 15% for the overall office market.

We continue to work on reducing embodied carbon in our future pipeline, in line with our target to reduce this by 50% vs a typical development by 2030, to below 500kgCO_2e/sqm for offices. To help achieve this target, we have recently signed up to the ConcreteZero Initiative where we commit to using 100% net zero concrete by 2050 with ambitious interim targets. This complements our existing membership of the SteelZero Initiative and sends a strong market signal of our commitment to net zero to our supply chain.

Our plans for Timber Square, SE1 already show an embodied carbon intensity of 535kgCO_2e/sqm, reflecting the retention of part of the existing structure, a highly optimised design and the use of low carbon cross laminated timber. At Red Lion Court, SE1 we expect an embodied carbon intensity of c. 600kgCO_2e/sqm, reflecting the retention of 35-40% of the existing basement and piles and the use of a highly flexible concrete structural solution with demountable timber infills. The Forge, SE1, which completes later this year, remains on track to be the first building in the UK to be designed and operated in line with the UK Green Building Council framework definition of a net zero carbon building. Combined with Liberty of Southwark, these schemes will create an attractive new green office cluster in Southwark.

In May, we also announced our Realising Potential fund which is aimed at improving social mobility in the real estate industry and will see us invest £20m over the next 10 years, to empower 30,000 people towards the world of work and create £200m in social value. We will launch this in April 2023, including a bursary programme that will provide financial support to underrepresented young adults studying for a placemaking career and a small grants programme that will provide grants to local charities and community organisations in the areas we operate,

Whilst we invest in building a sustainable business, we also need to make sure we build a culture which is right for the future. To that extent, we started an organisation-wide review six months ago with the aim to reduce internal complexity and become more agile, customer service-oriented and outward focused. This builds on the changes to our retail team last year, where we brought in experience and capabilities from international retailer backgrounds to focus more on growing brand relationships and guest experience, and the successful retention of the U+I team's unique placemaking and design capability.

We have already made a number of changes as a result, including a number of leadership changes, and we expect further changes in the second half. This will help improve our overall efficiency, but more importantly, changing the culture of our business is key to creating a more diverse organisation which can harness the skills and experience of all of the substantial talent within Landsec, in order to successfully deliver on our strategy in the long term.

Development pipeline

Central London

The £809m sale of 21 Moorfields substantially reduced our development exposure and crystallised a healthy 25% profit on cost. As a result, our committed pipeline now comprises three schemes, which are set to produce an ERV of £38m once fully let, with just £110m capex left to spend. Reflecting our strong leasing activity, the combined ERV increased by 3% since March, of which 38% is let or under offer, with active negotiations on further lettings. All three projects are set to complete over the next nine months, with costs and timelines broadly maintained over the past six months, despite market wide pressures from inflation, supply chain disruption and labour shortages.

Table 4: Committed development pipeline

Property	Sector	Size sq ft '000	Estimated completion date	Net income/ ERV £m	Market value £m	Capital expenditure to complete £m	Market value + future TDC £m	Gross yield on MV + future TDC %
The Forge, SE1	Office/retail	140	Dec-22	10	155	18	174	5.5
Lucent, W1	Office/retail/residential	144	Mar-23	14	222	41	265	5.3
n2, SW1	Office	165	Jun-23	14	172	51	227	6.2
Total		**449**		**38**	**549**	**110**	**666**	

The rise in construction cost and, more recently, sharp rise in development finance costs is likely to result in a significant reduction in near-term development starts in London. During previous periods of economic uncertainty, new starts ended up c. 30-90% below originally expected levels and we believe this could well repeat over the next twelve months. As such, we think this could create an attractive window to deliver new space in 2025, when new supply of Grade A space is likely to be low.

We are confident that the quality of our future pipeline and its sustainability credentials is well positioned for future demand, but are mindful that in periods of economic uncertainty demand can be cyclical. In the near term, we are therefore focused on maintaining optionality. For the two schemes which are ready to go, Timber Square, SE1 and the refurbishment of Portland House, SW1 this means we plan to commit to early works at a total cost of c. £55m shortly, which allows us to maintain a timeline of potential delivery in late 2025, whilst keeping flexibility on committing to the residual c. £400m capex investment. With rents achieved on our current pipeline since May 11% ahead of valuers' assumptions, we expect a gross yield on cost of 7%+ for both projects and a yield on incremental expenditure of 10%+.

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							
Timber Square, SE1	Office	380	400	30	7.5	H1 2023	Consented
Portland House, SW1	Office	300	380	28	7.4	H1 2023	Consented
Liberty of Southwark, SE1	Office/resi	200	245	15	7.2[1]	H1 2023	Consented
Red Lion Court, SE1	Office	230	320	23	7.2	H1 2024	Planning application
Total near-term		**1,110**	**1,345**	**96**	**7.3**		
Longer-term							
Nova Place, SW1	Office	50				2024	Design
Old Broad Street, EC2	Office	290				2025	Design
Hill House, EC4	Office	325				2025	Design
Total longer-term		**665**					
Total future pipeline		**1,775**					

1. Gross yield on cost adjusted for residential TDC

Mixed-use urban neighbourhoods

Our 9.0m sq ft mixed-use urban neighbourhoods pipeline continues to offer significant growth potential in locations where structural demand characteristics remain positive. The integration of the Landsec and U+I teams into a combined regeneration business is now complete and we remain on track in terms of preparing our pipeline, whilst maintaining optionality on future commitments.

At Mayfield, the new 6.5-acre public park opened in September and we agreed terms with our JV partners for a drawdown of land for the first phases of development from the JV, once we intend to start on site. At MediaCity, we obtained detailed planning for the first 263,000 sq ft office building in October, which means we could potentially start both projects in early to mid 2023.

At Finchley Road, NW3, we expect a decision on the planning application which we submitted in January 2022 by the financial year-end and we have made further progress on our vacant possession strategy. Subject to planning, we could therefore start enabling works as soon as next year. In Glasgow, we have concluded the first rounds of public consultation and now expect to submit a planning application by the year-end. In Lewisham, SE13 we have continued our positive engagement with the Council on a new masterplan and are preparing to submit an application for this next year.

As such, our mixed-use pipeline provides a valuable opportunity to build an attractive balance of income, development upside and medium term growth potential. The flexibility to phase capex, mixed-use nature and geographic spread of the pipeline all add to its balanced risk-profile, as we retain flexibility to adapt to changes in demand. As land values are much lower in the regions than in London, we are mindful that development returns are more sensitive to yield movements and construction costs, although this is partly mitigated by the fact that margins and yields on cost tend to be higher.

Whilst we continue to prepare our pipeline, we maintain flexibility on future capital commitments to make sure we achieve our targeted low to mid-teens IRR. The current book value of the pipeline below of c. £350m is modest compared to its potential upside and given the blended 6.4% income yield on the meanwhile use of part of the existing assets, its holding cost is low. As such, this provides valuable optionality for future growth.

Table 6: Mixed-use urban neighbourhoods development 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
Mayfield, Manchester	50-100	2,500	2023	18	2025/2032	800-950	7 - 8	Consented
MediaCity, Greater Manchester	75	1,900	2023	8	2025/2030	550-650	7 - 8	Consented
Finchley Road, NW3	100	1,400	2023	10	2026/2034	950-1,200	6 - 7	Application
Buchanan Galleries, Glasgow	100	1,400	2024	11	2027/2035	600-750	7 - 8	Design
Lewisham, SE13	100	1,800	2025	14	2028/2037	1,100-1,300	6 - 7	Design
Total future pipeline		**9,000**				**4,000-4,850**		

Financial review

Overview

Our positive operational performance is reflected in a meaningful increase in EPRA earnings, which was up 9.4% to £197m, primarily driven by a £24m increase in net rental income, partly reflecting a £10m increase in surrender premiums received. Like-for-like gross rental income excluding surrender premiums was up 8.3%, or 6.2% on a net rental income basis. This reflects our positive leasing performance, primarily in major retail destinations, and continued growth in income across our hotel portfolio. As a result, EPRA EPS increased 9.5% to 26.6 pence. This allows us to pay a second interim dividend of 9.0 pence, bringing the total dividend for the half year to 17.6 pence, up 13.5% vs the prior year. Our policy remains to have dividends annually covered 1.2 to 1.3 times by EPRA earnings.

Despite this strong operational result, our overall financial performance was impacted by a £323m reduction in the value of our Combined Portfolio, as market yield shift in London more than offset the ERV growth our leasing activity delivered and the upside from our successful development activity. As a result, our total accounting return was -2.9%, with a loss before tax of £192m, compared to a profit of £275m in the prior year. After dividends paid during the period, EPRA NTA per share reduced 5.0% to 1,010 pence.

Nevertheless, our actions during the half year further strengthened our robust capital base. Adjusted net debt fell from £4.2bn to £3.4bn due to our successful disposals, so as a result, our LTV reduced from 34.4% to 31.1%. Our weighted average net debt/EBITDA stands at a modest 8.7 times and we expect this to reduce to c. 8 times by the year-end, reflecting the full year benefit of our recent disposals. Our average debt maturity increased to 9.8 years and with £1.8bn of undrawn facilities, we have no need to refinance any maturing debt until 2026, so our balance sheet is in excellent shape.

Presentation of financial information

The condensed consolidated preliminary financial information is prepared under IFRS where the Group's interests in joint ventures are shown collectively in the income statement and balance sheet, and all subsidiaries are consolidated at 100%. Internally, management reviews the results of the Group on a basis that adjusts for these forms of ownership to present a proportionate share. The Combined Portfolio, with assets totalling £10.9bn, is an example of this approach, reflecting the economic interest we have 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 positive income growth reflects our successful asset management and the resilience our high-quality portfolio provides, with quality becoming an increasingly important driver for customers. We have seen rental income grow, principally in major retail destinations; mixed-use, where some of our future projects have an existing retail use; and subscale sectors, which include our retail parks, leisure and hotels, as trading in these segments continued to normalise relative to last year, when the UK had just emerged out of lockdown at the start of the period.

Table 7: Income statement [1]

		Six months ended 30 September 2022					Six months ended 30 September 2021					
	Table	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]		**160**	**84**	**28**	**53**	**325**	148	74	17	43	282	43
Net service charge expense		**(1)**	**(6)**	**(1)**	**(1)**	**(9)**	-	(3)	(1)	(2)	(6)	(3)
Net direct property expenditure		**(11)**	**(15)**	**(6)**	**(6)**	**(38)**	(9)	(9)	(3)	(4)	(25)	(13)
Movement in bad and doubtful debts provisions		**1**	**3**	**(4)**	**-**	**-**	(2)	5	1	(1)	3	(3)
Segment net rental income	8	**149**	**66**	**17**	**46**	**278**	137	67	14	36	254	24
Net administrative expenses						**(41)**					(41)	-
EPRA earnings before interest						**237**					213	24
Net finance expense						**(40)**					(33)	(7)
EPRA earnings						**197**					180	17
Capital/other items												
Valuation (deficit)/surplus						**(323)**					81	
(Loss)/gain on changes in finance leases						**(6)**					6	
(Loss)/profit on disposals						**(92)**					6	
Impairment charges						**(8)**					-	
Fair value movement on interest rate swaps						**48**					2	
Other						**(6)**					-	
(Loss)/profit before tax attributable to shareholders of the parent						**(190)**					275	
Non-controlling interests						**(2)**					-	
(Loss)/profit before tax						**(192)**					275	

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

Net rental income

Net rental income for the half year increased by £24m to £278m. Like-for-like gross rental income rose £19m, or 8.3%, and the net impact of our investment activity was up £10m. Bad and doubtful debt charges were nil, compared to a £3m reversal of provisions last year. Variable rent, which includes income from hotels, Piccadilly Lights, parking and retail turnover rent, increased £14m as trading has continued to normalise. We received £19m of surrender premiums during the period vs £9m in the prior period. This principally reflected a £15m premium in relation to the lease restructuring with Deloitte at New Street Square, EC4, at the end of last year. The space this freed up provides flexibility for asset management initiatives across the wider estate, whilst we work up medium term redevelopment plans.

