16 May 2023

LAND SECURITIES GROUP PLC ("Landsec")

Results for the year ended 31 March 2023

Continued operational and strategic momentum; well-positioned for new market reality

Mark Allan, Chief Executive of Landsec, commented:

"Last year saw the most striking difference in performance between occupational markets and investment markets that I can remember. In investment markets, rapidly rising interest rates led to a sharp slowdown in transaction activity and falling asset values as valuation yields rose, whereas from a customer perspective, strong demand for Landsec's best-in-class space drove consistently strong leasing, rising occupancy levels and growing rents across all parts of our portfolio.

"Our strategy is based on two clear and simple principles: focus our resources where we have sustainable competitive advantage and maintain a strong balance sheet. We have done both and, as a result, were able to navigate the challenges of the past twelve months very effectively. Our competitive advantages remain the high quality of our portfolio, the strength of our customer relationships and our ability to unlock complex opportunities. Looking forward, we expect the combination of a 'higher for longer' interest rate environment and the continuing concentration of customer demand on the very best space to result in exciting opportunities and continued positive rental growth for Landsec. Those competitive advantages will be more important than ever."

Financial highlights

	2023	2022		2023	2022
EPRA earnings (£m)(1)(2)	393	355	(Loss)/profit before tax (£m)	(622)	875
EPRA EPS (pence)(1)(2)	53.1	48.0	Basic EPS (pence)	(83.6)	117.4
EPRA NTA per share (pence)(1)(2)	936	1,063	Net assets per share (pence)	945	1,070
Total return on equity (%)(1)(2)	(8.3)	10.5	Dividend per share (pence)	38.6	37.0
Group LTV ratio (%)(1)(2)	31.7	34.4	Net debt (£m)	3,348	4,254

- EPRA EPS(1)(2) of 53.1p, with underlying EPRA EPS excluding the benefit of increased surrender premiums up 4.4% to 50.1p, driven by strong leasing and 6.0% LFL rental income growth
- Total dividend up 4.3% to 38.6p per share, in line with increase in underlying earnings
- Loss before tax of £622m as a result of a -£848m, or -7.7%, movement in portfolio value, as an average 50bps yield softening offset an overall 3.6% ERV growth, leaving EPRA NTA per share(1) (2) down 11.9% to 936p and total return on equity at -8.3%
- Net debt down £0.9bn due to successful disposal of £1.4bn of mature offices, mostly in the City
- Sector-leading balance sheet strength, with AA/AA- credit rating, 7.0x net debt/EBITDA, Group LTV(1)(2) down 2.7ppt to 31.7% and weighted average debt maturity up from 9.1 to 10.3 years
- Expect EPRA EPS for current year to be broadly stable vs last year's underlying 50.1 pence, as positive growth in operational performance offsets impact of recent and further planned disposals

Operational highlights: building on strong operational momentum and delivering on strategy

Strong operational performance, continued pace in execution on strategy, and proven ability to unlock complex opportunities, underpinned by high-quality portfolio and strong balance sheet, provide clear potential to further grow attractive earnings yield and deliver 8-10% annual return on equity over time.

Central London: strong leasing momentum, reallocating capital towards higher return assets

- Sold £1.4bn of mature offices, crystallising average 10% IRR despite discount to last year's book value, taking total City office disposals over last two years to £1.7bn and increasing West End/Southwark assets to 74% of London portfolio
- Delivered continued strong leasing results as demand for high-quality space in best locations remains high, with £48m of lettings completed or in solicitors' hands, 5% ahead of valuers' assumptions, and occupancy up 110bps to 95.9%, with West End office portfolio effectively full at 99.5% occupancy
- Drove 4.7% ERV growth due to strong letting activity, as rise in valuation yields led to capital values softening 7.3%, with continued low to mid single digit percent ERV growth expected for current year
- Current pipeline 60% pre-let or under offer ahead of near-term completion, with recent lettings 11% ahead of ERV, providing confidence to start two new schemes with expected 7.4% yield on cost and 12%+ yield on £460m capex for delivery in supply-constrained 2025 window

Major retail destinations: capitalising on growing demand from brands for best-in-class space

- Continued to deliver strong leasing momentum via differentiated brand-focused platform, capitalising on 'flight to prime' and upsizing of key brands, with £38m of letting signed or in solicitors' hands on average 9% ahead of ERV and occupancy up 110bps to 94.3%
- Recorded 6.9% YoY sales growth, with like-for-like sales 4.4% above 2019/20 levels, as normalising consumer behaviour and improved profitability is driving growing investment in stores by brands
- Delivered 0.9% ERV growth, yet valuations down 6.4% reflecting increase in valuation yields based on valuers' sentiment, with low to mid single digit percent ERV growth expected this year
- Secured remaining 50% of St David's, Cardiff via purchase of debt at implied asset yield of 9.7%

Mixed-use urban neighbourhoods: unlocked opportunity to start on site with first two schemes

- Secured resolution to grant planning consent for £1bn Finchley Road scheme and signed drawdown agreement for first phase of land at Mayfield, unlocking opportunity to start on site with enabling works at Finchley Road and first phase of office development at Mayfield later this year
- Progressed preparations on rest of 10m sq ft pipeline and sold or exchanged contracts to sell over half of c. £180m of non-core U+I assets since acquisition in December 2021, 16% above book value

Underpinning our strategy: sector-leading capital base and clear action on sustainability

- Further strengthened sector-leading balance sheet, with AA/AA- credit rating; LTV down 2.7ppt to 31.7%; net debt/EBITDA of 7.0x at end of March; average debt maturity up to 10.3 years post the issue of a £400m Green bond; fully-hedged cost of debt of 2.7%; and no refinancing needs until 2026
- Progressing net zero transition investment plan, with 44% of office portfolio expected to be rated EPC 'B' or higher by the summer vs 23% for overall London office market, and announced target to reduce upfront embodied carbon by 50% vs a typical development by 2030
- Launched Landsec Futures Fund to invest £20m over next 10 years to enhance social mobility in our industry, to empower more people towards world of work and deliver £200m of social value

1. An alternative performance measure. The Group uses a number of financial measures to assess and explain its performance, some of which are considered to be alternative performance measures as they are not defined under IFRS. For further details, see the Financial review and table 14 in the Business analysis section.
2. Including our proportionate share of subsidiaries and joint ventures, as explained in the Financial review. The condensed consolidated preliminary financial information is prepared under UK adopted international accounting standards (IFRSs and IFRICs) where the Group's interests in joint ventures are shown collectively in the income statement and balance sheet, and all subsidiaries are consolidated at 100%. Internally, management reviews the Group's results on a basis that adjusts for these forms of ownership to present a proportionate share. These metrics, including the Combined Portfolio, is an example of this approach, reflecting our economic interest in our properties regardless of our ownership structure. For further details, see table 14 in the Business analysis section.

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

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

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

Webcast link: https://webcast.landsec.com/2023-full-year-results
Call title: Landsec Annual Results 2023

Forward-looking statements

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

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

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

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

Chief Executive's statement

Actively executing on our strategy. Well positioned in a changing market.

The strategy we launched in late 2020 was based on two key principles of sustainable value creation: focusing our resources where we have a genuine competitive advantage, and maintaining a strong balance sheet. Back then, interest rates and property yields in many sectors were at or near all-time low levels, making asset values in these sectors look expensive, yet since then external market conditions have changed materially, in particular over the last twelve months. Despite enduring customer demand driving rents and occupancy higher, increasing interest rates meant the value of our portfolio was down 7.7% for the year, as an average 50bps rise in valuation yields offset an overall 3.6% ERV growth.

Whereas many slowed or paused activity in response, we have remained active, pragmatic and future-focused in executing our strategy during the year. We sold £1.4bn of London offices where our ability to add further value was limited, bringing total office disposals since late 2020 to £2.2bn, with an average yield of 4.4%, on average just 4% below book value. We selectively invested where we saw value, for example buying the debt secured on St David's, Cardiff at an implied property yield of 9.7%. We kept to programme on new developments by committing to early works during the political turmoil in the autumn whilst keeping flexibility on c. £400m of future spend, which we now expect to commit to shortly. And we issued a £400m Green bond, to pro-actively extend our sector-leading debt maturities even further.

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 our development and asset management expertise. Despite the change in market conditions, these strengths are clearly reflected in our strong operational performance during the year and we expect these to persist going forward.

This is supported by the strength of our capital base. With a 31.7% LTV and net debt/EBITDA of 7.0x at the year-end our leverage is low; at 10.3 years our average debt maturity is long; and we have no need to refinance any debt until 2026. We have also created more optionality in our attractive pipeline and as a result of our strategic choices and decisive action since late 2020, we are well placed to take advantage of the opportunities that will undoubtedly emerge in a new higher rate, higher yield environment.

Delivering continued growth in operational results

As people choose to spend time together in inspiring places, be it to work, shop or spend their leisure time, our customers increasingly focus on the best space in the best locations to attract the right talent and consumers. Building on the positive momentum our focus on growing customer relationships has started to drive over the past three years, we have delivered further growth in operational results.

EPRA EPS for the year increased to 53.1 pence, or 50.1 pence on an underlying basis, excluding the benefit of a £22m increase in surrender premiums received during the year. Underlying EPRA EPS was up 4.4% vs the prior year, towards the high end of our guidance of low to mid-single digit percentage growth. This was supported by growth in like-for-like net rental income of 6.0%, which more than offset the impact from our £1.4bn of disposals and our significant deleveraging. In line with growth in underlying earnings, our dividend for the year is up 4.3% to 38.6 pence, reflecting a dividend cover of 1.3 times.

Our strong leasing activity drove 3.6% ERV growth, with positive growth across all four segments of our portfolio, reflecting its enduring appeal to customers. Still, the sharp increase in bond yields over the past twelve months put upwards pressure on valuation yields, leaving our overall portfolio value down 7.7% for the year. Notwithstanding our strong operational results and growth in earnings, EPRA NTA per share therefore was down 11.9% to 936 pence, resulting in a total return on equity of -8.3%.

Table 1: Highlights

	Mar 2023	Mar 2022	Change %
EPRA earnings (£m)[1]	**393**	355	**10.7**
(Loss)/profit before tax (£m)	**(622)**	875	**(171.1)**
Total return on equity (%)	**(8.3)**	10.5	**(18.8)**
Basic (loss)/earnings per share (pence)	**(83.6)**	117.4	**(171.2)**
EPRA earnings per share (pence)[1]	**53.1**	48.0	**10.6**
Underlying EPRA earnings per share (pence) [1,2]	**50.1**	48.0	**4.4**
Dividend per share (pence)	**38.6**	37.0	**4.3**
Combined portfolio (£m)[1]	**10,239**	12,017	**(14.8)**
IFRS net assets (£m)	**7,072**	7,991	**(11.5)**
EPRA Net Tangible Assets per share (pence) [1]	**936**	1,063	**(11.9)**
Adjusted net debt (£m)[1]	**3,287**	4,179	**(21.3)**
Group LTV ratio (%)[1]	**31.7**	34.4	**(2.7)**
Proportion of portfolio rated EPC 'B' or higher (%)	**36**	36	
Average upfront embodied carbon reduction development pipeline (%)	**36**	n/a	
Energy intensity reduction vs 2020 (%)	**16.6**	17.5	

1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information in the Financial Review.
2. Excluding increase in surrender premiums received of £22m

Our strategy

Our strategy is focused on three areas – Central London offices, major retail destinations and mixed-use urban neighbourhoods. Each of these benefits from growing demand for high quality, sustainable space, which continues to drive rental growth. Whilst the proportions of use differ, there is increasingly more that unites these areas than divides them, as the lines between where people want to work, live and spend their leisure time blur. What binds these areas together is the enduring importance of a sense of place.

Whilst our strategic focus remains the right one, economic and financial market conditions have changed materially over the past year. Interest rates have risen sharply in response to higher inflation and credit conditions are tightening, resulting in reduced lending and increased credit margins. It is impossible for us to predict where interest rates will settle over time, but taking a long term view, it seems clear to us that the ultra-low rates over the prior decade were the aberration, not the adjustment over the past year.

This is important for a number of reasons. Firstly, the strategy we set out in late 2020 was never built on a premise that low interest rates would persist forever. Neither are our actions now based on the hope that markets will just "return to normal" and interest rates come back down sharply if we wait long enough. They might, but this seems unlikely to us and hope is not a strategy, so we have not and will not base our decision-making on this. Our disposal of £1.4bn of mature offices over the past year is testament to this.

Secondly, and most importantly, this adjustment plays directly to the strengths we have been building since late 2020. At that time, it was difficult for us to find value in a world where excess liquidity and zero interest rates meant there was invariably someone prepared to borrow more at artificially low costs and pay more. However, since last summer, property values have been quick to adjust to the new reality of a higher cost of capital, similar to equities and bonds. The full effect of increased borrowing costs will likely only work its way through the system over time, but this should lead to attractive opportunities for us.

Since late 2020 our focus has been on i) focusing our new investment where we have a genuine competitive advantage that enables us to create long-term value; ii) the sale of £2.2bn of London offices where yields were low and we had little opportunity to add further value; and iii) maintaining capital discipline. As a result, we are well placed now.

To further support this, improve scalability and increase pace, we started a review of our operating model a year ago, with a view of creating a more agile, efficient culture, with less internal complexity and more external focus. We have built, or are on track to build, market-leading operating platforms in each of the three areas we operate in. We have started to see the benefits from this so despite high inflation, we expect overhead costs for the current year to reduce slightly vs last year. Supplemented by ongoing investment in our systems, we have clear visibility on the further efficiencies this will drive over time.

Whilst part of the property market is busy looking backwards to deal with leverage or refinancing issues, we have the rare opportunity to look forward to future growth. Part of this will be funded by our significant headroom and residual c. £1.6bn capital recycling programme. However, the extent of the opportunity in our office and mixed-use pipelines, and for accretive external growth, is such that this will likely exceed our own balance sheet capacity over time. Capital discipline remains our priority, so we plan to explore opportunities to enhance our own investment in future growth with other sources of capital, to accelerate our overall growth, capitalise on the platform value we are creating, and enhance our return on equity.

Creating value through our competitive advantages

Our value creation remains underpinned by our key competitive advantages: our high quality portfolio; the strength of our customer relationships; and our ability to unlock complex opportunities. Customer demand continues to bifurcate, with growing demand for modern, sustainable space in those locations with the best amenities in London and fewer, but bigger and better stores in key locations in retail. Supply of both is limited, which is driving growth in rental values across our core portfolio.

In London, where 74% of our portfolio is now located in the vibrant West End and Southwark markets, up from 58% in 2020, we completed £43m of leases, on average 3% above ERV, with a further £6m in solicitors hands, 19% ahead of ERV. As a result, occupancy increased 110bps to 95.9% and at 99.5% occupancy our West End offices are effectively full – both substantially ahead of the wider market. This drove 4.7% ERV growth, which is at the high end of our guidance. As demand for grade A space remains strong and supply is low, we expect continued low to mid single digit percent ERV growth this year.

Across our major retail destinations, where we selectively expanded our presence with our investments in Bluewater in late 2021 and St David's in March, we signed £27m of new lettings, on average 8% above ERV. This was 35% higher than the prior year and occupancy of 94.3% was up 110bps during the year, highlighting the value our revitalised platform and growing brand relationships are starting to drive. Despite cost of living challenges, we continue to see few signs of any let-up in demand for space, with £11m of lettings in solicitor's hands 11% above ERV, up 28% vs this time last year. Our portfolio saw 0.9% ERV growth last year and we expect low to mid single digit percentage ERV growth this year.

Our positive outlook for rental value growth reflects the high quality of our portfolio, as we expect overall demand for space will continue to rationalise in both retail and offices. We expect this will start to lead to a growing divergence in asset pricing. Investment activity remains thin and so the emerging stabilisation of values in recent months needs to be viewed in that context, yet we expect values for the best assets to stabilise and return to growth well before those where long-term structural demand is questionable.

This is supplemented by our ability to unlock complex opportunities, such as the discounted purchase of the debt on St David's from two separate lenders; the resolution to grant planning consent we obtained for our 1,800-homes masterplan at Finchley Road; the deal we agreed with our JV partners at Mayfield, which gives us full control of the first phase of this unique site; our success at 21 Moorfields, where our well-timed sale crystallised £145m of profit on cost; the 17.5-year lease extension with one of our top-10 customers, temporarily moving them across our estate whilst we undertake net-zero upgrade works to their existing offices; or the pre-letting of 60% of our current London pipeline well ahead of ERV.

Looking ahead, this also provides us with a clear competitive advantage in terms of future opportunities. We now have a 1.1m sq ft consented office pipeline in the West End and Southwark, deliverable into a window of a significant shortage of sustainable Grade A supply, and we could potentially start on site with two major mixed-use regeneration schemes later this year. In addition, we continue to see value in major retail destinations, where asset values have already repriced materially and our differentiated platform provides us with the ability to drive income growth. We also anticipate refinancing events could potentially unearth other opportunities, such as to acquire and upgrade well-located London offices in need of repositioning.

Driving returns

We remain decisive in our capital allocation decisions – focusing squarely on the future returns we expect our investments to generate, rather than any historical book value. The £1.4bn of offices we sold during the year are a good example of this. The two principal assets in this had generated an attractive 10% IRR over the period we had held them, but our expected forward return from the price on offer was in the mid-single digits. As this is below our return ambitions and other investment opportunities available to us, such as those outlined above, we decided to sell. We will maintain this clear discipline in the future.

Overall, we now target a total return on equity of 8-10% over time, reflecting a combination of income returns and capital growth driven by rental value growth and development upside. Short-term market fluctuations in valuation yields, which are outside of our control, mean that our return on equity is unlikely to be exactly within this range every individual year, as we have seen over the past twelve months, but this return target is what we base our medium-term decisions on.

