14 November 2023

LAND SECURITIES GROUP PLC ("Landsec")

Results for the half year ended 30 September 2023

Further operational growth across the business; well positioned for new market reality

Mark Allan, Chief Executive of Landsec, commented:

"Our high-quality, differentiated portfolio and focused capital allocation mean we continue to benefit from customers concentrating on best-in-class space. In London, our well-located, sustainable offices in vibrant, amenity-rich areas continue to see growing occupancy, growing utilisation, growing customer space requirements and hence growing rents. In retail, sales in our locations continue to outperform brands' overall sales growth, also driving further growth in occupancy and rents. Despite the challenges in the general economic outlook, we see no signs of these trends abating.

"Since early 2022, we have been clear that we expected interest rates to remain higher for longer and that asset values would have to adjust to this new reality, which they have. We were decisive in acting on this view by selling £1.4bn of single-let HQ offices, mostly in the City, at prices ahead of today's values. Investment activity remains thin, but we expect this to pick up in 2024, which should start to support values for the best assets. We will continue to recycle capital where our ability to add further value is limited, but having been a net seller when prices were higher, we are well-placed to take advantage of opportunities that will no doubt arise as the new higher-for-longer reality is now more widely accepted."

Financial highlights

	30 Sep 2023	Prior period (1)		30 Sep 2023	Prior period (1)
EPRA earnings (£m)(2)(3)	198	197	Loss before tax (£m)	(193)	(192)
EPRA EPS (pence)(2)(3)	26.7	26.6	Basic EPS (pence)	(24.4)	(25.7)
EPRA NTA per share (pence)(2)(3)	893	936	Net assets per share (pence)	899	945
Total return on equity (%)(2)(3)	(2.4)	(2.9)	Dividend per share (pence)	18.2	17.6
Group LTV ratio (%)(2)(3)	34.4	31.7	Net debt (£m)	3,572	3,348

- EPRA EPS(2)(3) stable at 26.7p, in line with FY guidance, as positive leasing, margin improvement and 2.8% LFL income growth offset impact of deleveraging through asset sales during prior year
- Total dividend up 3.4% to 18.2p per share, in line with guidance of low single digit percentage growth
- Total return on equity improved to -2.4%, with loss before tax of £193m (after a £375m, or -3.6%, adjustment in portfolio value) resulting in a 4.6% reduction in EPRA NTA per share(2) (3) to 893p
- Maintained sector-leading balance sheet strength, with AA/AA- credit rating, 7.2x net debt/EBITDA, Group LTV(2)(3) of 34.4% and weighted average debt maturity of 9.3 years
- Continue to expect EPRA EPS for full year to be broadly stable vs last year's underlying 50.1 pence and low to mid single digit percentage growth in rental values in London and Major Retail

Operational highlights: well-placed due to focused execution of clear strategy

Delivered further growth in operational performance, underpinned by continued customer focus on best-in-class space, as decisive positioning for higher-for-longer rates through well-timed £1.4bn of disposals during prior year leaves Landsec well-placed to capture new opportunities and drive future growth.

Central London: strong customer demand underpins further growth in ERVs and occupancy

- Capitalised on continued customer demand for high-quality space in best locations, with £17m of lettings completed or in solicitors' hands, 3% ahead of valuers' assumptions, and overall Central London occupancy up 60bps to 96.5%, with West End portfolio effectively full at 99.6% occupancy
- Recorded 10% increase in office attendance vs prior six months, reflecting appeal of our well-located portfolio, with 27 of 35 lettings in last 12 months seeing customers taking more or same space
- Delivered 3.3% ERV growth on account of strong leasing activity, comfortably on track vs full year guidance of low to mid single digit percent ERV growth, as rise in valuation yields led to 4.5% softening of values
- Started two new developments in West End and Southwark, with expected 7.3% gross yield on total cost and c. 12% yield on incremental investment, as recently completed schemes are now 83% let or under offer, with lettings 12% ahead of initial assumptions

Major retail destinations: brands' focus on best stores drives growth in occupancy and ERVs

- Continued to drive positive leasing momentum, as key brands increase focus on fewer, bigger, better stores, with £24m of lettings signed or in solicitors' hands on average 6% above ERV, renewals on average 2% above previous passing rent, and current occupancy up 100bps vs March at 95.3%
- Facilitated +4.0% YoY sales growth for brands, with like-for-like sales +5.4% above 2019/20 levels, as online non-food sales fall for 26 months in a row whilst in-store sales continue to grow
- Delivered 1.4% ERV growth, on track vs guidance of low to mid single digit percent growth for the full year, with high income returns underpinning resilience in capital values (-1.3%)

Mixed-use urban neighbourhoods: preparing for first potential development starts in 2024

- Secured detailed planning consent for first phase of office development at Mayfield, creating optionality for potential earliest start of first c. £180m investment in first half of 2024
- Progressed further planning and land assembly workstreams at £1bn Finchley Road scheme to unlock potential start on site in first half of 2024, whilst optimising preparations for rest of long-term pipeline

Underpinning our strategy: strong capital base, operational efficiency and focus on sustainability

- Strong capital base, with AA/AA- credit rating, modest 34.4% LTV, low 7.2x net debt/EBITDA, long 9.3-year average debt maturity, £2.1bn undrawn facilities and no refinancing needs until 2026
- Sold £85m of smaller and non-core assets, on average 6% ahead of March book value, as further planned capital recycling will further increase existing headroom to capitalise on new opportunities
- Improved operating margin, as review of operating model in prior year and focus on cost led to reduction in overhead costs, despite persistent UK inflation
- Starting imminently with retrofit of air source heat pumps at first two sites as part of net zero transition investment plan, with 44% of office portfolio already EPC 'B' or higher vs 23% for London market
- Launched Landsec Futures Fund to invest £20m over next 10 years to enhance social mobility in our industry, empower more people towards world of work and deliver £200m of social value

1. Prior period measures are for the six months ended 30 September 2022 other than EPRA NTA per share, net assets per share, Group LTV ratio and net debt, which are as at 31 March 2023.
2. An alternative performance measure. The Group uses a number of financial measures to assess and explain its performance, some of which are considered to be alternative performance measures as they are not defined under IFRS. For further details, see the Financial review and table 14 in the Business analysis section.
3. Including our proportionate share of subsidiaries and joint ventures, as explained in the Financial review. The condensed consolidated preliminary financial information is prepared under UK adopted international accounting standards (IFRSs and IFRICs) where the Group's interests in joint ventures are shown collectively in the income statement and balance sheet, and all subsidiaries are consolidated at 100%. Internally, management reviews the Group's results on a basis that adjusts for these forms of ownership to present a proportionate share. These metrics, including the Combined Portfolio, are examples of this approach, reflecting our economic interest in our properties regardless of our ownership structure. For further details, see table 14 in the Business analysis section.

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

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

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

https://webcast.landsec.com/2023-half-year-results
Call title: Landsec half year results 2023

Forward-looking statements

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

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

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

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

Chief Executive's statement

Well placed for a new reality. Ready to capitalise on future opportunities.

Since we launched our strategy in late 2020, we have consistently focused on two key principles of sustainable value creation: focusing our resources where we have a genuine competitive advantage and maintaining a strong balance sheet. The external context has changed materially since then, but this clear focus and our decisive actions mean we are well-placed for the future.

A year ago, we clearly stated our view that the ultra-low rate environment over the prior decade was the aberration, not the increase in interest rates we had seen at the time, and that markets would have to adjust to a new higher rate, higher yield reality. We also said we expected the price adjustment in real estate to continue as a result, which it has. Whereas many last year paused activity in the hope that rates would fall back, we chose instead to prepare for this new reality and sold £1.4bn of assets; 86% of which were single-let City offices, where our ability to add further value was limited. In March, we also seized the opportunity to issue a £400m Green bond at 4.875%, so our average debt maturity is over nine years.

This meant we started the current financial year knowing that we could focus on driving operational results and preparing for future growth opportunities, rather than having to worry about how to reduce leverage or refinancing risks. This is precisely what we have done over the past six months. Although the economic backdrop remains uncertain, demand for the best-in-class space has remained strong, hence we delivered further growth in occupancy, like-for-like income and ERVs across our portfolio. We also completed our recent development programme, which is now 83% let or in solicitors' hands, with rents 12% ahead of initial expectations. And on the back of the latter, we started two new, low carbon office schemes in the vibrant, supply-constrained West End and Southwark sub-markets.

Our focus remains underpinned by three areas of competitive advantage: 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. As interest rates begin to stabilise, we expect investment activity to improve in 2024, which should start to support values for the best assets. Our balance sheet remains strong, with a 34.4% LTV and net debt/EBITDA of 7.2x, so we are well-placed to capitalise on opportunities which will no doubt emerge, as the higher-for-longer reality has now sunk in more widely.

Delivering consistent growth in operational performance

Building on the growing momentum across our business, operational performance remains positive. This is supported by our high quality portfolio, as people choose to spend time together in inspiring places, be it to work, shop or spend their leisure time. Recognising this, the focus from customers on the very best space to attract their staff or customers is now deeply embedded and we expect this to continue.

Reflecting this, we delivered 2.8% growth in like-for-like net rental income, offsetting the impact from our £1.4bn of disposals and significant deleveraging during the prior year. As a result, EPRA EPS for the half year of 26.7 pence was stable vs the prior period, in line with our guidance for EPRA EPS for the full year to be broadly stable vs last year's underlying 50.1 pence. Our dividend for the half year is 18.2 pence, up 3.4% vs last year in line with our guidance and reflecting a dividend cover of a healthy 1.5 times.

The marked rise in bond yields since the start of the year put further upward pressure on valuation yields, although the impact of this was partly offset by our strong leasing activity. This drove 2.5% ERV growth, with positive growth across all segments of our portfolio. As a result, the reduction in our portfolio value slowed compared to the second half of last year, to -3.6%. Similarly, the reduction in EPRA NTA per share slowed to 4.6% to 893 pence, reflecting an improvement in total return on equity to -2.4%.

Table 1: Highlights

	Sep 2023	Sep 2022	Change %
EPRA earnings (£m)[1]	**198**	197	**0.5**
Loss before tax (£m)[2]	**(193)**	(192)	**(0.5)**
Total return on equity (%)	**(2.4)**	(2.9)	**0.5**
Basic (loss)/earnings per share (pence)	**(24.4)**	(25.7)	**5.1**
EPRA earnings per share (pence)[1]	**26.7**	26.6	**0.4**
Dividend per share (pence)	**18.2**	17.6	**3.4**
	Sep 2023	Mar 2023	Change %
Combined portfolio (£m)[1]	**10,146**	10,239	**(0.9)**
IFRS net assets (£m)	**6,728**	7,072	**(4.9)**
EPRA Net Tangible Assets per share (pence)[1]	**893**	936	**(4.6)**
Adjusted net debt (£m)[1]	**3,524**	3,287	**7.2**
Group LTV ratio (%)[1]	**34.4**	31.7	**2.7**
Proportion of portfolio rated EPC 'B' or higher (%)	**41**	36	
Average upfront embodied carbon reduction development pipeline (%)	**45**	36	
Energy intensity reduction vs 2020 (%)	**19.4**	16.6	

1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information in the Financial Review.
2. Loss before tax of £193m as a result of a -£375m, or -3.6%, movement in portfolio value.

Our strategy in a changing market

The environment we operate in has changed markedly since we launched our strategy three years ago, yet our strategic focus remains the right one. Each of our three key areas – Central London offices, major retail destinations and mixed-use urban neighbourhoods – continue to benefit from growing demand for high-quality, well-located, sustainable space, which is driving rents higher for the best assets. What binds these areas together is the importance of a sense of place, as even though the proportions of use vary, the lines between where people want to work, live and spend their leisure time are blurring.

The surge in inflation and interest rates since early last year has had a material impact on asset values globally, be it for real estate, equities or bonds, but positively, inflation has come down markedly from its recent highs. Still, we expect UK inflation to remain relatively sticky, so whilst interest rates may now be close to their peak, it seems optimistic to us to assume that they will come down sharply anytime soon.

Our strategy in 2020 was never built on a view that the ultra-low rate environment at the time would last and our actions over the past three years reflect this, as we focused our investments where we have a genuine competitive advantage that enables us to create long-term value. As such, we acquired further stakes in Bluewater and Cardiff at yields of 8-10%; we sold £2.2bn of London offices at an average yield of 4.4%, 83% of which were single-let buildings, mostly in the City and in line with our view that HQ buildings would be more at risk from changes in ways of working; we unlocked future optionality in mixed-use schemes at Mayfield and Finchley Road; and we reduced our borrowings.

In this more normalised rate environment, we continue to target a total return on equity of 8-10% p.a. over time, comprising a mix of income and capital returns, driven by rental value growth and development upside. Starting with an income return on NTA of c. 5.5% we are in a good place to deliver on this, although short-term fluctuations in valuation yields, which are outside of our control, mean our return on equity is unlikely to be exactly in that range every individual year. We are seeing this in the current year, but this target remains what we base our medium-term decisions on.

In this context, it is critical that we continue to think carefully about capital allocation decisions in terms of risk and return. Major retail destinations, for the right assets, offer high single digit income returns plus the prospect of a return to sustainable rental growth, as evidenced by our own portfolio. Such opportunities continue to look appealing. Similarly, the yield on incremental spend for our near-term developments in London looks very attractive, at c. 12%. In general, development returns are naturally more challenged, as values are down and costs have gone up, although build cost inflation is now beginning to moderate. As such, we have been focused on realising design and cost efficiencies to maintain healthy returns and have made important progress on this, to preserve the valuable optionality of our longer-term pipeline.