Whilst there were minimal insolvencies and no new CVAs during the period, we note that Cineworld, which makes up 1.8% of our annual rent, has filed for Chapter 11 bankruptcy protection in the US. We have taken appropriate provisions during the half year and will await the outcome of this process, but all assets in our portfolio continue to trade and the company continues to pay rent.

Direct property expenditure increased by £13m, of which almost half was driven by acquisitions. Like-for-like direct property costs increased £7m. This reflected a combination of higher letting fees, due to our

increased letting activity; higher utilisation of our assets given that at the start of the prior period, the UK was still in lockdown; and some element of cost inflation. Net service charge expenditure increased £3m, which principally reflects a reconciliation of prior year charges. As a result, our gross to net ratio was 85.5%, but we expect this to improve as void and letting costs reduce as occupancy improves further.

Table 8: Net rental income[1]

	£m
Net rental income for the six months ended 30 September 2021	**254**
Gross rental income like-for-like movement in the period[2]:	
Increase in variable and turnover-based rents	**14**
Other movements	**5**
Total like-for-like gross rental income	**19**
Like-for-like net service charge expense	**(2)**
Like-for-like net direct property expenditure	**(7)**
Like-for-like movement in bad and doubtful debts provisions	**3**
Surrender premiums received	**10**
Developments[2]	**(9)**
Acquisitions since 1 April 2021[2]	**16**
Disposals since 1 April 2021[2]	**(6)**
Net rental income for the six months ended 30 September 2022	**278**

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 flat at £41m, in line with our view that admin costs for the full year will be largely stable vs last year. Despite the increase in cost due to the impact of the U+I acquisition, c. £5m of annual IT and data related costs reflecting an investment in upgrading our systems and data capability which due to updated IFRIC accounting guidance is now expensed instead of capitalised, and wage inflation, this reflects our continued focus on making sure our overall cost base is right. We still anticipate administrative expenses for next year to reduce compared to the current year.

Our EPRA cost ratio for the period was 26.2% in line with the full year last year. Elevated wage inflation and general cost inflation are putting upward pressure on costs, but the actions we have taken to reduce our cost base mean we are on track to improve this ratio towards the low 20's over time through a combination of a reduction in administrative expenses and an improvement in gross to net rent margin.

Net finance expenses

Net interest costs increased £7m to £40m, principally due to our acquisitions last year which resulted in an increase in average gross borrowings for the period, ahead of the disposal of 21 Moorfields at the end of the half year, plus some increase in variable interest rates. At the start of the period, 70% of our borrowings were fixed or hedged, but in line with our expectations, borrowings reduced due to our disposals, so hedging increased to 84% at the period-end. With much lower borrowings in the second half, we still expect net interest costs for the full year to be only slightly higher than the £71m for last year.

Non-cash finance income, which includes the fair value movements on derivatives, caps and hedging and which is not included in EPRA earnings, increased from a net income of £2m in the prior period to a net income of £48m for the last six months. 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 and profit on disposals

The independent external valuation of our Combined Portfolio showed a £323m value reduction. Whilst the strong leasing evidence we created drove 1.8% ERV growth and we delivered further profits on our committed pipeline, the upside of this was offset by a market-wide softening of yields due to the sharp rise in bond yields. This principally affected our London portfolio, as the value of our major retail, mixed-use and subscale assets has been more resilient.

We recognised a £92m loss on disposals, mostly reflecting the sale of 21 Moorfields and an element of development provisions, offset by the sale of 32-50 Strand. The March valuation of Strand already reflected part of the 15% premium to book value on the sale. The sale of 21 Moorfields reflected a 9% discount to book value, but crystallised a 25% development profit and significantly reduced our LTV.

IFRS profit after tax

Substantially all our activity during the year was covered by UK REIT legalisation, which means our tax charge for the year remained minimal. Reflecting the increase in EPRA earnings, offset by the valuation shortfall, IFRS loss after tax for the period was £192m, compared to a profit of £275m in the prior period.

Total accounting return

EPRA Net Tangible Assets, which principally reflects the value of our Combined Portfolio less adjusted net debt, reduced to £7,504m, or 1,010 pence on a per share basis, marking a 5.0% reduction since March. Including dividends paid, this means our total accounting return for the half year was -2.9%.

Table 9: Balance sheet[1]

	30 September 2022 £m	31 March 2022 £m
Combined Portfolio	**10,929**	12,017
Adjusted net debt	**(3,441)**	(4,179)
Other net assets/(liabilities)	**16**	50
EPRA Net Tangible Assets	**7,504**	7,888
Shortfall of fair value over net investment in finance leases book value	**1**	6
Other intangible asset	**2**	2
Excess of fair value over trading properties book value	**(7)**	-
Fair value of interest-rate swaps	**69**	21
Net assets, excluding amounts due to non-controlling interests	**7,569**	7,917
Net assets per share	**1,023p**	1,070p
EPRA Net Tangible Assets per share (diluted)	**1,010p**	1,063p

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 2022	7,888	1,063
EPRA earnings	197	27
Like-for-like valuation movement	(307)	(41)
Development valuation movement	3	-
Impact of acquisitions/disposals	(19)	(3)
Total valuation deficit	(323)	(44)
Dividends	(155)	(21)
Loss on disposals	(92)	(13)
Other	(11)	(2)
EPRA Net Tangible Assets at 30 September 2022	**7,504**	**1,010**

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

Net debt and LTV

During the half year, adjusted net debt, which includes our share of JV borrowings, reduced by £738m to £3,441m. This was principally driven by the £1bn disposal of two mature London office assets, 32-50 Strand and 21 Moorfields. We made no material acquisitions, but capital expenditure on our Combined Portfolio was £195m, reflecting our London office development programme, the preparation of future developments and the investment in our current portfolio. We only have £127m committed capex left to spend and retain full flexibility on any potential new development starts.

The other key elements behind the increase 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.

Due to the reduction in borrowings, our Group LTV which includes our share of JVs, reduced from 34.4% to 31.1%. This remains well within our target range of 25% to 40% and in line with the low 30's level we said we expected for the foreseeable future. We continue to look for opportunities to recycle capital but our strong balance sheet and limited capital commitments mean we can afford to be selective.

Table 11: Net debt and LTV

	30 September 2022	31 March 2022
Net debt	**£3,475m**	£4,254m
Adjusted net debt[1]	**£3,441m**	£4,179m
Group LTV[1]	**31.1%**	34.4%
Security Group LTV	**32.5%**	36.4%

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

Table 12: Movement in adjusted net debt[1]

	£m
Adjusted net debt at 31 March 2022	**4,179**
Adjusted net cash inflow from operating activities	**(168)**
Dividends paid	**155**
Capital expenditure	**141**
Acquisitions	**2**
Disposals	**(870)**
Other	**2**
Adjusted net debt at 30 September 2022	**3,441**

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

Financing

Our gross borrowings of £3,541m are diversified across various sources, including £2,341m Medium Term Notes, £0.8bn syndicated and bilateral bank loans and £424m of commercial paper. Our MTN and bank loans form part of our Security Group, which provide security on a floating pool of assets currently valued at £10.2bn. This provides flexibility to include or exclude assets and an attractive cost of funding, with our MTN currently rated AA and AA- with a stable outlook respectively by S&P and Fitch.

The Security Group structure has a number of tiered covenants. Below 65% LTV, these involve very limited operational restrictions, whilst a default only occurs when LTV is more than 100% or the ICR falls below 1.0 times. With a Security Group LTV of 32.5%, down from 36.4% in March, our portfolio could withstand a 50% fall in value before we reach the 65% hurdle and 68% before reaching 100%.

We have £1.8bn of undrawn facilities, which provides substantial flexibility. The amount of borrowings which is fixed or hedged increased to 84%, as we used the proceeds from our significant disposals during the period to repay part of our floating debt, as planned. We expect this figure to remain within an 80-90% range, to keep some flexibility for potential divestments.

The reduction in utilisation of our revolving credit facilities following our disposals over the period, meant that our average maturity of debt increased to 9.8 years, even though we did not issue any new debt during the period. As expected, our average cost of debt increased slightly to 2.7% due to the increase in variable rates. We only have £733m of debt maturing in the next three years, but all of this is more than covered by existing undrawn facilities, which means we have no refinancing requirements until 2026. All in all, our strong financial base therefore offers clear visibility, sustainability of earnings and significant optionality for future opportunities.

Table 13: Available facilities[1]

	30 September 2022 £m	31 March 2022 £m
Medium Term Notes	**2,341**	2,341
Drawn bank debt	**776**	1,519
Outstanding commercial paper	**424**	499
Cash and cash equivalents	**(80)**	(157)
Available undrawn facilities	**1,814**	1,119
Total committed credit facilities	**2,934**	2,980
Weighted average maturity of debt	**9.8 years**	9.1 years
Percentage of borrowings fixed or hedged	**84%**	70%
Weighted average cost of debt	**2.7%**	2.4%

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

Principal risks and uncertainties

The principal risks of the business were set out on pages 60-69 of the 2022 Annual Report that was published in May. The Board has reviewed these risks again and concluded that they remain relevant. In reviewing Landsec's risk landscape, the Board concluded that key change projects failing to deliver the expected benefits, especially those that relate to cultural changes, should be included within our principal risks.

Many of the risks disclosed in the Annual Report have evolved over the first half of 2022/23 due largely to the increasing volatility and uncertainty in the UK economy. Unsurprisingly, the macro-economic outlook remains our highest rated risk, with inflation and rising interest rates having an impact on valuations, capital costs and our investment and development strategies.

Our principal risks are summarised as follows:

Macro-economic Outlook and Capital Allocation – The current economic climate in the UK is increasingly uncertain and business confidence has fallen significantly as a result of high inflation and interest rate rises. This has impacted consumers and resulted in a cost of living crisis and the threat of recession. For Landsec, this impacts asset yields and therefore valuations, our cost-base, including the cost of completing development projects, and our ability to recycle assets. It may also give rise to opportunities to acquire assets.

Office Occupier Market – Our premium office products have continued to perform well and occupancy and valuations have held up better than "secondary office" space. Tenants continue to pay rents and our portfolio team have seen positive demand for this space which is well regarded in the market. Uncertainty around the demand for office space appears to have levelled out as the hybrid working model adopted by many organisations has become embedded.

Retail and Hospitality Occupier Market – The split between online and physical retail sales has fluctuated in recent years and this in turn impacted demand for retail space. However, footfall and sales in retail locations have improved over the past six months, especially at our premium retail destinations. Cinemas have been an area of concern, with Cineworld recently filing for Chapter 11 bankruptcy protection in the US. The potential for recession and resurgence of Covid-19 in winter 2022/23 could further challenge our retail business.

Change Programmes – With a number of important internal change programmes underway, it is crucial that the benefits identified, especially those that relate to cultural changes, are realised in order to deliver our strategic objectives.

Development Strategy – Fluctuating demand for existing and future office space continues to be uncertain. This, coupled with supply chain and inflationary pressures, is likely to impact our investment and development activity in the short to medium term.