Within this, we are focused on growing our high-quality earnings. Income has always been important, but especially so when valuations and hence NTAs reflect a greater degree of subjectivity, given that market evidence is thin. The fact that since last summer, our disposals made up c. 40% of all investment activity in the City and that there have been no transactions in major retail destinations underlines this. We are already in a strong position on this, with an attractive earnings yield at NTA of over 5%. This has now almost fully absorbed the reset in retail rents over the past few years, which has been offset by the recovery from the pandemic and growth in London. For the past year, this resulted in 4.4% growth in underlying EPRA EPS – towards the high end of our guidance of low to mid single growth for the year.

Looking forward, higher interest costs and cost inflation are a headwind to earnings across every sector, but this is compensated by the strengths of our business and the successful execution of our strategy:

- our long 10.3-year debt maturity, which provides visibility and underpins our sustainability of earnings;
- our capital recycling out of mature and subscale assets, into developments or acquisitions which offer greater potential to add value and generate higher income and total returns;
- our growth in like-for-like income, reflecting the strong demand for our high-quality space, especially from next year onwards once the last historically over-rented leases in retail have reset.

For the year to March 2024, we expect EPRA EPS to be broadly stable vs last year's underlying level of 50.1 pence, as we expect the positive impact from continued strong operational performance and like-for-like rental growth to be more or less offset by the fact that we have been – and in the near term will likely remain – a net seller of assets. This year we will also see the last over-rented leases in retail resetting, the start-up cost of opening three new Myo locations, and ongoing investment in our systems, which have a combined impact on earnings of c. £10m. We therefore expect EPRA EPS to return to growth for the year to March 2025. As our dividend cover is currently at the high end of our 1.2-1.3x range, we expect our dividend to grow by a low single digit percentage per year over these two years.

Delivering sustainably

Eighteen months ago we were the first UK REIT to set out a detailed net zero transition investment plan. We continue to progress the implementation of this, as delivery of this plan will ensure we stay ahead of the Minimum Energy Efficiency Standard Regulations, which require a minimum EPC 'B' certification by 2030, as well as other regulatory requirements. So far our work has been focused on optimising building management systems and conducting the detailed design to install air source heat pumps in our office buildings. This is on track and the benefit of this in terms of higher EPC ratings will start to become visible from 2025 onwards, once our first new air source heat pumps become operational.

Shortly after the year-end, we also updated our carbon reduction targets to align with the Science Based Targets Initiative's (SBTi) new Net-Zero Standard, as we remain committed to reaching net-zero in the long term. We have committed to a near-term target of reducing our direct and indirect greenhouse gas emissions by 47% by 2030 from a 2020 baseline and have committed to reach net zero by 2040 from the same baseline year. This target now covers emissions from all sources, including all of our reported Scope 3 emissions such as the emissions from our development pipeline, supply chain and customers.

During the year, the energy intensity of our portfolio increased marginally compared to last year, when utilisation was lower in the first months of the year after the emergence out of lockdown. Still our energy intensity was 16.6% below pre-pandemic levels and 33.2% below our 2013/14 baseline, so we remain firmly on track to reduce energy intensity by our targeted 45% by 2030. Aside from our net zero investments, we continue to focus on energy efficiency measures and have expanded the collaborative work with our largest customers to help them identify ways to save energy.

Outlook

Our strategy continues to be 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.

We expect global economic and financial uncertainty to remain elevated in the near future. The transition from a decade of ultra-loose monetary policy to a materially higher rate environment was never going to be a smooth one. The reversal of decades of globalisation and associated inflationary pressures will also continue to affect economic prospects, for the UK further exacerbated by the impact of Brexit. Positively, the political situation in the UK has stabilised somewhat since late last year and despite all uncertainties, our strategic decisions since late 2020 mean we are in great shape for any eventuality:

- our portfolio is well-located and its quality is high, which are decisive factors for our customers;
- our balance sheet strength is sector-leading, with 7.0x net debt/EBITDA and 10.3-year debt maturity;
- we have sold over £2bn of mature assets, creating capacity to invest in higher-return opportunities;
- we have created an attractive and profitable pipeline, with flexibility on future commitments.

Reflecting the continued strong demand for our best-in-class space, we expect to see low to mid single digit ERV growth in London and major retail destinations this year. We plan to continue to monetise assets where our ability to add further value is limited, so taking into account that we will likely sell more than we buy in the short term, we expect EPRA EPS for this year to be broadly stable at last year's underlying level, before returning to growth the year after. Having made considerable progress on our strategy over the last couple of years, Landsec is well placed to drive long-term growth and although we are mindful of the wider economic challenges, we are excited about the future.

Operating and portfolio review

Overview

Our overall portfolio on a combined basis was valued at £10.2bn at the end of March, which adjusted for disposals and new investments, was down £848m for the year due to a softening of valuation yields, and is made up of the following areas:

- Central London (61%): our modern, high-quality office (82%) and retail and other commercial space (18%), located in the West End (68%), City (26%) and Southwark (7%).
- Major retail destinations (18%): our investments in six shopping centres and five retail outlets, with the seven largest assets comprising 85% 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, split broadly equally between retail parks, hotels and leisure assets.

Investment activity

When we set out our strategy in late 2020, we said we planned to sell c. £4bn of mature London offices and assets in sectors which were subscale for us over a period of circa six years, with a view to reinvest this into higher growth opportunities over time. We have continued to make strong progress on this, so 2.5 years into this period, we have now sold £2.4bn, including £1.4bn over the past year.

Our largest sale last year was the £809m disposal of our 21 Moorfields, EC2 development in September. The building is fully pre-let to Deutsche Bank for 25 years and therefore offered little room to add further value. The sale represented a 9% discount to March book value, partly reflecting the fact that construction had not yet completed, but crystallised a 25% profit on cost and 11% IRR since we acquired the site.

In January, we sold One New Street Square, EC4 for £350m. This building is fully let to Deloitte for a further 14 years and, following a regear of the lease at the start of the year, also offered little to room to add further value. The price was 4% below the September valuation, yet crystallised a 10% IRR since our acquisition of the site in 2005. At the start of the year, we also sold 32-50 Strand, WC2 for £195m, following a 10-year lease regear with the sole occupier, 15% above its prior book value. In addition, we sold £54m of smaller non-core assets, 22% ahead of book value, and we have now sold or exchanged contracts to sell over half of U+I’s non-core assets for £98m, on average 16% above book value.

Relative to £1.4bn of disposals, we spent £120m on acquisitions and £280m on development capex last year. Our main purchase was the debt secured on 50% of St David’s, Cardiff via separate transactions with two lenders. This allowed us to obtain 100% control of the shopping centre at a discount to the £113m book value of our existing half of the asset and an implied initial and equivalent yield of 9.7%. In addition, we spent a small amount on land assembly deals around some of our major mixed-use projects.

We have now sold £2.2bn of the c. £2.5bn London offices we earmarked in 2020, at an average yield of 4.4% and a 4% discount to book value. This means our London assets are now 74% in the West End and Southwark, with City exposure down from 39% to 26% over the year. We are planning further disposals this year, yet we expect future disposal activity to be more balanced towards our subscale sectors.

Portfolio valuation

The sharp increase in interest rates during the year meant that transaction volumes across global and UK property markets slowed materially. Yields reset quickly as a result, especially during the second half of 2022. Despite ERV growth across all key segments, this meant the value of our portfolio reduced 7.7%.

The value of our Central London portfolio was down 7.3% for the year. This reflected a 42bps increase in yields to 4.9%, which was partly offset by 4.7% growth in ERVs – at the high end of our guidance of low to mid single digit ERV growth for the year. The value of our West End office (-8.0%) and retail and other assets (+1.3%), which make up 74% of our London investment portfolio, proved more resilient than our City offices (-15.4%). This reflected our strong leasing activity in Victoria, driving 3.7% ERV growth and strong growth at Piccadilly Lights. In the City, where we have sold £1.7bn of offices since late 2020, ERV growth was 4.7%, which solely reflected a major lease regear at a higher rent at New Street Square, with the associated refurbishment works to facilitate this taken as a cost in the valuation. Development values were down slightly (-3.0%), with ERV growth due to successful lettings offset by softer valuation yields.

The value of our major retail assets reduced 6.4% during the year, despite our successful leasing activity driving 0.9% ERV growth. Virtually all of this movement occurred in the final quarter of the 2022 calendar year, as valuers moved yields out by 40bps, mostly based on sentiment, as there were no comparable transactions during the period. We ascribe more value to the continued improvement in operational performance than “sentiment”, so we continue to focus on driving this. Reflecting the high income return, the total return of our major retail assets was at 0.5% ahead of London (-3.4%) and mixed-use (-2.8%).

In mixed-use, our completed assets at MediaCity were down 5.9%, as ERV growth of 8.6% was offset by a 61bps increase in yields. Our future developments were down 9.4%, reflecting the fact that these are mostly valued based on their existing use and we manage the income on a short-term basis to maximise flexibility for future development. In Subscale, hotel values were down slightly (-3.1%), whilst retail parks were down 12.1% driven by 69bps yield softening, following a strong 31.9% increase in values during the prior year. The value of our leisure assets was down 17.7% reflecting concerns around the largest tenant, Cineworld, although the news of its recapitalisation post the year-end is a clear positive.

Table 2: Valuation analysis

	Market value 31 March 2023 £m	Surplus/ (deficit) £m	FY valuation change %	H2 valuation change %	LFL rental value change[1] %	Net initial yield %	Topped up net initial yield %	Equivalent yield %	LFL equivalent yield change bps
West End offices	2,653	(222)	(8.0)	(4.0)	3.7	4.8	5.3	5.1	46
City offices	1,304	(234)	(15.4)	(7.4)	4.7	3.3	4.0	5.2	53
Retail and other	1,095	14	1.3	1.1	7.6	4.1	4.3	4.6	13
Developments	1,190	(37)	(3.0)	(2.5)	n/a	0.3	0.3	4.6	n/a
Total Central London	**6,242**	**(479)**	**(7.3)**	**(3.6)**	**4.7**	**4.3[2]**	**4.7[2]**	**4.9**	**42**
Shopping centres	1,196	(60)	(4.8)	(5.8)	3.0	8.1	8.6	7.9	39
Outlets	684	(67)	(8.9)	(8.4)	(2.5)	6.5	6.8	7.2	45
Total Major retail	**1,880**	**(127)**	**(6.4)**	**(6.7)**	**0.9**	**7.5**	**7.9**	**7.6**	**40**
Completed investment	389	(24)	(5.9)	(1.1)	8.6	5.4	5.4	6.4	61
Developments	426	(48)	(9.4)	(11.2)	n/a	5.3	5.4	5.8	n/a
Total Mixed-use urban	**815**	**(72)**	**(7.8)**	**(6.9)**	**8.6**	**5.4[2]**	**5.4[2]**	**6.1**	**61**
Leisure	476	(99)	(17.7)	(15.5)	(1.4)	8.0	8.1	8.3	116
Hotels	408	(13)	(3.2)	(8.1)	9.9	6.6	6.6	6.7	117
Retail parks	418	(58)	(12.1)	(7.1)	4.9	6.5	7.0	6.4	69
Total Subscale sectors	**1,302**	**(170)**	**(11.6)**	**(10.6)**	**3.5**	**7.1**	**7.3**	**7.2**	**96**
Total Combined Portfolio	**10,239**	**(848)**	**(7.7)**	**(5.4)**	**3.6**	**5.4[2]**	**5.9[2]**	**5.8**	**50**

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

Looking ahead, whilst yields appear to have started to stabilise in recent months, investment activity in reality remains thin across most sectors. Investor demand is selective, so combined with the volatility in interest rates and tightening of credit conditions the outlook remains uncertain, although we expect values for prime assets to stabilise and return to growth well before secondary. We also expect high yields in major retail destinations to offer more resilience than lower yielding sectors. Reflecting the strong demand for high-quality space and limited supply, we expect ERVs in London and major retail to grow by a further low to mid single digit percentage this year.

Leasing and operational performance

Central London

Despite the recent disruption from transport strikes, London continues to get busier and office utilisation continues to gradually increase. We continue to see a growing bifurcation in demand, with customers focussing on flexibility, the best quality space in areas with the right amenities to attract key talent, and sustainability. Across the London market, office take-up slowed in the second half, ending the year at 11.8m sq ft – up 7% vs last year and just 4% below the 10-year average. Space under offer reduced to 3.2m sq ft vs a 10-year average of 3.4m sq ft and vacancy in the City remains high at 11.7%. Conversely, vacancy in the West End, where c. 70% of our assets are located is just 3.6% and down 70bps YoY. Overall, 67% of available space is second-hand, as Grade A vacancy remains low at 1.7%.

Reflecting the strong demand for the best quality space, we signed 44 lettings and renewals, totalling £43m of rent, on average 3% ahead of valuers' assumptions, with a further £6m in solicitors' hands, 19% above valuers' estimates. This included an upsized, new 17.5-year lease with Taylor Wessing at New Street Square, in a deal where we are temporarily relocating them to a different building on the estate where we are drawing up plans for medium term redevelopment, whilst we decarbonise their existing building. In line with our guidance, occupancy increased 110bps to 95.9%, with our West End offices effectively full, at 99.5% occupancy. We continue to see strong demand for our Myo flexible offer, with 123 Victoria Street 100% let and Dashwood 85% let, vs 98% and 64% a year ago. We plan to open three new Myo locations in autumn, totalling 138,000 sq ft, with a further location to open next summer.

Looking forward, we have been clear in our expectation that more flexible ways of working would reduce overall demand for office space in the UK. However, we have also consistently said that the impact of this will not be evenly spread, with large HQ type space and areas which lack the amenities that offer people a reason to want to spend time there expected to see a much bigger impact. This has started to play out and we expect this will continue. Across London space marketed for subletting increased to 5.1m sq ft over the year, but 75% of this is in the City, City Fringe and Docklands. In the West End and Southwark, where assets are smaller and occupiers more diversified, demand remains strong and Grade A supply is low. This continues to drive ERV growth for the best assets, which continues to benefit our portfolio.

Major retail destinations

Customer demand for retail space in the best locations continues to grow. Underlining the value of our major retail destinations for brands and consumers, total retail sales across our portfolio grew 6.9% YoY and like-for-like sales were 4.4% above 2019 levels. Footfall across our shopping centres increased 12% and is now at 90% of pre-pandemic levels, compared to 83% for the UK market and 80% a year ago.

Consumer behaviour continues to gradually revert back to pre-Covid trends, with online sales down and in-store sales up over the past year. For most leading brands, online and physical channels are now firmly interconnected, and a number of key brands such as Next and Inditex indicated recently that online is no longer expected to grow as quickly as previously anticipated. The increase in cost of capital and cost of doing business online has also led many online pure-play retail models to shift their focus from growing market share to growing profitability, increasing the cost for consumers to buy online.

Whilst we expect brands continue to rationalise their overall store footprints, their focus on ‘fewer, bigger, better’ stores continues to drive growth in demand for space in our assets, as they upsize existing stores or open new stores as they move from nearby locations to benefit from higher footfall in a ‘flight to prime’. Reflecting this, we completed 218 lettings totalling £27m, up 35% vs the prior year, on average 8% above ERV. Close to 70% of the leases we signed during the year had some turnover linkage, although the average turnover element was only 10% of the total rent. Overall, 53% of our leases now have some turnover component, with turnover rent making up 12% of our total retail income. This turnover data provides us with valuable insights and a unique competitive advantage in underwriting income levels.

As a result, occupancy increased 110bps during the year to 94.3%. We continue to monitor credit risks, but units in administration remain low at 0.4%, vs 0.5% a year ago. There have been no CVAs and minimal insolvencies, as the most challenged businesses already folded during the pandemic. Whilst Cineworld (less than 1% of annual rent in major retail destinations), filed for Chapter 11 bankruptcy protection in the US during the year, it continues to trade and pay rent and agreed a recapitalisation shortly after the year-end.

Looking forward, despite the cost of living challenges consumers are faced with, we continue to see few signs of any let-up in demand from brands, with £11m of lettings in solicitor’s hands, up 28% vs this time last year, on average 11% above ERV. With sales in our shopping centres close to pre-pandemic levels and rents having reset c. 35% during the pandemic, operational profitability for brands further improved due to the c. 30% reduction in business rates last month. With the last large over-rented historical leases expected to reset this year, this is expected to underpin solid like-for-like income growth from next year.

Mixed-use urban neighbourhoods

Our completed investment assets in mixed-use at present solely comprise our investment in MediaCity, where occupancy increased 1.8% to 97.8%, with lettings well ahead of ERV. The bulk of the income in our mixed-use development assets relate to our three shopping centres in London and Glasgow. This income is managed on a short-term basis to maximise our flexibility for future development. This will eventually erode and be replaced by our new schemes, but in the near term it compensates for the holding costs of these sites as we prepare them for future development.

Table 3: Operational performance analysis

	Annualised rental income £m	Estimated rental value £m	LFL Occupancy [1] %	LFL occupancy change [1] ppt	WAULT[1] Years
West End offices	134	146	99.5	1.0	6.4
City offices	61	87	90.5	1.2	8.6
Retail and other	42	56	95.4	1.5	7.4
Developments	5	57	n/a	n/a	n/a
Total Central London	**242**	**346**	**95.9**	**1.1**	**7.1**
Shopping centres	114	123	94.7	1.9	4.5
Outlets	56	60	93.6	(0.2)	3.0
Total Major retail	**170**	**183**	**94.3**	**1.1**	**4.1**
Completed investment	24	26	97.8	1.8	9.2
Developments	28	31	n/a	n/a	n/a
Total Mixed-use urban	**52**	**57**	**97.8**	**1.8**	**9.2**
Leisure	51	50	95.5	(1.0)	10.3
Hotels	31	28	n/a	n/a	8.2
Retail parks	28	30	98.6	2.1	4.7
Total Subscale sectors	**110**	**108**	**97.7**	**0.3**	**8.0**
Total Combined Portfolio	**574**	**694**	**95.8**	**0.7**	**6.5**

1. Excluding developments

Subscale sectors

Across our subscale portfolio, operational performance remained robust. We completed £7m of retail park and leisure lettings, 10% above valuers' assumptions, with a further £1m of rent in solicitors' hands, 5% above valuers' assumptions, and overall occupancy increased 30bps. Our hotels, which are fully let to Accor, saw occupancy rise to 94% of pre-Covid levels, up from 67% last year, driving a substantial increase in RevPAR.