Funding this investment activity will continue to come primarily from two sources. Firstly, from existing balance sheet capacity, which remains healthy as a result of our proactive asset disposal activity since early 2022. Secondly, from further capital recycling, with the focus of this activity now likely to shift increasingly to our £1.2bn subscale portfolio. Still, the extent of opportunity in our pipeline, and for accretive external growth, is such that over time this is likely to exceed our own balance sheet capacity. As capital discipline remains our priority, we continue to explore opportunities to enhance our own investment in future growth with other, complementary sources of capital, to accelerate our overall growth, capitalise on the platform value we are creating, and to enhance our overall return on equity.

Creating value through our competitive advantages

In executing our strategy, we continue to focus on our three key competitive advantages: our high quality portfolio; the strength of our customer relationships; and our ability to unlock complex opportunities. We have seen customer demand bifurcate further over the half year, as demand for modern, sustainable space in areas with the best amenities in London remained strong, even though overall office leasing across the market slowed. In retail, the focus from brands remains on fewer, but bigger and better stores in key locations. Supply of both is limited, which continues to drive rental value growth across our assets.

In London, 76% of our portfolio is now located in the vibrant West End and Southwark markets, up from 58% in 2020, whilst our City exposure is down to 24%. Our recently completed schemes are 83% let or in solicitors' hands, up from 60% six months ago, with rents well above ERV. Office utilisation continues to rise and 77% of our lettings over the last year have seen customers grow or keep the same floorspace. Across our existing portfolio we signed or are in solicitor's hands on £17m of leases, on average 3% above ERV. Occupancy is up 60bps to 96.5% and at 99.6% our West End portfolio is effectively full – both well ahead of the London market. This drove 3.3% growth in ERVs over the first six months, which is comfortably on track vs our full year guidance of low to mid single digit percent ERV growth.

Across our major retail destinations, we completed or are in solicitor's hands on £24m of lettings, on average 6% ahead of ERV. For the first time in years, uplifts on lease renewals have turned positive, on average 2% above previous passing rent, whilst occupancy is up 100bps since March to 95.3%. We have seen 1.4% ERV growth over the six months, which is on track vs our guidance of low to mid single digit percent growth for the full year. Similar to London, this growth very much reflects the high quality of our portfolio, as we maintain our long-held view that demand for generic retail and office space will remain lower than before the pandemic.

This is supplemented by our ability to unlock complex opportunities, such as in London, where we completed three projects over live Underground stations featuring highly bespoke engineering solutions, combined creating c. £215m of value; in retail, where we are exploring further opportunities to leverage our leading platform, post the discounted purchase of the debt on St David's from two lenders in early 2023; and in mixed-use, where we are progressing planning and land assembly at Finchley Road, following the resolution to grant consent to build 1,800 homes in March, and at Mayfield, where we obtained detailed consent for the first phase of development late summer.

Delivering sustainably

At the start of the year we updated our carbon reduction targets to align with the Science Based Targets Initiative's (SBTi) new Net-Zero Standard, as we remain committed to following a science-based net-zero pathway that ensures our actions respond to the urgency of the climate crisis. We committed to a near-term target of reducing our direct and indirect greenhouse gas emissions by 47% by 2030 from a 2020 baseline and committed to reach net zero by 2040 from the same baseline year. This target 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. Our emissions have already reduced by 26% compared with baseline.

To align with our revised carbon reduction target, we have updated our energy intensity target to reduce energy intensity by 52% by 2030 from a 2019/20 baseline. We are already tracking a 19% reduction, having achieved an energy intensity reduction across our portfolio of 3% vs last year during the period.

We continue to progress the implementation of our net zero transition investment plan, which will ensure we meet our near-term science-based carbon reduction target and stay ahead of the proposed Minimum Energy Efficiency Standard Regulations. This requires a minimum EPC 'B' certification by 2030, yet 44% of our office portfolio and 41% of our overall portfolio is already rated B or higher, up from 38% and 36% in March. We are about to start retrofitting air source heat pumps at our first two office locations and are progressing design work for a further four buildings. The benefit of this in terms of improved EPC ratings will be visible from 2025 onwards, when these become operational. In addition, we continue to focus on reducing upfront embodied carbon from our development schemes and improving energy efficiency, expanding the work with our largest customers to help them identify ways to save energy.

Earlier this year, we also launched our Landsec Futures fund, which is aimed at improving social mobility in the real estate industry and will see us invest £20m over the next decade. This will ensure we deliver on our target to create £200m in social value and empower 30,000 people towards the world of work by 2030. This is built on our strong track-record of investing in our local communities, which has already seen us create £27m of social value and empower 7,925 people to work since 2020.

Outlook

Since the start of the year, the reduction in inflation, return to real wage growth for consumers and better than expected resilience in UK GDP have been encouraging. Still, we remain mindful that the ongoing transition from a decade of free money and excess liquidity to a higher interest rate world could continue to create its dislocations and that higher-for-even-longer rates could eventually start to impact consumer and customer demand, even though we are not seeing any signs of this yet. Nevertheless, our strategic decisions over the past three years mean we are in great shape for any eventuality:

- our portfolio quality is high, which has increasingly become the decisive factor for our customers;
- our balance sheet is strong, at 7.2x net debt/EBITDA and a 9.3-year average debt maturity;
- we have sold £2bn+ of assets most at risk of repricing, creating capacity for higher-return investments;
- we have created an attractive pipeline of opportunities, with flexibility on future commitments.

Investment activity remains subdued for now but the combination of recent relative stability in long-term rates and greater economic resilience so far means that we expect activity levels to pick up in 2024. The refinancing of cheap debt issued before 2022 across the sector remains a challenge, but the apparent availability of new equity and mezzanine finance to plug gaps in the capital stack means that we see the risk of disorderly sales putting significant pressure on the value of high-quality assets as lower than six months ago. As a result, for the best assets we expect values will start to stabilise during 2024, although secondary assets where the sustainability of cashflow is questionable will likely continue to fall.

From an income perspective, higher interest costs and cost inflation are a headwind across every sector, yet the sustainability of our earnings remains underpinned by our long average debt maturity and growth in like-for-like income, reflecting the strong demand for our high-quality space. For this year, the upside from this is largely offset by our significant disposals last year and the c. £10m impact on earnings from the start-up cost of opening three new Myo locations, the last over-rented retail leases resetting and the investment in our systems we outlined in May. As such, we reiterate our guidance for EPRA EPS this year to be broadly stable vs last year’s underlying level of 50.1 pence, before returning to growth next year. As our dividend cover is at the high end of our 1.2-1.3x target range, we continue to expect our dividend to grow by a low single digit percentage per year over these two years.

Whilst macroeconomic signals remain mixed, with long-term rates seemingly beginning to stabilise and occupier demand for the best assets remaining robust, the outlook for values for best-in-class assets should start to improve. We have made considerable progress in executing our strategy over the past three years hence Landsec is well placed for long-term growth. We remain excited about the future.

Operating and portfolio review

Overview

Our combined portfolio was valued at £10.1bn as of September, comprising the following segments:

— Central London (62%): our modern, high-quality office (83%) and retail and other commercial space (17%), located in the West End (69%), City (24%) and Southwark (7%).
— Major retail destinations (18%): our investments in six shopping centres and five retail outlets, with the seven largest assets comprising 84% 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 urban places, focused on five locations in London, Manchester and Glasgow, some of which currently have a predominant use as retail ahead of their medium-term repositioning.
— Subscale (12%): assets in sectors where we have limited scale or competitive advantage and which we therefore plan to divest over time, split broadly equally between retail parks, hotels and leisure.

Investment activity

In late 2020, we said we intended 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. This remains on track, as half way into this period, we have sold £2.5bn of assets.

Following our £1.4bn of disposals last year, we did not make any material disposals during the half year, yet since then we have sold one of our two smallest outlets and a number of non-core U+I assets, taking total disposals to £85m, on average 6% above March book value. When we set out our plan to sell c. £4bn of assets three years ago, we said we would focus on the sale of c. £2.5bn of offices first, as yields were at an all-time low and therefore most at risk of moving out. With our timely disposal of £1.4bn of offices last year, we have sold £2.2bn of our c. £2.5bn target at an average yield of 4.4% and a modest 4% discount to book value. Most of these were large City HQ buildings, so as a result our City exposure is down from 42% three years ago to 24% currently. Our focus is now mostly on recycling capital out of subscale sectors, which we aim to progress in the second half, assuming no major economic shocks.

During the first half, net acquisitions were £75m and we spent £108m on development capex. Our sole acquisition was a 89,000 sq ft, EPC B-rated office in Kings Cross, where in a back to back deal, we agreed a lease surrender with the tenant. This unlocked the opportunity to convert the space into a new Myo location, which we expect to open in early 2025. Net of the received payment, the acquisition price reflects a capital value of c. £800 per sq ft and we expect the Myo conversion to deliver a mid-teens IRR.

Portfolio valuation

The significant increase in interest rates since the start of the year meant that transaction volumes across global and UK property markets have remained subdued. As a result, yields have softened further, so despite positive ERV growth across every segment, the value of our portfolio reduced by 3.6%.

Our Central London portfolio was down 4.5% over the period as the upside from our 3.3% ERV growth was offset by a 33bps increase in yields to 5.3%. The value of our West End office (-3.1%) and retail and other assets (-1.4%), which make up 75% of our London investment portfolio, again proved more resilient than our City offices (-9.3%). This reflects our ongoing strong leasing activity in the West End, where our entire Victoria estate is now 100% full, driving 4.7% ERV growth. In the City, where we have sold around half of our assets over the past three years, the higher availability of space meant that ERV growth was more muted, in line with our guidance, at 1.0%. The valuation of our development assets was down 4.9%, as successful lettings and ERV growth were offset by a general softening in yields.

The valuation of our major retail assets proved resilient, down just 1.3% over the six months, as 1.4% growth in ERVs virtually offset a 16bps softening in yields. Outlet values were down 3.8%, mostly driven by an increase in yields, yet shopping centre valuations were stable. This reflects the solid operational performance and high day-one income returns, which makes yields less sensitive to interest rate movements than low-yielding sectors. As a result, with a 2.9% total return over the half year, major retail again was the best performing part of our core portfolio, ahead of London (-2.4%) and mixed-use (-3.8%).

The value of our mixed-use assets was down 6.2%, driven by 52bps yield softening at MediaCity. Our future developments saw a 3.6% reduction in value, as the majority of these are valued based on their existing retail use. We manage income on a short-term basis to maximise flexibility for development, but as the duration of income reduced, values softened slightly. The valuation of our Subscale portfolio was broadly stable, at -0.6%, reflecting strong operational performance in hotels (+1.7%) and resilience in retail parks (-0.6%). Following a marked reduction in the prior year, the valuation of our leisure assets started to stabilise (-2.7%), as its largest tenant, Cineworld, successfully recapitalised during the period.

Looking ahead, we expect the current subdued investment activity could result in some further yield softening in the near future. The sharp rise in borrowing costs over the past two years will reduce the interest cover on refinancing any pre-2022 debt, especially where leverage is high and initial yields were low. In the UK, on average roughly £40bn of commercial real estate loans mature p.a. over 2024-27, but it is difficult to assess the exact funding gap on this, as averages are somewhat meaningless in trying to calculate this. However, the risk of disorderly sales driving the value of high-quality assets down materially seems limited, as there appears to be equity or mezzanine capital available to plug gaps in the capital stack for such assets. As the outlook for interest rates begins to stabilise, we therefore expect investment activity to pick up in 2024 and values for the best assets which offer clear rental growth potential to stabilise, although we expect further pressure on the value of secondary assets where occupational demand is questionable. For our portfolio, we continue to expect ERVs in London and major retail to grow by a low to mid-single digit percentage this year.

Table 2: Valuation analysis

	Market value 30 Sep 2023	(Deficit)/ Surplus	Valuation change	LFL rental value change[1]	Net initial yield	Topped up net initial yield	Equivalent yield	LFL equivalent yield change
	£m	£m	%	%	%	%	%	bps
West End offices	2,578	(78)	(3.1)	4.7	4.8	5.6	5.4	31
City offices	1,221	(123)	(9.3)	1.0	3.9	4.8	5.8	51
Retail and other	1,039	(15)	(1.4)	3.4	4.4	4.6	4.9	22
Developments	1,364	(70)	(4.9)	n/a	0.0	1.8	5.0	n/a
Total Central London	**6,202**	**(286)**	**(4.5)**	**3.3**	**4.5[2]**	**5.2[2]**	**5.3**	**33**
Shopping centres	1,206	1	0.1	1.6	8.0	8.6	8.1	13
Outlets	665	(26)	(3.8)	0.9	6.7	6.7	7.4	20
Total Major retail	**1,871**	**(25)**	**(1.3)**	**1.4**	**7.5**	**7.9**	**7.8**	**16**
Completed investment	355	(38)	(9.7)	0.6	6.0	6.1	6.8	52
Developments	473	(19)	(3.6)	n/a	5.4	5.3	5.8	n/a
Total Mixed-use urban	**828**	**(57)**	**(6.2)**	**0.6**	**6.0[2]**	**6.1[2]**	**6.1**	**52**
Leisure	424	(11)	(2.7)	1.8	8.6	8.8	8.7	17
Hotels	404	7	1.7	5.2	6.9	6.9	6.7	5
Retail parks	417	(3)	(0.6)	0.8	6.7	7.0	6.6	21
Total Subscale sectors	**1,245**	**(7)**	**(0.6)**	**2.4**	**7.4**	**7.5**	**7.3**	**13**
Total Combined Portfolio	**10,146**	**(375)**	**(3.6)**	**2.5**	**5.7[2]**	**6.2[2]**	**6.1**	**29**

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

Leasing and operational performance

Central London

The focus in customer demand on buildings with the best sustainability credentials, transport connectivity and local amenities to make key talent want to spend time in the office is now firmly embedded. As the amount of space which ticks all these boxes is limited, pricing of this continues to go up, whilst space which does not meet all these criteria is at risk of becoming obsolete, almost irrespective of price.