Information and Cyber Security – Significant emphasis has been placed on this risk since year end, with investment in improving our controls and resilience, which is partially offset by the ever increasing external threat.

The three other principal risks (people and skills; health and safety; and climate change transition) have all remained stable in the six months since year end.

Statement of Directors' Responsibilities

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

- DTR 4.2.7 (R): an indication of important events that have occurred during the six month period ended 30 September 2022 and their impact on the condensed interim financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- DTR 4.2.8 (R): any related party transactions in the six month period ended 30 September 2022 that have materially affected, and any changes in the related party transactions described in the 2022 Annual Report that could materially affect, the financial position or performance of the enterprise during that period.

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

- Cressida Hogg, Chairman*
- Mark Allan, Chief Executive
- Vanessa Simms, Chief Financial Officer
- Edward Bonham Carter, Senior Independent Director*
- Nicholas Cadbury*
- Madeleine Cosgrave*
- Christophe Evain*
- Manjiry Tamhane*
- Miles Roberts*

*Non-executive Directors

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

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

By order of the Board

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

Independent review report to Land Securities Group PLC

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2022 which comprises consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related notes to the financial statements 1 to 17. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2022 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

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

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

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE, however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the Directors

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

In preparing the half-yearly financial report, the Directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

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

Ernst & Young LLP
London
14 November 2022

Financial statements

Unaudited income statement	Notes	Six months ended 30 September 2022 EPRA earnings £m	Capital and other items £m	Total £m	Six months ended 30 September 2021 EPRA earnings £m	Capital and other items £m	Total £m
Revenue	5	**360**	**34**	**394**	314	1	315
Costs – movement in bad and doubtful debts provisions	6	**-**	**-**	**-**	7	-	7
Costs – other	6	**(143)**	**(45)**	**(188)**	(124)	(1)	(125)
		217	**(11)**	**206**	197	-	197
Share of post-tax profit/(loss) from joint ventures	12	**14**	**1**	**15**	12	(13)	(1)
(Loss)/profit on disposal of investment properties		**-**	**(92)**	**(92)**	-	6	6
Net (deficit)/surplus on revaluation of investment properties	10	**-**	**(331)**	**(331)**	-	94	94
(Loss)/gain on changes in finance leases		**-**	**(6)**	**(6)**	-	6	6
Operating profit/(loss)		**231**	**(439)**	**(208)**	209	93	302
Finance income	7	**6**	**51**	**57**	4	2	6
Finance expense	7	**(40)**	**(1)**	**(41)**	(33)	-	(33)
Profit/(loss) before tax		**197**	**(389)**	**(192)**	180	95	275
Taxation		**-**	**-**	**-**	-	-	-
Profit/(loss) attributable to shareholders		**197**	**(389)**	**(192)**	180	95	275

	Notes	Six months ended 30 September 2022	Six months ended 30 September 2021
Attributable to:			
Shareholders of the parent		**(190)**	275
Non-controlling interests		**(2)**	-
		(192)	275
(Loss)/profit per share attributable to shareholders:			
Basic (loss)/earnings per share	4	**(25.7)p**	37.2p
Diluted (loss)/earnings per share	4	**(25.7)p**	37.1p

Unaudited statement of comprehensive income	Six months ended 30 September 2022 Total £m	Six months ended 30 September 2021 Total £m
(Loss)/profit for the period	**(192)**	275
Items that will not be subsequently reclassified to the income statement:		
Movement in the fair value of other investments	**-**	(2)
Net re-measurement (loss)/gain on defined benefit pension scheme	**(2)**	1
Deferred tax charge on defined benefit pension scheme	**-**	(1)
Other comprehensive loss for the period	**(2)**	(2)
Total comprehensive (loss)/income for the period	**(194)**	273
Attributable to:		
Shareholders of the parent	**(192)**	273
Non-controlling interests	**(2)**	-
	(194)	273

Unaudited balance sheet	Notes	30 September 2022 £m	31 March 2022 (restated)[1] £m
Non-current assets			
Investment properties	10	**10,187**	11,207
Intangible assets		**7**	8
Net investment in finance leases		**20**	70
Investments in joint ventures	12	**678**	700
Investments in associates		**4**	4
Trade and other receivables		**168**	177
Other non-current assets		**99**	61
Total non-current assets		**11,163**	12,227
Current assets			
Trading properties	11	**135**	145
Trade and other receivables		**385**	368
Monies held in restricted accounts and deposits		**1**	4
Cash and cash equivalents		**47**	146
Other current assets		**28**	5
Total current assets		**596**	668
Total assets		**11,759**	12,895
Current liabilities			
Borrowings	14	**(424)**	(541)
Trade and other payables		**(358)**	(320)
Other current liabilities		**(13)**	(11)
Total current liabilities		**(795)**	(872)
Non-current liabilities			
Borrowings	14	**(3,302)**	(4,012)
Trade and other payables		**(9)**	(8)
Other non-current liabilities		**(14)**	(12)
Total non-current liabilities		**(3,325)**	(4,032)
Total liabilities		**(4,120)**	(4,904)
Net assets		**7,639**	7,991
Equity			
Capital and reserves attributable to shareholders			
Ordinary shares		**80**	80
Share premium		**317**	317
Other reserves		**10**	9
Retained earnings		**7,162**	7,511
Equity attributable to shareholders of the parent		**7,569**	7,917
Equity attributable to non-controlling interests		**70**	74
Total equity		**7,639**	7,991

1. Cash and cash equivalents and monies held in restricted accounts and deposits have been restated as at 31 March 2022 following clarification by IFRIC on classification of funds with externally imposed restrictions.

The financial statements on pages 26 to 47 were approved by the Board of Directors on 14 November 2022 and were signed on its behalf by:

M C Allan **V K Simms**

Directors

Unaudited statement of changes in equity	**Attributable to shareholders of the parent**						
	Ordinary shares	**Share premium**	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
At 1 April 2021	80	317	28	6,787	7,212	-	7,212
Total comprehensive income for the financial period	-	-	-	273	273	-	273
Transactions with shareholders of the parent:							
Share-based payments	-	-	(1)	1	-	-	-
Dividends paid to shareholders of the parent	-	-	-	(66)	(66)	-	(66)
Transfer of treasury shares	-	-	(21)	21	-	-	-
Total transactions with shareholders of the parent	-	-	(22)	(44)	(66)	-	(66)
At 30 September 2021	80	317	6	7,016	7,419	-	7,419
Total comprehensive income for the financial period	-	-	-	609	609	6	615
Transactions with shareholders of the parent:							
Share-based payments	-	-	3	1	4	-	4
Dividends paid to shareholders of the parent	-	-	-	(115)	(115)	-	(115)
Total transactions with shareholders of the parent	-	-	3	(114)	(111)	-	(111)
Acquisition of subsidiaries	-	-	-	-	-	68	68
At 31 March 2022	80	317	9	7,511	7,917	74	7,991
Total comprehensive loss for the financial period	**-**	**-**	**-**	**(192)**	**(192)**	**(2)**	**(194)**
Transactions with shareholders of the parent:							
Share-based payments	**-**	**-**	**1**	**2**	**3**	**-**	**3**
Dividends paid to shareholders of the parent	**-**	**-**	**-**	**(159)**	**(159)**	**-**	**(159)**
Total transactions with shareholders of the parent	**-**	**-**	**1**	**(157)**	**(156)**	**-**	**(156)**
Dividends paid to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**(2)**	**(2)**
Total transactions with shareholders	**-**	**-**	**1**	**(157)**	**(156)**	**(2)**	**(158)**
At 30 September 2022	**80**	**317**	**10**	**7,162**	**7,569**	**70**	**7,639**

Unaudited statement of cash flows	Notes	Six months ended 30 September 2022 £m	2021 (restated) [1] £m
Cash flows from operating activities			
Net cash generated from operations	9	**196**	202
Interest paid		**(86)**	(46)
Interest received		**13**	7
Rents paid		**(5)**	(4)
Capital expenditure on trading properties		**(12)**	-
Disposal of trading properties		**7**	-
Development income proceeds received		**54**	-
Other operating cash flows		**9**	(1)
Net cash inflow from operating activities		**176**	158
Cash flows from investing activities			
Investment property development expenditure		**(132)**	(127)
Other investment property related expenditure		**(26)**	(33)
Acquisition of investment properties		**(2)**	-
Disposal of investment properties		**870**	52
Cash distributions from joint ventures	12	**2**	2
Other investing cash flows		**(2)**	(1)
Net cash in/(out)flow from investing activities		**710**	(107)
Cash flows from financing activities			
Proceeds from new borrowings (net of finance fees)		**-**	192
Repayment of borrowings	14	**(858)**	(142)
Net cash in/(out)flow from derivative financial instruments	14	**27**	(1)
Dividends paid to shareholders	8	**(155)**	(75)
Dividends paid to non-controlling interests		**(2)**	-
Decrease in monies held in restricted accounts and deposits		**3**	-
Net cash outflow from financing activities		**(985)**	(26)
(Decrease)/increase in cash and cash equivalents for the period		**(99)**	25
Cash and cash equivalents at the beginning of the period		**146**	10
Cash and cash equivalents at the end of the period		**47**	35

1. Cash and cash equivalents and monies held in restricted accounts and deposits have been restated as at 30 September 2021 following clarification by IFRIC on classification of funds with externally imposed restrictions.

Notes to the financial statements

1. Basis of preparation and consolidation

Basis of preparation

This condensed consolidated interim financial information (financial statements) for the six months ended 30 September 2022 has been prepared on a going concern basis and in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and IAS 34 'Interim Financial Reporting' as contained in UK adopted international accounting standards (IFRS).

The condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2022, prepared in accordance with UK adopted international accounting standards (IFRSs and IFRICs) and in conformity with the Companies Act 2006, were approved by the Board of Directors on 16 May 2022 and delivered to the Registrar of Companies. The report of the auditor on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498(2) or (3) of the Companies Act 2006. The condensed consolidated interim financial information has been reviewed, not audited, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2022.

In preparing the condensed consolidated interim financial information, the Group has considered the impact of climate change and concluded that climate change did not have a material impact on the financial reporting judgements and estimates.

This condensed consolidated interim financial information was approved for issue by the Directors on 14 November 2022.

Going concern

The impact of recent international and domestic political and economic events has resulted in the UK facing a prolonged recessionary period and therefore the Directors have continued to place additional focus on the appropriateness of adopting the going concern assumption in preparing the financial statements. The Group's going concern assessment considers changes in the Group's principal risks (see page 22) 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 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 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 31 March 2024, are shown below alongside the actual position at 30 September 2022.

Key metrics	**30 September 2022**	**30 September 2022 latest mitigated downside scenario 31 March 2024**	31 March 2022 mitigated downside scenario 30 September 2023
Security Group LTV	32.5%	**42.3%**	38.9%
Adjusted net debt	£3,441m	**£3,644m**	£4,363m
EPRA Net Tangible Assets	£7,504m	**£5,121m**	£7,266m
Available financial headroom	£1.8bn	**£1.8bn**	£1.2bn

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 at least 16 months from the date of authorisation of these financial statements. The value of our assets would need to fall from 30 September 2022 values by approximately a further 50% for LTV to reach 65%. The Directors consider the likelihood of this occurring over the going concern assessment period to be remote.

The Security Group requires earnings before interest of at least £150m in the full year ending 30 September 2023 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 in the six months to 30 September 2022 are already above the level required to meet the interest cover covenant for the year ending 31 March 2023. Therefore, the Directors do not anticipate a reduction in Security Group earnings over the period ending 31 March 2024 to a level that would result in a breach of the interest cover covenant.