Development pipeline

Central London

Demand for the best quality space remains strong. Our two on-site West End schemes, n2 in Victoria and Lucent behind Piccadilly Lights, are set to complete shortly and are 73% and 71% pre-let or in solicitors hands respectively, with rents agreed over the last twelve months on average 11% ahead of ERV. At the end of March, we completed The Forge, in Southwark. Our Myo flexible offering will operate 35% of this space and is set to open in autumn, and we are now in solicitors' hands on 11% of the remaining space. Combined, these three projects are expected to generate an ERV of £39m once fully let, which will support our near-term income growth.

During the year, we sold our development at 21 Moorfields in the City, which we fully pre-let to Deutsche Bank, for £809m, ahead of its completion. This crystallised a 25% profit on cost and 11% IRR since our acquisition of the site in 2012.

Table 4: Committed development pipeline

Property	Sector	Size sq ft '000	Estimated completion date	Net income/ ERV £m	Market value £m	Costs to complete £m	Market value + future TDC £m	Gross yield on MV + future TDC %
Lucent, W1	Office/retail/residential	144	Aug-23	15	270	23	293	5.1
n2, SW1	Office	165	Jun-23	14	229	21	250	5.7
Total		**309**		**29**	**499**	**44**	**543**	**5.4**

As expected, we are seeing a slowdown in new development starts across the London market, reflecting the increase in construction and finance costs, but also the decline in available development finance. In previous periods of economic uncertainty, new development starts ended up c. 30-90% below originally expected levels and we believe this is likely to repeat this time. As demand for the best, most sustainable space remains strong, this creates an attractive window for us to deliver new space in 2025, when Grade A supply is expected to be very low.

Last autumn, we decided to commit to the early works for the refurbishment of Portland House, SW1 and Timber Square, SE1. At a cost of £55m, this allowed us to maintain our programme for a delivery in late 2025, whilst keeping flexibility on the residual c. £400m of capex at a time of high financial and political uncertainty. Returns on both projects remain attractive, with gross yields on cost of 7.4% and a yield on capex of 12%+, so supported by the strong leasing success in our current pipeline, with recent lettings 11% ahead of ERV, we therefore plan to commit to the full works on both imminently.

We also continue to progress our future pipeline, as we received planning consent for Red Lion Court, SE1 in March; are currently seeking to enhance our existing consent at Liberty of Southwark, SE1; and unlocked a future opportunity at Southwark Bridge Road, SE1 adjacent to The Forge, through a lease surrender we agreed in the second half of the year. This further adds to the potential to create a unique cluster of highly sustainable offices in Southwark, which is one of the most attractive areas of London in terms of amenities. All combined, this provides us with a 2.0m sq ft future pipeline, of which 1.1m sq ft is now consented.

Table 5: Future Central London 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 refurbishment, SW1	Office	300	380	28	7.3	H2 2023	Consented
Liberty of Southwark, SE1	Office/resi	220	250	16	7.4[1]	H2 2024	Consented
Red Lion Court, SE1	Office	245	310	24	7.7	H2 2024	Consented
Total near-term		**1,145**	**1,340**	**98**	**7.5**		
Medium-term							
Nova Place, SW1	Office	40				2025	Design
Old Broad Street, EC2	Office	290				2025	Design
Hill House, EC4	Office	350				2026	Design
Southwark Bridge Road, SE1	Office	130				2025	Design
Total medium-term		**810**					
Total future pipeline		**1,955**					

1. Gross yield on cost adjusted for residential TDC

Mixed-use urban neighbourhoods

Consumer expectations on how we live, work and spend our leisure time continue to evolve and demands on sustainability continue to grow, which means there is a structural need to remodel many parts of the built environment, to make sure they are fit for future needs. Located in attractive locations with strong transport links in some of the fastest growing urban areas in the UK, our pipeline is well placed to cater for this. The combination of U+I's placemaking skills and Landsec's sustainability and development expertise means we now have the platform to both deliver and curate thriving mixed-use places and realise the long-term sustainable value from the future opportunities we have created.

Our 10m sq ft mixed-use pipeline in London, Glasgow and Manchester has a total development cost of c. £5bn, with a mix of residential, office and leisure space deliverable across multiple phases over the next 10-15 years. The current book value of these sites is modest compared to its potential upside, at c. £330m, and given the c. 5% income yield on the current use of the existing assets, its holding cost is modest. With unlevered IRR targets in the low to mid-teens, this offers valuable optionality for growth.

We have made excellent progress during the year at our two most advanced projects, which provides optionality to potentially start first works on site over the next twelve months. At Mayfield, next to Manchester's main train station, 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. This allows us to develop 100% of the first phase, covering around one-third of the overall project, ourselves and therefore paves the way for a potential start on site with the first two office buildings totalling 320,000 sq ft later this year. The expected investment for this is c. £150m, with an expected gross yield on cost of c. 8%.

At Finchley Road, in zone two, London, we secured a resolution to grant planning consent at the end of March for our masterplan to develop 1,800 new homes. Subject to further planning and land assembly workstreams being satisfactorily progressed, this could allow us to start on site with enabling works for our first major residential scheme later this year.

In Glasgow, we intend to submit the planning application for our mixed-use masterplan shortly, which we expect to be determined in the first half of 2024. In Lewisham, south-east London, we maintain positive engagement with the Council on our new residential-led masterplan, for which we are preparing to submit a planning application later this year. At MediaCity, we are working with our partner Peel on establishing the long-term vision for this site, ahead of the future phases of its development.

Our good progress during the year has further added to the valuable opportunity to build an attractive balance of income, development upside and medium-term growth potential our pipeline provides. The mixed-use nature, ability to phase capex, geographic spread of the pipeline, and the flexibility to adapt to changes in demand all add to the balanced risk-profile of this part of our business.

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	2024	8	2026/2031	600-700	7 - 8	Consented
Finchley Road, NW3	100	1,400	2024	10	2027/2035	950-1,050	6 - 7	Consented
Buchanan Galleries, Glasgow	100	1,900	2025	9	2028/2036	1,000-1,100	7 - 8	Design
Lewisham, SE13	100	1,800	2026	14	2028/2037	1,100-1,300	6 - 7	Design
Total future pipeline		**9,500**				**4,450-5,100**		

Delivering sustainably

During the year, we delivered a 16.6% reduction in energy intensity compared to 2019/20. This was up 0.9% year-on-year, although this largely reflected particularly low utilisation in the prior year in the early months of emergence from the pandemic. At current levels, it is 33.2% below 2013/14 levels and therefore remains on track vs our target to reduce energy intensity by 45% from this baseline by 2030.

At the start of this year, we updated our carbon reduction targets to align with the Science Based Targets Initiative's (SBTi) new Net-Zero Standard. Landsec was amongst the first companies worldwide to have our science-based targets validated under the Net-Zero Standard, which is the world's first framework for corporate net-zero target setting. In response to the new SBTi standard, and in recognition of progress to date, we have committed to a near-term target of reducing direct and indirect greenhouse gas emissions by 47% by 2030 from a 2020 base year and have committed to reach net zero by 2040 from the same base year. This significantly increases the scope of our targets, as it now includes emissions from all sources, including all of our Scope 3 emissions such as the emissions from our development pipeline, supply chain and customers.

In late 2021 we were the first UK property company to launch our fully costed net zero carbon transition plans. This plan will see us deliver our science-based target and meet the Minimum Energy Efficiency Standard of EPC 'B' by 2030, with the expected cost for this already reflected in our current portfolio valuation. 36% of our portfolio is already rated 'B' or higher, including 38% of our office portfolio. The latter is down from 44% last year, partly reflecting the sale of One New Street Square. We expect this to increase to 44% in the coming months once our current pipeline completes and this will increase further from 2025 onwards, as the benefits from our net zero transition investment kicks in.

We remain on track with this plan and have now completed air source heat pump feasibility studies for six offices, with four progressing to concept design and two to detailed design. We have also completed the optimisation of building management systems for 11 offices, and will be completing this for two of our shopping centres this year. In addition, we have expanded our energy audits from 15 to 25 of our largest customers, which combined cover 19% of the energy use in our office portfolio. This identified potential annual carbon and costs savings of 10-15% per customer and we plan to expand this to the next 12 customers this year.

We continue to work on driving down upfront embodied carbon and during the year we announced a target to reduce this by 50% vs a typical development by 2030, to below 500kgCO_2e/sqm for offices and 400kgCO_2e/sqm for residential. We are already tracking an average 36% reduction in upfront embodied carbon across our future pipeline, which equates to an average upfront embodied carbon intensity of 640kgCO_2e/sqm on our offices and 535kgCO_2e/sqm for residential. To help us achieve our longer term targets, during the year we 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 clear signal of our commitment to net zero to our supply chain.

Near-term, at Timber Square, SE1 our plans show upfront 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 Portland House, SW1, retaining the existing structure and upgrading the existing façade has resulted in upfront embodied carbon intensity of 395kgCO_2e/sqm. At Red Lion Court, SE1 we expect an upfront 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 recently completed, is the first building in the UK to be designed, constructed and aspiring to operate in line with the UK Green Building Council framework definition of a net zero carbon building.

Building on our strong track record of investing in our local communities, we have enhanced our approach to community investment by launching the Landsec Futures fund, last month. This 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. This includes a bursary programme that provides financial support to underrepresented young adults studying for a placemaking career, internships within Landsec and a small grants programme for local charities and community organisations in the areas we operate.

Creating the right culture and investing in our platforms

Our strong operational performance and continued progress on executing our strategy over the past year clearly reflects the capability and dedication of the substantial talent within Landsec. We continue to work on creating the right culture and a more diverse organisation, which is key in getting the most out of the valuable skills and expertise our teams harbour and in successfully delivering our strategy over time.

With this in mind, we initiated an organisational review early last year aimed at reducing internal complexity and becoming more agile, customer-oriented and outward focused. This work built on previous changes in our retail team, where we brought in significant experience and capabilities from international retailer backgrounds to focus more on growing brand relationships and guest experience, and our focus on retaining the unique placemaking and design capability of U+I during its successful integration over the past twelve months.

As a result of this organisational review, we made several changes, including to our leadership team. We also reduced the number of layers in our organisation and increased management reporting spans. This has improved our efficiency and freed up resource to focus more on activities which drive value for our customers, rather than on internal processes. In a sector which is rapidly becoming more operational, this further underpins the value of our operating platforms and their future growth potential.

Despite high inflation, this also meant we managed to keep overhead costs flat over the past twelve months and although inflationary pressures remain elevated, we expect overhead cost to be down slightly for the current year. In early 2022 we also initiated significant investments in upgrading our systems and data capability. We incurred £6m of cost for this during the year and expect a broadly similar cost in the current year, but this is set to drive further efficiency improvements for the year to March 2025 onwards.

Financial review

Overview

Global economic and financial market conditions have changed considerably over the past year. The volatility this caused has, unsurprisingly, affected the valuation of property and other asset classes across the globe, but we have continued to focus on driving operational performance and executing our strategy. Our success in this during the year has further strengthened our strong balance sheet and quality of earnings and underpins our confidence in our ability to grow earnings and dividend over time.

EPRA earnings for the year were up 10.7% to £393m, partly due to an increase in surrender premiums received, which were up £22m vs the prior year. The two main surrenders unlocked the opportunity for a major 17.5-year lease regear elsewhere in our estate and two medium term developments. Like-for-like gross rental income excluding these surrender premiums was up 6.0%, or 5.8% on a net rental income basis. This reflects our strong leasing, growth in turnover income in major retail destinations, higher variable income and continued growth in income across our hotel portfolio.

Despite our significant disposals, underlying EPRA EPS, which excludes the 3.0 pence impact of the increase in surrender premiums, rose 4.4% to 50.1 pence, towards the high end of our guidance for low to mid single digit percentage growth. In line with growth in underlying earnings, our 38.6 pence dividend for the year is up 4.3% vs the prior year. This reflects a dividend cover of 1.30x, in line with our policy to have dividends annually covered 1.2 to 1.3 times.

Although our successful leasing activity drove growth in occupancy and ERVs, the value of our portfolio was down £848m as a result of an increase in valuation yields, reflecting the rise in bond yields during the year. Despite our growth in EPRA earnings, this resulted in an overall loss before tax of £622m and basic EPS of -83.6 pence, compared to a profit of £875m in the prior year. As a result, EPRA NTA per share reduced 11.9% to 936 pence, which including dividends paid, resulted in a total return on equity of -8.3%.

Despite this, our decisive action during the year further strengthened our strong capital base. We reduced net debt by £0.9bn to £3.3bn, so despite the reduction in value of our portfolio, our LTV is down from 34.4% to 31.7%. This is an imperfect measure to judge leverage, particularly so when investment activity is low and the approach to valuations varies widely in different markets, which is why in times like this we focus more on net debt/EBITDA as a cash-on-cash measure. This stood at 7.0x at the end of March, down from 9.7x a year ago, or 8.0x on a weighted average net debt basis, down from 8.6x twelve months ago. We increased our average debt maturity to 10.3 years and with £2.4bn 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 UK adopted international accounting standards (IFRSs and IFRICs) where the Group's interests in joint ventures are shown collectively in the income statement and balance sheet, and all subsidiaries are consolidated at 100%. Internally, management reviews the Group's results on a basis that adjusts for these forms of ownership to present a proportionate share. The Combined Portfolio, with assets totalling £10.2bn, is an example of this approach, reflecting our economic interest in our properties regardless of our ownership structure.

Our key measure of underlying earnings performance is EPRA earnings, which represents the underlying financial performance of the Group's property rental business, which is our core operating activity. A full definition of EPRA earnings is given in the Glossary. This measure is based on the Best Practices Recommendations of the European Public Real Estate Association (EPRA) which are metrics widely used across the industry to aid comparability and includes our proportionate share of joint ventures' earnings. Similarly, EPRA Net Tangible Assets per share is our primary measure of net asset value. Measures presented on a proportionate basis are alternative performance measures as they are not defined under IFRS. This presentation provides additional information to stakeholders on the activities and performance of the Group, as it aggregates the results of all the Group's property interests which under IFRS are required to be presented across a number of line items in the statutory financial statements. For further details see table 14 in the Business analysis section.

Income statement

Our successful leasing activity and the high quality of our portfolio is clearly reflected in the growth in income we have delivered. Compared to the prior year, when the UK was just emerging out of lockdown at the start of the period, this growth has been most prevalent in our major retail destinations; our mixed-use assets, where some of our future projects have an existing retail use; and our subscale sectors, which include our retail parks, leisure and hotels, as trading in these areas returned to normal.

Table 7: Income statement [1]

	Year ended 31 March 2023					Year ended 31 March 2022					
	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]	**310**	**171**	**57**	**109**	**647**	289	161	43	93	586	61
Net service charge expense	**(1)**	**(8)**	**(2)**	**(1)**	**(12)**	(1)	(6)	(2)	(3)	(12)	-
Net direct property expenditure	**(19)**	**(34)**	**(11)**	**(13)**	**(77)**	(29)	(26)	(9)	(12)	(76)	(1)
Movement in bad/doubtful debts provisions	**(1)**	**3**	**1**	**-**	**3**	(1)	13	2	(2)	12	(9)
Segment net rental income	**289**	**132**	**45**	**95**	**561**	258	142	34	76	510	51
Net administrative expenses					**(84)**					(84)	-
EPRA earnings before interest					**477**					426	51
Net finance expense					**(84)**					(71)	(13)
EPRA earnings					**393**					355	38
Capital/other items											
Valuation (deficit)/surplus					**(848)**					413	(1,261)
(Loss)/gain on changes in finance leases					**(6)**					(6)	-
(Loss)/profit on disposals					**(144)**					115	(259)
Impairment charges					**(24)**					(6)	(18)
Fair value movement on interest rate swaps					**22**					16	7
Other					**(12)**					(18)	14
(Loss)/profit before tax attributable to shareholders of the parent					**(619)**					869	(1,488)
Non-controlling interests					**(3)**					6	(9)
(Loss)/profit before tax					**(622)**					875	(1,497)

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

Overall gross rental income increased by £61m to £647m, which includes the benefit of a £22m increase in surrender premiums received compared to the prior year. This increase reflects a lease surrender we agreed at Southwark Bridge Road to create optionality for a new redevelopment, adjacent to our recent scheme at The Forge, and the lease restructuring with Deloitte at New Street Square we agreed at the start of the year. The space this freed up paved the way for another lease regear with a different major customer at the estate and the successful disposal of One New Street Square in January.

Excluding the increase in surrender premiums, like-for-like gross rental income was up £29m, or 6.0%. This included a £19m increase in variable rent, which comprises income from hotels, Piccadilly Lights, parking and retail turnover rent, as trading normalised relative to the pandemic effects in the prior year.

Overall net rental income for the year increased by £51m to £561m. The reversal of our bad and doubtful debt provisions was £3m, compared to £12m in the prior year. Direct property expenditure increased by £1m, which reflects a £7m increase due to acquisitions, offset by a £6m decrease in direct property costs elsewhere in the portfolio. This reflects the benefit of increased occupancy and our focus on costs. Net service charge expenditure was stable compared to the prior year. The full year impact of our acquisitions in late 2021 more than offset the impact from disposals during the past twelve months, so overall the impact of investment activity on net rental income for the year was £8m.