Illustrating the appeal of high-quality space in the right locations, we have set new record rents in Victoria. Office attendance across our portfolio also continues to grow, as turnstile tap-ins over the past six months are up 10% vs the preceding six months and 22% year-on-year. Whilst utilisation is still lower than it was pre-Covid, we are seeing our customers plan for more square foot per person, to create more space for collaboration, focus work or wellbeing. As such, of our 35 lettings covering £58m of rent over the past year, 49% involved customers increasing floorspace, whilst only 23% reflected customers downsizing. This is in line with market data which shows that only one-fifth of active requirements is for less space.

We have consistently said that we expected overall demand for UK office space to reduce as a result of more flexible ways of working, but that this would mostly impact large HQ type space and areas which lack the amenities to make people want to spend time there. The fact that we have started to see several high-profile announcements of, for example, major banks reducing their floorspace and relocating to different parts of London therefore does not come as a surprise to us. Indeed, this is why virtually all of our office disposals over the past three years have been large, single-let HQ buildings and why we have increasingly focused our portfolio on multi-let clusters, mostly in the West End and Southwark.

This bifurcation in demand is also reflected in vacancy statistics. Whilst the average vacancy rate across the London office market is elevated, at 8.8%, 90% of all vacant space sits in 10% of all London offices and almost 40% of all vacant square foot sits in just 1% of the buildings in the capital. Indeed, almost 85% of all buildings have zero vacancy. This shows it is misleading to look at averages, as vacancy is mostly a building issue, not a market wide issue. This highlights why offices are different than retail 5+ years ago, as in retail even the best locations saw vacancy rise and, as a result, rents fall. Conversely, in offices, Grade A availability remains low, at 1.7%, which continues to push rents higher for the best space.

Although the wider economic uncertainty meant that take-up across the overall London market slowed, demand for space in our portfolio remained robust. We signed 23 lettings and renewals during the half year, totalling £14m of rent, on average 2% ahead of valuers' assumptions, with a further £3m in solicitors' hands, 5% above valuers' estimates. As a result, occupancy rose 60bps to 96.5%, with our West End offices basically full, at 99.6% occupancy, well ahead of the 95.8% market average. We also continue to see strong demand for our Myo flexible offer, as 123 Victoria Street remains 100% let and Dashwood is now 94% let, up from 85% in March. We will be opening three new Myo locations this autumn, totalling 138,000 sq ft, with a further location opening in spring 2024. We are planning to open a further location in Kings Cross in 2025 which will bring our total Myo space to c. 300,000 sq ft.

Major retail destinations

For many key brands, including Next, UNIQLO, M&S and H&M, sales growth in our centres is significantly outperforming their overall sales growth, which explains the strength of demand for space in our major retail destinations. Total retail sales across our portfolio grew +4.0% YoY and like-for-like sales were +5.4% above 2019 levels. Meanwhile, footfall across our shopping centres increased by 5% vs the same period last year and is now at c. 90% of pre-pandemic levels.

We have continued to see a further shift back from online to physical sales, with negative online non-food sales growth for the past 26 months, whilst in-store sales have continued to grow. For most major brands online and physical channels have become firmly interconnected, whilst the increase in cost of capital and cost of doing business online is keeping the pressure on online pure-play retail models to focus on growing profitability rather than market share, increasing the cost for consumers to buy online.

As expected, many brands continue to reduce their overall store footprints. However, the focus on ‘fewer, bigger, better’ stores continues to support demand for more space in key destinations, as brands upsize existing stores, or open new units as they relocate from nearby stores to benefit from higher footfall in a ‘flight to prime’. As such, leasing momentum remained robust, despite the cost of living challenges facing consumers in the early part of the year in particular.

This meant we delivered 9.9% growth in like-for-like net rental income. We signed 109 lettings totalling £13m of rent, up 7% vs the prior year, on average in line with ERV, whilst we have a further £11m of lettings in solicitors’ hands, on average 14% ahead of ERV. Occupancy was stable during the period at 94.3%, but has increased 100bps to 95.3% since the period-end. Insolvencies remain limited, so units in administration remain low at 0.7% compared to 0.5% in March.

Looking ahead, in the second half of the year we expect occupancy to improve further and some of the last over-rented historical leases to reset, paving the way for solid like-for-like income growth from next year onwards. Whilst sales in our shopping centres are back to pre-pandemic levels, rents remain c. 25-30% lower, further underpinning the attraction of our major retail destinations for omnichannel brands.

Mixed-use urban neighbourhoods & subscale sectors

Our completed investment assets in mixed-use at present solely comprise our investment in MediaCity, where occupancy reduced 220bps following a 180bps increase in the prior year. The bulk of the income in our mixed-use development assets relate to our three shopping centres in London and Glasgow. This income is currently managed on a short-term basis to maximise our flexibility for potential future repositioning. Operational performance across our subscale portfolio remains resilient. We completed £1m of retail park and leisure lettings with a further £6m in solicitors’ hands, on average 3% above valuers’ assumptions, whilst occupancy increased 20bps. Our hotels, which are fully let to Accor, saw occupancy rise to 97% of pre-Covid levels, driving a further increase in RevPAR.

Table 3: Operational performance analysis

	Annualised rental income £m	Net estimated rental value £m	EPRA occupancy[1] %	LFL occupancy change[1] ppt	WAULT[1] Years
West End offices	136	153	99.6	0.1	6.2
City offices	64	94	92.1	1.6	8.3
Retail and other	39	53	95.5	0.1	7.9
Developments	16	133	n/a	n/a	n/a
Total Central London	**255**	**433**	**96.5**	**0.6**	**6.9**
Shopping centres	119	122	94.7	-	4.5
Outlets	54	60	93.6	-	3.1
Total Major retail	**173**	**182**	**94.3**	**-**	**4.2**
Completed investment	24	26	95.6	(2.2)	8.3
Developments	31	35	n/a	n/a	n/a
Total Mixed-use urban	**55**	**61**	**95.6**	**(2.2)**	**8.3**
Leisure	47	45	96.9	1.5	10.8
Hotels	35	29	n/a	n/a	7.7
Retail parks	29	30	97.1	(1.5)	5.4
Total Subscale sectors	**111**	**104**	**97.9**	**0.2**	**8.3**
Total Combined Portfolio	**594**	**780**	**96.0**	**0.2**	**6.3**

1. Excluding developments.

Development pipeline

Central London

We continue to see strong demand for the high-quality space we develop. We completed our two on-site developments, n2 in Victoria and Lucent behind Piccadilly Lights, which are now 100% and 99% let or in solicitors' hands, with rents on average 13% ahead of initial assumptions. At The Forge in Southwark, we completed a new Myo location this month and further progressed lettings, covering 49% of this scheme including deals in solicitors' hands or advanced negotiations. Once fully let, these three schemes are set to generate a gross ERV of £45m, supporting near-term income growth. We also completed the 21 Moorfields development in the City, which we sold last year for £809m, crystallising a 25% profit on cost.

Since March, development activity has remained relatively stable and 39% of space under construction is already pre-let. Refurbishments made up half of all new construction starts since March, as aside from our projects, speculative new-build starts across the capital were just 1.2m sq ft. At the same time, demand for the best, most sustainable space continues to grow, partly driven by tighter regulation, but much more so by customers' own sustainability agendas and the expectations of their stakeholders.

The combination of growing demand vs reduced new supply of modern, sustainable space creates an attractive opportunity. Building on the success of our recent completions, we have therefore started the major refurbishment of Thirty High (formerly Portland House) in Victoria and the development of Timber Square in Southwark. The gross yield on total development cost is expected to be 7.3%, whilst the yield on incremental spend is c. 12%, providing an attractive return.

Table 4: Committed pipeline

Property	Sector	Size sq ft '000	Estimated completion date	Net income/ ERV £m	Market value £m	Costs to complete £m	TDC £m	Gross yield on TDC %
Thirty High, SW1	Office	299	Aug-25	30	196	218	407	7.4%
Timber Square, SE1	Office	376	Dec-25	30	114	286	408	7.3%
Total		**675**		**60**	**310**	**504**	**815**	**7.3%**

Beyond this, we have a potential pipeline of 1.3m sq ft, of which 0.5m sq ft has planning. The earliest start of our two consented schemes is mid to late 2024, as we are seeking to enhance the existing consent at Liberty of Southwark, and are planning to carefully de-construct Red Lion Court, SE1 so that we can re-use part of its materials in our new Southwark pipeline to reduce embodied carbon. Beyond these two schemes, we continue to progress design and planning on our 0.9m sq ft of medium-term schemes.

Table 5: Future Central London development pipeline

Property	Sector	Proposed sq ft '000	Indicative TDC £m	Indicative ERV £m	Gross yield on TDC %	Potential start date	Planning status
Near-term							
Liberty of Southwark, SE1	Office/resi	225	255	17	7.5[1]	H2 2024	Consented
Red Lion Court, SE1	Office	250	330	24	7.2	H2 2024	Consented
Total near-term		**475**	**585**	**41**	**7.4**		
Medium-term							
Old Broad Street, EC2	Office	290				2025	Planning application
Hill House, EC4	Office	380				2026	Planning application
Nova Place, SW1	Office	40				2025	Design
Southwark Bridge Road, SE1	Office	150				2025	Design
Total medium-term		**860**					
Total future pipeline		**1,335**					

1. Gross yield on cost adjusted for residential TDC.

Mixed-use urban neighbourhoods

As consumer expectations on how we live, work and spend our leisure time change and sustainability requirements continue to grow, there is a structural need to remodel many parts of the existing urban environment, to make sure it is fit for future needs. We control a select number of assets close to major transportation links in some of the fastest growing urban areas in the UK, such as London, Manchester and Glasgow, providing an opportunity to deliver and curate thriving, sustainable mixed-use places.

We continue to progress the preparation of our two most advanced projects, creating optionality for a potential start on site next year. At Mayfield, adjacent to Manchester's main train station, we secured detailed planning consent for the first 330,000 sq ft of office development across two buildings in September. The expected investment for this is c. £180m. We continue to work on enhancing our plans and expected returns, so subject to this, we could potentially start this first phase in the first half of 2024. At Finchley Road, in zone two London, where we secured a resolution to grant planning consent for our 1,800 homes masterplan in March, we secured vacant possession of an important part of the first phase of this site during the period. Subject to further planning and land assembly workstreams, we could potentially start enabling works in the first half of 2024 as well.

In conjunction, we continue to enhance our plans for our longer-term projects in Lewisham, south-east London, and Glasgow. This reflects our clear ambition to reduce embodied carbon by working more with the existing built stock in place, rather than demolishing everything and starting over, as set out in the embodied carbon targets we announced last year. As the return environment and our cost of capital has changed as well, we are also looking at opportunities to retain more of the existing rental income, to optimise our overall return on capital and income. This will likely result in less carbon and less capital intensive interventions in both locations, which we are currently incorporating in new masterplans. Both sites continue to offer significant potential, and with a 8%+ current income yield, the holding cost is low.

In addition, we have a small number of potential longer-term opportunities which are effectively held at option value. This includes the second phase of MediaCity, where we continue to work with our partner Peel on establishing the long-term vision for this site. Overall, our mixed-use pipeline therefore continues to provide a valuable opportunity to create an attractive mix of income, development upside and medium-term growth potential, whilst the mixed-use nature, ability to phase capex, geographic spread, 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
Near-term								
Mayfield, Manchester	50-100	2,500	2024	18	2026/2034	800-950	7 - 8	Consented
Finchley Road, NW3	100	1,400	2024	10	2027/2035	950-1,050	6 - 7	Consented
Medium-term								
MediaCity, Greater Manchester	75	1,900	2025	8	2027/2032	600-700	7 - 8	Consented
Buchanan Galleries, Glasgow	100		2025					Design
Lewisham, SE13	100		2026					Design

Delivering in a sustainable way

Shortly after the start of this financial year, we updated our carbon reduction targets to align with the Science Based Targets Initiative's (SBTi) new Net-Zero Standard. This meant we were one of the first companies in the world to have our science-based targets validated under the Net-Zero Standard, which is the first global framework for corporate net-zero target setting. In response to the new SBTi standard, and in recognition of progress to date, we committed to a near-term target of reducing direct and indirect greenhouse gas emissions by 47% by 2030 from a 2020 base year and committed to reach net zero by 2040 from the same base year. This materially increased 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. Our emissions have already reduced by 26% compared to this baseline.

To align with our revised carbon reduction target, we have updated our energy intensity target to reduce energy intensity by 52% by 2030 from a 2019/20 baseline. We are already tracking a 19% reduction, having achieved an energy intensity reduction across our portfolio of 3% vs last year during the period.

Two years ago, we were the first UK property company to launch a fully costed net zero carbon transition plan. This plan will ensure we deliver our near-term science-based target and meet the proposed Minimum Energy Efficiency Standard of EPC 'B' by 2030. The expected cost to deliver this plan is already reflected in our current portfolio valuation. At present, 41% of our portfolio is already rated 'B' or higher, including 44% of our office portfolio, up from 36% in March. We expect this to increase further from 2025 onwards, as the benefits from our net zero transition investments come through.

As part of this investment plan, we are now about to start the retrofit of air source heat pumps at our first two office locations, 16 Palace Street, SW1 and Dashwood, EC2. We are progressing detailed designs for a further four locations, two of which we expect works to start on site during 2024. Working closely with our customers, we are on track to expand our energy audits from 25 to 38 of our largest customers this year. Combined, these cover 56% of the energy used by our customers in our office portfolio and so far our work has identified potential annual carbon and energy savings of 10-20% per customer.