Based on these considerations, together with available market information and the Directors' knowledge and experience of the Group's property portfolio and markets, the Directors have adopted the going concern basis in preparing these financial statements for the period ended 30 September 2022.

1. Basis of preparation and consolidation continued

Presentation of results

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

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

2. Significant accounting policies

The condensed consolidated interim financial information has been prepared on the basis of the accounting policies, significant judgements and estimates as set out in the notes to the Group's annual financial statements for the year ended 31 March 2022, as amended where relevant to reflect the new standards, amendments and interpretations which became effective in the period. Following clarification by IFRIC on the classification of monies held in restricted accounts, monies that are restricted by use only are classified at 30 September 2022 as 'Cash and cash equivalents', whereas monies to which access is restricted remain classified as 'Monies held in restricted accounts and deposits'. The comparative balances have been restated where applicable to reflect this change in classification. There has been no material impact on the financial statements of adopting any other new standards, amendments and interpretations.

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 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 after tax is EPRA earnings. However, segment net rental income is the lowest level to which the profit arising from the ongoing operations of the Group is analysed between the four segments. The administrative costs, which are predominantly staff costs 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 results note are presented on a proportionate basis. The following table reconciles the Group's income statement to the segmental results.

Reconciliation of segmental information note to interim reporting

	Six months ended 30 September 2022					
	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	307	27	(4)	330	330	-
Finance lease interest	1	-	-	1	1	-
Gross rental income (before rents payable)	**308**	**27**	**(4)**	**331**	**331**	**-**
Rents payable	(5)	(1)	-	(6)	(6)	-
Gross rental income (after rents payable)	**303**	**26**	**(4)**	**325**	**325**	**-**
Service charge income	43	5	(1)	47	47	-
Service charge expense	(51)	(6)	1	(56)	(56)	-
Net service charge expense	(8)	(1)	-	(9)	(9)	-
Other property related income	13	1	-	14	14	-
Direct property expenditure	(48)	(5)	1	(52)	(52)	-
Movement in bad and doubtful debts provisions	-	-	-	-	-	-
Segment net rental income	**260**	**21**	**(3)**	**278**	**278**	**-**
Other income	1	-	-	1	1	-
Administrative expenses	(38)	(1)	-	(39)	(39)	-
Depreciation	(3)	-	-	(3)	(3)	-
EPRA earnings before interest	**220**	**20**	**(3)**	**237**	**237**	**-**
Share of post-tax profit from joint ventures	15	(15)	-	-	-	-
Profit on disposal of trading properties	1	-	-	1	-	1
Loss on disposal of investment properties[3]	(92)	-	-	(92)	-	(92)
Net (deficit)/surplus on revaluation of investment properties	(331)	1	7	(323)	-	(323)
Loss on changes in finance leases	(6)	-	-	(6)	-	(6)
Impairment of goodwill	(5)	-	-	(5)	-	(5)
Impairment of trading properties	(8)	-	-	(8)	-	(8)
Depreciation	(2)	-	-	(2)	-	(2)
Operating (loss)/profit	**(208)**	**6**	**4**	**(198)**	**237**	**(435)**
Finance income	57	-	(2)	55	6	49
Finance expense	(41)	(6)	-	(47)	(46)	(1)
(Loss)/profit before tax	**(192)**	**-**	**2**	**(190)**	**197**	**(387)**
Taxation	-	-	-	-		
(Loss)/profit for the period	**(192)**	**-**	**2**	**(190)**		

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 long-term 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 for the period ended 30 September 2022 is a **£7m** 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.

Segmental results

EPRA earnings	Six months ended 30 September 2022					Six months ended 30 September 2021[2]				
	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	**160**	**88**	**28**	**54**	**330**	146	77	17	42	282
Finance lease interest	**1**	**-**	**-**	**-**	**1**	4	-	-	1	5
Gross rental income (before rents payable)	**161**	**88**	**28**	**54**	**331**	150	77	17	43	287
Rents payable[1]	**(1)**	**(4)**	**-**	**(1)**	**(6)**	(2)	(3)	-	-	(5)
Gross rental income (after rents payable)	**160**	**84**	**28**	**53**	**325**	148	74	17	43	282
Service charge income	**22**	**20**	**5**	**-**	**47**	20	19	2	-	41
Service charge expense	**(23)**	**(26)**	**(6)**	**(1)**	**(56)**	(20)	(22)	(3)	(2)	(47)
Net service charge expense	**(1)**	**(6)**	**(1)**	**(1)**	**(9)**	-	(3)	(1)	(2)	(6)
Other property related income	**6**	**6**	**1**	**1**	**14**	6	6	1	1	14
Direct property expenditure	**(17)**	**(21)**	**(7)**	**(7)**	**(52)**	(15)	(15)	(4)	(5)	(39)
Movement in bad and doubtful debts provisions	**1**	**3**	**(4)**	**-**	**-**	(2)	5	1	(1)	3
Segment net rental income	**149**	**66**	**17**	**46**	**278**	137	67	14	36	254
Other income					**1**					3
Administrative expense					**(39)**					(41)
Depreciation					**(3)**					(3)
EPRA earnings before interest					**237**					213
Finance income					**6**					4
Finance expense					**(40)**					(33)
Joint venture net finance expense					**(6)**					(4)
EPRA earnings attributable to shareholders of the parent					**197**					180

1. Included within rents payable is lease interest payable of **£1m** (2021: £2m) for the Central London segment.
2. A reconciliation from the Group income statement to the information presented in the segmental results table for the six months to 30 September 2021 is included in table 25.

4. Performance measures

In the tables below, we present earnings per share and net assets per share attributable to shareholders of the parent, calculated in accordance with IFRS, together with certain measures defined by the European Public Real Estate Association (EPRA), which have been included to assist comparison between European property companies. Three of the Group's key financial performance measures are EPRA earnings per share, EPRA Net Tangible Assets per share and total accounting return.

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

Earnings per share	Six months ended 30 September 2022		Six months ended 30 September 2021	
	Loss for the period £m	EPRA earnings £m	Profit for the period £m	EPRA earnings £m
(Loss)/profit attributable to shareholders of the parent	(190)	(190)	275	275
Valuation and loss/(profit) on disposals	-	435	-	(93)
Net finance income (excluded from EPRA earnings)	-	(48)	-	(2)
(Loss)/profit used in per share calculation	(190)	197	275	180
	IFRS	EPRA	IFRS	EPRA
Basic (loss)/earnings per share	(25.7)p	26.6p	37.2p	24.3p
Diluted (loss)/earnings per share[1]	(25.7)p	26.5p	37.1p	24.3p

1. In the six months ended 30 September 2022, share options are excluded from the weighted average diluted number of shares when calculating IFRS diluted loss per share because they are not dilutive.

Net assets per share	30 September 2022			31 March 2022		
	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	7,569	7,569	7,569	7,917	7,917	7,917
Shortfall of fair value over net investment in finance leases book value	-	(1)	(1)	-	(6)	(6)
Deferred tax liability on intangible asset	-	-	1	-	-	1
Goodwill on deferred tax liability	-	(1)	(1)	-	(1)	(1)
Other intangible asset	-	-	(2)	-	-	(2)
Fair value of interest-rate swaps	-	-	(69)	-	-	(21)
Excess of fair value of trading properties over book value	-	7	7	-	-	-
Shortfall/(excess) of fair value of debt over book value	-	373	-	-	(107)	-
Net assets used in per share calculation	7,569	7,947	7,504	7,917	7,803	7,888
	IFRS	EPRA NDV	EPRA NTA	IFRS	EPRA NDV	EPRA NTA
Net assets per share	1,023p	n/a	n/a	1,070p	n/a	n/a
Diluted net assets per share	1,019p	1,070p	1,010p	1,067p	1,052p	1,063p

Number of shares	Six months ended 30 September 2022 Weighted average million	30 September 2022 million	Six months ended 30 September 2021 Weighted average million	31 March 2022 million
Ordinary shares	751	751	751	751
Treasury shares	(7)	(7)	(7)	(7)
Own shares	(4)	(4)	(4)	(4)
Number of shares – basic	740	740	740	740
Dilutive effect of share options	3	3	1	2
Number of shares – diluted	743	743	741	742

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

Total accounting return based on EPRA NTA	Six months ended 30 September 2022 pence	Six months ended 30 September 2021 pence
(Decrease)/increase in EPRA NTA per share	(53)	27
Dividend paid per share in the period (note 8)	22	9
Total return (a)	(31)	36
EPRA NTA per share at the beginning of the period (b)	1,063	985
Total accounting return (a/b)	(2.9)%	3.7%

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 long-term development contracts and the non-owned element of the Group's subsidiaries which are presented in the 'Capital and other items' column.

	Six months ended 30 September 2022			Six months ended 30 September 2021		
	EPRA earnings	**Capital and other items**	**Total**	EPRA earnings	Capital and other items	Total
	£m	**£m**	**£m**	£m	£m	£m
Rental income (excluding adjustment for lease incentives)	**306**	**4**	**310**	269	-	269
Adjustment for lease incentives	**(3)**	**-**	**(3)**	(11)	-	(11)
Rental income	**303**	**4**	**307**	258	-	258
Service charge income	**42**	**1**	**43**	36	-	36
Trading property sales proceeds	**-**	**15**	**15**	-	-	-
Other property related income	**13**	**-**	**13**	12	-	12
Finance lease interest	**1**	**-**	**1**	5	-	5
Long-term development contract income[1]	**-**	**14**	**14**	-	1	1
Other income	**1**	**-**	**1**	3	-	3
Revenue per the income statement	**360**	**34**	**394**	314	1	315

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

	Six months ended 30 September 2022				Six months ended 30 September 2021			
	Group	**Joint ventures**	**Adjustment for non-wholly owned subsidiaries**	**Total**	Group	Joint ventures	Adjustment for non-wholly owned subsidiaries	Total
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Rental income	**307**	**27**	**(4)**	**330**	258	24	-	282
Service charge income	**43**	**5**	**(1)**	**47**	36	5	-	41
Other property related income	**13**	**1**	**-**	**14**	12	2	-	14
Finance lease interest	**1**	**-**	**-**	**1**	5	-	-	5
Other income	**1**	**-**	**-**	**1**	3	-	-	3
Revenue in the segmental information note	**365**	**33**	**(5)**	**393**	314	31	-	345
Long-term development contract income[1]	**14**	**-**	**-**	**14**	1	-	-	1
Trading property sales proceeds	**15**	**-**	**-**	**15**	-	-	-	-
Revenue including Capital and other items	**394**	**33**	**(5)**	**422**	315	31	-	346

1. Development contract income for the six months to 30 September 2022 relates to the income released from the contract liability recorded on the disposal of 21 Moorfields, recognised in line with costs incurred on the development in Note 6.