As a result, our gross to net margin was 86.7%. We expect this to improve on a like-for-like basis, as void and letting costs reduce as occupancy continues to grow. However, we expect the overall margin to reduce slightly this year, reflecting the start-up cost of opening three new Myo locations and the initial lease-up cost of our three London office developments which will be completed by this summer.

Rent collections remain strong and are currently in line with this time last year and pre-Covid levels. We have seen minimal insolvencies and no CVAs during the period, although Cineworld, which makes up 2.0% of our annual rent, entered Chapter 11 bankruptcy protection in the US. We have taken appropriate provisions during the year and its recently announced recapitalisation now provides a positive step forward, whilst all units in our portfolio continue to trade and the company continues to pay rent.

Table 8: Net rental income[1]

	£m
Net rental income for the year ended 31 March 2022	**510**
Gross rental income like-for-like movement in the period[2]:	
Increase in variable and turnover-based rents	**19**
Other movements	**10**
Total like-for-like gross rental income	**29**
Like-for-like net service charge expense	**-**
Like-for-like net direct property expenditure	**2**
Like-for-like movement in bad and doubtful debts provisions	**(6)**
Increase in surrender premiums received	**22**
Developments[2]	**(3)**
Acquisitions since 1 April 2021[2]	**19**
Disposals since 1 April 2021[2]	**(11)**
Net rental income for the year ended 31 March 2023	**561**

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

Despite the surge in UK inflation, our net administrative expenses were stable vs the prior year at £84m, in line with our guidance. This includes the full absorption of the additional administrative cost of the U+I acquisition at the end of 2021 and reflects our continued focus on making sure our cost base is right. This also includes £6m of costs reflecting an investment in upgrading our systems and data capability, which based on updated IFRIC accounting guidance is now expensed instead of capitalised. This is expected to reduce from the year to March 2025, as this investment programme completes during that year.

Although high wage inflation and general cost inflation continue to put upward pressure on costs, we expect administrative expenses for this year to be down slightly. This reflects the efficiency benefits of the organisational review we undertook last year. We have identified clear opportunities to reduce costs the years after, partly driven by our investments in technology, so we remain on track to reduce our EPRA cost ratio towards the low 20's over time, compared to 25.2% last year and 26.4% in the prior year.

Net finance expenses

Net interest costs increased £13m to £84m, principally due to higher gross borrowings in the first half of the year, ahead of disposals during the year, plus an increase in variable interest rates. At the start of last year, 70% of our borrowings were fixed or hedged but following our disposals, we are now fully hedged. We expect net interest costs to increase slightly in the current year, reflecting a small increase in average borrowing costs.

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 £16m in the prior year to a net income of £23m over the past year. 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 loss on disposals

The independent external valuation of our Combined Portfolio showed a £848m value reduction. Whilst the strong leasing evidence we created drove 3.6% ERV growth and we delivered further profits on our current development pipeline, the upside of this was more than offset by a market-wide softening of yields due to the sharp rise in bond yields. We recognised a £144m loss on disposals, mostly reflecting the discounts to historical book value on the sale of 21 Moorfields and One New Street Square, partly offset by the premiums to book value of the sale of 32-50 Strand and a leisure asset in north London.

IFRS loss after tax

Substantially all our activity during the year was covered by UK REIT legislation, 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 £622m, compared to a profit of £875m in the prior period.

Net assets and return on equity

EPRA Net Tangible Assets, which principally reflects the value of our Combined Portfolio less adjusted net debt, reduced to £6,967m, or 936 pence per share, marking a 11.9% reduction for the year on a per share basis. Including dividends paid, this means our total return on equity for the year was -8.3%.

Table 9: Balance sheet[1]

	31 March 2023 £m	31 March 2022 £m
Combined Portfolio	**10,239**	12,017
Adjusted net debt	**(3,287)**	(4,179)
Other net assets/(liabilities)	**15**	50
EPRA Net Tangible Assets	**6,967**	7,888
Shortfall of fair value over net investment in finance leases book value	**6**	6
Other intangible asset	**2**	2
Excess of fair value over trading properties book value	**(12)**	-
Fair value of interest-rate swaps	**42**	21
Net assets, excluding amounts due to non-controlling interests	**7,005**	7,917
Net assets per share	**945p**	1,070p
EPRA Net Tangible Assets per share (diluted)	**936p**	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	393	53
Like-for-like valuation movement	(687)	(92)
Development valuation movement	(73)	(10)
Impact of acquisitions/disposals	(88)	(12)
Total valuation deficit	(848)	(114)
Dividends	(290)	(39)
Loss on disposals	(144)	(22)
Other	(32)	(5)
EPRA Net Tangible Assets at 31 March 2023	**6,967**	**936**

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

Net debt and leverage

Adjusted net debt, which includes our share of JV borrowings, reduced by £892m to £3,287m during the year. This was principally driven by our £1.4bn of disposals in London. We spent £120m on acquisitions, including the debt secured against St David's in Cardiff. Capital expenditure on our portfolio was £340m, reflecting our London office development programme, the preparation of future developments and the investment in our existing assets. We only have £90m committed capex left to spend, although we anticipate this will increase in the coming months as we commit to the full refurbishment of Portland House and our new development at Timber Square.

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

Table 11: Movement in adjusted net debt[1]

	£m
Adjusted net debt at 31 March 2022	**4,179**
Adjusted net cash inflow from operating activities	**(359)**
Dividends paid	**289**
Capital expenditure	**340**
Acquisitions	**120**
Disposals	**(1,269)**
Other	**(13)**
Adjusted net debt at 31 March 2023	**3,287**

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

Due to the reduction in borrowings, our net debt/EBITDA reduced to 7.0x based on our net debt at the end of March, or 8.0x based on our weighted-average net debt for the year. We target net debt/EBITDA to remain below 9x over time. Group LTV which includes our share of JVs, reduced from 34.4% to 31.7%. 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.

Table 12: Net debt and leverage

	31 March 2023	31 March 2022
Net debt	**£3,348m**	£4,254m
Adjusted net debt[1]	**£3,287m**	£4,179m
Interest cover ratio	**4.5x**	4.9x
Net debt/EBITDA (period-end)	**7.0x**	9.7x
Net debt/EBITDA (weighted average)	**8.0x**	8.6x
Group LTV[1]	**31.7%**	34.4%
Security Group LTV	**33.0%**	36.4%

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

Financing

Our gross borrowings of £3,358m are diversified across various sources, including £2,736m Medium Term Notes, £310m syndicated and bilateral bank loans and £312m 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 £9.6bn. 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 33.0%, down from 36.4% in March, our portfolio could withstand a c. 50% fall in value before we reach the 65% hurdle and 67% before reaching 100%, whilst our EBITDA could fall 78% before we reach 1.0x ICR.

We have £2.4bn of undrawn facilities, which provides substantial flexibility. The amount of borrowings which is fixed or hedged increased from 70% to 100%, 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 come down slightly as we repay some of our near-term maturities and continue to target a medium-term range of c. 80-90% to keep some flexibility for potential divestments.

In March, we issued our first Green bond, which is earmarked for the investment in our near-term London pipeline. This raised £400m with a 9.5 year maturity at a margin of 133bps, representing an all-in cost of 4.875%. Combined with the reduced utilisation of our revolving credit facilities, this increased our average maturity of debt from 9.1 to 10.3 years, even though our average cost of debt only rose slightly, to 2.7%.

We have £733m of debt maturing in the next two and a half years, but all of this is more than covered by existing undrawn facilities, which means we have no refinancing requirements until 2026.

Table 13: Available facilities[1]

	31 March 2023 £m	31 March 2022 £m
Medium Term Notes	**2,736**	2,341
Drawn bank debt	**310**	1,519
Outstanding commercial paper	**312**	499
Cash and cash equivalents[2]	**(74)**	(172)
Available undrawn facilities[2]	**2,386**	1,134
Total committed credit facilities	**2,934**	2,980
Weighted average maturity of debt	**10.3 years**	9.1 years
Percentage of borrowings fixed or hedged	**100%**	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.
2. Cash and cash equivalents and available undrawn facilities have been restated as at 31 March 2022 following a clarification by IFRIC on classification of funds with externally imposed restrictions.

Outlook

Looking ahead, our strong capital base puts us in an excellent position to take advantage of opportunities which will no doubt arise as the world continues to adjust to the new reality of higher interest rates and tighter credit conditions. Our strong credit profile and long 10.3-year average debt maturity therefore provide clear visibility and underpin the resilience of our attractive earnings profile.

We now target to deliver an 8-10% annual return on equity over time, driven by a combination of growing income returns and capital growth from rental value growth and development upside. Short term changes in valuation yields remain beyond our control, which means we will not land precisely in this range every single year, but our high-quality portfolio and the clear competitive advantages of our operating platforms mean we are well placed to deliver this over time. For the current year, we expect continued customer demand to drive low to mid single digit growth in ERVs in London and major retail destinations.

We expect EPRA EPS for the current year to be broadly stable vs last year's 50.1 pence underlying EPS. This reflects the fact that we expect the positive impact from continued strong operational performance and like-for-like rental growth to be more or less offset by the fact that we have been – and in the near term will likely remain – a net seller of assets. It also fully absorbs c. £10m of impact from the last over-rented retail leases resetting, Myo start-up costs and IT systems investment this year. As such, we expect EPRA EPS to return to growth the year after. As our current dividend cover is at the high end of our 1.2-1.3x target range, we expect dividends to grow by a low single digit percentage p.a. over these two years.

Principal risks and uncertainties

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

The Group's approach to the management and mitigation of these risks is included in the 2023 Annual Report.

The table below sets out our ten principal risks, with explanations of changes in the risk profile across the year. As Landsec has embarked on a number of key change programmes during the year, it was deemed prudent to include the risk of change projects not achieving the identified benefits as a new principal risk.

Changes to our principal risks from half-year have been minor, as economic headwinds have stabilised, but not abated, especially interest rates and inflation. Whilst these factors put upward pressure on a number of risks, Landsec has mitigated these pressures well and positioned itself strongly to take advantage of future opportunities, through the sale of key assets such as 21 Moorfields in 2022, and the issue of our Green Bond in early 2023.

Risk description	Change in year
Macroeconomic outlook	⇧
Changes in the macro-economic environment result in reduced demand for space or deferral of decisions by retailer and office occupiers. Due to the length of build projects, the prevailing economic climate at initiation may be different from that at completion.	The UK economy has endured a tumultuous 2022/23, with inflation, interest rate rises and high energy prices leading to a slow-down in the UK market - and potential for recession. The risk increased in the first-half of the year and has softened in 2023, with inflation appearing to have peaked, and energy prices falling. Overall, the risk has increased over the course of the year. The net risk remains in line with our 'flexible/cautious' appetite.
Office occupier market	⇩
Structural changes in customer expectations leading to changing demand for office space and the consequent impact on income and asset values. Further, the risk includes the inability to identify or adapt to changing markets in a timely manner.	The risk has reduced from the prior year, as businesses have defined and implemented new working practices, office occupancy has settled and demand for prime space has strengthened. Residual risk at year end was below our 'Flexible' appetite - reflecting our view of the office occupier market outlook and opportunities for stronger leasing terms in the coming year.
Retail and hospitality occupier market	⇔
Structural changes in consumer expectations leading to changes in demand for retail or hospitality space and the consequent impact on income and asset values.	This risk has remained consistent as the impacts of the pandemic have levelled – with online penetration falling from lockdown levels and growing omni-channel business models. With the potential for recession, we continue to monitor the risk. Residual risk at year end was below our 'Flexible' appetite - reflecting our view of the retail and hospitality market outlook and opportunities for stronger leasing terms in the coming year.

Information security and cyber threat	⇩
Data loss or disruption to business processes, corporate systems or building management systems resulting in negative reputational, operational, regulatory, or financial impact.	The risk has reduced in the year, largely due to significant investment in, and development of, our cyber capability – as validated by an independent review. We continue to develop and invest in the wider information security and cyber-control environment, and remain vigilant as the cyber threat landscape continues to evolve.
Change projects	*New risk*
Landsec is engaging in a number of important internal change programmes, aiming to deliver operational and cultural benefits. There is a risk that these projects fail to deliver the identified benefits in a timely manner and to budget.	The number and impact of active change projects at Landsec has resulted in increased risk associated with programmes not achieving identified outcomes. Cultural change is a key element of the wider change portfolio, making it of particular importance.
Capital allocation	⇔
Capital allocated to specific assets, sectors or locations does not yield the expected returns i.e. we are not effective in placing capital or recycling.	We have a clear view of the scale of the opportunity in each sector and relative returns achievable across Central London, major retail destinations and mixed-use urban neighbourhoods. The macroeconomic backdrop has put upward pressure on this risk and our appetite in the last year was lower. We responded by de-risking our balance sheet, with the sale of 21 Moorfields and other assets, a more flexible approach to development commitments and the recent issue of Landsec's Green Bond. Over the course of the coming year, we expect the risk to increase towards our desired appetite range, as we commit to developments and potentially deploy capital in new investment opportunities.
Development strategy	⇔
We may be unable to generate expected returns as a result of changes in the occupier market for a given asset during the course of the development, or cost or time overruns on the scheme.	The external factors that influence this risk, such as market conditions and inflation, have increased. However, this is offset as three major development schemes are close to completion. Over the course of the coming year, we expect the risk to increase towards our desired appetite range, as we commit to new developments.
Health and safety	⇔
Failure to identify, mitigate or react effectively to major health or safety incidents, leading to: - Serious injury, illness or loss of life - Criminal/civil proceedings - Loss of stakeholder confidence - Delays to building projects and access restrictions to our properties resulting in loss of income - Inadequate response to regulatory changes - Reputational impact	The likelihood of a major health, safety or security incident has remained constant throughout the year, with U+I and MediaCity properties now falling under the wider Health and Safety regime following integration.

People and skills	⇧
Inability to attract, retain and develop the right people and skills to meet our strategic objectives, grow enterprise value and meet shareholder expectations.	The risk has increased due to a combination of voluntary and forced attrition due to ongoing transformation programmes. Further, the continuation of a buoyant post-pandemic employment market has created an employee and candidate-led market with high levels of wage inflation.
Climate-change transition	⇩
Climate-change risk has two elements: 1) Our commitment to reducing Landsec's near and long-term carbon-reduction targets by 2030 and 2040 is not met in time or achieved at a significantly higher cost than expected, leading to regulatory, reputational and commercial impact. 2) Failure to ensure all new developments are net zero in construction and operation, as defined by the emerging net zero standard for assets, leads to an inability to service market demand for high-quality assets that meet the highest environmental and wellbeing standards.	The transitional risks of climate change have continued to reduce as we have reviewed and updated our fully costed net zero transition plan for the effects of inflation, and have begun the portfolio-decarbonisation planning.

Statement of Directors' Responsibilities

The Annual Report 2023 will contain the following statements regarding responsibility for the financial statements and business reviews included therein.

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

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

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

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

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

Directors' responsibility statement under the Disclosure and Transparency Rules

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

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

Directors' statement under the UK Corporate Governance Code

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

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

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

- Cressida Hogg, Chairman, retiring from the Board on 16 May 2023*
- Sir Ian Cheshire, Chair Designate, assuming the role of Chair on 16 May 2023*
- 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

The Statement of Directors' Responsibilities was approved by the Board of Directors on 15 May 2023 and is signed on its behalf by:

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

Financial statements

Income statement	Notes	Year ended 31 March 2023 EPRA earnings £m	Capital and other items £m	Total £m	Year ended 31 March 2022 EPRA earnings £m	Capital and other items £m	Total £m
Revenue	5	**726**	**65**	**791**	647	32	679
Costs – movement in bad and doubtful debts provisions	6	**2**	**-**	**2**	13	-	13
Costs – other	6	**(291)**	**(93)**	**(384)**	(273)	(48)	(321)
		437	**(28)**	**409**	387	(16)	371
Share of post-tax profit/(loss) from joint ventures	12	**29**	**(30)**	**(1)**	29	4	33
(Loss)/profit on disposal of investment properties		**-**	**(144)**	**(144)**	-	107	107
Profit on disposal of investment in joint ventures		**-**	**-**	**-**	-	2	2
Net (deficit)/surplus on revaluation of investment properties	10	**-**	**(827)**	**(827)**	-	416	416
(Loss)/gain on changes in finance leases		**-**	**(6)**	**(6)**	-	6	6
Operating profit/(loss)		**466**	**(1,035)**	**(569)**	416	519	935
Finance income	7	**11**	**23**	**34**	9	16	25
Finance expense	7	**(84)**	**(3)**	**(87)**	(70)	(15)	(85)
Profit/(loss) before tax		**393**	**(1,015)**	**(622)**	355	520	875
Taxation				**-**			-
(Loss)/profit for the year				**(622)**			875
Attributable to:							
Shareholders of the parent				**(619)**			869
Non-controlling interests				**(3)**			6
				(622)			875
(Loss)/profit per share attributable to shareholders of the parent:							
Basic (loss)/earnings per share	4			**(83.6)p**			117.4p
Diluted (loss)/earnings per share	4			**(83.6)p**			117.1p

Statement of comprehensive income	Year ended 31 March 2023 Total £m	Year ended 31 March 2022 Total £m
(Loss)/profit for the year	**(622)**	875
Items that may be subsequently reclassified to the income statement:		
Movement in cash flow hedges	**(1)**	(1)
Items that will not be subsequently reclassified to the income statement:		
Movement in the fair value of other investments	**-**	(3)
Net re-measurement (loss)/gain on defined benefit pension scheme	**(12)**	22
Deferred tax credit/(charge) on re-measurement above	**3**	(5)
Other comprehensive (loss)/income for the year	**(10)**	13
Total comprehensive (loss)/income for the year	**(632)**	888
Attributable to:		
Shareholders of the parent	**(629)**	882
Non-controlling interests	**(3)**	6
	(632)	888