Focusing on the emissions from the development of our schemes now included in our carbon reduction targets, we set a target last year to reduce upfront embodied carbon by 50% vs a typical development by 2030, to below 500kgCO_2e/sqm for offices and 400kgCO_2e/sqm for residential. Our future pipeline is currently tracking at an average 45% reduction. At our recently started Timber Square scheme we already achieved a reduction in embodied carbon to 522kgCO_2e/sqm due to retention of part of the existing structure, a highly optimised design and the use of low carbon cross laminated timber. Similarly, at our other recently started project, Thirty High, retaining the original structure and upgrading the existing façade has resulted in an upfront embodied carbon intensity of just 347kgCO_2e/sqm.

Enhancing our strong track-record of investing in our local communities, earlier this year we launched our Landsec Futures fund, which will see us invest £20m over the next decade, aimed at improving social mobility in the real estate industry and tackling issues local to our assets. This investment will support the delivery of our 2030 targets to create £200m of social value and empower 30,000 people towards the world of work. From our 2019/20 baseline, we have created £27m of social value and empowered 7,925 people and we were recently recognised as 'Organisation of the Year' by the UK Social Mobility Awards for our efforts.

Financial review

Overview

External market conditions remained unsettled over the half year. Unsurprisingly, this continued to affect the valuation of property and other assets globally, yet the impact of this was mitigated significantly by our successful disposals over the prior 2.5 years, our high-quality portfolio and our strong operational results. We anticipate interest rates to remain higher for longer, yet as we expect they are probably close to their peak, this should create a more supportive outlook for 2024. We are well-placed for the opportunities this provides, which underpins our confidence in our ability to grow earnings and dividend over time.

EPRA earnings for the half year were stable at £198m (+0.5%), as our positive operational performance offset the impact of our significant deleveraging through disposals during the prior year. Like-for-like gross rental income was up 1.8%, or 2.8% on a net rental income basis. This reflects our continued growth in occupancy, retail turnover income and hotel income, but also our tight cost control. As a result, EPRA EPS was effectively stable at 26.7 pence (+0.4%), in line with our guidance for full year EPRA EPS to be broadly stable vs last year's underlying level of 50.1 pence. Our interim dividend is up 3.4% to 18.2 pence, in line with our guidance of low single digit percentage growth this year, as we continue to target a dividend cover of 1.2-1.3x on an annual basis.

Even though we delivered further growth in occupancy and ERVs, the valuation of our portfolio was down £375m due to an increase in valuation yields, driven by the rise in bond yields during the period. This resulted in a loss before tax of £193m, compared to a respective loss of £192m and £430m over the first and second half of the prior year. As a result, our total return on equity including dividends paid improved to -2.4%, with basic EPS at -24.4 pence and EPRA NTA per share down 4.6% to 893 pence.

Our decisive action over the past few years in selling £2.5bn of assets, principally long-let, single-tenant City offices, means our balance sheet remains strong. Net debt increased £0.2bn to £3.5bn in the half year, but remains well below the £4.2bn at the start of the prior year. Our LTV increased slightly to 34.4%, although this remains an imperfect measure to judge leverage when investment activity is low and the approach to valuations varies widely in different markets. In times like this, we therefore focus more on net debt/EBITDA as a cash-on-cash measure, which stood at 7.2x at the end of September – broadly similar to the 7.0x in March. Meanwhile, our average debt maturity remains high at 9.3 years and with £2.1bn of cash and undrawn facilities, we have no need to refinance any maturing debt until 2026.

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 £10.1bn, 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 positive leasing performance, the high quality of our portfolio and our focus on margin improvement are clearly reflected in our resilience in income. Combined with our acquisition of the discounted debt on 50% of the St David's shopping centre in Cardiff just before the start of this year at an implied property yield of almost 10%, this offset the impact of our significant London office disposals during the prior year. Combined, this therefore improved our overall balance sheet position and earnings profile.

Table 7: Income statement[1]

	Six months ended 30 September 2023					Six months ended 30 September 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]	**146**	**92**	**29**	**56**	**323**	160	84	28	53	325	(2)
Net service charge expense	**(3)**	**(4)**	**(1)**	**(2)**	**(10)**	(1)	(6)	(1)	(1)	(9)	(1)
Net direct property expenditure	**(11)**	**(12)**	**(5)**	**(8)**	**(36)**	(11)	(15)	(6)	(6)	(38)	2
Movement in bad/doubtful debts provisions	**-**	**4**	**-**	**1**	**5**	1	3	(4)	-	-	5
Segment net rental income	**132**	**80**	**23**	**47**	**282**	149	66	17	46	278	4
Net administrative expenses					**(38)**					(41)	3
EPRA earnings before interest					**244**					237	7
Net finance expense					**(46)**					(40)	(6)
EPRA earnings					**198**					197	1
Capital/other items											
Valuation deficit					**(375)**					(323)	(52)
Loss on changes in finance leases					**-**					(6)	6
Loss on disposals					**(3)**					(92)	89
Impairment charges					**(4)**					(8)	4
Fair value movement on interest rate swaps					**2**					48	(46)
Other					**1**					(6)	7
Loss before tax attributable to shareholders of the parent					**(181)**					(190)	9
Non-controlling interests					**(12)**					(2)	(10)
Loss before tax					**(193)**					(192)	(1)

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 was down £2m to £323m due to our disposals. Like-for-like income was up £5m, or 1.8%, driven by growth in like-for-like income in retail and subscale sectors and was further supported by positive leasing in Central London.

Net rental income increased by £4m, which included a £5m reversal of bad and doubtful debt provisions. Despite high UK inflation, direct property expenditure fell by £2m and whilst net service charge expenses were up £1m, this was primarily driven by higher costs related to the initial lease-up phase of our recent London office developments. The impact from developments and repositioning of space, which includes repurposing conventional office space to Myo, reduced income by £2m. We expect this to be temporary, as we anticipate this space to be let at higher rents and our recent development completions start to become income-producing. On a like-for-like basis, our net rental income was up £6m, or 2.8%.

As a result of our tight control of cost, our gross to net margin improved by 1.9ppt to 87.4%. We expect our overall gross to net margin for the full year to be close to last year's 86.7%.

We have seen minimal insolvencies and no CVAs during the half year. Following the recapitalisation of Cineworld, which makes up 1.7% of our annual rent, and its exit from Chapter 11 bankruptcy proceedings in the US, we agreed to restructure a number of leases, resulting in an annual rent reduction of £1m, but 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 six months ended 30 September 2022	**278**
Gross rental income like-for-like movement in the period[2]:	
Increase in variable and turnover-based rents	**4**
Other movements	**1**
Total like-for-like gross rental income	**5**
Like-for-like net service charge expense	**2**
Like-for-like net direct property expenditure	**(1)**
Decrease in surrender premiums received	**(2)**
Developments[2]	**(2)**
Acquisitions since 1 April 2022[2]	**8**
Disposals since 1 April 2022[2]	**(11)**
Movement in bad debts	**5**
Net rental income for the six months ended 30 September 2023	**282**

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

Although UK inflation remained elevated, our net administrative expenses were down £3m to £38m. This reflects the efficiency benefits of the organisational review we did last year and our continued focus on making sure our cost base is appropriate. Reflecting this and our improved gross to net margin, our EPRA cost ratio improved by 3.2ppt to 23.0%.

Even though high wage inflation and general cost inflation continue to put upward pressure on costs, we still expect administrative expenses for this year to be lower than the £84m last year. Costs this year for our investment in upgrading our systems and data capability are expected to be broadly in line with last year, and will reduce from the year to March 2025. Partly reflecting this investment in technology, we have identified clear opportunities to improve efficiency beyond the current year.

Net finance expenses

Net interest costs increased £6m to £46m, principally reflecting an increase in variable interest rates and the impact of the £400m Green bond we issued in March. 92% of our debt is fixed or hedged, but given the increase in cost of the small proportion of variable rate debt and a reduction in capitalised interest as our recent London developments have now completed, we expect net interest cost in the second half of the year to be somewhat higher than in the first half.

Non-cash finance income, which includes the fair value movements on derivatives and which is not included in EPRA earnings, decreased from a net income of £48m in the prior period to a net income of £2m over the past six months. This is predominantly due to the fair value movements of our interest-rate swaps as a result of the increase in interest rates over the period.

Valuation of investment properties

The independent external valuation of our Combined Portfolio showed a reduction in value of £375m. Our positive leasing activity resulted in 2.5% ERV growth, yet the upside of this was more than offset by an increase in valuation yields, driven by the sharp increase in bond yields during the half year.

IFRS loss after tax

Substantially all our activity during the year was covered by UK REIT legislation, which means our tax charge for the period remained minimal. The IFRS loss after tax as a result of the above fair value adjustment of our investment portfolio moderated to £193m, compared to £192m in the first half and £430m in the second half of last year.

Net assets and return on equity

Our total return on equity for the six months improved to -2.4%, compared to -2.9% and -5.6% in the first and second half of last year. Our income return was 2.8% and ERV growth and development drove a capital return of 2.9%. On an annualised basis, this compares favourably to the 8-10% return on equity we target over time, before the short-term impact fluctuations in valuation yields have in the short term.

After the £156m of dividends we paid, EPRA Net Tangible Assets, which principally reflects the value of our Combined Portfolio less adjusted net debt, reduced to £6,647m, or 893 pence per share. This marks a 4.6% reduction for the half year on a per share basis, half of which was made up for by dividends.

Table 9: Balance sheet[1]

	30 September 2023 £m	31 March 2023 £m
Combined Portfolio	**10,146**	10,239
Adjusted net debt	**(3,524)**	(3,287)
Other net assets	**25**	15
EPRA Net Tangible Assets	**6,647**	6,967
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	**(26)**	(12)
Fair value of interest-rate swaps	**44**	42
Net assets, excluding amounts due to non-controlling interests	**6,673**	7,005
Net assets per share	**899p**	945p
EPRA Net Tangible Assets per share (diluted)	**893p**	936p

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

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

	£m	Diluted per share pence
EPRA Net Tangible Assets at 31 March 2023	6,967	936
EPRA earnings	198	27
Like-for-like valuation movement	(290)	(40)
Development valuation movement	(69)	(9)
Impact of acquisitions/disposals	(16)	(2)
Total valuation deficit	(375)	(51)
Dividends	(156)	(21)
Loss on disposals	(3)	-
Other	16	2
EPRA Net Tangible Assets at 30 September 2023	**6,647**	**893**

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

Net debt and leverage

Following the £892m reduction during the prior financial year, new investments increased adjusted net debt, which includes our share of JV borrowings, by £237m over the past six months. Net acquisitions amounted to £75m, reflecting our acquisition of an office building for Myo in Kings Cross. Capital expenditure on our portfolio was £177m, reflecting our London office developments, the preparation of future developments and the investment in our existing assets.

Following the completion of our recent London pipeline, we now have £462m committed capex to spend over the next 2.5 years on our two new projects in Victoria and Southwark. Having sold £2.5bn of assets over the preceding 2.5 years, disposals over the first six months of this year were minimal at £8m. However, we have sold a further £77m of assets since the period-end and assuming no major economic shocks, we aim to make further disposals of assets which are non-core to our strategy or where we cannot add further value in the second half.

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

Table 11: Movement in adjusted net debt(1)

	£m
Adjusted net debt at 31 March 2023	**3,287**
Adjusted net cash inflow from operating activities	**(166)**
Dividends paid	**153**
Capital expenditure	**165**
Acquisitions	**75**
Disposals	**(8)**
Other	**18**
Adjusted net debt at 30 September 2023	**3,524**

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

Due to the modest increase in borrowings, net debt/EBITDA increased slightly to 7.2x based on our net debt at the end of September, or 6.9x based on our weighted-average net debt for the period. We target net debt/EBITDA to remain below 8x over time. Group LTV which includes our share of JVs, increased from 31.7% to 34.4%. This remains well within our target range of 25% to 40% and in line with the low 30's level we said we expected to remain at.

Table 12: Net debt and leverage

	30 September 2023	31 March 2023
Net debt	**£3,572m**	£3,348m
Adjusted net debt(1)	**£3,524m**	£3,287m
Interest cover ratio	**4.2x**	4.5x
Net debt/EBITDA (period-end)	**7.2x**	7.0x
Net debt/EBITDA (weighted average)	**6.9x**	8.0x
Group LTV(1)	**34.4%**	31.7%
Security Group LTV	**36.9%**	33.0%

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

Financing

We have gross borrowings of £3,636m diversified across various sources, including £2,727m of Medium Term Notes, £325m of syndicated and bilateral bank loans and £584m of commercial paper. Our MTNs and the majority of bank loans form part of our Security Group, which provide security on a floating pool of assets currently valued at £9.3bn. This provides flexibility to include or exclude assets and an attractive cost of funding, with our MTNs currently rated AA and AA- with a stable outlook respectively by S&P and Fitch.

Our Security Group structure has a number of tiered covenants, yet below 65% LTV, these involve very limited operational restrictions. A default only occurs when LTV is more than 100% or the ICR falls below 1.0x. With a Security Group LTV of 36.9%, our portfolio could withstand a 43% fall in value before we reach the 65% threshold and 63% before reaching 100%, whilst our EBITDA could fall by c. 75% before we reach 1.0x ICR.

We have £2.1bn of cash and undrawn facilities, which provides substantial flexibility. As expected, the percentage of borrowings which is fixed or hedged reduced slightly, from 100% to 92% at the period end, reflecting our net investment in the period. We continue to target a medium-term range of c. 80-90% to maintain some flexibility for potential divestments. The well-timed issue of our £400m 9.5-year Green bond in March at a coupon of 4.875%, meant our overall debt maturity remains long, at 9.3 years, which provides clear visibility and underpins the resilience of our attractive earnings profile. Our average cost of debt rose to 3.3%, reflecting the Green bond issue and higher utilisation of our variable-rate borrowings.