6. Cost

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

	Six months ended 30 September 2022			Six months ended 30 September 2021		
	EPRA earnings £m	**Capital and other items £m**	**Total £m**	EPRA earnings £m	Capital and other items £m	Total £m
Rents payable	**5**	**-**	**5**	4	-	4
Service charge expense	**50**	**1**	**51**	42	-	42
Direct property expenditure	**47**	**1**	**48**	34	-	34
Administrative expenses	**38**	**-**	**38**	41	-	41
Depreciation	**3**	**2**	**5**	3	-	3
Cost of trading property disposals	**-**	**14**	**14**	-	-	-
Long-term development contract expenditure[1]	**-**	**14**	**14**	-	1	1
Impairment of goodwill	**-**	**5**	**5**	-	-	-
Impairment of trading properties	**-**	**8**	**8**	-	-	-
Costs – other per the income statement	**143**	**45**	**188**	124	1	125
Movement in bad and doubtful debts provisions – rent	**-**	**-**	**-**	(3)	-	(3)
Movement in bad and doubtful debts provisions – service charge	**-**	**-**	**-**	(4)	-	(4)
Total costs per the income statement	**143**	**45**	**188**	117	1	118

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

	Six months ended 30 September 2022				Six months ended 30 September 2021			
	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
Rents payable	**5**	**1**	**-**	**6**	4	1	-	5
Service charge expense	**51**	**6**	**(1)**	**56**	42	5	-	47
Direct property expenditure	**48**	**5**	**(1)**	**52**	34	5	-	39
Administrative expenses	**38**	**1**	**-**	**39**	41	-	-	41
Depreciation	**3**	**-**	**-**	**3**	3	-	-	3
Movement in bad and doubtful debts provisions – rent	**-**	**-**	**-**	**-**	(3)	4	-	1
Movement in bad and doubtful debts provisions – service charge	**-**	**-**	**-**	**-**	(4)	-	-	(4)
Costs in the segmental information note	**145**	**13**	**(2)**	**156**	117	15	-	132
Cost of trading property disposals	**14**	**-**	**-**	**14**	-	-	-	-
Long-term development contract expenditure[1]	**14**	**-**	**-**	**14**	1	-	-	1
Impairment of goodwill	**5**	**-**	**-**	**5**	-	-	-	-
Impairment of trading properties	**8**	**-**	**-**	**8**	-	-	-	-
Depreciation	**2**	**-**	**-**	**2**	-	-	-	-
Costs including Capital and other items	**188**	**13**	**(2)**	**199**	118	15	-	133

1. Development contract expenditure for the six months to 30 September 2022 relates to the ongoing development of 21 Moorfields following the sale of the property during the period.

The Group's costs include employee costs for the period of **£37m** (2021: £33m), of which **£3m** (2021: £3m) is within service charge expense, **£6m** (2021: £nil) is within direct property expenditure and **£28m** (2021: £30m) is within administrative expenses.

7. Net finance expense

	Six months ended 30 September 2022			Six months ended 30 September 2021		
	EPRA earnings	**Capital and other items**	**Total**	EPRA earnings	Capital and other items	Total
	£m	**£m**	**£m**	£m	£m	£m
Finance income						
Interest receivable from joint ventures	**6**	**-**	**6**	4	-	4
Fair value movement on interest-rate swaps	**-**	**51**	**51**	-	2	2
	6	**51**	**57**	4	2	6
Finance expense						
Bond and debenture debt	**(34)**	**-**	**(34)**	(33)	-	(33)
Bank and other short-term borrowings	**(20)**	**(1)**	**(21)**	(7)	-	(7)
	(54)	**(1)**	**(55)**	(40)	-	(40)
Interest capitalised in relation to properties under development	**14**	**-**	**14**	7	-	7
	(40)	**(1)**	**(41)**	(33)	-	(33)
Net finance (expense)/income	**(34)**	**50**	**16**	(29)	2	(27)
Joint venture net finance expense	**(6)**			(4)		
Net finance expense included in EPRA earnings	**(40)**			(33)		

Lease interest payable of **£1m** (2021: £2m) is included within rents payable as detailed in note 3.

8. Dividends

Dividends paid					Six months ended 30 September	
		Pence per share			**2022**	2021
	Payment date	**PID**	**Non-PID**	**Total**	**£m**	£m
For the year ended 31 March 2021:						
Final	23 July 2021	9.00	-	9.00		66
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**	
Gross dividends					**159**	66
Dividends in the statement of changes in equity					**159**	66
Timing difference on payment of withholding tax					**(4)**	9
Dividends in the statement of cash flows					**155**	75

On 7 October 2022, the Company paid a first interim dividend in respect of the current financial year of **8.6p** per ordinary share (2021: 7.0p), wholly as a Property Income Distribution (PID), representing **£64m** in total (2021: £52m).

The Board has declared a second interim dividend of **9.0p** per ordinary share to be payable wholly as a PID (2021: 8.5p) on 3 January 2023 to shareholders registered at the close of business on 24 November 2022.

A Dividend Reinvestment Plan (DRIP) has been available in respect of all dividends paid during the period. The last day for DRIP elections for the second interim dividend is close of business on 8 December 2022.

9. Net cash generated from operations

Reconciliation of operating (loss)/profit to net cash generated from operations	**Six months ended 30 September 2022** **£m**	Six months ended 30 September 2021 £m
Operating (loss)/profit	**(208)**	302
Adjustments for:		
Net deficit/(surplus) on revaluation of investment properties	**331**	(94)
Loss/(gain) on changes in finance leases	**6**	(6)
Profit of disposal of trading properties	**(1)**	-
Loss/(profit) on disposal of investment properties	**92**	(6)
Share of (profit)/loss from joint ventures	**(15)**	1
Share-based payment charge	**3**	1
Rents payable	**5**	4
Depreciation	**5**	3
Development contract income	**(14)**	-
Other	**9**	1
	213	206
Changes in working capital:		
Increase in receivables	**(7)**	(11)
(Decrease)/increase in payables and provisions	**(10)**	7
Net cash generated from operations	**196**	202

Reconciliation to adjusted net cash inflow from operating activities	**Six months ended 30 September 2022** **£m**	Six months ended 30 September 2021 £m
Net cash inflow from operating activities	**176**	158
Joint ventures net cash (out)/inflow from operating activities	**(8)**	14
Adjusted net cash inflow from operating activities[1]	**168**	172

1. Adjusted net cash inflow from operating activities is now presented inclusive of cash flows from trading property activities, whereas previously it had excluded these cashflows. There were no cash flows from trading property activities in the period to 30 September 2021, therefore there has been no change to the presentation for that period. Refer to the Glossary for the definition of Adjusted net cash inflow from operating activities.

10. Investment properties

	Six months ended 30 September 2022	Six months ended 31 March 2022	Six months ended 30 September 2021
	£m	£m	£m
Net book value at the beginning of the period	**11,207**	9,822	9,607
Transfer from joint venture	**23**	-	-
Acquired through acquisition of group of subsidiaries	**-**	619	-
Acquisitions of investment properties	**2**	247	-
Net movement in head leases capitalised[1]	**(11)**	63	(1)
Capital expenditure	**187**	180	163
Capitalised interest	**14**	10	7
Disposals[2][3]	**(904)**	(56)	(42)
Net (deficit)/surplus on revaluation of investment properties	**(331)**	322	94
Transfers to trading properties	**-**	-	(6)
Net book value at the end of the period	**10,187**	11,207	9,822

1. See note 14 for details of the amounts payable under head leases and note 6 for details of the rents payable in the income statement.
2. Includes impact of disposals of finance leases.
3. Includes **£766m** impact of disposal of 21 Moorfields. Gross proceeds of **£742m** (inclusive of development costs to go) were received following adjustments to the headline price of **£809m** for rent top up and fit-out contributions.

The fair value of investment properties at 30 September 2022 was determined by the Group's external valuers, CBRE, JLL and Savills. The valuations are in line with RICS standards and were arrived at by reference to market evidence of transactions for similar properties. The valuations performed by the independent valuers are reviewed internally by senior management and relevant people within the business. This includes discussions of the assumptions used by the external valuers, as well as a review of the resulting valuations. Discussions about the valuation process and results are held between senior management, the Audit Committee and the external valuers on a half-yearly basis.

The Group considers all of its investment properties to fall within 'Level 3', as defined by IFRS 13. There were no changes in the Group's valuation processes, valuation techniques, and types of inputs used in the fair value measurement of investment properties during the period.

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.

	30 September 2022				31 March 2022			
	Group (excl. joint ventures)	**Joint ventures[1]**	**Adjustment for non-wholly owned subsidiaries**	**Combined Portfolio**	Group (excl. joint ventures)	Joint ventures[1]	Adjustment for non-wholly owned subsidiaries	Combined Portfolio
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Market value	**10,296**	**774**	**(141)**	**10,929**	11,362	800	(145)	12,017
Less: properties treated as finance leases	**(20)**	**-**	**-**	**(20)**	(66)	-	-	(66)
Plus: head leases capitalised	**112**	**9**	**-**	**121**	123	9	-	132
Less: tenant lease incentives	**(201)**	**(37)**	**-**	**(238)**	(212)	(38)	-	(250)
Net book value	**10,187**	**746**	**(141)**	**10,792**	11,207	771	(145)	11,833
Net (deficit)/surplus on revaluation of investment properties	**(331)**	**1**	**7**	**(323)**	416	(3)	(4)	409

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

As at 30 September 2022, the Group had contractually committed development capital expenditure obligations of **£127m**.

11. Trading properties

	Development land and infrastructure	**Residential**	**Total**
	£m	**£m**	**£m**
At 1 April 2021	24	12	36
Transfers from investment properties	-	6	6
At 30 September 2021	24	18	42
Acquisitions	128	-	128
Capital expenditure	1	5	6
Disposals	(25)	-	(25)
Impairment provision	-	(6)	(6)
At 31 March 2022	128	17	145
Capital expenditure	**4**	**8**	**12**
Disposals	**(5)**	**(9)**	**(14)**
Impairment provision	**(7)**	**(1)**	**(8)**
At 30 September 2022	**120**	**15**	**135**

The cumulative impairment provision at 30 September 2022 in respect of Development land and infrastructure was **£7m** (31 March 2022: £nil) and in respect of Residential was **£7m** (31 March 2022: £6m).

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 30 September 2022[3]				
Nova, Victoria[4]	50%	Central London	31 March	Suntec Real Estate Investment Trust
Southside Limited Partnership	50%	Major retail	31 March	Invesco Real Estate European Fund
St. David's Limited Partnership	50%	Major retail	31 March	Intu Properties plc[5]
Westgate Oxford Alliance Limited Partnership	50%	Major retail, Subscale sectors	31 March	The Crown Estate Commissioners
Harvest[6][7]	50%	Subscale sectors	31 March	J Sainsbury plc
The Ebbsfleet Limited Partnership[7]	50%	Subscale sectors	31 March	Ebbsfleet Property Limited
West India Quay Unit Trust[7]	50%	Subscale sectors	31 March	Schroder UK Real Estate Fund
Mayfield[7][8]	50%	Mixed-use urban	31 March	LCR Limited, Manchester City Council, Transport for Greater Manchester
Curzon Park Limited[7]	50%	Subscale sectors	31 March	Derwent Developments (Curzon) Limited
Plus X Holdings Limited[7]	50%	Subscale sectors	31 March	Paul David Rostas, Matthew Edmund Hunter
Landmark Court Partnership Limited[7]	51%	Central London	31 March	TTL Landmark Court Properties Limited

Joint operation	Ownership interest	Business segment	Year end date[2]	Joint operation partners
Held at 30 September 2022				
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. During the period to 30 September 2022, Wind Farms are no longer classified as a joint venture and are consolidated together with other subsidiary undertakings. Wind Farms includes DS Renewables LLP, Hendy Wind Farm Limited and Rhoscrowther Wind Farm Limited.
4. 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.
5. Intu Properties plc went into administration in June 2020 and its subsidiary, our joint venture partner Intu the Hayes Limited, was subsequently placed in receivership by its secured creditors in November 2020.
6. Harvest includes Harvest 2 Limited Partnership, Harvest Development Management Limited, Harvest 2 Selly Oak Limited, Harvest 2 GP Limited and Harvest GP Limited.
7. Included within Other in subsequent tables.
8. Mayfield includes Mayfield Development Partnership LP and Mayfield Development (General Partner) Limited.