Balance sheet		Year ended 31 March	
		2023	2022 (restated)[1]
	Notes	**£m**	£m
Non-current assets			
Investment properties	10	**9,658**	11,207
Intangible assets		**6**	8
Net investment in finance leases		**21**	70
Investments in joint ventures	12	**533**	700
Investments in associates		**3**	4
Trade and other receivables		**146**	177
Other non-current assets		**67**	61
Total non-current assets		**10,434**	12,227
Current assets			
Trading properties	11	**118**	145
Trade and other receivables		**365**	368
Monies held in restricted accounts and deposits	15	**4**	4
Cash and cash equivalents	16	**41**	146
Other current assets		**4**	5
Total current assets		**532**	668
Total assets		**10,966**	12,895
Current liabilities			
Borrowings	14	**(315)**	(541)
Trade and other payables		**(306)**	(320)
Other current liabilities		**(24)**	(11)
Total current liabilities		**(645)**	(872)
Non-current liabilities			
Borrowings	14	**(3,223)**	(4,012)
Trade and other payables		**(17)**	(8)
Other non-current liabilities		**(9)**	(12)
Total non-current liabilities		**(3,249)**	(4,032)
Total liabilities		**(3,894)**	(4,904)
Net assets		**7,072**	7,991
Equity			
Capital and reserves attributable to shareholders			
Ordinary shares		**80**	80
Share premium		**318**	317
Other reserves		**13**	9
Retained earnings		**6,594**	7,511
Equity attributable to shareholders of the parent		**7,005**	7,917
Equity attributable to non-controlling interests		**67**	74
Total equity		**7,072**	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 29 to 52 were approved by the Board of Directors on 15 May 2023 and were signed on its behalf by:

M C Allan **V K Simms**

Directors

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 year	-	-	-	882	882	6	888
Transactions with shareholders of the parent:							
Share-based payments	-	-	2	2	4	-	4
Dividends paid to shareholders of the parent	-	-	-	(181)	(181)	-	(181)
Transfer of treasury shares	-	-	(21)	21	-	-	-
Total transactions with shareholders of the parent	-	-	(19)	(158)	(177)	-	(177)
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 year	**-**	**-**	**-**	**(629)**	**(629)**	**(3)**	**(632)**
Transactions with shareholders of the parent:							
Share-based payments	**-**	**1**	**4**	**2**	**7**	**-**	**7**
Dividends paid to shareholders of the parent	**-**	**-**	**-**	**(290)**	**(290)**	**-**	**(290)**
Total transactions with shareholders of the parent	**-**	**1**	**4**	**(288)**	**(283)**	**-**	**(283)**
Dividends paid to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**(4)**	**(4)**
Total transactions with shareholders	**-**	**1**	**4**	**(288)**	**(283)**	**(4)**	**(287)**
At 31 March 2023	**80**	**318**	**13**	**6,594**	**7,005**	**67**	**7,072**

Statement of cash flows	Notes	Year ended 31 March 2023 £m	2022 (restated)[1] £m
Cash flows from operating activities			
Net cash generated from operations	9	**356**	448
Interest received		**16**	23
Interest paid		**(92)**	(84)
Rents paid		**(13)**	(8)
Capital expenditure on trading properties		**(6)**	(5)
Disposal of trading properties		**18**	8
Development income proceeds received		**54**	-
Other operating cash flows		**9**	(1)
Net cash inflow from operating activities	9	**342**	381
Cash flows from investing activities			
Investment property development expenditure		**(253)**	(302)
Other investment property related expenditure		**(102)**	(42)
Acquisition of investment properties		**(2)**	(147)
Disposal of investment properties		**1,269**	265
Acquisition of subsidiaries, net of cash acquired		**(92)**	(399)
Cash distributions from joint ventures	12	**14**	22
Increase in monies held in restricted accounts and deposits		**-**	(4)
Net cash inflow/(outflow) from investing activities		**834**	(607)
Cash flows from financing activities			
Proceeds from new borrowings (net of finance fees)	14	**394**	1,053
Repayment of bank debt	14	**(1,407)**	(489)
Net cash in/(out)flow from derivative financial instruments	14	**25**	(3)
Dividends paid to shareholders of the parent	8	**(289)**	(190)
Dividends paid to non-controlling interests		**(4)**	-
Other financing cash flows		**-**	(9)
Net cash (outflow)/inflow from financing activities		**(1,281)**	362
(Decrease)/increase in cash and cash equivalents for the year		**(105)**	136
Cash and cash equivalents at the beginning of the year		**146**	10
Cash and cash equivalents at the end of the year	16	**41**	146

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.

Notes to the financial statements

1. Basis of preparation and consolidation

Basis of preparation

These financial statements have been prepared on a going concern basis and in accordance with UK adopted international accounting standards (IFRSs and IFRICs), as applied in accordance with the provisions of the Companies Act 2006. The financial statements have been prepared in Pounds Sterling (rounded to the nearest one million), which is the presentation currency of the Group (Land Securities Group PLC and all its subsidiary undertakings), and under the historical cost convention as modified by the revaluation of investment property, financial assets at fair value through other comprehensive income (without recycling), derivative financial instruments and pension assets.

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

On 15 May 2023, the consolidated financial statements of the Group and this preliminary announcement were authorised for issue in accordance with a resolution of the Directors and will be delivered to the Registrar of Companies following the Group's Annual General Meeting. Statutory accounts for the year ended 31 March 2022 have been filed unqualified and do not contain any statement under Section 498(2) or Section 498(3) of the Companies Act 2006. The annual financial information presented in this preliminary announcement for the year ended 31 March 2023 is based on, and consistent with, the financial information in the Group's audited financial statements for the year ended 31 March 2022. The audit report on these financial statements is unqualified and did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006. This preliminary announcement does not constitute statutory financial statements of the Group within the meaning of Section 435 of the Companies Act 2006. While the information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of IFRS, this announcement does not itself contain sufficient information to comply with IFRS.

A copy of the Group's Annual Report for the year ended 31 March 2022 can be found on the website at landsec.com/investors.

Going concern

The impact of international and domestic political and economic events over the course of the year has resulted in the UK facing a prolonged 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 for the year ended 31 March 2023. The Group's going concern assessment considers changes in the Group's principal risks (see pages 24-26) and is dependent on a number of factors, including our financial performance and continued access to borrowing facilities. Access to our borrowing facilities is dependent on our ability to continue to operate the Group's secured debt structure within its financial covenants, which are described in note 14.

In order to satisfy themselves that the Group has adequate resources to continue as a going concern for the foreseeable future, the Directors have reviewed base case, downside and reverse stress test models, as well as a cash flow model which considers the impact of pessimistic assumptions on the Group's operating environment (the 'mitigated downside scenario'). This mitigated downside scenario reflects unfavourable macro-economic conditions, a deterioration in our ability to collect rent and service charge from our customers and removes uncommitted acquisitions, disposals and developments.

The Group's key metrics from the mitigated downside scenario as at the end of the going concern assessment period, which covers the 16 months to 30 September 2024, are shown below alongside the actual position at 31 March 2023.

Key metrics	**31 March 2023**	Mitigated downside scenario 30 September 2024
Security Group LTV	**33.0%**	39.2%
Adjusted net debt	**£3,287m**	£3,670m
EPRA net tangible assets	**£6,967m**	£6,021m
Available financial headroom	**£2.4bn**	£1.6bn

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 31 March 2023 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 of at least £150m in the year ending 31 March 2024 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 are well above the level required to meet the interest cover covenant, and would need to fall from 31 March 2023 values by over £300m for interest cover to reach 1.45x. Therefore, the Directors do not anticipate a reduction in Security Group earnings over the period ending 30 September 2024 to a level that would result in a breach of the interest cover covenant.

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

Based on these considerations, together with available market information and the Directors' knowledge and experience of the Group's property portfolio and markets, the Directors have adopted the going concern basis in preparing these financial statements for the year ended 31 March 2023.

1. Basis of preparation and consolidation continued

Basis of consolidation and presentation of results

The consolidated financial statements for the year ended 31 March 2023 incorporate the financial statements of the Company and all its subsidiary undertakings. Subsidiary undertakings are those entities controlled by the Company. Control exists where an entity is exposed to variable returns and has the ability to affect those returns through its power over the investee.

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

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

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

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

Our property portfolio is a combination of properties that are wholly owned by the Group, part owned through joint arrangements and properties owned by the Group but where a third party holds a non-controlling interest. Internally, management review the results of the Group on a basis that adjusts for these different forms of ownership to present a proportionate share. The Combined Portfolio, with assets totalling **£10.2bn**, is an example of this approach, reflecting the economic interest we have in our properties regardless of our ownership structure. The Combined Portfolio comprises the investment properties of the Group's subsidiaries, on a proportionately consolidated basis when not wholly owned, together with our share of investment properties held in our joint ventures (see Note 10). We consider this presentation provides further understanding to stakeholders of the activities and performance of the Group, as it aggregates the results of all of the Group's property interests which under IFRS are required to be presented across a number of line items in the statutory financial statements.

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

EPRA earnings is the Group's measure of the underlying pre-tax profit of the property rental business. EPRA earnings excludes all items of a capital nature, such as valuation movements and profits and losses on the disposal of investment properties, as well as exceptional items. The Group believes that EPRA earnings provides additional understanding of the Group's operational performance to shareholders and other stakeholder groups. A full definition of EPRA earnings is given in the Glossary. The components of EPRA earnings are presented on a proportionate basis in note 3. EPRA earnings is an alternative performance measure.

2. Changes in accounting policies and standards

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

Following clarification by IFRIC on the classification of monies held in restricted accounts, monies that are restricted by use only are classified at 31 March 2023 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. As a result, £18m of monies held in restricted accounts has been reclassified to Cash and cash equivalents in the Group balance sheet as at 31 March 2022 which increased the cash and cash equivalent from £128m to £146m and decreased the restricted accounts from £22m to £4m. Within the Group cash flow statement for the year ended 31 March 2022, this reclassification also resulted in the overall net movement in Cash and cash equivalent from £128m to £136m, as well as the movements in monies held in restricted accounts being classified as cash flows from investing activities rather than financing activities as in prior year, based on the nature of the accounts. As at 1 April 2021, the total value of the reclassification is £10m which increased the Cash and cash equivalent from £nil to £10m and decreased the restricted accounts from £10m to £nil. This prior year restatement did not have any impact on the reported net assets, net current assets or net profit or loss.

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

Amendments to IFRS

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

3. Segmental information

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

The Central London segment includes all assets geographically located within central London. Major retail destinations includes all regional shopping centres and shops outside London and our outlets. The Mixed-use urban segment includes those assets where we see the most potential for capital investment. Subscale sectors mainly includes assets that will not be a focus for capital investment and consists of leisure and hotel assets and retail parks. There has been no change to the classification of these segments during the year to 31 March 2023.

Management has determined the Group's operating segments based on the information reviewed by Senior Management to make strategic decisions. The chief operating decision maker is the Executive Leadership Team (ELT), comprising the Executive Directors and the Managing Directors. The information presented to ELT includes reports from all functions of the business as well as strategy, financial planning, succession planning, organisational development and Group-wide policies.

The Group's primary measure of underlying profit before tax is EPRA earnings. However, Segment net rental income is the lowest level to which the profit arising from the ongoing operations of the Group is analysed between the four segments. The administrative costs, which are predominantly staff costs for centralised functions, are all treated as administrative expenses and are not allocated to individual segments.

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

All items in the segmental information note are presented on a proportionate basis.

Segmental results

					2023					2022[2]
EPRA earnings	**Central London**	**Major retail**	**Mixed-use urban**	**Subscale sectors**	**Total**	Central London	Major retail	Mixed-use urban	Subscale sectors	Total
	£m	**£m**	**£m**	**£m**	**£m**	£m	£m	£m	£m	£m
Rental income	**313**	**179**	**58**	**107**	**657**	287	167	43	89	586
Finance lease interest	**-**	**-**	**-**	**2**	**2**	6	-	-	2	8
Gross rental income (before rents payable)	**313**	**179**	**58**	**109**	**659**	293	167	43	91	594
Rents payable[1]	**(3)**	**(8)**	**(1)**	**-**	**(12)**	(4)	(6)	-	2	(8)
Gross rental income (after rents payable)	**310**	**171**	**57**	**109**	**647**	289	161	43	93	586
Service charge income	**46**	**42**	**10**	**-**	**98**	40	39	7	-	86
Service charge expense	**(47)**	**(50)**	**(12)**	**(1)**	**(110)**	(41)	(45)	(9)	(3)	(98)
Net service charge expense	**(1)**	**(8)**	**(2)**	**(1)**	**(12)**	(1)	(6)	(2)	(3)	(12)
Other property related income	**15**	**10**	**3**	**3**	**31**	13	11	2	2	28
Direct property expenditure	**(34)**	**(44)**	**(14)**	**(16)**	**(108)**	(42)	(37)	(11)	(14)	(104)
Movement in bad and doubtful debts provisions	**(1)**	**3**	**1**	**-**	**3**	(1)	13	2	(2)	12
Segment net rental income	**289**	**132**	**45**	**95**	**561**	258	142	34	76	510
Other income					**3**					3
Administrative expense					**(82)**					(82)
Depreciation					**(5)**					(5)
EPRA earnings before interest					**477**					426
Finance income					**11**					9
Finance expense					**(84)**					(70)
Joint venture net finance expense					**(11)**					(10)
EPRA earnings attributable to shareholders of the parent					**393**					355

1. Included within rents payable is lease interest payable of **£2m** (2022: £2m) for the Central London segment, **£1m** for the Mixed-use urban segment (2022: £nil) and **£1m** (2022: £2m) for the Subscale segment.
2. A reconciliation from the Group income statement to the information presented in the segmental results table for the year ended 31 March 2022 is included in table 27.

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

Reconciliation of segmental information note to statutory reporting

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

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

4. Performance measures

In the tables below, we present earnings per share attributable to shareholders of the parent, calculated in accordance with IFRS, and net assets per share attributable to shareholders of the parent together with certain measures defined by the European Public Real Estate Association (EPRA), which have been included to assist comparison between European property companies. Three of the Group's key financial performance measures are EPRA earnings per share, EPRA Net Tangible Assets per share and total return on equity, which was previously referred to as total accounting return. There has been no change to the calculation of this measure other than the change of name during the year to 31 March 2023. Refer to Table 14 in the Business Analysis section for further details on these alternative performance measures.

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

Earnings per share		**Year ended 31 March 2023**		Year ended 31 March 2022
	Loss for the year £m	**EPRA earnings £m**	Profit for the year £m	EPRA earnings £m
(Loss)/profit attributable to shareholders of the parent	**(619)**	**(619)**	869	869
Valuation and loss/(profit) on disposals	**-**	**1,016**	-	(527)
Net finance income (excluded from EPRA earnings)	**-**	**(21)**	-	(1)
Impairment of goodwill	**-**	**5**	-	6
Other	**-**	**12**	-	8
(Loss)/profit used in per share calculation	**(619)**	**393**	869	355
	IFRS	**EPRA**	IFRS	EPRA
Basic (loss)/earnings per share	**(83.6)p**	**53.1p**	117.4p	48.0p
Diluted (loss)/earnings per share[1]	**(83.6)p**	**53.1p**	117.1p	47.8p

1. In the year ended 31 March 2023, share options are excluded from the weighted average diluted number of shares when calculating IFRS and EPRA diluted (loss)/earnings per share because they are not dilutive.