We have £723m of debt maturing in the next two years, but all of this is more than covered by existing undrawn facilities, which means we have no refinancing requirements until 2026. As a result, our overall financial position remains strong, which provides flexibility to take advantage of future opportunities that will no doubt arise as markets continue to adjust to a new higher rate reality.

Table 13: Available facilities[1]

	30 September 2023 £m	31 March 2023 £m
Medium Term Notes	**2,727**	2,736
Drawn bank debt	**325**	310
Outstanding commercial paper	**584**	312
Cash and available undrawn facilities	**2,127**	2,386
Total committed credit facilities	**2,934**	2,934
Weighted average maturity of debt	**9.3 years**	10.3 years
Percentage of borrowings fixed or hedged	**92%**	100%
Weighted average cost of debt[2]	**3.3%**	2.7%

1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information above.
2. Including amortisation and commitment fees; excluding this the weighted average cost of debt is 3.1% at 30 September 2023.

Principal risks and uncertainties

The principal risks of the business were set out on pages 56 – 59 of the 2023 Annual Report that was published in May. The Executive Leadership Team and the Board review these risks regularly, as well as monitor for changes and any emerging risks. Though the risk landscape continues to evolve and change over time, they remain most relevant and the principal risks at half year are unchanged from those disclosed in the Annual Report.

The macroeconomic outlook remains our highest rated risk and it also impacts our other strategic risks related to the workplace and retail occupier markets. Though the impact of the Covid-19 pandemic has now generally dissipated, high inflation and interest rates have created headwinds, despite strong operational performance over the first half of the year.

Our ten principal risks are summarised as follows:

Macroeconomic outlook – This risk incorporates the impacts resulting from high inflation, resultant high interest rates, the cost-of-living crisis and any possible resultant recession. Whilst inflation has slowed over the last six months, interest rates remain high, so this risk is not considered to have materially changed over the last six months. For Landsec, this risk impacts asset yields, and therefore valuations, and our cost-base, including the cost of completing development projects, and our ability to recycle assets. It may also give rise to opportunities to acquire assets.

Office and retail occupier markets – These two risks previously considered the impact of the Covid-19 pandemic however they have been updated as the resultant changes in customer behaviour (office attendance and online penetration) have become less significant with the passage of time. These risks still represent the potential for structural i.e., permanent changes in the use of our assets over time. However, they now also incorporate the specific impact of changes in the macroeconomic environment i.e., increases in customer default, failure of retailers, lower footfall/dwell time and average spend at shopping centres. Strong operational performance in both Central London offices and retail destinations indicate that the continued robustness of our prime assets and locations is offset by the macroeconomic backdrop.

Information security and cyber threat – This is an area which has been invested in over recent years to improve Landsec's cyber resilience. The emphasis has now switched to continuous improvement of the processes and controls to ensure that Landsec's cyber framework is effective.

Change projects – The Group have important cultural and operational change programmes underway, which creates the inherent risk these change projects do not succeed in delivering the operational benefits set out in their business cases. This risk has remained stable over the period, with specific programme management resource allocated and assurance obtained where appropriate.

Capital allocation and Development strategy – Both of these risks are considered to have increased since the last year end, as the Group increases the extent to which capital is allocated and new developments commence. This increase brings both risks further towards the desired risk appetite for capital allocation and development. As further capital is committed and further new developments commence, the risk level will be brought within the desired risk appetite and the plans and measures to do this are built into the Group's strategic and business planning processes.

The three remaining principal risks (**Health and safety, People and skills** and **Climate change transition**) have remained stable in the six months since last year end.

Statement of Directors' Responsibilities

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

— DTR 4.2.7 (R): an indication of important events that have occurred during the six month period ended 30 September 2023 and their impact on the condensed interim financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

— DTR 4.2.8 (R): any related party transactions in the six month period ended 30 September 2023 that have materially affected, and any changes in the related party transactions described in the 2023 Annual Report that could materially affect, the financial position or performance of the enterprise during that period.

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

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

*Non-executive Directors

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

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

By order of the Board

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

Independent review report to Land Securities Group PLC

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2023 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related notes to the financial statements 1 – 17. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2023 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

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

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

Conclusions relating to going concern

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

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

Responsibilities of the Directors

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

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

Auditor's responsibilities for the review of the financial information

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

Use of our report

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

Ernst & Young LLP
London
13 November 2023

Financial statements

Unaudited income statement	Notes	Six months ended 30 September 2023 EPRA earnings £m	Capital and other items £m	Total £m	Six months ended 30 September 2022 EPRA earnings £m	Capital and other items £m	Total £m
Revenue	5	**385**	**27**	**412**	360	34	394
Costs – movement in bad and doubtful debts provisions	6	**5**	**-**	**5**	-	-	-
Costs – other	6	**(162)**	**(27)**	**(189)**	(143)	(45)	(188)
		228	**-**	**228**	217	(11)	206
Share of post-tax profit/(loss) from joint ventures	12	**10**	**(17)**	**(7)**	14	1	15
Loss on disposal of investment properties		**-**	**(3)**	**(3)**	-	(92)	(92)
Net deficit on revaluation of investment properties	10	**-**	**(371)**	**(371)**	-	(331)	(331)
Loss on changes in finance leases		**-**	**-**	**-**	-	(6)	(6)
Operating profit/(loss)		**238**	**(391)**	**(153)**	231	(439)	(208)
Finance income	7	**6**	**1**	**7**	6	51	57
Finance expense	7	**(46)**	**(1)**	**(47)**	(40)	(1)	(41)
Profit/(loss) before tax		**198**	**(391)**	**(193)**	197	(389)	(192)
Taxation		**-**	**-**	**-**	-	-	-
Profit/(loss) for the period		**198**	**(391)**	**(193)**	197	(389)	(192)
Attributable to:							
Shareholders of the parent				**(181)**			(190)
Non-controlling interests				**(12)**			(2)
				(193)			(192)
Loss per share attributable to shareholders of the parent:							
Basic loss per share	4			**(24.4)p**			(25.7)p
Diluted loss per share	4			**(24.4)p**			(25.7)p

Unaudited statement of comprehensive income	Six months ended 30 September 2023 Total £m	Six months ended 30 September 2022 Total £m
Loss for the period	**(193)**	(192)
Items that will not be subsequently reclassified to the income statement:		
Net re-measurement loss on defined benefit pension scheme	**(1)**	(2)
Other comprehensive loss for the period	**(1)**	(2)
Total comprehensive loss for the period	**(194)**	(194)
Attributable to:		
Shareholders of the parent	**(182)**	(192)
Non-controlling interests	**(12)**	(2)
	(194)	(194)

Unaudited balance sheet	Notes	30 September 2023 £m	31 March 2023 £m
Non-current assets			
Investment properties	10	**9,562**	9,658
Intangible assets		**4**	6
Net investment in finance leases		**23**	21
Investments in joint ventures	12	**521**	533
Investments in associates		**3**	3
Trade and other receivables		**138**	146
Other non-current assets		**57**	67
Total non-current assets		**10,308**	10,434
Current assets			
Trading properties	11	**111**	118
Trade and other receivables		**382**	365
Monies held in restricted accounts and deposits		**2**	4
Cash and cash equivalents		**80**	41
Other current assets		**22**	4
Total current assets		**597**	532
Total assets		**10,905**	10,966
Current liabilities			
Borrowings	14	**(879)**	(315)
Trade and other payables		**(325)**	(306)
Other current liabilities		**(23)**	(24)
Total current liabilities		**(1,227)**	(645)
Non-current liabilities			
Borrowings	14	**(2,937)**	(3,223)
Trade and other payables		**-**	(17)
Other non-current liabilities		**(13)**	(9)
Total non-current liabilities		**(2,950)**	(3,249)
Total liabilities		**(4,177)**	(3,894)
Net assets		**6,728**	7,072
Equity			
Capital and reserves attributable to shareholders			
Ordinary shares		**80**	80
Share premium		**319**	318
Other reserves		**18**	13
Retained earnings		**6,256**	6,594
Equity attributable to shareholders of the parent		**6,673**	7,005
Equity attributable to non-controlling interests		**55**	67
Total equity		**6,728**	7,072

The financial statements on pages 26 to 46 were approved by the Board of Directors on 13 November 2023 and were signed on its behalf by:

Mark Allan **Vanessa Simms**

Directors

Unaudited statement of changes in equity	Attributable to shareholders of the parent						
	Ordinary shares	Share premium	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m
At 1 April 2022	80	317	9	7,511	7,917	74	7,991
Total comprehensive loss for the financial period	-	-	-	(192)	(192)	(2)	(194)
Transactions with shareholders of the parent:							
Share-based payments	-	-	1	2	3	-	3
Dividends paid to shareholders of the parent	-	-	-	(159)	(159)	-	(159)
Total transactions with shareholders of the parent	-	-	1	(157)	(156)	-	(156)
Dividends paid to non-controlling interests	-	-	-	-	-	(2)	(2)
Total transactions with shareholders	-	-	1	(157)	(156)	(2)	(158)
At 30 September 2022	80	317	10	7,162	7,569	70	7,639
Total comprehensive loss for the financial period	-	-	-	(437)	(437)	(1)	(438)
Transactions with shareholders of the parent:							
Share-based payments	-	1	3	-	4	-	4
Dividends paid to shareholders of the parent	-	-	-	(131)	(131)	-	(131)
Total transactions with shareholders of the parent	-	1	3	(131)	(127)	-	(127)
Dividends paid to non-controlling interests	-	-	-	-	-	(2)	(2)
Total transactions with shareholders	-	1	3	(131)	(127)	(2)	(129)
At 31 March 2023	80	318	13	6,594	7,005	67	7,072
Total comprehensive loss for the financial period	**-**	**-**	**-**	**(182)**	**(182)**	**(12)**	**(194)**
Transactions with shareholders of the parent:							
Share-based payments	**-**	**1**	**5**	**-**	**6**	**-**	**6**
Dividends paid to shareholders of the parent	**-**	**-**	**-**	**(156)**	**(156)**	**-**	**(156)**
Total transactions with shareholders of the parent	**-**	**1**	**5**	**(156)**	**(150)**	**-**	**(150)**
Dividends paid to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total transactions with shareholders	**-**	**1**	**5**	**(156)**	**(150)**	**-**	**(150)**
At 30 September 2023	**80**	**319**	**18**	**6,256**	**6,673**	**55**	**6,728**

Unaudited statement of cash flows	Notes	Six months ended 30 September 2023 £m	2022 £m
Cash flows from operating activities			
Net cash generated from operations	9	**210**	196
Interest paid		**(50)**	(86)
Interest received		**15**	13
Rents paid		**(7)**	(5)
Capital expenditure on trading properties		**(8)**	(12)
Disposal of trading properties		**7**	7
Development income proceeds received		**-**	54
Other operating cash flows		**(1)**	9
Net cash inflow from operating activities		**166**	176
Cash flows from investing activities			
Investment property development expenditure		**(92)**	(132)
Other investment property related expenditure		**(65)**	(26)
Acquisition of investment properties, net of cash acquired		**(91)**	(2)
Disposal of investment properties		**1**	870
Cash distributions from joint ventures	12	**7**	2
Decrease in monies held in restricted accounts and deposits		**2**	-
Other investing cash flows		**-**	(2)
Net cash (out)/inflow from investing activities		**(238)**	710
Cash flows from financing activities			
Proceeds from new borrowings (net of finance fees)	14	**284**	-
Repayment of borrowings	14	**(9)**	(858)
Net cash (out)/inflow from derivative financial instruments	14	**(12)**	27
Dividends paid to shareholders	8	**(153)**	(155)
Dividends paid to non-controlling interests		**-**	(2)
Decrease in monies held in restricted accounts and deposits		**-**	3
Other financing cash flows		**1**	-
Net cash in/(out)flow from financing activities		**111**	(985)
Increase/(decrease) in cash and cash equivalents for the period		**39**	(99)
Cash and cash equivalents at the beginning of the period		**41**	146
Cash and cash equivalents at the end of the period		**80**	47

Notes to the financial statements

1. Basis of preparation and consolidation

Basis of preparation

This condensed consolidated interim financial information (financial statements) for the six months ended 30 September 2023 has been prepared on a going concern basis and in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and IAS 34 'Interim Financial Reporting' as contained in UK adopted international accounting standards (IFRS). As applied by the Group, there are no material differences between UK adopted international accounting standards and EU IFRS.

The condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2023, prepared in accordance with UK adopted international accounting standards (IFRSs and IFRICs) and in conformity with the Companies Act 2006, were approved by the Board of Directors on 15 May 2023 and delivered to the Registrar of Companies. The report of the auditor on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498(2) or (3) of the Companies Act 2006. The condensed consolidated interim financial information has been reviewed, not audited, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2023.

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

This condensed consolidated interim financial information was approved for issue by the Directors on 13 November 2023.

Going concern

The impact of recent international and domestic political and economic events has resulted in the UK facing a prolonged recessionary period and therefore the Directors have continued to place additional focus on the appropriateness of adopting the going concern assumption in preparing the financial statements. The Group's going concern assessment considers changes in the Group's principal risks (see page 22) and is dependent on a number of factors, including our financial performance and continued access to borrowing facilities. Access to our borrowing facilities is dependent on our ability to continue to operate the Group's secured debt structure within its financial covenants, which are described in note 14.