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

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

12. Joint arrangements continued

Joint ventures

Six months ended 30 September 2022

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]	24	5	17	17	3	66	33
Gross rental income (after rents payable)	18	5	14	14	3	54	26
Net rental income	18	(1)	10	12	3	42	21
EPRA earnings before interest	17	(1)	9	12	3	40	20
Finance expense	(9)	(3)	-	-	-	(12)	(6)
Net finance expense	(9)	(3)	-	-	-	(12)	(6)
EPRA earnings	8	(4)	9	12	3	28	14
Capital and other items							
Net (deficit)/surplus on revaluation of investment properties	(31)	1	6	7	19	2	1
(Loss)/profit before tax	(23)	(3)	15	19	22	30	15
Post-tax (loss)/profit	(23)	(3)	15	19	22	30	15
Total comprehensive (loss)/income	(23)	(3)	15	19	22	30	15
Group share of (loss)/profit before tax	(12)	(2)	8	10	11	15	
Group share of post-tax (loss)/profit	(12)	(2)	8	10	11	15	
Group share of total comprehensive (loss)/income	(12)	(2)	8	10	11	15	

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

12. Joint arrangements continued

Joint ventures

Six months ended 30 September 2021

Comprehensive income statement	Nova, Victoria 100% £m	Southside Limited Partnership 100% £m	St. David's Limited Partnership 100% £m	Westgate Oxford Alliance Partnership 100% £m	Other 100% £m	Total 100% £m	Total Group share £m
Revenue[1]	23	5	14	19	2	63	31
Gross rental income (after rents payable)	17	5	11	12	2	47	23
Net rental income	9	6	6	10	2	33	16
EPRA earnings before interest	8	6	5	10	2	31	16
Finance expense	(4)	(3)	-	-	-	(7)	(4)
Net finance expense	(4)	(3)	-	-	-	(7)	(4)
EPRA earnings	4	3	5	10	2	24	12
Capital and other items							
Net (deficit)/surplus on revaluation of investment properties	(4)	(3)	(14)	(7)	1	(27)	(13)
(Loss)/profit before tax	-	-	(9)	3	3	(3)	(1)
Post-tax (loss)/profit	-	-	(9)	3	3	(3)	(1)
Total comprehensive (loss)/income	-	-	(9)	3	3	(3)	(1)
Group share of (loss)/profit before tax	-	-	(4)	1	2	(1)	
Group share of post-tax (loss)/profit	-	-	(4)	1	2	(1)	
Group share of total comprehensive (loss)/income	-	-	(4)	1	2	(1)	

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

12. Joint arrangements continued

Joint ventures — 30 September 2022

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]	784	134	237	239	99	1,493	746
Non-current assets	784	134	237	239	99	1,493	746
Cash and cash equivalents	22	4	16	24	6	72	36
Other current assets	64	3	12	15	110	204	85
Current assets	86	7	28	39	116	276	121
Total assets	870	141	265	278	215	1,769	867
Trade and other payables and provisions	(22)	(10)	(11)	(9)	(115)	(167)	(52)
Current liabilities	(22)	(10)	(11)	(9)	(115)	(167)	(52)
Non-current liabilities	(126)	(145)	(16)	-	(42)	(329)	(144)
Non-current liabilities	(126)	(145)	(16)	-	(42)	(329)	(144)
Total liabilities	(148)	(155)	(27)	(9)	(157)	(496)	(196)
Net assets	722	(14)	238	269	58	1,273	671
Market value of investment properties[1]	839	134	226	249	99	1,547	774
Net cash/(debt)[2]	22	3	-	24	5	54	27

Joint ventures — 31 March 2022

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]	815	133	235	236	132	1,551	771
Non-current assets	815	133	235	236	132	1,551	771
Cash and cash equivalents	27	4	10	12	10	63	31
Other current assets	63	7	13	14	53	150	105
Current assets	90	11	23	26	63	213	136
Total assets	905	144	258	262	195	1,764	907
Trade and other payables and provisions	(22)	(10)	(9)	(10)	(12)	(63)	(44)
Current liabilities	(22)	(10)	(9)	(10)	(12)	(63)	(44)
Non-current liabilities	(139)	(145)	(22)	(3)	(131)	(440)	(168)
Non-current liabilities	(139)	(145)	(22)	(3)	(131)	(440)	(168)
Total liabilities	(161)	(155)	(31)	(13)	(143)	(503)	(212)
Net assets	744	(11)	227	249	52	1,261	695
Market value of investment properties[1]	870	133	226	247	124	1,600	800
Net cash/(debt)[2]	27	2	(6)	12	4	39	19

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

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 2021	351	(7)	124	125	32	625
Total comprehensive (loss)/income	-	-	(4)	1	2	(1)
Non-cash contributions	5	-	-	-	-	5
Cash distributions	-	-	-	-	(2)	(2)
At 30 September 2021	356	(7)	120	126	32	627
Total comprehensive income	16	2	1	10	5	34
Acquisitions	-	-	-	-	54	54
Cash distributions	-	-	(8)	(11)	(1)	(20)
At 31 March 2022	372	(5)	113	125	90	695
Total comprehensive (loss)/income	**(12)**	**(2)**	**8**	**10**	**11**	**15**
Cash distributions	**-**	**-**	**(2)**	**-**	**-**	**(2)**
Other distributions	**-**	**-**	**-**	**-**	**(8)**	**(8)**
Transfer from joint arrangements	**-**	**-**	**-**	**-**	**(24)**	**(24)**
Other non-cash movements	**-**	**-**	**-**	**-**	**(5)**	**(5)**
At 30 September 2022	**360**	**(7)**	**119**	**135**	**64**	**671**
Comprised of:						
At 31 March 2022						
Non-current assets	372	-	113	125	90	700
Non-current liabilities	-	(5)	-	-	-	(5)
At 30 September 2022						
Non-current assets	**360**	**-**	**119**	**135**	**64**	**678**
Non-current liabilities	**-**	**(7)**	**-**	**-**	**-**	**(7)**

13. Capital structure

	30 September 2022				31 March 2022[2]			
	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	**10,296**	**774**	**(141)**	**10,929**	11,362	800	(145)	12,017
Trading properties and long-term contracts	**135**	**-**	**-**	**135**	145	1	-	146
Total property portfolio (a)	**10,431**	**774**	**(141)**	**11,064**	11,507	801	(145)	12,163
Net debt								
Borrowings[1]	**3,614**	**-**	**(73)**	**3,541**	4,430	3	(73)	4,360
Monies held in restricted accounts and deposits	**(1)**	**-**	**-**	**(1)**	(4)	-	-	(4)
Cash and cash equivalents	**(47)**	**(36)**	**3**	**(80)**	(146)	(31)	5	(172)
Fair value of interest-rate swaps	**(72)**	**-**	**3**	**(69)**	(21)	-	2	(19)
Fair value of foreign exchange swaps and forwards	**(19)**	**-**	**-**	**(19)**	(5)	-	-	(5)
Net debt (b)	**3,475**	**(36)**	**(67)**	**3,372**	4,254	(28)	(66)	4,160
Less: Fair value of interest-rate swaps	**72**	**-**	**(3)**	**69**	21	-	(2)	19
Adjusted net debt (c)	**3,547**	**(36)**	**(70)**	**3,441**	4,275	(28)	(68)	4,179
Adjusted total equity								
Total equity (d)	**7,639**	**-**	**(70)**	**7,569**	7,991	-	(74)	7,917
Fair value of interest-rate swaps	**(72)**	**-**	**3**	**(69)**	(21)	-	2	(19)
Adjusted total equity (e)	**7,567**	**-**	**(67)**	**7,500**	7,970	-	(72)	7,898
Gearing (b/d)	**45.5%**			**44.6%**	53.2%			52.5%
Adjusted gearing (c/e)	**46.9%**			**45.9%**	53.6%			52.9%
Group LTV (c/a)	**34.0%**			**31.1%**	37.2%			34.4%
Security Group LTV	**32.5%**				36.4%			
Weighted average cost of debt	**2.2%**			**2.7%**	2.1%			2.4%

1. Borrowings used in the net debt and adjusted net debt calculated for gearing, adjusted gearing, Group LTV and weighted average cost of debt is calculated for excluding amounts payable under head leases.
2. Cash and cash equivalents and monies held in restricted accounts and deposits have been restated as at 31 March 2022 following a clarification by IFRIC on classification of funds with externally imposed restrictions. There was no impact on computed net debt, adjusted net debt, gearing, adjusted gearing, Group LTV and Security Group LTV.

14. Borrowings

	Secured/ unsecured	Fixed/ floating	Effective interest rate %	30 September 2022 Nominal/ notional value £m	30 September 2022 Fair value £m	30 September 2022 Book value £m	31 March 2022 Nominal/ notional value £m	31 March 2022 Fair value £m	31 March 2022 Book value £m
Current borrowings									
Commercial paper									
Sterling	Unsecured	Floating	SONIA + margin	**-**	**-**	**-**	140	140	140
Euro	Unsecured	Floating	SONIA + margin	**132**	**132**	**132**	217	217	217
US Dollar	Unsecured	Floating	SONIA + margin	**292**	**292**	**292**	142	142	142
Euro loan note	Unsecured	Fixed	4.8	**-**	**-**	**-**	30	30	30
Syndicated and bilateral bank debt	Secured	Floating	SONIA + margin	**-**	**-**	**-**	2	2	2
Syndicated and bilateral bank debt	Secured	Floating	Euribor + margin	**-**	**-**	**-**	10	10	10
Total current borrowings				**424**	**424**	**424**	541	541	541
Amounts payable under head leases				**-**	**-**	**-**	-	-	-
Total current borrowings including amounts payable under head leases				**424**	**424**	**424**	541	541	541
Non-current borrowings									
Medium term notes (MTN)									
A10 4.875% MTN due 2025	Secured	Fixed	5.0	**10**	**10**	**10**	10	10	10
A12 1.974% MTN due 2026	Secured	Fixed	2.0	**400**	**381**	**399**	400	399	399
A4 5.391% MTN due 2026	Secured	Fixed	5.4	**17**	**17**	**17**	17	18	17
A5 5.391% MTN due 2027	Secured	Fixed	5.4	**87**	**86**	**87**	87	93	87
A16 2.375% MTN due 2027	Secured	Fixed	2.5	**350**	**303**	**348**	350	351	348
A6 5.376% MTN due 2029	Secured	Fixed	5.4	**65**	**63**	**65**	65	74	65
A13 2.399% MTN due 2031	Secured	Fixed	2.4	**300**	**249**	**299**	300	299	299
A7 5.396% MTN due 2032	Secured	Fixed	5.4	**77**	**77**	**77**	77	107	77
A11 5.125% MTN due 2036	Secured	Fixed	5.1	**50**	**49**	**50**	50	68	50
A14 2.625% MTN due 2039	Secured	Fixed	2.6	**500**	**353**	**494**	500	491	494
A15 2.750% MTN due 2059	Secured	Fixed	2.7	**500**	**315**	**495**	500	497	495
				2,356	**1,903**	**2,341**	2,356	2,407	2,341
Syndicated and bilateral bank debt	Secured	Floating	SONIA + margin	**849**	**849**	**849**	1,546	1,546	1,546
Syndicated and bilateral bank debt	Secured	Floating	Euribor + margin	**-**	**-**	**-**	2	2	2
Total non-current borrowings				**3,205**	**2,752**	**3,190**	3,904	3,955	3,889
Amounts payable under head leases			3.3	**112**	**177**	**112**	123	164	123
Total non-current borrowings including amounts payable under head leases				**3,317**	**2,929**	**3,302**	4,027	4,119	4,012
Total borrowing including amounts payable under head leases				**3,741**	**3,353**	**3,726**	4,568	4,660	4,553
Total borrowings excluding amounts payable under head leases				**3,629**	**3,176**	**3,614**	4,445	4,496	4,430