Net assets per share			**31 March 2023**			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	**7,005**	**7,005**	**7,005**	7,917	7,917	7,917
Shortfall of fair value over net investment in finance leases book value	**-**	**(6)**	**(6)**	-	(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	**-**	**-**	**(42)**	-	-	(21)
Excess of fair value of trading properties over book value	**-**	**12**	**12**	-	-	-
Shortfall/(excess) of fair value of debt over book value (note 14)	**-**	**324**	**-**	-	(107)	-
Net assets used in per share calculation	**7,005**	**7,334**	**6,967**	7,917	7,803	7,888
	IFRS	**EPRA NDV**	**EPRA NTA**	IFRS	EPRA NDV	EPRA NTA
Net assets per share	**945p**	**n/a**	**n/a**	1,070p	n/a	n/a
Diluted net assets per share	**942p**	**986p**	**936p**	1,067p	1,052p	1,063p

Number of shares		**2023**		2022
	Weighted average million	**31 March million**	Weighted average million	31 March million
Ordinary shares	**751**	**751**	751	751
Treasury shares	**(7)**	**(7)**	(7)	(7)
Own shares	**(4)**	**(3)**	(4)	(4)
Number of shares – basic	**740**	**741**	740	740
Dilutive effect of share options	**4**	**3**	2	2
Number of shares – diluted	**744**	**744**	742	742

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

Total return on equity based on EPRA NTA	**Year ended 31 March 2023**	Year ended 31 March 2022
	pence	pence
(Decrease)/increase in EPRA NTA per share	**(127)**	78
Dividend paid per share in the year (note 8)	**39**	25
Total return (a)	**(88)**	103
EPRA NTA per share at the beginning of the year (b)	**1,063**	985
Total return on equity (a/b)	**(8.3)%**	10.5%

5. Revenue

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

	2023			2022		
	EPRA earnings £m	**Capital and other items £m**	**Total £m**	EPRA earnings £m	Capital and other items £m	Total £m
Rental income (excluding adjustment for lease incentives)	**606**	**8**	**614**	552	3	555
Adjustment for lease incentives	**(2)**	**-**	**(2)**	(18)	-	(18)
Rental income	**604**	**8**	**612**	534	3	537
Service charge income	**88**	**3**	**91**	77	1	78
Trading property sales proceeds	**-**	**22**	**22**	-	27	27
Other property related income	**29**	**-**	**29**	25	-	25
Finance lease interest	**2**	**-**	**2**	8	-	8
Development contract income[1]	**-**	**32**	**32**	-	1	1
Other income	**3**	**-**	**3**	3	-	3
Revenue per the income statement	**726**	**65**	**791**	647	32	679

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

	2023				2022			
	Group £m	**Joint ventures £m**	**Adjustment for non-wholly owned subsidiaries £m**	**Total £m**	Group £m	Joint ventures £m	Adjustment for non-wholly owned subsidiaries £m	Total £m
Rental income	**612**	**53**	**(8)**	**657**	537	52	(3)	586
Service charge income	**91**	**10**	**(3)**	**98**	78	9	(1)	86
Other property related income	**29**	**2**	**-**	**31**	25	3	-	28
Finance lease interest	**2**	**-**	**-**	**2**	8	-	-	8
Other income	**3**	**-**	**-**	**3**	3	-	-	3
Revenue in the segmental information note	**737**	**65**	**(11)**	**791**	651	64	(4)	711
Development contract income[1]	**32**	**-**	**-**	**32**	1	-	-	1
Trading property sales proceeds	**22**	**-**	**-**	**22**	27	15	-	42
Revenue including Capital and other items	**791**	**65**	**(11)**	**845**	679	79	(4)	754

1. Development contract income for the year ended 31 March 2023 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. Costs

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

			2023			2022
	EPRA earnings	**Capital and other items**	**Total**	EPRA earnings	Capital and other items	Total
	£m	**£m**	**£m**	£m	£m	£m
Rents payable	**10**	**-**	**10**	6	-	6
Service charge expense	**98**	**2**	**100**	88	2	90
Direct property expenditure	**98**	**2**	**100**	94	-	94
Administrative expenses	**80**	**-**	**80**	80	-	80
Impairment of trading properties	**-**	**19**	**19**	-	6	6
Cost of trading property disposals	**-**	**21**	**21**	-	25	25
Development contract expenditure[1]	**-**	**41**	**41**	-	1	1
Depreciation, including amortisation of software	**5**	**3**	**8**	5	-	5
Impairment of goodwill	**-**	**5**	**5**	-	6	6
Business combination costs	**-**	**-**	**-**	-	8	8
Costs – other per the income statement	**291**	**93**	**384**	273	48	321
Movement in bad and doubtful debts expense – rent	**(4)**	**-**	**(4)**	(9)	-	(9)
Movement in bad and doubtful debts expense – service charge	**2**	**-**	**2**	(4)	-	(4)
Total costs per the income statement	**289**	**93**	**382**	260	48	308

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

				2023				2022
	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
Rents payable	**10**	**2**	**-**	**12**	6	2	-	8
Service charge expense	**100**	**12**	**(2)**	**110**	90	10	(2)	98
Direct property expenditure	**100**	**10**	**(2)**	**108**	94	10	-	104
Administrative expenses	**80**	**2**	**-**	**82**	80	2	-	82
Depreciation, including amortisation of software	**5**	**-**	**-**	**5**	5	-	-	5
Movement in bad and doubtful debts expense – rent	**(4)**	**(1)**	**-**	**(5)**	(9)	2	-	(7)
Movement in bad and doubtful debts expense – service charge	**2**	**-**	**-**	**2**	(4)	(1)	-	(5)
Costs in the segmental information note	**293**	**25**	**(4)**	**314**	262	25	(2)	285
Impairment of trading properties	**19**	**-**	**-**	**19**	6	-	-	6
Cost of trading property disposals	**21**	**-**	**-**	**21**	25	16	-	41
Development contract expenditure[1]	**41**	**-**	**-**	**41**	1	-	-	1
Depreciation	**3**	**-**	**-**	**3**	-	-	-	-
Impairment of goodwill	**5**	**-**	**-**	**5**	6	-	-	6
Business combination costs	**-**	**-**	**-**	**-**	8	-	-	8
Costs including Capital and other items	**382**	**25**	**(4)**	**403**	308	41	(2)	347

1. Development contract expenditure for the year ended 31 March 2023 includes expenditure related to the ongoing development of 21 Moorfields following the sale of the property during the year.

7. Net finance expense

	2023			2022		
	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	**11**	**-**	**11**	9	-	9
Fair value movement on interest-rate swaps	**-**	**23**	**23**	-	16	16
	11	**23**	**34**	9	16	25
Finance expense						
Bond and debenture debt	**(68)**	**-**	**(68)**	(67)	-	(67)
Bank and other short-term borrowings	**(38)**	**(2)**	**(40)**	(19)	-	(19)
Other interest payable	**-**	**(1)**	**(1)**	(1)	(15)	(16)
	(106)	**(3)**	**(109)**	(87)	(15)	(102)
Interest capitalised in relation to properties under development	**22**	**-**	**22**	17	-	17
	(84)	**(3)**	**(87)**	(70)	(15)	(85)
Net finance (expense)/income	**(73)**	**20**	**(53)**	(61)	1	(60)
Joint venture net finance expense	**(11)**			(10)		
Net finance expense included in EPRA earnings	**(84)**			(71)		

Lease interest payable of **£4m** (2022: £4m) is included within rents payable as detailed in note 3.

8. Dividends

Dividends paid					Year ended 31 March	
		Pence per share			**2023**	2022
	Payment date	**PID**	**Non-PID**	**Total**	**£m**	£m
For the year ended 31 March 2021:						
Third interim	30 March 2021	6.00	-	6.00		
Final	23 July 2021	9.00	-	9.00		66
For the year ended 31 March 2022:						
First interim	8 October 2021	7.00	-	7.00		52
Second interim	4 January 2022	8.50	-	8.50		63
Third interim	**7 April 2022**	**8.50**	**-**	**8.50**	**63**	
Final	**22 July 2022**	**13.00**	**-**	**13.00**	**96**	
For the year ended 31 March 2023:						
First interim	**7 October 2022**	**8.60**	**-**	**8.60**	**64**	
Second interim	**3 January 2023**	**9.00**	**-**	**9.00**	**67**	
Gross dividends					**290**	181
Dividends in the statement of changes in equity					**290**	181
Timing difference on payment of withholding tax					**(1)**	9
Dividends in the statement of cash flows					**289**	190

The third quarterly interim dividend of **9.0p** per ordinary share, or **£67m** in total (2022: 8.5p or £63m in total), was paid on 6 April 2023 as a Property Income Distribution (PID). The Board has recommended a final dividend for the year ended 31 March 2023 of **12.0p** per ordinary share (2022: 13.0p) to be paid as a PID. This final dividend will result in a further estimated distribution of **£90m** (2022: £96m). Subject to shareholders' approval at the Annual General Meeting, the final dividend will be paid on 21 July 2023 to shareholders registered at the close of business on 16 June 2023.

The total dividend paid and recommended in respect of the year ended 31 March 2023 is **38.6p** per ordinary share (2022: 37.0p) resulting in a total estimated distribution of **£288m** (2022: £274m).

The first quarterly dividend for the year ending 31 March 2024 will be paid in October 2023 and will be announced in due course.

A Dividend Reinvestment Plan (DRIP) has been available in respect of all dividends paid during the year. The last day for DRIP elections for the final dividend is close of business on 30 June 2023.

9. Net cash generated from operations

Reconciliation of operating (loss)/profit to net cash generated from operations

	2023 £m	2022 £m
Operating (loss)/profit	**(569)**	935
Adjustments for:		
Net deficit/(surplus) on revaluation of investment properties	**827**	(416)
Loss/(gain) on changes in finance leases	**6**	(6)
Profit on disposal of trading properties	**(1)**	(2)
Loss/(profit) on disposal of investment properties	**144**	(107)
Profit on disposal of investment in joint ventures	**-**	(2)
Share of loss/(profit) from joint ventures and associates	**1**	(33)
Share-based payment charge	**6**	4
Impairment of goodwill	**5**	6
Rents payable	**10**	8
Depreciation and amortisation	**5**	5
Impairment of trading properties	**19**	6
Other	**-**	1
	453	399
Changes in working capital:		
(Increase)/decrease in receivables	**(17)**	28
(Decrease)/increase in payables and provisions	**(80)**	21
Net cash generated from operations	**356**	448

Reconciliation to adjusted net cash inflow from operating activities	**2023 £m**	**2022 £m**
Net cash inflow from operating activities	**342**	381
Joint ventures net cash inflow from operating activities	**17**	23
Adjusted net cash inflow from operating activities[(1)(2)]	**359**	404

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 cash flows. The presentation for the year ended 31 March 2022 has been restated to reflect this change. Refer to the Glossary for the definition of Adjusted net cash inflow from operating activities.
2. Includes cash flows relating to the interest in MediaCity which is not owned by the Group, but is consolidated in the Group numbers.

10. Investment properties

	2023 £m	2022 £m
Net book value at the beginning of the year	**11,207**	9,607
Transfer from joint venture[1]	**23**	-
Acquired through acquisition of subsidiaries[2]	**216**	619
Acquisitions of investment properties	**2**	247
Capital expenditure	**356**	343
Capitalised interest	**22**	17
Net movement in head leases capitalised[3]	**(16)**	62
Disposals[4][5]	**(1,319)**	(98)
Net (deficit)/surplus on revaluation of investment properties	**(827)**	416
Transfers to trading properties	**(6)**	(6)
Net book value at the end of the year	**9,658**	11,207

1. Recognition of property following the change in classification of Wind Farms from a joint venture to subsidiary during the year. Refer to Note 12 for further details.
2. Includes acquisition of the remaining 50% interest in St David's for cash consideration of **£113m**, including the purchase of debt and subsequent purchase of the entire share capital of the other Limited Partner, Intu The Hayes Limited, on 24 March 2023. This has been accounted for as an asset acquisition, with assets and liabilities acquired at the date of acquisition consisting of investment property of **£113m**, cash of **£11m**, trade and other receivables of **£4m** and trade and other payables of **£12m**. The acquisition amount in the table above also includes the transfer of the investment property held in the existing 50% interest in St David's from investment in joint venture to wholly owned subsidiary.
3. See note 14 for details of the amounts payable under head leases and note 3 for details of the rents payable in the income statement.
4. Includes impact of disposals of finance leases.
5. 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 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.

	2023				2022			
	Group (excl. joint ventures) £m	**Joint ventures[1] £m**	**Adjustment for non-wholly owned subsidiaries £m**	**Combined Portfolio £m**	Group (excl. joint ventures) £m	Joint ventures[1] £m	Adjustment for non-wholly owned subsidiaries £m	Combined Portfolio £m
Market value	**9,743**	**635**	**(139)**	**10,239**	11,362	800	(145)	12,017
Less: properties treated as finance leases	**(17)**	**-**	**-**	**(17)**	(66)	-	-	(66)
Plus: head leases capitalised	**107**	**1**	**-**	**108**	123	9	-	132
Less: tenant lease incentives	**(175)**	**(35)**	**-**	**(210)**	(212)	(38)	-	(250)
Net book value	**9,658**	**601**	**(139)**	**10,120**	11,207	771	(145)	11,833
Net (deficit)/surplus on revaluation of investment properties	**(827)**	**(30)**	**9**	**(848)**	416	(3)	(4)	409

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

The net book value of leasehold properties where head leases have been capitalised is **£1,723m** (2022: £2,908m).

Investment properties include capitalised interest of **£271m** (2022: £249m). The average rate of interest capitalisation for the year is **3.0%** (2022: 2.5%). The gross historical cost of investment properties is **£8,280m** (2022: £8,604m).

11. Trading properties

	Development land and infrastructure £m	**Residential £m**	**Total £m**
At 1 April 2021	24	12	36
Transfer from investment properties	-	6	6
Acquisitions	128	-	128
Capital expenditure	1	5	6
Disposals	(25)	-	(25)
Impairment provision	-	(6)	(6)
At 31 March 2022	128	17	145
Transfer from investment properties	**6**	**-**	**6**
Capital expenditure	**6**	**(3)**	**3**
Disposals	**(17)**	**-**	**(17)**
(Impairment provision)/reversal of impairment	**(25)**	**6**	**(19)**
At 31 March 2023	**98**	**20**	**118**

The cumulative impairment provision at 31 March 2023 in respect of Development land and infrastructure was **£25m** (2022: £nil) and in respect of Residential was **£nil** (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 31 March 2023(3)(4)				
Nova, Victoria(5)	50%	Central London	31 March	Suntec Real Estate Investment Trust
Southside Limited Partnership	50%	Major retail	31 March	Invesco Real Estate European Fund
Westgate Oxford Alliance Limited Partnership	50%	Major retail, Subscale sectors	31 March	The Crown Estate Commissioners
Harvest(6)(8)	50%	Subscale sectors	31 March	J Sainsbury plc
The Ebbsfleet Limited Partnership(8)	50%	Subscale sectors	31 March	Ebbsfleet Property Limited
West India Quay Unit Trust(8)	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(8)	50%	Subscale sectors	31 March	Derwent Developments (Curzon) Limited
Plus X Holdings Limited(8)	50%	Subscale sectors	31 March	Paul David Rostas, Matthew Edmund Hunter
Landmark Court Partnership Limited(8)	51%	Central London	31 March	TTL Landmark Court Properties Limited

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

1. Investments under joint arrangements are not always represented by an equal percentage holding by each partner. In a number of joint ventures that are not considered principal joint ventures and therefore not included in the table above, the Group holds a majority shareholding but has joint control and therefore the arrangement is accounted for as a joint venture.
2. The year end date shown is the accounting reference date of the joint arrangement. In all cases, the Group's accounting is performed using financial information for the Group's own reporting year and reporting date.
3. During the year to 31 March 2023, 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. On 24 March 2023 the Group acquired the remaining 50% interest in St David's Limited Partnership. From that date, the results of the operations from St David's are consolidated together with other subsidiary undertakings. Results from its operations prior to that date are included as share of profit or loss from joint ventures. For further details on the acquisition refer to note 10.
5. 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.
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. Mayfield includes Mayfield Development Partnership LP and Mayfield Development (General Partner) Limited.
8. Included within Other in subsequent tables.

All of the Group's joint arrangements listed above have their principal place of business in the United Kingdom. All of the Group's principal joint arrangements own and operate investment property, with the exception of The Ebbsfleet Limited Partnership 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 listed above are registered in England and Wales with the exception of Southside Limited Partnership and West India Quay Unit Trust which are registered in Jersey.

12. Joint arrangements continued

Joint ventures — **Year ended 31 March 2023**

Comprehensive income statement	Nova, Victoria 100% £m	Southside Limited Partnership 100% £m	St. David's Limited Partnership 100% £m	Westgate Oxford Alliance Partnership 100% £m	Other 100% £m	Total 100% £m	Total Group share £m
Revenue[1]	**49**	**10**	**33**	**34**	**4**	**130**	**65**
Gross rental income (after rents payable)	**36**	**10**	**25**	**27**	**4**	**102**	**51**
Net rental income	**36**	**7**	**16**	**22**	**2**	**83**	**42**
EPRA earnings before interest	**35**	**6**	**15**	**22**	**2**	**80**	**40**
Finance expense	**(17)**	**(6)**	**-**	**-**	**-**	**(23)**	**(11)**
Net finance expense	**(17)**	**(6)**	**-**	**-**	**-**	**(23)**	**(11)**
EPRA earnings	**18**	**-**	**15**	**22**	**2**	**57**	**29**
Capital and other items							
Net (deficit)/surplus on revaluation of investment properties	**(67)**	**1**	**6**	**(8)**	**8**	**(60)**	**(30)**
(Loss)/profit before tax	**(49)**	**1**	**21**	**14**	**10**	**(3)**	**(1)**
Post-tax (loss)/profit	**(49)**	**1**	**21**	**14**	**10**	**(3)**	**(1)**
Total comprehensive (loss)/income	**(49)**	**1**	**21**	**14**	**10**	**(3)**	**(1)**
Group share of (loss)/profit before tax	**(24)**	**-**	**10**	**7**	**6**	**(1)**	
Group share of post-tax (loss)/profit	**(24)**	**-**	**10**	**7**	**6**	**(1)**	
Group share of total comprehensive (loss)/income	**(24)**	**-**	**10**	**7**	**6**	**(1)**	

1. Revenue includes gross rental income (before rents payable), service charge income, other property related income and income from development contracts.

12. Joint arrangements continued

Joint ventures Year ended 31 March 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)]	45	11	33	37	6	132	64
Gross rental income (after rents payable)	36	10	25	26	6	103	52
Net rental income	29	11	17	25	-	82	41
EPRA earnings before interest	29	10	15	24	(1)	77	39
Finance expense	(13)	(6)	-	-	-	(19)	(10)
Net finance expense	(13)	(6)	-	-	-	(19)	(10)
EPRA earnings	16	4	15	24	(1)	58	29
Capital and other items							
Net surplus/(deficit) on revaluation of investment properties	16	(1)	(20)	(2)	-	(7)	(3)
Profit on disposal of investment properties	-	-	-	-	12	12	8
Loss on disposal of trading properties	-	-	-	-	(2)	(2)	(1)
Profit/(loss) before tax	32	3	(5)	22	9	61	33
Post-tax profit/(loss)	32	3	(5)	22	9	61	33
Total comprehensive income/(loss)	32	3	(5)	22	9	61	33
Group share of profit/(loss) before tax	16	2	(3)	11	7	33	
Group share of post-tax profit/(loss)	16	2	(3)	11	7	33	
Group share of total comprehensive income/(loss)	16	2	(3)	11	7	33	

1. Revenue includes gross rental income (before rents payable), service charge income, other property related income and income from development contracts.