In order to satisfy themselves that the Group has adequate resources to continue as a going concern for the foreseeable future, the Directors have reviewed 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 macroeconomic conditions, a deterioration in our ability to collect rent and service charge from our customers and removes uncommitted acquisitions, disposals and developments.

The Group's key metrics from the mitigated downside scenario as at the end of the going concern assessment period, which covers the 16 months to 31 March 2025, are shown below alongside the actual position at 30 September 2023.

Key metrics	**30 September 2023**	**30 September 2023 latest mitigated downside scenario 31 March 2025**	31 March 2023 mitigated downside scenario 30 September 2024
Security Group LTV	36.9%	**46.7%**	39.2%
Adjusted net debt	£3,524m	**£3,971m**	£3,670m
EPRA Net Tangible Assets	£6,647m	**£5,301m**	£6,021m
Available financial headroom	£2.1bn	**£0.9bn**	£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 16 months from the date of authorisation of these financial statements. Under this scenario, the Security Group's asset values would need to fall by a further 28% from the sensitised values forecasted at 31 March 2025 to be non-compliant with the LTV covenant. This equates to over a 40% fall in the value of the Security Group's assets from the 30 September 2023 values for the LTV to reach 65%. The Directors consider the likelihood of this occurring over the going concern assessment period to be remote.

The Security Group also requires earnings before interest of at least £177m in the full year ending 31 March 2024 and £243m in the full year ending 31 March 2025 for interest cover to remain above 1.45x in the mitigated downside scenario, which would ensure compliance with the Group's covenant through to the end of the going concern assessment period. Security Group earnings in the six months to 30 September 2023 are already above the level required to meet the interest cover covenant for the year ending 31 March 2024. The Directors do not anticipate a reduction in Security Group earnings over the year ending 31 March 2025 to a level that would result in a breach of the interest cover covenant.

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

Based on these considerations, together with available market information and the Directors' knowledge and experience of the Group's property portfolio and markets, the Directors have adopted the going concern basis in preparing these financial statements for the period ended 30 September 2023.

1. Basis of preparation and consolidation continued

Presentation of results

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

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

2. Significant accounting policies

The condensed consolidated interim financial information has been prepared on the basis of the accounting policies, significant judgements and estimates as set out in the notes to the Group's annual financial statements for the year ended 31 March 2023, as amended where relevant to reflect the new standards, amendments and interpretations which became effective in the period. There has been no material impact on the financial statements of adopting these new standards, amendments and interpretations.

3. Segmental information

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

The Central London segment includes all assets geographically located within central London. Major retail includes all regional shopping centres and shops outside London and our outlets. The Mixed-use urban segment includes those assets where we see the most potential for capital investment. Subscale sectors mainly includes assets that will not be a focus for capital investment and consists of leisure and hotel assets and retail parks.

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

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

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

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

3. Segmental information continued

Segmental results

EPRA earnings	Six months ended 30 September 2023					Six months ended 30 September 2022[2]				
	Central London £m	**Major retail £m**	**Mixed-use urban £m**	**Subscale sectors £m**	**Total £m**	Central London £m	Major retail £m	Mixed-use urban £m	Subscale sectors £m	Total £m
Rental income	**148**	**95**	**29**	**56**	**328**	160	88	28	54	330
Finance lease interest	**-**	**-**	**-**	**-**	**-**	1	-	-	-	1
Gross rental income (before rents payable)	**148**	**95**	**29**	**56**	**328**	161	88	28	54	331
Rents payable[1]	**(2)**	**(3)**	**-**	**-**	**(5)**	(1)	(4)	-	(1)	(6)
Gross rental income (after rents payable)	**146**	**92**	**29**	**56**	**323**	160	84	28	53	325
Service charge income	**28**	**28**	**6**	**-**	**62**	22	20	5	-	47
Service charge expense	**(31)**	**(32)**	**(7)**	**(2)**	**(72)**	(23)	(26)	(6)	(1)	(56)
Net service charge expense	**(3)**	**(4)**	**(1)**	**(2)**	**(10)**	(1)	(6)	(1)	(1)	(9)
Other property related income	**9**	**5**	**2**	**1**	**17**	6	6	1	1	14
Direct property expenditure	**(20)**	**(17)**	**(7)**	**(9)**	**(53)**	(17)	(21)	(7)	(7)	(52)
Movement in bad and doubtful debts provisions	**-**	**4**	**-**	**1**	**5**	1	3	(4)	-	-
Segment net rental income	**132**	**80**	**23**	**47**	**282**	149	66	17	46	278
Other income					**2**					1
Administrative expense					**(38)**					(39)
Depreciation, including amortisation of software					**(2)**					(3)
EPRA earnings before interest					**244**					237
Finance income					**6**					6
Finance expense					**(46)**					(40)
Joint venture net finance expense					**(6)**					(6)
EPRA earnings attributable to shareholders of the parent					**198**					197

1. Included within rents payable is lease interest payable of **£2m** across the four segments (2022: £1m for the Central London segment, £1m across the remaining three segments).
2. A reconciliation from the Group income statement to the information presented in the segmental results table for the six months to 30 September 2022 is included in table 25.

3. Segmental information continued

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

Reconciliation of segmental information note to interim reporting

	Six months ended 30 September 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	312	20	(4)	328	328	-
Finance lease interest	-	-	-	-	-	-
Gross rental income (before rents payable)	**312**	**20**	**(4)**	**328**	**328**	**-**
Rents payable	(5)	-	-	(5)	(5)	-
Gross rental income (after rents payable)	**307**	**20**	**(4)**	**323**	**323**	**-**
Service charge income	59	4	(1)	62	62	-
Service charge expense	(68)	(5)	1	(72)	(72)	-
Net service charge expense	(9)	(1)	-	(10)	(10)	-
Other property related income	17	-	-	17	17	-
Direct property expenditure	(52)	(2)	1	(53)	(53)	-
Movement in bad and doubtful debts provisions	5	-	-	5	5	-
Segment net rental income	**268**	**17**	**(3)**	**282**	**282**	**-**
Other income	2	-	-	2	2	-
Administrative expenses	(37)	(1)	-	(38)	(38)	-
Depreciation	(2)	-	-	(2)	(2)	-
EPRA earnings before interest	**231**	**16**	**(3)**	**244**	**244**	**-**
Share of post-tax loss from joint ventures	(7)	7	-	-	-	-
Loss on disposal of trading properties	(1)	-	-	(1)	-	(1)
Loss on disposal of investment properties	(3)	-	-	(3)	-	(3)
Net deficit on revaluation of investment properties	(371)	(17)	13	(375)	-	(375)
Net development contract income	3	-	-	3	-	3
Impairment of trading properties	(4)	-	-	(4)	-	(4)
Depreciation	(1)	-	-	(1)	-	(1)
Operating (loss)/profit	**(153)**	**6**	**10**	**(137)**	**244**	**(381)**
Finance income	7	-	2	9	6	3
Finance expense	(47)	(6)	-	(53)	(52)	(1)
(Loss)/profit before tax	**(193)**	**-**	**12**	**(181)**	**198**	**(379)**
Taxation	-	-	-	-		
Loss for the period	**(193)**	**-**	**12**	**(181)**		

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.

4. Performance measures

In the tables below, we present earnings per share attributable to the shareholders of the parent, calculated in accordance with IFRS, and net assets per share attributable to shareholders of the parent together with certain measures defined by the European Public Real Estate Association (EPRA), which have been included to assist comparison between European property companies. Three of the Group's key financial performance measures are EPRA earnings per share, EPRA Net Tangible Assets per share and total return on equity. Refer to Table 14 in the Business Analysis section for further details on these alternative performance measures.

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

Earnings per share	**Six months ended 30 September 2023**		Six months ended 30 September 2022	
	Loss for the period £m	**EPRA earnings £m**	Loss for the period £m	EPRA earnings £m
Loss attributable to shareholders of the parent	**(181)**	**(181)**	(190)	(190)
Valuation and loss on disposals	**-**	**383**	-	435
Net finance income (excluded from EPRA earnings)	**-**	**(2)**	-	(48)
Other	**-**	**(2)**	-	-
(Loss)/profit used in per share calculation	**(181)**	**198**	(190)	197
	IFRS	**EPRA**	IFRS	EPRA
Basic (loss)/earnings per share	**(24.4)p**	**26.7p**	(25.7)p	26.6p
Diluted (loss)/earnings per share[1]	**(24.4)p**	**26.7p**	(25.7)p	26.6p

1. In the six months ended 30 September 2023 and 30 September 2022, 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	**30 September 2023**			31 March 2023		
	Net assets £m	**EPRA NDV £m**	**EPRA NTA £m**	Net assets £m	EPRA NDV £m	EPRA NTA £m
Net assets attributable to shareholders of the parent	**6,673**	**6,673**	**6,673**	7,005	7,005	7,005
Shortfall of fair value over net investment in finance leases book value	**-**	**(6)**	**(6)**	-	(6)	(6)
Deferred tax liability on intangible asset	**-**	**-**	**-**	-	-	1
Goodwill on deferred tax liability	**-**	**-**	**-**	-	(1)	(1)
Other intangible asset	**-**	**-**	**(2)**	-	-	(2)
Fair value of interest-rate swaps	**-**	**-**	**(44)**	-	-	(42)
Excess of fair value of trading properties over book value	**-**	**26**	**26**	-	12	12
Shortfall of fair value of debt over book value	**-**	**457**	**-**	-	324	-
Net assets used in per share calculation	**6,673**	**7,150**	**6,647**	7,005	7,334	6,967
	IFRS	**EPRA NDV**	**EPRA NTA**	IFRS	EPRA NDV	EPRA NTA
Net assets per share	**899p**	**n/a**	**n/a**	945p	n/a	n/a
Diluted net assets per share	**897p**	**961p**	**893p**	942p	986p	936p

Number of shares	**Six months ended 30 September 2023 Weighted average million**	**30 September 2023 million**	Six months ended 30 September 2022 Weighted average million	31 March 2023 million
Ordinary shares	**751**	**752**	751	751
Treasury shares	**(7)**	**(7)**	(7)	(7)
Own shares	**(3)**	**(3)**	(4)	(3)
Number of shares – basic	**741**	**742**	740	741
Dilutive effect of share options	**3**	**2**	3	3
Number of shares – diluted	**744**	**744**	743	744

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

Total return on equity based on EPRA NTA	**Six months ended 30 September 2023 pence**	Six months ended 30 September 2022 pence
Decrease in EPRA NTA per share	**(43)**	(53)
Dividend paid per share in the period (note 8)	**21**	22
Total return (a)	**(22)**	(31)
EPRA NTA per share at the beginning of the period (b)	**936**	1,063
Total return on equity (a/b)	**(2.4)%**	(2.9)%

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.

	Six months ended 30 September 2023			Six months ended 30 September 2022		
	EPRA earnings	Capital and other items	Total	EPRA earnings	Capital and other items	Total
	£m	£m	£m	£m	£m	£m
Rental income (excluding adjustment for lease incentives)	305	4	309	306	4	310
Adjustment for lease incentives	3	-	3	(3)	-	(3)
Rental income	**308**	**4**	**312**	303	4	307
Service charge income	58	1	59	42	1	43
Trading property sales proceeds	-	7	7	-	15	15
Other property related income	17	-	17	13	-	13
Finance lease interest	-	-	-	1	-	1
Development contract income[(1)]	-	15	15	-	14	14
Other income	2	-	2	1	-	1
Revenue per the income statement	**385**	**27**	**412**	360	34	394

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

	Six months ended 30 September 2023				Six months ended 30 September 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
Rental income	312	20	(4)	328	307	27	(4)	330
Service charge income	59	4	(1)	62	43	5	(1)	47
Other property related income	17	-	-	17	13	1	-	14
Finance lease interest	-	-	-	-	1	-	-	1
Other income	2	-	-	2	1	-	-	1
Revenue in the segmental information note	**390**	**24**	**(5)**	**409**	365	33	(5)	393
Development contract income[(1)]	15	-	-	15	14	-	-	14
Trading property sales proceeds	7	-	-	7	15	-	-	15
Revenue including Capital and other items	**412**	**24**	**(5)**	**431**	394	33	(5)	422

1. Development contract income for the six months to 30 September 2023 and for the six months to 30 September 2022 includes income released from the contract liability recorded on the disposal of 21 Moorfields, recognised in line with costs incurred on the development in Note 6.

6. Cost

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

	Six months ended 30 September 2023			Six months ended 30 September 2022		
	EPRA earnings £m	**Capital and other items £m**	**Total £m**	EPRA earnings £m	Capital and other items £m	Total £m
Rents payable	**5**	**-**	**5**	5	-	5
Service charge expense	**67**	**1**	**68**	50	1	51
Direct property expenditure	**51**	**1**	**52**	47	1	48
Administrative expenses	**37**	**-**	**37**	38	-	38
Depreciation, including amortisation of software	**2**	**1**	**3**	3	2	5
Cost of trading property disposals	**-**	**8**	**8**	-	14	14
Development contract expenditure[(1)]	**-**	**12**	**12**	-	14	14
Impairment of goodwill	**-**	**-**	**-**	-	5	5
Impairment of trading properties	**-**	**4**	**4**	-	8	8
Costs – other per the income statement	**162**	**27**	**189**	143	45	188
Movement in bad and doubtful debts provisions – rent	**(5)**	**-**	**(5)**	-	-	-
Total costs per the income statement	**157**	**27**	**184**	143	45	188

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

	Six months ended 30 September 2023				Six months ended 30 September 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
Rents payable	**5**	**-**	**-**	**5**	5	1	-	6
Service charge expense	**68**	**5**	**(1)**	**72**	51	6	(1)	56
Direct property expenditure	**52**	**2**	**(1)**	**53**	48	5	(1)	52
Administrative expenses	**37**	**1**	**-**	**38**	38	1	-	39
Depreciation, including amortisation of software	**2**	**-**	**-**	**2**	3	-	-	3
Movement in bad and doubtful debts provisions – rent	**(5)**	**-**	**-**	**(5)**	-	-	-	-
Costs in the segmental information note	**159**	**8**	**(2)**	**165**	145	13	(2)	156
Cost of trading property disposals	**8**	**-**	**-**	**8**	14	-	-	14
Development contract expenditure[(1)]	**12**	**-**	**-**	**12**	14	-	-	14
Impairment of goodwill	**-**	**-**	**-**	**-**	5	-	-	5
Impairment of trading properties	**4**	**-**	**-**	**4**	8	-	-	8
Depreciation	**1**	**-**	**-**	**1**	2	-	-	2
Costs including Capital and other items	**184**	**8**	**(2)**	**190**	188	13	(2)	199

1. Development contract expenditure for the six months to 30 September 2023 and the six months to 30 September 2022 includes expenditure related to the ongoing development of 21 Moorfields following the sale of the property.