Reconciliation of the movement in borrowings	**Six months ended 30 September 2022 £m**	Year ended 31 March 2022 £m
At the beginning of the period	**4,553**	3,516
Bank debt assumed through acquisition of subsidiaries	**-**	403
Proceeds from new borrowings	**-**	1,053
Repayment of bank debt	**(858)**	(489)
Foreign exchange movement on non-Sterling borrowings	**42**	8
Movement in amounts payable under head leases	**(11)**	62
At the end of the period	**3,726**	4,553

14. Borrowings continued

Reconciliation of movements in liabilities arising from financing activities

	At the beginning of the period	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 period
Six months ended 30 September 2022	£m	£m	£m	£m	£m	£m
Borrowings	**4,553**	**(858)**	**42**	**-**	**(11)**	**3,726**
Derivative financial instruments	**(26)**	**27**	**(42)**	**(51)**	**1**	**(91)**
	4,527	**(831)**	**-**	**(51)**	**(10)**	**3,635**
Year ended 31 March 2022						
Borrowings	3,516	564	8	-	465	4,553
Derivative financial instruments	3	(3)	(8)	(12)	(6)	(26)
	3,519	561	-	(12)	459	4,527

Medium term notes

The MTNs are secured on the fixed and floating pool of assets of the Security Group. The Security Group includes investment properties, development properties, the X-Leisure fund, and the Group's investment in Westgate Oxford Alliance Limited Partnership, Nova, Victoria, St. David's Limited Partnership and Southside Limited Partnership, in total valued at **£10.2bn** at 30 September 2022 (31 March 2022: £11.2bn). 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. The MTNs are listed on the Irish Stock Exchange and their fair values are based on their respective market prices.

During the period, the Group did not purchase any MTNs (31 March 2022: £nil).

Syndicated and bilateral bank debt	Maturity as at 30 September 2022	Authorised: 30 Sept 2022	Authorised: 31 March 2022	Drawn: 30 Sept 2022	Drawn: 31 March 2022	Undrawn: 30 Sept 2022	Undrawn: 31 March 2022
		£m	£m	£m	£m	£m	£m
Syndicated debt	**2022**	**-**	12	**-**	12	**-**	-
Syndicated debt	**2024-27**	**2,782**	2,785	**781**	1,393	**2,001**	1,392
Bilateral debt	**2026**	**225**	225	**68**	155	**157**	70
		3,007	3,022	**849**	1,560	**2,158**	1,462

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. During the period ended 30 September 2022, the amounts drawn under the Group's facilities decreased by **£711m**.

The terms of the Security Group funding arrangements require undrawn facilities to be reserved where syndicated and bilateral facilities mature within one year, or when commercial paper is issued. The total amount of cash and available undrawn facilities, net of commercial paper, at 30 September 2022 was **£1,781m** (31 March 2022: £1,109m, restated for the impact of the change in classification between cash and monies held in restricted accounts during the period).

Fair values

The fair value of the amounts payable under the Group's lease obligations, using a discount rate of **2.2%** (31 March 2022: 2.2%), is **£177m** (31 March 2022: £164m). The fair value of the Group's net investment in tenant finance leases, calculated by the Group's external valuer by applying a weighted average equivalent yield of **7.5%** (31 March 2022: 4.9%), is **£19m** (31 March 2022: £66m).

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

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

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

15. Contingencies

The Group has contingent liabilities in respect of legal claims, tax queries, guarantees and warranties arising in the ordinary course of business, as well as contingent liabilities for fire safety remediation arising from the Building Safety Act 2022. It is not anticipated that any material liabilities will arise from the contingent liabilities.

16. Related party transactions

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

17. Events after the reporting period

On 31 October 2022, the Group sold its interest in 56 Regency Street for a headline price of £12m. On 4 November 2022, the Group sold its interest in the Crispin Centre for a headline price of £1m.

Since 30 September 2022, the Group sold or exchanged contracts to sell certain interests in trading properties acquired as part of U+I Group PLC in the previous financial year.

On 11 November 2022, the Group entered into an option to acquire the first phase of Mayfield from Mayfield Development Partnership Limited Partnership.

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 all 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 accounting return	n/a	Note 4
Adjusted net cash inflow from operating activities	Net cash inflow from operating activities	Note 9
Combined Portfolio	Investment properties	Note 10
Adjusted net debt	Borrowings	Note 13
Group LTV	n/a	Note 13

EPRA disclosures

Table 15: EPRA net asset measures

EPRA net asset measures	30 September 2022		
	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m
Net assets attributable to shareholders	7,569	7,569	7,569
Shortfall of fair value over net investment in finance lease book value	(1)	(1)	(1)
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	(69)	(69)	-
Shortfall of fair value of debt over book value	-	-	373
Excess of fair value of trading properties over book value	7	7	7
Purchasers' costs[1]	655	-	-
Net assets used in per share calculation	**8,161**	**7,504**	**7,947**

	EPRA NRV	EPRA NTA	EPRA NDV
Diluted net assets per share	**1,098p**	**1,010p**	**1,070p**

	31 March 2022		
	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m
Net assets attributable to shareholders	7,917	7,917	7,917
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	(21)	(21)	-
Excess of fair value of debt over book value	-	-	(107)
Purchasers' costs[1]	698	-	-
Net assets used in per share calculation	8,588	7,888	7,803

	EPRA NRV	EPRA NTA	EPRA NDV
Diluted net assets per share	1,157p	1,063p	1,052p

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	Landsec measure (30 September 2022)	EPRA measure (30 September 2022)
EPRA earnings	Recurring earnings from core operational activity	4	**£197m**	**£197m**
EPRA earnings per share	EPRA earnings per weighted number of ordinary shares	4	**26.6p**	**26.6p**
EPRA diluted earnings per share	EPRA diluted earnings per weighted number of ordinary shares	4	**26.5p**	**26.5p**
EPRA Net Tangible Assets (NTA)	Net assets adjusted to exclude the fair value of interest-rate swaps, intangible assets and excess of fair value over net investment in finance lease book value	4	**£7,504m**	**£7,504m**
EPRA Net Tangible Assets per share	Diluted Net Tangible Assets per share	4	**1,010p**	**1,010p**
EPRA net disposal value (NDV)	Net assets adjusted to exclude the fair value of debt and goodwill on deferred tax and to include excess of fair value over net investment in finance lease book value	4	**£7,947m**	**£7,947m**
EPRA net disposal value per share	Diluted net disposal value per share	4	**1,070p**	**1,070p**
EPRA loan-to-value (LTV)[1]	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		**32.6%**	**32.6%**
		Table		
Voids/vacancy rate	ERV of vacant space as a % of ERV of Combined Portfolio excluding the development programme[2]	17	**4.9%**	**4.9%**
Net initial yield (NIY)	Annualised rental income less non-recoverable costs as a % of market value plus assumed purchasers' costs[3]		**5.1%**	**5.1%**
Topped-up NIY	NIY adjusted for rent free periods[3]		**5.4%**	**5.4%**
Cost ratio[4]	Total costs as a percentage of gross rental income (including direct vacancy costs)[4]		**25.4%**	**26.2%**
	Total costs as a percentage of gross rental income (excluding direct vacancy costs)[4]		**n/a**	**21.5%**

1. EPRA LTV is a new measure introduced by EPRA in the current period. The EPRA measure 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. EPRA LTV was not presented in the financial statements at 31 March 2022 as the measure had not yet been introduced. EPRA LTV would have been presented as 35.6% at 31 March 2022.
2. Our measure reflects voids in our like-for-like portfolio only, excluding properties where the scale of refurbishment is such that the property is not deemed lettable. The EPRA measure reflects voids in the Combined Portfolio excluding only properties under development.
3. Our NIY and Topped-up NIY relate to the Combined Portfolio, excluding properties in the development programme that have not yet reached practical completion, and are calculated by our external valuer. EPRA NIY and EPRA Topped-up NIY calculations are consistent with ours but exclude only properties currently under development. Topped-up NIY reflects adjustments of £40m and £40m for rent free periods and other incentives for the Landsec measure and EPRA measure, respectively.
4. The EPRA cost ratio is calculated based on gross rental income after rents payable and excluding costs recovered through rents but not separately invoiced of £4m, whereas our measure is based on gross rental income before rents payable and costs recovered through rents but not separately invoiced. We do not calculate a cost ratio excluding direct vacancy costs as we do not consider this to be helpful. Provisions for bad and doubtful debts have been excluded from our cost ratio.

Table 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.

	30 September 2022 £m
ERV of vacant properties	**29.5**
ERV of Combined Portfolio excluding properties under development	**606.3**
EPRA vacancy rate (%)	**4.9**

Table 18: Change in net rental income from the like-for-like portfolio[(1)]

	30 September 2022	30 September 2021	Change	
	£m	£m	£m	%
Central London	**124**	118	**6**	**5**
Major retail	**57**	63	**(6)**	**(10)**
Subscale sectors	**47**	34	**13**	**38**
	228	215	**13**	**6**

1. Excludes surrender premiums received during the period.

Table 19: Acquisitions, disposals and capital expenditure

Investment properties	Group (excl. joint ventures) £m	Joint ventures £m	Adjustment for non-wholly owned subsidiaries £m	**Six months ended 30 September 2022** Combined Portfolio £m	Six months ended 30 September 2021 Combined Portfolio £m
Net book value at the beginning of the period	**11,207**	**771**	**(145)**	**11,833**	10,342
Transfer from joint venture	23	(12)	-	**11**	-
Acquisitions	2	-	-	**2**	-
Capital expenditure	187	(14)	(3)	**170**	167
Capitalised interest	14	-	-	**14**	7
Net movement in head leases capitalised	(11)	-	-	**(11)**	(1)
Disposals	(904)	-	-	**(904)**	(42)
Net (deficit)/surplus on revaluation of investment properties	(331)	1	7	**(323)**	81
Transfers to trading properties	-	-	-	**-**	(6)
Net book value at the end of the period	**10,187**	**746**	**(141)**	**10,792**	10,548
(Loss)/profit on disposal of investment properties	**(92)**	**-**	**-**	**(92)**	6

Trading properties	£m	£m	£m	£m	£m
Net book value at the beginning of the period	**145**	**1**	**-**	**146**	36
Transfers from investment properties	-	-	-	**-**	6
Capital expenditure	12	(1)	-	**11**	-
Disposals	(14)	-	-	**(14)**	-
Movement in impairment	(8)	-	-	**(8)**	-
Net book value at the end of the period	**135**	**-**	**-**	**135**	42
Profit on disposal of trading properties	**1**	**-**	**-**	**1**	-

Acquisitions, development and other capital expenditure	Investment properties[(1)] £m	Trading properties £m	Combined Portfolio £m	Combined Portfolio £m
Acquisitions[(2)]	2	-	**2**	-
Development capital expenditure[(3)]	154	8	**162**	127
Other capital expenditure	16	3	**19**	40
Capitalised interest	14	-	**14**	7
Acquisitions, development and other capital expenditure	**186**	**11**	**197**	174

Disposals	£m	£m
Net book value – investment property disposals	**904**	42
Net book value – trading property disposals	**14**	-
Net book value – other net assets of investment property disposals	**51**	4
(Loss)/profit on disposal – investment properties	**(92)**	6
Profit on disposal – trading properties	**1**	-
Other	**(1)**	-
Total disposal proceeds	**877**	52

1. See EPRA analysis of capital expenditure table 20 for further details.
2. Properties acquired in the period.
3. Development capital expenditure for investment properties comprises expenditure on the development pipeline and completed developments.