12. Joint arrangements continued

Joint ventures — 31 March 2023

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

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/(liabilities)	744	(11)	227	249	52	1,261	695
Comprised of:							
Net assets	744	-	227	249	52	1,272	700
Accumulated losses recognised as net liabilities[2]	-	(11)	-	-	-	(11)	(5)
Market value of investment properties[1]	870	133	226	247	124	1,600	800
Net cash/(debt)[3]	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. The Group's share of accumulated losses of a joint venture interest are recognised as net liabilities where there is an obligation to provide for these losses.
3. Excludes funding provided by the Group and its joint venture partners.

12. Joint arrangements continued

Joint ventures

Net investment	Nova, Victoria Group share £m	Southside Limited Partnership Group share £m	St. David's Limited Partnership Group share £m	Westgate Oxford Alliance Partnership Group share £m	Other Group share £m	Total Group share £m
At 1 April 2021	351	(7)	124	125	32	625
Total comprehensive income/(loss)	16	2	(3)	11	7	33
Acquisitions	-	-	-	-	54	54
Non-cash contributions	5	-	-	-	-	5
Cash distributions	-	-	(8)	(11)	(3)	(22)
At 31 March 2022	372	(5)	113	125	90	695
Total comprehensive (loss)/income	**(24)**	**-**	**10**	**7**	**6**	**(1)**
Cash distributions	**-**	**-**	**(4)**	**(8)**	**(2)**	**(14)**
Other distributions	**-**	**-**	**-**	**-**	**(7)**	**(7)**
Disposals and transfers from joint arrangements	**-**	**-**	**(119)**	**-**	**(25)**	**(144)**
Other non-cash movements	**-**	**-**	**-**	**-**	**(1)**	**(1)**
At 31 March 2023	**348**	**(5)**	**-**	**124**	**61**	**528**
Comprised of:						
At 31 March 2022						
Non-current assets	372	-	113	125	90	700
Non-current liabilities[1]	-	(5)	-	-	-	(5)
At 31 March 2023						
Non-current assets	**348**	**-**	**-**	**124**	**61**	**533**
Non-current liabilities[1]	**-**	**(5)**	**-**	**-**	**-**	**(5)**

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

13. Capital structure

	2023				2022[3]			
	Group £m	Joint ventures £m	Adjustment for non-wholly owned subsidiaries £m	Combined £m	Group £m	Joint ventures £m	Adjustment for non-wholly owned subsidiaries £m	Combined £m
Property portfolio								
Market value of investment properties	**9,743**	**635**	**(139)**	**10,239**	11,362	800	(145)	12,017
Trading properties and long-term contracts	**118**	**-**	**-**	**118**	145	1	-	146
Total property portfolio (a)	**9,861**	**635**	**(139)**	**10,357**	11,507	801	(145)	12,163
Net debt								
Borrowings	**3,431**	**-**	**(73)**	**3,358**	4,430	3	(73)	4,360
Monies held in restricted accounts and deposits	**(4)**	**-**	**1**	**(3)**	(4)	-	-	(4)
Cash and cash equivalents	**(41)**	**(35)**	**2**	**(74)**	(146)	(31)	5	(172)
Fair value of interest-rate swaps	**(44)**	**-**	**2**	**(42)**	(21)	-	2	(19)
Fair value of foreign exchange swaps and forwards	**6**	**-**	**-**	**6**	(5)	-	-	(5)
Net debt (b)	**3,348**	**(35)**	**(68)**	**3,245**	4,254	(28)	(66)	4,160
Less: Fair value of interest-rate swaps	**44**	**-**	**(2)**	**42**	21	-	(2)	19
Adjusted net debt (c)	**3,392**	**(35)**	**(70)**	**3,287**	4,275	(28)	(68)	4,179
Adjusted total equity								
Total equity (d)	**7,072**	**-**	**(67)**	**7,005**	7,991	-	(74)	7,917
Fair value of interest-rate swaps	**(44)**	**-**	**2**	**(42)**	(21)	-	2	(19)
Adjusted total equity (e)	**7,028**	**-**	**(65)**	**6,963**	7,970	-	(72)	7,898
Gearing (b/d)	**47.3%**			**46.3%**	53.2%			52.5%
Adjusted gearing (c/e)	**48.3%**			**47.2%**	53.6%			52.9%
Group LTV (c/a)	**34.4%**			**31.7%**	37.2%			34.4%
EPRA LTV[1]				**33.2%**				35.5%
Security Group LTV	**33.0%**				36.4%			
Weighted average cost of debt[2]	**2.7%**			**2.7%**	2.4%			2.4%

1. EPRA LTV is a new measure introduced by EPRA in the current year. The EPRA measure differs from the Group LTV as it includes net payables and receivables, and includes trading properties at fair value and debt instruments at nominal value rather than book value. EPRA LTV was not presented in the financial statements as at 31 March 2022 as the measure had not yet been introduced. EPRA LTV would have been presented as 35.5% at 31 March 2022.
2. The weighted average cost of debt is calculated based on historical average rates of gross debt for the period. The weighted average cost of debt as at 31 March 2022 has been restated to reflect average rates of gross debt for the period, rather than average rates of net debt used in the calculation in previous periods.
3. 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 %	2023 Nominal/ notional value £m	2023 Fair value £m	2023 Book value £m	2022 Nominal/ notional value £m	2022 Fair value £m	2022 Book value £m
Current borrowings									
Commercial paper									
Sterling	Unsecured	Floating	SONIA + margin	**-**	**-**	**-**	140	140	140
Euro	Unsecured	Floating	SONIA + margin	**167**	**167**	**167**	217	217	217
US Dollar	Unsecured	Floating	SONIA + margin	**145**	**145**	**145**	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				**312**	**312**	**312**	541	541	541
Amounts payable under head leases			3.4	**3**	**3**	**3**	-	-	-
Tot current borrowings including amounts payable under head leases				**315**	**315**	**315**	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**	**389**	**400**	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**	**87**	**87**	87	93	87
A16 2.375% MTN due 2027	Secured	Fixed	2.5	**350**	**317**	**348**	350	351	348
A6 5.376% MTN due 2029	Secured	Fixed	5.4	**65**	**66**	**65**	65	74	65
A13 2.399% MTN due 2031	Secured	Fixed	2.4	**300**	**263**	**299**	300	299	299
A7 5.396% MTN due 2032	Secured	Fixed	5.4	**77**	**79**	**77**	77	107	77
A17 4.875% MTN due 2034	Secured	Fixed	5.0	**400**	**406**	**394**	-	-	-
A11 5.125% MTN due 2036	Secured	Fixed	5.1	**50**	**50**	**50**	50	68	50
A14 2.625% MTN due 2039	Secured	Fixed	2.6	**500**	**378**	**494**	500	491	494
A15 2.750% MTN due 2059	Secured	Fixed	2.7	**500**	**312**	**495**	500	497	495
				2,756	**2,374**	**2,736**	2,356	2,407	2,341
Syndicated and bilateral bank debt	Secured	Floating	SONIA + margin	**383**	**383**	**383**	1,546	1,546	1,546
Syndicated and bilateral bank debt	Secured	Floating	Euribor + margin	**-**	**-**	**-**	2	2	2
Total non-current borrowings				**3,139**	**2,757**	**3,119**	3,904	3,955	3,889
Amounts payable under head leases	Unsecured	Fixed	3.4	**104**	**142**	**104**	123	164	123
Total non-current borrowings including amounts payable under head leases				**3,243**	**2,899**	**3,223**	4,027	4,119	4,012
Total borrowing including amounts payable under head leases				**3,558**	**3,214**	**3,538**	4,568	4,660	4,553
Total borrowings excluding amounts payable under head leases				**3,451**	**3,069**	**3,431**	4,445	4,496	4,430

Reconciliation of the movement in borrowings	**2023** £m	2022 £m
At the beginning of the year	**4,553**	3,516
Bank debt assumed through acquisition of subsidiaries	**-**	403
Proceeds from new borrowings	**-**	1,053
Repayment of bank debt	**(1,407)**	(489)
Issue of MTNs (net of finance fees)	**394**	-
Foreign exchange movement on non-Sterling borrowings	**14**	8
Movement in amounts payable under head leases	**(16)**	62
At 31 March	**3,538**	4,553

14. Borrowings continued

Reconciliation of movements in liabilities arising from financing activities

	At the beginning of the year	Cash flows	Non-cash changes: Foreign exchange movements	Non-cash changes: Other changes in fair values	Non-cash changes: Other changes	At the end of the year
2023	£m	£m	£m	£m	£m	£m
Borrowings	**4,553**	**(1,013)**	**14**	**-**	**(16)**	**3,538**
Derivative financial instruments	**(26)**	**25**	**(14)**	**(23)**	**-**	**(38)**
	4,527	**(988)**	**-**	**(23)**	**(16)**	**3,500**
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 and Southside Limited Partnership, in total valued at **£9.6bn** at 31 March 2023 (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 year, the Group did not purchase any MTNs (2022: none).

At 31 March 2023, the Group's committed facilities totalled **£3,007m** (31 March 2022: £3,022m).

Syndicated and bilateral bank debt	Maturity as at 31 March 2023	Authorised 2023	Authorised 2022	Drawn 2023	Drawn 2022	Undrawn 2023	Undrawn 2022
		£m	£m	£m	£m	£m	£m
Syndicated debt	**2022**	**-**	12	**-**	12	**-**	-
Syndicated debt	**2024-27**	**2,782**	2,785	**383**	1,393	**2,399**	1,392
Bilateral debt	**2026**	**225**	225	**-**	155	**225**	70
		3,007	3,022	**383**	1,560	**2,624**	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 (of which £292m was drawn at 31 March 2023 and £294m drawn at 31 March 2022). During the year ended 31 March 2023, the amounts drawn under the Group's facilities decreased by **£1,177m**.

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 31 March 2023 was **£2,353m** (31 March 2022: £1,109m, restated following the IFRIC clarification on the classification of funds with externally imposed restrictions during the year).

15. Monies held in restricted accounts and deposits

	2023	2022 (restated) (1)
	£m	£m
Cash at bank and in hand	**-**	-
Short-term deposits	**4**	4
	4	4

1. 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.

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

	2023	2022 (restated) (1)
	£m	£m
Counterparties with external credit ratings		
A+	**4**	-
A	**-**	4
	4	4

1. 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.

16. Cash and cash equivalents

	2023	2022 (restated) (1)
	£m	£m
Cash at bank and in hand	**41**	146
	41	146

1. Cash and cash equivalents have been restated as at 31 March 2022 following a clarification by IFRIC on classification of funds with externally imposed restrictions.

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

	2023	2022 (restated) (1)
	£m	£m
Counterparties with external credit ratings		
A+	**34**	130
A	**6**	14
A-	**1**	1
BBB+	**-**	1
	41	146

1. Cash and cash equivalents have been restated as at 31 March 2022 following a clarification by IFRIC on classification of funds with externally imposed restrictions.

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

			2023			2022 (restated)(1)
	Gross amounts of financial assets	**Gross amounts of financial liabilities**	**Net amounts recognised in the balance sheet**	Gross amounts of financial assets	Gross amounts of financial liabilities	Net amounts recognised in the balance sheet
	£m	£m	£m	£m	£m	£m
Assets						
Cash and cash equivalents	**101**	**(60)**	**41**	152	(6)	146
	101	**(60)**	**41**	152	(6)	146

1. Cash and cash equivalents have been restated as at 31 March 2022 following a clarification by IFRIC on classification of funds with externally imposed restrictions.

17. Events after the reporting period

Since 31 March 2023, the Group sold or exchanged contracts to sell certain interests in trading properties acquired as part of the U+I Group PLC in the previous financial year.

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

Alternative performance measures

Table 14: Alternative performance measures

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

The table below summarises the APMs included in these results and where the reconciliations of these measures can be found. The definitions of APMs are included in the Glossary.

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

EPRA disclosures

Table 15: EPRA net asset measures

EPRA net asset measures			**31 March 2023**
	EPRA NRV	**EPRA NTA**	**EPRA NDV**
	£m	**£m**	**£m**
Net assets attributable to shareholders	**7,005**	**7,005**	**7,005**
Shortfall of fair value over net investment in finance lease book value	**(6)**	**(6)**	**(6)**
Deferred tax liability on intangible asset	**1**	**1**	**-**
Goodwill on deferred tax liability	**(1)**	**(1)**	**(1)**
Other intangible asset	**-**	**(2)**	**-**
Fair value of interest-rate swaps	**(42)**	**(42)**	**-**
Excess of fair value of debt over book value (note 14)	**-**	**-**	**324**
Excess of fair value of trading properties over book value	**12**	**12**	**12**
Purchasers' costs[1]	**617**	**-**	**-**
Net assets used in per share calculation	**7,586**	**6,967**	**7,334**

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

			31 March 2022
	EPRA NRV	EPRA NTA	EPRA NDV
	£m	£m	£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 (note 14)	-	-	(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	31 March 2023 EPRA measure
EPRA earnings	Recurring earnings from core operational activity	**4**	**£393m**
EPRA earnings per share	EPRA earnings per weighted number of ordinary shares	**4**	**53.1p**
EPRA diluted earnings per share(1)	EPRA diluted earnings per weighted number of ordinary shares	**4**	**53.1p**
EPRA Net Tangible Assets (NTA)	Net assets adjusted to exclude the fair value of interest-rate swaps, intangible assets and excess of fair value over net investment in finance lease book value	**4**	**£6,967m**
EPRA Net Tangible Assets per share	Diluted Net Tangible Assets per share	**4**	**936p**
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**	**£7,334m**
EPRA net disposal value per share	Diluted net disposal value per share	**4**	**986p**
EPRA loan-to-value (LTV) (2)	Ratio of adjusted net debt, including net payables, to the sum of the net assets, including net receivables, of the Group, its subsidiaries and joint ventures, all on a proportionate basis, expressed as a percentage	**13**	**33.2%**
		Table	
Voids/vacancy rate	ERV of vacant space as a % of ERV of Combined Portfolio excluding the development programme(3)	**17**	**4.2%**
Net initial yield (NIY)	Annualised rental income less non-recoverable costs as a % of market value plus assumed purchasers' costs(4)	**19**	**4.9%**
Topped-up NIY	NIY adjusted for rent free periods(4)	**19**	**5.2%**
Cost ratio(5)	Total costs as a percentage of gross rental income (including direct vacancy costs)(5)	**20**	**25.2%**
	Total costs as a percentage of gross rental income (excluding direct vacancy costs)(5)	**20**	**21.0%**

1. In the year ended 31 March 2023, share options are excluded from the weighted average diluted number of shares when calculating EPRA diluted earnings per share because they are not dilutive, based on IFRS loss for the year.
2. EPRA LTV is a new measure introduced by EPRA in the current year. 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 as at 31 March 2022 as the measure had not yet been introduced. EPRA LTV would have been presented as 35.5% at 31 March 2022.
3. This measure reflects voids in the Combined Portfolio excluding only properties under development.
4. This measure relates to the Combined Portfolio, excluding properties currently under development, and are calculated by our external valuer. Topped-up NIY reflects adjustments of £39m for rent free periods and other incentives.
5. This measure is calculated based on gross rental income after rents payable and excluding costs recovered through rents but not separately invoiced of £9m.

Table 17: EPRA vacancy rate

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

	31 March 2023 £m
ERV of vacant properties	**26**
ERV of Combined Portfolio excluding properties under development	**617**
EPRA vacancy rate (%)	**4.2**

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

	2023	2022	Change	
	£m	£m	£m	%
Central London	**251**	225	**26**	**12**
Major retail	**120**	137	**(17)**	**(12)**
Subscale sectors	**95**	74	**21**	**28**
	466	436	**30**	**7**

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

	31 March 2023 £m
Combined Portfolio	10,239
Trading properties	130
Less: Properties under development, trading properties under development and land	(1,158)
Like-for-like investment property portfolio, proposed and completed developments, and completed trading properties	**9,211**
Plus: Allowance for estimated purchasers' costs	559
Grossed-up completed property portfolio valuation (a)	**9,770**
EPRA annualised cash passing rental income[1]	532
Net service charge expense[2]	(15)
Void costs and other deductions	(40)
EPRA Annualised net rent[1] (b)	**477**
Plus: Rent-free periods and other lease incentives (annualised)	35
Topped-up annualised net rents (c)	**512**
EPRA NIY (b/a)	**4.9%**
EPRA Topped-up NIY (c/a)	**5.2%**

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

Table 20: Cost analysis

	£m
Gross rental income (before rents payable)	**659**
Rents payable	(12)
Gross rental income (after rents payable)	**647**
Net service charge expense	(12)
Net direct property expenditure	(77)
Bad and doubtful debts expense	3
Segment net rental income	**561**
Net indirect expenses	(84)
Segment profit before finance expense	**477**
Net finance expense - Group	(73)
Net finance expense - joint ventures	(11)
EPRA earnings	**393**

Direct property costs £86m

Net indirect expenses[2] £84m

	2023 Total £m	**2023 Cost ratio %[1]**	2022 Total £m	2022 Cost ratio %[1]
Gross rental income (before rents payable)	**659**		594	
Costs recovered through rents but not separately invoiced	(9)		(7)	
Adjusted gross rental income	**650**		587	
Rents payable	(12)		(8)	
EPRA gross rental income	**638**		579	
Managed operations	**10**		10	
Tenant default	**(3)**		(12)	
Void related costs	**27**		25	
Other direct property costs	**48**		47	
Development expenditure	**14**		11	
Asset management, administration and compliance	**74**		79	
Total (incl. direct vacancy costs)	**170**		160	
Costs recovered through rents	(9)		(7)	
EPRA costs (incl. direct vacancy costs)	**161**	**25.2**	153	26.4
Less: Direct vacancy costs	(27)		(25)	
EPRA (excl. direct vacancy costs)	**134**	**21.0**	128	22.1

1. Percentages represent costs divided by EPRA gross rental income.
2. Net indirect expenses amounting to **£18m** (2022: £8m) have been capitalised as development costs and are excluded from table 20.