The Group's costs include employee costs for the period of **£40m** (2022: £37m), of which **£3m** (2022: £3m) is within service charge expense, **£7m** (2022: £6m) is within direct property expenditure and **£30m** (2022: £28m) is within administrative expenses.

7. Net finance expense

	Six months ended 30 September 2023			Six months ended 30 September 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	**6**	**-**	**6**	6	-	6
Fair value movement on interest-rate swaps	**-**	**1**	**1**	-	51	51
	6	**1**	**7**	6	51	57
Finance expense						
Bonds	**(44)**	**-**	**(44)**	(34)	-	(34)
Bank and other short-term borrowings	**(14)**	**(1)**	**(15)**	(20)	(1)	(21)
	(58)	**(1)**	**(59)**	(54)	(1)	(55)
Interest capitalised in relation to properties under development	**12**	**-**	**12**	14	-	14
	(46)	**(1)**	**(47)**	(40)	(1)	(41)
Net finance (expense)/income	**(40)**	**-**	**(40)**	(34)	50	16
Joint venture net finance expense	**(6)**			(6)		
Net finance expense included in EPRA earnings	**(46)**			(40)		

Lease interest payable of **£2m** (2022: £2m) is included within rents payable as detailed in note 3.

8. Dividends

Dividends paid					**Six months ended 30 September**	
		Pence per share			**2023**	2022
	Payment date	**PID**	**Non-PID**	**Total**	**£m**	£m
For the year ended 31 March 2022:						
Third interim	7 April 2022	8.50	-	8.50		63
Final	22 July 2022	13.00	-	13.00		96
For the year ended 31 March 2023:						
Third interim	**6 April 2023**	**9.00**	**-**	**9.00**	**67**	
Final	**21 July 2023**	**12.00**	**-**	**12.00**	**89**	
Gross dividends					**156**	159
Dividends in the statement of changes in equity					**156**	159
Timing difference on payment of withholding tax					**(3)**	(4)
Dividends in the statement of cash flows					**153**	155

On 6 October 2023, the Company paid a first interim dividend in respect of the current financial year of **9.0p** per ordinary share (2022: 8.6p), wholly as a Property Income Distribution (PID), representing **£67m** in total (2022: £64m).

The Board has declared a second interim dividend of **9.2p** per ordinary share to be payable wholly as a PID (2022: 9.0p) on 2 January 2024 to shareholders registered at the close of business on 24 November 2023.

A Dividend Reinvestment Plan (DRIP) has been available in respect of all dividends paid during the period. The last day for DRIP elections for the second interim dividend is close of business on 8 December 2023.

9. Net cash generated from operations

Reconciliation of operating loss to net cash generated from operations	**Six months ended 30 September 2023 £m**	Six months ended 30 September 2022 £m
Operating loss	**(153)**	(208)
Adjustments for:		
Net deficit on revaluation of investment properties	**371**	331
Loss on changes in finance leases	**-**	6
Loss/(profit) of disposal of trading properties	**1**	(1)
Loss on disposal of investment properties	**3**	92
Share of loss/(profit) from joint ventures	**7**	(15)
Share-based payment charge	**6**	3
Rents payable	**5**	5
Depreciation and amortisation	**3**	5
Development contract income	**-**	(14)
Impairment of trading properties	**4**	8
Other	**-**	1
	247	213
Changes in working capital:		
Increase in receivables	**(19)**	(7)
Decrease in payables	**(18)**	(10)
Net cash generated from operations	**210**	196

Reconciliation to adjusted net cash inflow from operating activities	**Six months ended 30 September 2023 £m**	Six months ended 30 September 2022 £m
Net cash inflow from operating activities	**166**	176
Joint ventures net cash in/(out)flow from operating activities	**-**	(8)
Adjusted net cash inflow from operating activities[1]	**166**	168

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

10. Investment properties

	Six months ended 30 September 2023	Six months ended 31 March 2023	Six months ended 30 September 2022
	£m	£m	£m
Net book value at the beginning of the period	**9,658**	10,187	11,207
Transfer from joint venture	**-**	-	23
Acquisitions of investment properties	**91**	216	2
Net movement in head leases capitalised[1]	**-**	(5)	(11)
Capital expenditure[2]	**173**	169	187
Capitalised interest	**12**	8	14
Disposals	**(1)**	(415)	(904)
Net deficit on revaluation of investment properties	**(371)**	(496)	(331)
Transfers to trading properties	**-**	(6)	-
Net book value at the end of the period	**9,562**	9,658	10,187

1. See note 14 for details of the amounts payable under head leases and note 6 for details of the rents payable in the income statement.
2. As at 30 September 2023, a provision of **£18m** (31 March 2023: £14m) has been recognised for fire safety remediation as a result of the Building Safety Act 2022. Of the £4m movement since 31 March 2023, £5m has been included as capital expenditure on properties currently owned by the Group, with a release of £1m recorded in loss on disposal of investment properties related to properties no longer owned by the Group.

The fair value of investment properties at 30 September 2023 was determined by the Group's external valuers, CBRE and JLL. The valuations are in line with RICS standards and were arrived at by reference to market evidence of transactions for similar properties. The valuations performed by the independent valuers are reviewed internally by senior management and relevant people within the business. This includes discussions of the assumptions used by the external valuers, as well as a review of the resulting valuations. Discussions about the valuation process and results are held between senior management, the Audit Committee and the external valuers on a half-yearly basis.

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

The market value of the Group's investment properties, as determined by the Group's external valuers, differs from the net book value presented in the balance sheet due to the Group presenting tenant finance leases, head leases and lease incentives separately. The following table reconciles the net book value of the investment properties to the market value.

	30 September 2023				31 March 2023			
	Group (excl. joint ventures)	**Joint ventures[1]**	**Adjustment for non-wholly owned subsidiaries**	**Combined Portfolio**	Group (excl. joint ventures)	Joint ventures[1]	Adjustment for non-wholly owned subsidiaries	Combined Portfolio
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Market value	**9,655**	**618**	**(127)**	**10,146**	9,743	635	(139)	10,239
Less: properties treated as finance leases	**(17)**	**-**	**-**	**(17)**	(17)	-	-	(17)
Plus: head leases capitalised	**107**	**1**	**-**	**108**	107	1	-	108
Less: tenant lease incentives	**(183)**	**(34)**	**-**	**(217)**	(175)	(35)	-	(210)
Net book value	**9,562**	**585**	**(127)**	**10,020**	9,658	601	(139)	10,120
Net deficit on revaluation of investment properties	**(371)**	**(17)**	**13**	**(375)**	(827)	(30)	9	(848)

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

As at 30 September 2023, the Group had contractually committed development capital expenditure obligations of **£416m** (31 March 2023: £175m).

11. Trading properties

	Development land and infrastructure £m	Residential £m	Total £m
At 1 April 2022	128	17	145
Capital expenditure	4	8	12
Disposals	(5)	(9)	(14)
Impairment provision	(7)	(1)	(8)
At 30 September 2022	120	15	135
Transfer from investment properties	6	-	6
Capital expenditure	2	(11)	(9)
Disposals	(12)	9	(3)
(Impairment provision)/reversal of impairment	(18)	7	(11)
At 31 March 2023	98	20	118
Capital expenditure	**3**	**1**	**4**
Disposals	**(7)**	**-**	**(7)**
Impairment provision	**(4)**	**-**	**(4)**
At 30 September 2023	**90**	**21**	**111**

The cumulative impairment provision at 30 September 2023 in respect of Development land and infrastructure was **£28m** (31 March 2023: £25m) and in respect of Residential was **£nil** (31 March 2023: £nil).

12. Joint arrangements

The Group's principal joint arrangements are described below:

Joint ventures	Percentage owned & voting rights[1]	Business segment	Year end date[2]	Joint venture partner
Held at 30 September 2023				
Nova, Victoria[3]	50%	Central London	31 March	Suntec Real Estate Investment Trust
Southside Limited Partnership	50%	Major retail	31 March	Invesco Real Estate European Fund
Westgate Oxford Alliance Limited Partnership	50%	Major retail, Subscale sectors	31 March	The Crown Estate Commissioners
Harvest[4][5]	50%	Subscale sectors	31 March	J Sainsbury plc
The Ebbsfleet Limited Partnership[5]	50%	Subscale sectors	31 March	Ebbsfleet Property Limited
West India Quay Unit Trust[5]	50%	Subscale sectors	31 March	Schroder UK Real Estate Fund
Mayfield[5][6]	50%	Mixed-use urban	31 March	LCR Limited, Manchester City Council, Transport for Greater Manchester
Curzon Park Limited[5]	50%	Subscale sectors	31 March	Derwent Developments (Curzon) Limited
Plus X Holdings Limited[5]	50%	Subscale sectors	31 March	Paul David Rostas, Matthew Edmund Hunter
Landmark Court Partnership Limited[5]	51%	Central London	31 March	TTL Landmark Court Properties Limited

Joint operation	Ownership interest	Business segment	Year end date[2]	Joint operation partners
Held at 30 September 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 period and reporting date.
3. Nova, Victoria includes the Nova Limited Partnership, Nova Residential Limited Partnership, Nova GP Limited, Nova Business Manager Limited, Nova Residential (GP) Limited, Nova Residential Intermediate Limited, Nova Estate Management Company Limited, Nova Nominee 1 Limited and Nova Nominee 2 Limited.
4. Harvest includes Harvest 2 Limited Partnership, Harvest Development Management Limited, Harvest 2 Selly Oak Limited, Harvest 2 GP Limited and Harvest GP Limited.
5. Included within Other in subsequent tables.
6. Mayfield includes Mayfield Development Partnership LP and Mayfield Development (General Partner) Limited.

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

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

12. Joint arrangements continued

Joint ventures — **Six months ended 30 September 2023**

Comprehensive income statement	**Nova, Victoria 100% £m**	**Southside Limited Partnership 100% £m**	**Westgate Oxford Alliance Partnership 100% £m**	**Other 100% £m**	**Total 100% £m**	**Total Group share £m**
Revenue(1)	**23**	**5**	**16**	**4**	**48**	**24**
Gross rental income (after rents payable)	**17**	**6**	**13**	**4**	**40**	**20**
Net rental income	**16**	**5**	**10**	**1**	**32**	**16**
EPRA earnings before interest	**15**	**5**	**10**	**1**	**31**	**16**
Finance expense	**(8)**	**(3)**	**-**	**-**	**(11)**	**(6)**
Net finance expense	**(8)**	**(3)**	**-**	**-**	**(11)**	**(6)**
EPRA earnings	**7**	**2**	**10**	**1**	**20**	**10**
Capital and other items						
Net deficit on revaluation of investment properties	**(23)**	**(3)**	**-**	**(7)**	**(33)**	**(17)**
(Loss)/profit before tax	**(16)**	**(1)**	**10**	**(6)**	**(13)**	**(7)**
Post-tax (loss)/profit	**(16)**	**(1)**	**10**	**(6)**	**(13)**	**(7)**
Total comprehensive (loss)/income	**(16)**	**(1)**	**10**	**(6)**	**(13)**	**(7)**
Group share of (loss)/profit before tax	**(8)**	**(1)**	**5**	**(3)**	**(7)**	
Group share of post-tax (loss)/profit	**(8)**	**(1)**	**5**	**(3)**	**(7)**	
Group share of total comprehensive (loss)/income	**(8)**	**(1)**	**5**	**(3)**	**(7)**	

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

Joint ventures — Six months ended 30 September 2022

Comprehensive income statement	Nova, Victoria 100% £m	Southside Limited Partnership 100% £m	St. David's Limited Partnership(2) 100% £m	Westgate Oxford Alliance Partnership 100% £m	Other 100% £m	Total 100% £m	Total Group share £m
Revenue(1)	24	5	17	17	3	66	33
Gross rental income (after rents payable)	18	5	14	14	3	54	26
Net rental income	18	(1)	10	12	3	42	21
EPRA earnings before interest	17	(1)	9	12	3	40	20
Finance expense	(9)	(3)	-	-	-	(12)	(6)
Net finance expense	(9)	(3)	-	-	-	(12)	(6)
EPRA earnings	8	(4)	9	12	3	28	14
Capital and other items							
Net (deficit)/surplus on revaluation of investment properties	(31)	1	6	7	19	2	1
(Loss)/profit before tax	(23)	(3)	15	19	22	30	15
Post-tax (loss)/profit	(23)	(3)	15	19	22	30	15
Total comprehensive (loss)/income	(23)	(3)	15	19	22	30	15
Group share of (loss)/profit before tax	(12)	(2)	8	10	11	15	
Group share of post-tax (loss)/profit	(12)	(2)	8	10	11	15	
Group share of total comprehensive (loss)/income	(12)	(2)	8	10	11	15	

1. Revenue includes gross rental income (before rents payable), service charge income, other property related income, trading properties disposal proceeds and income from development contracts.
2. 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.