Table 20: EPRA analysis of capital expenditure

Six months ended 30 September 2022

	Acquisitions[1] £m	Development capital expenditure[2] £m	Other capital expenditure: Incremental lettable space[3] £m	Other capital expenditure: No incremental lettable space £m	Other capital expenditure: Tenant improvements £m	Other capital expenditure: Total £m	Capitalised interest £m	Total capital expenditure – Combined Portfolio £m	Total capital expenditure – joint ventures (Group share) £m	Adjustment for non-wholly owned subsidiaries £m	Total capital expenditure – Group £m
Central London											
West End Offices	-	-	-	3	-	3	-	3	-	-	3
City Offices	-	-	-	1	-	1	-	1	-	-	1
Retail and other	-	-	-	1	-	1	-	1	-	-	1
Developments	-	153	-	-	-	-	14	167	-	-	167
Total Central London	-	153	-	5	-	5	14	172	-	-	172
Major retail											
Shopping centres	-	-	1	1	-	2	-	2	(2)	-	4
Outlets	-	-	-	(2)	3	1	-	1	-	-	1
Total Major retail	-	-	1	(1)	3	3	-	3	(2)	-	5
Mixed-use urban											
Completed investment	-	-	-	5	-	5	-	5	-	(3)	8
Developments	2	1	-	-	-	-	-	3	(11)	-	14
Total Mixed-use urban	2	1	-	5	-	5	-	8	(11)	(3)	22
Subscale sectors											
Leisure	-	-	-	(1)	1	-	-	-	(1)	-	1
Hotels	-	-	-	1	-	1	-	1	-	-	1
Retail parks	-	-	-	1	1	2	-	2	-	-	2
Total Subscale sectors	-	-	-	1	2	3	-	3	(1)	-	4
Total capital expenditure	2	154	1	10	5	16	14	186	(14)	(3)	203
Timing difference between accrual and cash basis								(43)	-	-	(43)
Total capital expenditure on a cash basis								143	(14)	(3)	160

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

Other business analysis

Table 21: Top 12 occupiers at 30 September 2022

	% of Group rent[1]
Central Government	5.8
Deloitte	5.5
Accor	4.5
Cineworld	1.8
Boots	1.7
Taylor Wessing	1.4
Peel	1.3
BBC	1.3
M&S	1.1
Sainsbury's	1.1
H&M	1.0
Next	1.0
	27.5

1. On a proportionate basis.

Table 22: Committed and future development pipeline and trading property development schemes at 30 September 2022

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									
The Forge, SE1	Office	100	139,000	-	155	10	Dec 2022	133	152
	Retail		1,000						
Lucent, W1	Office	100	120,000	19	222	14	Mar 2023	209	252
	Retail		21,000						
	Residential		3,000						
n2, SW1	Office	100	164,000	27	172	14	Jun 2023	153	208
	Retail		1,000						

Property	Description of use	Ownership interest %	Proposed sq ft	Potential start date
Future near-term development pipeline				
Timber Square, SE1	Office	100	380,000	2023
Portland House, SW1	Office	100	300,000	2023
Liberty of Southwark, SE1	Office/ Residential	100	200,000	2023
Red Lion Court, SE1	Office	100	230,000	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	Jan 2024	20	47

Table 22: Committed and future development pipeline and trading property development schemes at 30 September 2022 continued

Mixed-use urban

Property	Ownership interest %	Proposed sq ft	Potential start date
Future development pipeline			
Mayfield, Manchester	50-100	2,500,000	2023
MediaCity, Greater Manchester	75	1,900,000	2023
Finchley Road, NW3	100	1,400,000	2023
Buchanan Galleries, Glasgow	100	1,400,000	2024
Lewisham, SE13	100	1,800,000	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 30 September 2022. 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 30 September 2022 on unlet units, both after rents payable.

Table 23: Combined Portfolio analysis
Like-for-like segmental analysis

	Market value[1]		Valuation movement[1]		Rental income[1]		Annualised rental income[2]		Net estimated rental value[3]	
	30 September 2022	31 March 2022	Surplus/ (deficit)	Surplus/ (deficit)	30 September 2022	30 September 2021	30 September 2022	31 March 2022	30 September 2022	31 March 2022
	£m	£m	£m	%	£m	£m	£m	£m	£m	£m
Central London										
West End offices	2,761	3,013	(116)	-4.2%	72	70	132	135	143	147
City offices	1,746	1,928	(183)	-9.7%	40	38	79	76	104	101
Retail and other	1,089	1,131	2	0.2%	30	37	43	47	53	54
Developments[6]	1,102	1,709	(7)	-0.6%	19	5	5	10	64	112
Total Central London	6,698	7,781	(304)	-4.4%	161	150	259	268	365	414
Major retail										
Shopping centres	1,150	1,141	12	1.1%	60	51	106	108	104	101
Outlets	740	743	(5)	-0.6%	28	26	57	56	61	61
Total Major retail	1,890	1,884	7	0.4%	88	77	163	164	165	162
Mixed-use urban										
Completed investment	393	409	(20)	-4.8%	11	-	24	24	24	24
Developments[6]	497	486	11	2.0%	17	17	29	29	32	32
Total Mixed-use urban	890	895	(9)	-1.0%	28	17	53	53	56	56
Subscale sectors										
Leisure	563	569	(14)	-2.6%	24	22	50	49	51	51
Hotels	444	422	23	5.3%	15	6	25	16	25	25
Retail parks	444	466	(26)	-5.4%	15	15	29	29	29	29
Total Subscale sectors	1,451	1,457	(17)	-1.2%	54	43	104	94	105	105
Combined Portfolio	10,929	12,017	(323)	-2.9%	331	287	579	579	691	737
Properties treated as finance leases					(1)	(5)				
Combined Portfolio	10,929	12,017	(323)	-2.9%	330	282				
Represented by:										
Investment portfolio	10,155	11,217	(324)	-3.1%	303	258	533	531	640	687
Share of joint ventures	774	800	1	0.2%	27	24	46	48	51	50
Combined Portfolio	10,929	12,017	(323)	-2.9%	330	282	579	579	691	737

Total portfolio analysis

	Net initial yield[4]		Equivalent yield[5]	
	30 September 2022	Movement in like-for-like[7]	30 September 2022	Movement in like-for-like[7]
	%	bps	%	bps
Central London				
West End offices	**4.6%**	36	**4.8%**	21
City offices	**3.3%**	(34)	**4.9%**	27
Retail and other	**4.2%**	(30)	**4.6%**	14
Developments[6]	**0.3%**	n/a	**4.5%**	n/a
Total Central London	**3.5%**	-	**4.7%**	21
Major retail				
Shopping centres	**7.7%**	(8)	**7.4%**	5
Outlets	**5.9%**	10	**6.7%**	(4)
Total Major retail	**7.0%**	2	**7.1%**	1
Mixed-use urban				
Completed investment	**5.3%**	21	**5.9%**	18
Development[6]	**5.2%**	n/a	**5.3%**	n/a
Total Mixed-use urban	**5.2%**	21	**5.6%**	18
Subscale sectors				
Leisure	**6.9%**	37	**7.2%**	27
Hotels	**5.2%**	99	**5.5%**	(1)
Retail parks	**6.1%**	43	**6.0%**	29
Total Subscale sectors	**6.1%**	54	**6.3%**	17
Combined Portfolio	**4.6%**	13	**5.4%**	19
Represented by:				
Investment portfolio	**4.5%**	n/a	**5.4%**	n/a
Share of joint ventures	**5.6%**	n/a	**5.8%**	n/a
Combined Portfolio	**4.6%**	n/a	**5.4%**	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. Net initial yield – refer to Glossary for definition. This calculation includes all properties including those sites with no income.
5. Equivalent yield – refer to Glossary for definition. Future developments are excluded from the calculation of equivalent yield on the Combined Portfolio.
6. Comprises the development pipeline – refer to Glossary for definition.
7. The like-for-like portfolio – refer to Glossary for definition.

Table 24: Floor Areas

	30 September Million sq ft
Central London	
West End offices	2.8
City offices	1.8
Retail and other	1.0
Developments	n/a
Total Central London	5.6
Major retail	
Shopping centres	6.6
Outlets	1.5
Total Major retail	8.1
Mixed-use urban	
Completed investment	3.0
Developments	n/a
Total Mixed-use urban	3.0
Subscale sectors	
Leisure	3.4
Hotels	2.0
Retail parks	1.8
Total Subscale sectors	7.2
Total	**23.9**

Table 25: Reconciliation of segmental information note to interim reporting for the six months to 30 September 2021

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

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 results table.

Table 26: Lease lengths

	Weighted average unexpired lease term at 30 September 2022	
	Like-for-like portfolio	**Like-for-like portfolio, completed developments and acquisitions**
	Mean[1]	**Mean[1]**
	Years	**Years**
Central London		
West End Offices	6.5	6.5
City offices	7.8	7.8
Retail and other	7.6	7.6
Total Central London	**7.0**	**7.0**
Major retail		
Shopping centres	4.2	4.2
Outlets	3.2	3.2
Total Major retail	**3.9**	**3.9**
Mixed-use urban	**n/a**	**9.7**
Subscale sectors		
Leisure	10.4	10.4
Hotels	8.7	8.7
Retail parks	4.3	4.3
Total Subscale sectors	**8.0**	**8.0**
Combined Portfolio	**6.3**	**6.4**

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

Investor information

1. Company website: landsec.com

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

2. Registrar: Equiniti Group PLC

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

Telephone:

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

Correspondence address:

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

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

3. Shareholder enquiries

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

4. Share dealing services: shareview.co.uk

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

5. 2022/23 second quarterly dividend

The Board has declared a second quarterly dividend for the year ending 31 March 2023 of 9.0p per ordinary share which will be paid on 3 January 2023 to shareholders registered at the close of business on 24 November 2022. This will be paid wholly as a Property Income Distribution (PID). Together with the first quarterly dividend of 8.6p already paid on 7 October 2022 wholly as a PID, the first half dividend will be 17.6p per ordinary share (six months ended 30 September 2021: 15.5p).

6. Dividend related services

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

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

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

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

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

7. Financial reporting calendar	**2023**
Financial year end	31 March
Preliminary results announcement	16 May
Half year results announcement	14 November*

* Provisional date only

8. Investor relations enquiries

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

Glossary

Adjusted net cash inflow from operating activities
Net cash inflow from operating activities including the Group's share of our joint ventures' net cash inflow from operating activities.

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

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

BREEAM
Building Research Establishment's Environmental Assessment Method.

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

Completed developments
Completed developments consist of those properties previously included in the development programme, which have been transferred from the development programme since 1 April 2021.

Development pipeline
The development programme together with proposed developments.

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

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

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

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

EPRA
European Public Real Estate Association.

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

EPRA earnings per share
Earnings per share based on EPRA earnings after related tax.

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.

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

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

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

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

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

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

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

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

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

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

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Vacancy rates
Vacancy rates are expressed as a percentage of ERV and represent all unlet space, including vacant properties where refurbishment work is being carried out and vacancy in respect of pre-development properties, 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 cost of capital (WACC)
Weighted average cost of debt and notional cost of equity, used as a benchmark to assess investment returns.

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

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