Table 21: Acquisitions, disposals and capital expenditure

Investment properties	Group (excl. joint ventures) £m	Joint ventures £m	Adjustment for non-wholly owned subsidiaries[1] £m	Year ended 31 March 2023 Combined Portfolio £m	Year ended 31 March 2022 Combined Portfolio £m
Net book value at the beginning of the year	**11,207**	**771**	**(145)**	**11,833**	10,342
Transfer from joint venture	23	(12)	-	**11**	-
Acquisitions	218	5	-	**223**	757
Capital expenditure	356	(13)	(3)	**340**	350
Capitalised interest	22	-	-	**22**	17
Net movement in head leases capitalised	(16)	(9)	-	**(25)**	62
Disposals	(1,319)	(111)	-	**(1,430)**	(98)
Net (deficit)/surplus on revaluation of investment properties	(827)	(30)	9	**(848)**	409
Transfer to trading properties	(6)	-	-	**(6)**	(6)
Net book value at the end of the year	**9,658**	**601**	**(139)**	**10,120**	11,833
(Loss)/profit on disposal of investment properties	**(144)**	**-**	**-**	**(144)**	115

Trading properties	£m	£m	£m	£m	£m
Net book value at the beginning of the year	**145**	**1**	**-**	**146**	36
Acquisitions	-	-	-	**-**	145
Transfer from investment properties	6	-	-	**6**	6
Capital expenditure	3	-	-	**3**	6
Disposals	(17)	(1)	-	**(18)**	(41)
Movement in impairment	(19)	-	-	**(19)**	(6)
Net book value at the end of the year	**118**	**-**	**-**	**118**	146
Profit on disposal of trading properties	**1**	**-**	**-**	**1**	1

Acquisitions, development and other capital expenditure	Investment properties[1] £m	Trading properties £m	Combined Portfolio £m	Combined Portfolio £m
Acquisitions[2]	223	-	**223**	902
Development capital expenditure[3]	280	(2)	**278**	310
Other capital expenditure	60	5	**65**	46
Capitalised interest	22	-	**22**	17
Acquisitions, development and other capital expenditure	**585**	**3**	**588**	1,275

Disposals	£m	£m
Net book value – investment property disposals	**1,430**	98
Net book value – trading property disposals	**18**	41
Net book value – other net assets	**52**	8
(Loss)/profit on disposal – investment properties	**(144)**	115
Profit on disposal – trading properties	**1**	1
Other	**(3)**	-
Total disposal proceeds	**1,354**	263

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

Table 22: EPRA analysis of capital expenditure

Year ended 31 March 2023

			Other capital expenditure								
	Acquisitions[1] £m	Development capital expenditure[2] £m	Incremental lettable space[3] £m	No incremental lettable space £m	Tenant improvements £m	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	**6**	**-**	**6**	**-**	**-**	**6**
City offices	**-**	**-**	-	19	-	**19**	**-**	**19**	**-**	**-**	**19**
Retail and other	**-**	**-**	-	2	2	**4**	**-**	**4**	**-**	**-**	**4**
Developments	**-**	**264**	-	-	-	**-**	**22**	**286**	**-**	**-**	**274**
Total Central London	**-**	**264**	**-**	**24**	**5**	**29**	**22**	**315**	**-**	**-**	**303**
Major retail											
Shopping centres	**216**	**-**	-	7	2	**9**	**-**	**225**	**(1)**	**-**	**226**
Outlets	**-**	**-**	1	1	7	**9**	**-**	**9**	**-**	**-**	**9**
Total Major retail	**216**	**-**	**1**	**8**	**9**	**18**	**-**	**234**	**(1)**	**-**	**235**
Mixed-use urban											
Completed investment	**-**	**-**	-	6	-	**6**	**-**	**6**	**-**	**(3)**	**9**
Developments	**7**	**16**	-	-	-	**-**	**-**	**23**	**(6)**	**-**	**29**
Total Mixed-use urban	**7**	**16**	**-**	**6**	**-**	**6**	**-**	**29**	**(6)**	**(3)**	**38**
Subscale sectors											
Leisure	**-**	**-**	-	2	2	**4**	**-**	**4**	**(1)**	**-**	**5**
Hotels	**-**	**-**	-	-	-	**-**	**-**	**-**	**-**	**-**	**-**
Retail parks	**-**	**-**	-	1	2	**3**	**-**	**3**	**-**	**-**	**3**
Total Subscale sectors	**-**	**-**	**-**	**3**	**4**	**7**	**-**	**7**	**(1)**	**-**	**8**
Total capital expenditure	**223**	**280**	**1**	**41**	**18**	**60**	**22**	**573**	**(8)**	**(3)**	**584**
Timing difference between accrual and cash basis								(131)	1	3	(135)
Total capital expenditure on a cash basis								**442**	**(7)**	**-**	**449**

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

Table 23: Top 12 occupiers at 31 March 2023

	% of Group rent[1]
Central Government	5.8
Accor	5.4
Deloitte	2.4
Cineworld	2.0
Boots	1.7
Taylor Wessing	1.4
Peel	1.1
BBC	1.1
M&S	1.0
Sainsbury's	1.0
H&M	1.0
Next	0.9
	24.8

1. On a proportionate basis.

Table 24: Committed and future development pipeline and trading property development schemes at 31 March 2023

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									
Lucent, W1	Office	100	121,000	19	270	15	Aug 2023	231	254
	Retail		20,000						
	Residential		3,000						
n2, SW1	Office	100	165,000	66	229	14	Jun 2023	176	207

Property	Description of use	Ownership interest %	Proposed sq ft	Potential start date
Future 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	220,000	2024
Red Lion Court, SE1	Office	100	245,000	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	14	47

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	2024
Finchley Road, NW3	100	1,400,000	2024
Buchanan Galleries, Glasgow	100	1,900,000	2025
Lewisham, SE13	100	1,800,000	2026

Where the property is not 100% owned, floor areas and letting status shown above represent the full scheme whereas all other figures represent our proportionate share. Letting % is measured by ERV and shows letting status at 31 March 2023. Trading property development schemes are excluded from the future development pipeline.

Total development cost

Refer to the Glossary for definition.

Net income/ERV

Net income/ERV represents headline annual rent on let units plus ERV at 31 March 2023 on unlet units, both after rents payable.

Table 25: Combined Portfolio analysis
Total portfolio analysis

	Market value[1]		Valuation movement[1]		Rental income[1]		Annualised rental income[2]		Net estimated rental value[3]	
	31 March 2023	31 March 2022	**(Deficit)/ surplus**	**Surplus/ (deficit)**	**31 March 2023**	31 March 2022	**31 March 2023**	31 March 2022	**31 March 2023**	31 March 2022
	£m	£m	**£m**	**%**	**£m**	£m	**£m**	£m	**£m**	£m
Central London										
West End offices	**2,653**	3,013	**(222)**	**(8.0)**	**140**	138	**134**	135	**146**	147
City offices	**1,304**	1,928	**(234)**	**(15.4)**	**76**	75	**61**	76	**87**	101
Retail and other	**1,095**	1,131	**14**	**1.3**	**76**	70	**42**	47	**56**	54
Developments[6]	**1,190**	1,709	**(37)**	**(3.0)**	**21**	10	**5**	10	**57**	112
Total Central London	**6,242**	7,781	**(479)**	**(7.3)**	**313**	293	**242**	268	**346**	414
Major retail										
Shopping centres	**1,196**	1,141	**(60)**	**(4.8)**	**120**	111	**114**	108	**123**	101
Outlets	**684**	743	**(67)**	**(8.9)**	**59**	56	**56**	56	**60**	61
Total Major retail	**1,880**	1,884	**(127)**	**(6.4)**	**179**	167	**170**	164	**183**	162
Mixed-use urban										
Completed investment	**389**	409	**(24)**	**(5.9)**	**24**	10	**24**	24	**26**	24
Developments[6]	**426**	486	**(48)**	**(9.4)**	**34**	33	**28**	29	**31**	32
Mixed-use urban	**815**	895	**(72)**	**(7.8)**	**58**	43	**52**	53	**57**	56
Subscale sectors										
Leisure	**476**	569	**(99)**	**(17.7)**	**51**	46	**51**	49	**50**	51
Hotels	**408**	422	**(13)**	**(3.2)**	**30**	16	**31**	16	**28**	25
Retail parks	**418**	466	**(58)**	**(12.1)**	**28**	29	**28**	29	**30**	29
Total Subscale sectors	**1,302**	1,457	**(170)**	**(11.6)**	**109**	91	**110**	94	**108**	105
Combined Portfolio	**10,239**	12,017	**(848)**	**(7.7)**	**659**	594	**574**	579	**694**	737
Properties treated as finance leases					**(2)**	(8)				
Combined Portfolio	**10,239**	12,017	**(848)**	**(7.7)**	**657**	586				
Represented by:										
Investment portfolio	**9,603**	11,217	**(813)**	**(7.9)**	**603**	534	**536**	531	**655**	687
Share of joint ventures	**636**	800	**(35)**	**(5.5)**	**54**	52	**38**	48	**39**	50
Combined Portfolio	**10,239**	12,017	**(848)**	**(7.7)**	**657**	586	**574**	579	**694**	737

Total portfolio analysis

	Net initial yield[4]		Equivalent yield[5]	
	31 March 2023	Movement in like-for-like[7]	**31 March 2023**	Movement in like-for-like[7]
	%	bps	**%**	bps
Central London				
West End offices	**4.8**	55	**5.1**	46
City offices	**3.3**	(33)	**5.2**	53
Retail and other	**4.1**	(33)	**4.6**	13
Developments[6]	**0.3**	-	**4.6**	-
Total Central London	**3.5**	39	**4.9**	42
Major retail				
Shopping centres	**8.1**	21	**7.9**	39
Outlets	**6.5**	63	**7.2**	45
Total Major retail	**7.5**	15	**7.6**	40
Mixed-use urban				
Completed investment	**5.4**	28	**6.4**	61
Development[6]	**5.3**	n/a	**5.8**	n/a
Total Mixed-use urban	**5.3**	28	**6.1**	61
Subscale sectors				
Leisure	**8.0**	130	**8.3**	116
Hotels	**6.6**	249	**6.7**	117
Retail parks	**6.5**	87	**6.4**	69
Total Subscale sectors	**7.1**	147	**7.2**	96
Combined Portfolio	**4.8**	41	**5.8**	50
Represented by:				
Investment portfolio	**4.7**	n/a	**5.6**	n/a
Share of joint ventures	**5.6**	n/a	**5.8**	n/a
Combined Portfolio	**4.6**	n/a	**5.8**	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 26: Lease lengths

	Weighted average unexpired lease term at 31 March 2023	
	Like-for-like portfolio	Like-for-like portfolio, completed developments and acquisitions
	Mean(1)	Mean(1)
	Years	Years
Central London		
West End offices	6.4	6.4
City offices	8.6	8.6
Retail and other	7.4	7.4
Total Central London	**7.1**	**7.1**
Major retail		
Shopping centres	4.5	4.5
Outlets	3.0	3.0
Total Major retail	**4.0**	**4.1**
Mixed-use urban	**-**	**9.2**
Subscale sectors		
Leisure	10.3	10.3
Hotels	8.2	8.2
Retail parks	4.7	4.7
Total Subscale sectors	**8.0**	**8.0**
Combined Portfolio	**6.4**	**6.5**

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

Table 27: Reconciliation of segmental information note to statutory reporting for the year ended 31 March 2022

	Year ended 31 March 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	537	52	(3)	586	586	-
Finance lease interest	8	-	-	8	8	-
Gross rental income (before rents payable)	**545**	**52**	**(3)**	**594**	**594**	**-**
Rents payable	(6)	(2)	-	(8)	(8)	-
Gross rental income (after rents payable)	**539**	**50**	**(3)**	**586**	**586**	**-**
Service charge income	78	9	(1)	86	86	-
Service charge expense	(90)	(10)	2	(98)	(98)	-
Net service charge expense	(12)	(1)	1	(12)	(12)	-
Other property related income	25	3	-	28	28	-
Direct property expenditure	(94)	(10)	-	(104)	(104)	-
Movement in bad and doubtful debt provisions	13	(1)	-	12	12	-
Segment net rental income	**471**	**41**	**(2)**	**510**	**510**	**-**
Other income	3	-	-	3	3	-
Administrative expenses	(80)	(2)	-	(82)	(82)	-
Depreciation	(5)	-	-	(5)	(5)	-
EPRA earnings before interest	**389**	**39**	**(2)**	**426**	**426**	**-**
Share of post-tax profit from joint ventures	33	(33)	-	-	-	-
Net surplus/(deficit) on revaluation of investment properties	416	(3)	(4)	409	-	409
Profit on disposal of investment properties	107	8	-	115	-	115
Profit on disposal of joint ventures	2	-	-	2	-	2
Profit/(loss) on disposal of trading properties	2	(1)	-	1	-	1
Gain on modification of finance lease	6	-	-	6	-	6
Movement in impairment charge on trading properties	(6)	-	-	(6)	-	(6)
Impairment of goodwill	(6)	-	-	(6)	-	(6)
Business combination costs	(8)	-	-	(8)	-	(8)
Operating profit/(loss)	**935**	**10**	**(6)**	**939**	**426**	**513**
Finance income	25	-	-	25	9	16
Finance expense	(85)	(10)	-	(95)	(80)	(15)
Profit/(loss) before tax	**875**	**-**	**(6)**	**869**	**355**	**514**
Taxation	-	-	-	-		
Profit/(loss) for the year	**875**	**-**	**(6)**	**869**		

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

Table 28: Property Income Distribution (PID) calculation

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
(Loss)/profit before tax per income statement	**(622)**	875
Accounting profit on residual operations	**(67)**	(62)
(Loss)/profit attributable to tax-exempt operations	**(689)**	813
Adjustments		
Capital allowances	**(43)**	(36)
Capitalised interest	**(22)**	(15)
Revaluation deficit/(gain)	**848**	(409)
Tax exempt disposals	**142**	(117)
Capital expenditure	**5**	4
Other tax adjustments	**(27)**	(28)
Goodwill amortisation and impairment	**5**	9
Estimated tax-exempt income for the year	**219**	221
PID thereon (90%)	**197**	199

As a REIT, our income and capital gains from qualifying activities are exempt from corporation tax. 90% of this income must be distributed as a Property Income Distribution and is taxed at the shareholder level to give a similar tax position to direct property ownership. Non-qualifying activities, such as sales of trading properties, are subject to corporation tax. This year, there was no net tax charge (2022: £nil).

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

The Company has 12 months after the year end to make the minimum distribution. Accordingly, PID dividends paid in the year may relate to the distribution requirements of previous periods. The table below sets out the dividend allocation for the years ended 31 March 2023 and 31 March 2022:

	PID allocation			**Ordinary dividend**	**Total dividend**
	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m	Pre-31 March 2022 £m	£m	£m
Dividends paid in year to 31 March 2022	-	67	-	-	67
Dividends paid in year to 31 March 2023	158	132	-	-	290
Minimum PID to be paid by 31 March 2024	39	-	n/a	n/a	n/a
Total PID required	**197**	199			

The Group has met all the REIT requirements, including the payment by 31 March 2023 of the minimum Property Income Distribution (PID) for the year ended 31 March 2022. The forecast minimum PID for the year ended 31 March 2023 is £197m, which must be paid by 31 March 2024. The Group has already made PID dividends relating to 31 March 2023 of £158m, leaving £39m to be paid in the coming year.

Our latest tax strategy can be found on our corporate website. In the year, the total taxes we incurred and collected were £134m (2022: £154m), of which £38m (2022: £57m) was directly borne by the Group including environmental taxes, business rates and stamp duty land tax. The Group has a low tax risk rating from HMRC.

Investor information

1. Company website: landsec.com

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

2. Registrar: Equiniti Group PLC

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

Telephone:

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

Correspondence address:

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

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

3. Shareholder enquiries

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

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

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

5. Dividends

The Board has recommended a final dividend for the year ended 31 March 2023 of **12p** per ordinary share to be paid as Property Income Distribution (PID). Subject to shareholders' approval at the Annual General Meeting, the final dividend will be paid on 21 July 2023 to shareholders registered at the close of business on 16 June 2023. The last date for Dividend Reinvestment Plan (DRIP) elections will be 30 June 2023. The total dividend paid and payable in respect of the year ended 31 March 2023 is **38.6p** (2022: 37p).

The first quarterly dividend for the year ending 31 March 2024 will be paid in October 2023 and will be announced in due course.

6. Dividend related services

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

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

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

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

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

7. Financial reporting calendar

	2023
Financial year end	31 March
Preliminary results announcement	16 May
Half-yearly results announcement	14 November

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.

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.

Development pipeline
The development programme together with future developments.

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.

EPRA
European Public Real Estate Association.

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

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

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

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

EPRA Net Reinstatement Value (NRV) per share
Diluted net assets per share adjusted to remove the cumulative fair value movements on interest-rate swaps and similar instruments, the carrying value of deferred tax on intangible assets and to include the difference between the fair value and the book value of the net investment in tenant finance leases and add back purchasers' costs.

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

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

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

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

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

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.

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

Like-for-like portfolio
The like-for-like portfolio includes all properties which have been in the portfolio since 1 April 2021 but excluding those which are acquired or sold since that date. Properties in the development pipeline and completed developments are also excluded.

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

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

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

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

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

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

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

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

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.

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

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

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

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

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.

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

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

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

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

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

Vacancy rates
Vacancy rates are expressed as a percentage of ERV and represent all unlet space, including vacant properties where refurbishment work is being carried out and vacancy in respect of pre-development properties, unless the scale of refurbishment is such that the property is not deemed lettable. The screen at Piccadilly Lights, W1 is excluded from the vacancy rate calculation as it will always carry advertising although the number and duration of our agreements with advertisers will vary.

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

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

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

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