12. Joint arrangements continued

Joint ventures — 30 September 2023

Balance sheet	Nova, Victoria 100% £m	Southside Limited Partnership 100% £m	Westgate Oxford Alliance Partnership 100% £m	Other 100% £m	Total 100% £m	Total Group share £m
Investment properties[1]	725	129	224	92	1,170	585
Non-current assets	725	129	224	92	1,170	585
Cash and cash equivalents	27	3	13	8	51	26
Other current assets	62	8	14	68	152	75
Current assets	89	11	27	76	203	101
Total assets	814	140	251	168	1,373	686
Trade and other payables and provisions	(15)	(5)	(8)	(34)	(62)	(30)
Current liabilities	(15)	(5)	(8)	(34)	(62)	(30)
Non-current liabilities	(119)	(148)	-	(19)	(286)	(143)
Non-current liabilities	(119)	(148)	-	(19)	(286)	(143)
Total liabilities	(134)	(153)	(8)	(53)	(348)	(173)
Net assets/(liabilities)	680	(13)	243	115	1,025	513
Comprised of:						
Net assets	680	-	243	118	1,041	521
Accumulated losses recognised as net liabilities[2]	-	(13)	-	(3)	(16)	(8)
Market value of investment properties[1]	782	130	232	92	1,236	618
Net cash[3]	27	3	13	8	51	26

Joint ventures — 31 March 2023

Balance sheet	Nova, Victoria 100% £m	Southside Limited Partnership 100% £m	Westgate Oxford Alliance Partnership 100% £m	Other 100% £m	Total 100% £m	Total Group share £m
Investment properties[1]	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[3]	36	3	23	7	69	35

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

12. Joint arrangements continued

Joint ventures

Net investment	Nova, Victoria Group share £m	Southside Limited Partnership Group share £m	St. David's Limited Partnership Group share £m	Westgate Oxford Alliance Partnership Group share £m	Other Group share £m	Total Group share £m
At 1 April 2022	372	(5)	113	125	90	695
Total comprehensive (loss)/income	(12)	(2)	8	10	11	15
Cash distributions	-	-	(2)	-	-	(2)
Other distributions	-	-	-	-	(8)	(8)
Transfer from joint arrangements	-	-	-	-	(24)	(24)
Other non-cash movements	-	-	-	-	(5)	(5)
At 30 September 2022	360	(7)	119	135	64	671
Total comprehensive (loss)/income	(12)	2	2	(3)	(5)	(16)
Cash distributions	-	-	(2)	(8)	(2)	(12)
Other distributions	-	-	-	-	1	1
Disposals and transfers from joint arrangements	-	-	(119)	-	(1)	(120)
Other non-cash movements	-	-	-	-	4	4
At 31 March 2023	348	(5)	-	124	61	528
Total comprehensive (loss)/income	**(8)**	**(1)**	**-**	**5**	**(3)**	**(7)**
Cash distributions	**-**	**-**	**-**	**(6)**	**(1)**	**(7)**
Other non-cash movements	**-**	**-**	**-**	**(1)**	**-**	**(1)**
At 30 September 2023	**340**	**(6)**	**-**	**122**	**57**	**513**
Comprised of:						
At 31 March 2023						
Non-current assets	348	-	-	124	61	533
Non-current liabilities[1]	-	(5)	-	-	-	(5)
At 30 September 2023						
Non-current assets	**340**	**-**	**-**	**122**	**59**	**521**
Non-current liabilities[1]	**-**	**(6)**	**-**	**-**	**(2)**	**(8)**

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

13. Capital structure

	30 September 2023				31 March 2023			
	Group £m	**Joint ventures £m**	**Adjustment for non-wholly owned subsidiaries £m**	**Combined £m**	Group £m	Joint ventures £m	Adjustment for non-wholly owned subsidiaries £m	Combined £m
Property portfolio								
Market value of investment properties	**9,655**	**618**	**(127)**	**10,146**	9,743	635	(139)	10,239
Trading properties and long-term contracts	**111**	**-**	**-**	**111**	118	-	-	118
Total property portfolio (a)	**9,766**	**618**	**(127)**	**10,257**	9,861	635	(139)	10,357
Net debt								
Borrowings	**3,709**	**-**	**(73)**	**3,636**	3,431	-	(73)	3,358
Monies held in restricted accounts and deposits	**(2)**	**-**	**1**	**(1)**	(4)	-	1	(3)
Cash and cash equivalents	**(80)**	**(26)**	**4**	**(102)**	(41)	(35)	2	(74)
Fair value of interest-rate swaps	**(46)**	**-**	**2**	**(44)**	(44)	-	2	(42)
Fair value of foreign exchange swaps and forwards	**(9)**	**-**	**-**	**(9)**	6	-	-	6
Net debt (b)	**3,572**	**(26)**	**(66)**	**3,480**	3,348	(35)	(68)	3,245
Less: Fair value of interest-rate swaps	**46**	**-**	**(2)**	**44**	44	-	(2)	42
Adjusted net debt (c)	**3,618**	**(26)**	**(68)**	**3,524**	3,392	(35)	(70)	3,287
Adjusted total equity								
Total equity (d)	**6,728**	**-**	**(55)**	**6,673**	7,072	-	(67)	7,005
Fair value of interest-rate swaps	**(46)**	**-**	**2**	**(44)**	(44)	-	2	(42)
Adjusted total equity (e)	**6,682**	**-**	**(53)**	**6,629**	7,028	-	(65)	6,963
Gearing (b/d)	**53.1%**			**52.2%**	47.3%			46.3%
Adjusted gearing (c/e)	**54.1%**			**53.2%**	48.3%			47.2%
Group LTV (c/a)	**37.0%**			**34.4%**	34.4%			31.7%
EPRA LTV				**35.8%**				33.2%
Security Group LTV	**36.9%**				33.0%			
Weighted average cost of debt	**3.2%**			**3.3%**	2.7%			2.7%

14. Borrowings

	Secured/ unsecured	Fixed/ floating	Effective interest rate %	**30 September 2023** Nominal/ notional value £m	Fair value £m	Book value £m	31 March 2023 Nominal/ notional value £m	Fair value £m	Book value £m
Current borrowings									
Commercial paper									
Sterling	Unsecured	Floating	Various[1]	**5**	**5**	**5**	-	-	-
Euro	Unsecured	Floating	Various[1]	**327**	**327**	**327**	167	167	167
US Dollar	Unsecured	Floating	Various[1]	**252**	**252**	**252**	145	145	145
Syndicated and bilateral bank debt	Secured	Floating	SONIA + margin	**292**	**292**	**292**	-	-	-
Total current borrowings				**876**	**876**	**876**	312	312	312
Amounts payable under head leases			3.5	**3**	**3**	**3**	3	3	3
Total current borrowings including amounts payable under head leases				**879**	**879**	**879**	315	315	315
Non-current borrowings									
Medium term notes (MTN)									
A10 4.875% MTN due 2025	Secured	Fixed	5.0	**-**	**-**	**-**	10	10	10
A12 1.974% MTN due 2026	Secured	Fixed	2.0	**400**	**394**	**400**	400	389	400
A4 5.391% MTN due 2026	Secured	Fixed	5.4	**17**	**17**	**17**	17	17	17
A5 5.391% MTN due 2027	Secured	Fixed	5.4	**87**	**86**	**87**	87	87	87
A16 2.375% MTN due 2029	Secured	Fixed	2.5	**350**	**313**	**348**	350	317	348
A6 5.376% MTN due 2029	Secured	Fixed	5.4	**65**	**64**	**65**	65	66	65
A13 2.399% MTN due 2031	Secured	Fixed	2.4	**300**	**257**	**299**	300	263	299
A7 5.396% MTN due 2032	Secured	Fixed	5.4	**77**	**75**	**77**	77	79	77
A17 4.875% MTN due 2034	Secured	Fixed	5.0	**400**	**381**	**394**	400	406	394
A11 5.125% MTN due 2036	Secured	Fixed	5.1	**50**	**46**	**50**	50	50	50
A14 2.625% MTN due 2039	Secured	Fixed	2.6	**500**	**350**	**495**	500	378	494
A15 2.750% MTN due 2059	Secured	Fixed	2.7	**500**	**269**	**495**	500	312	495
				2,746	**2,252**	**2,727**	2,756	2,374	2,736
Syndicated and bilateral bank debt	Secured	Floating	SONIA + margin	**106**	**106**	**106**	383	383	383
Total non-current borrowings				**2,852**	**2,358**	**2,833**	3,139	2,757	3,119
Amounts payable under head leases			3.5	**104**	**122**	**104**	104	142	104
Total non-current borrowings including amounts payable under head leases				**2,956**	**2,480**	**2,937**	3,243	2,899	3,223
Total borrowings including amounts payable under head leases				**3,835**	**3,359**	**3,816**	3,558	3,214	3,538
Total borrowings excluding amounts payable under head leases				**3,728**	**3,234**	**3,709**	3,451	3,069	3,431

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

Reconciliation of the movement in borrowings	**Six months ended 30 September 2023 £m**	Year ended 31 March 2023 £m
At the beginning of the period	**3,538**	4,553
Proceeds from new borrowings	**284**	-
Redemption of MTNs	**(9)**	-
Repayment of bank debt	**-**	(1,407)
Issue of MTNs (net of finance fees)	**-**	394
Foreign exchange movement on non-Sterling borrowings	**3**	14
Movement in amounts payable under head leases	**-**	(16)
At the end of the period	**3,816**	3,538

14. Borrowings continued

Reconciliation of movements in liabilities arising from financing activities

	Six months ended 30 September 2023					
			Non-cash changes			
	At the beginning of the period	**Cash flows**	**Foreign exchange movements**	**Other changes in fair values**	**Other changes**	**At the end of the period**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Borrowings	**3,538**	**275**	**3**	**-**	**-**	**3,816**
Derivative financial instruments	**(38)**	**(12)**	**(3)**	**(2)**	**-**	**(55)**
	3,500	**263**	**-**	**(2)**	**-**	**3,761**
	Year ended 31 March 2023					
Borrowings	4,553	(1,013)	14	-	(16)	3,538
Derivative financial instruments	(26)	25	(14)	(23)	-	(38)
	4,527	(988)	-	(23)	(16)	3,500

Medium term notes

The MTNs are secured on the fixed and floating pool of assets of the Security Group. The Security Group includes wholly owned investment properties, development properties and a number of the Group's investment in other assets, in total valued at **£9.3bn** at 30 September 2023 (31 March 2023: £9.6bn). The secured debt structure has a tiered operating covenant regime which gives the Group substantial flexibility when the loan-to-value and interest cover in the Security Group are less than 65% and more than 1.45x respectively. If these limits are exceeded, the operating environment becomes more restrictive with provisions to encourage a reduction in gearing. The interest rate of each MTN is fixed until the expected maturity, being two years before the legal maturity date of the MTN. The interest rate for the last two years may either become floating on a SONIA basis plus an increased margin (relative to that at the time of issue), or subject to a fixed coupon uplift, depending on the terms and conditions of the specific notes.

The effective interest rate is based on the coupon paid and includes the amortisation of issue costs. The MTNs are listed on the Irish Stock Exchange and their fair values are based on their respective market prices.

During the period, the Group did not purchase any MTNs (31 March 2023: none).

Syndicated and bilateral bank debt		**Authorised**		**Drawn**		**Undrawn**	
	Maturity as at 30 September 2023	**30 Sept 2023**	31 March 2023	**30 Sept 2023**	31 March 2023	**30 Sept 2023**	31 March 2023
		£m	£m	**£m**	£m	**£m**	£m
Syndicated debt	**2024-27**	**2,782**	2,782	**398**	383	**2,384**	2,399
Bilateral debt	**2026**	**225**	225	**-**	-	**225**	225
		3,007	3,007	**398**	383	**2,609**	2,624

All syndicated and bilateral facilities are committed and secured on the assets of the Security Group, with the exception of facilities secured on the assets at MediaCity (of which £292m was drawn at 30 September 2023 and 31 March 2023). During the period ended 30 September 2023, the amounts drawn under the Group's facilities increased by **£15m**.

The terms of the Security Group funding arrangements require undrawn facilities to be reserved where syndicated and bilateral facilities mature within one year, or when commercial paper is issued. The total amount of cash and available undrawn facilities, net of commercial paper, at 30 September 2023 was **£2,105m** (31 March 2023: £2,353m).

Fair values

The fair value of the amounts payable under the Group's lease obligations, using a discount rate of **3.3%** (31 March 2023: 2.7%), is **£125m** (31 March 2023: £145m). The fair value of the Group's net investment in tenant finance leases, calculated by the Group's external valuers by applying a weighted average equivalent yield of **8.0%** (31 March 2023: 7.9%), is **£17m** (31 March 2023: £16m).

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

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

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

15. Contingencies

The Group has contingent liabilities in respect of legal claims, tax queries, contractor claims, remediation for building defects, developer contractual arrangements, guarantees and warranties arising in the ordinary course of business. This also includes contingent liabilities for fire safety remediation arising from the Building Safety Act 2022, for which it is not yet possible to quantify any potential liability, and our ongoing review into Reinforced Autoclaved Aerated Concrete.

The Group has received queries from tax authorities relating to historical transactions which may result in additional tax liabilities. Based on an assessment of the relevant tax rules, in addition to advice received from external parties, the Group does not believe that any tax is due and has written to the authorities explaining that position. It is not possible to accurately state the timing of any potential outflow, as the Group awaits further correspondence from the tax authorities. The Group has not disclosed an estimate of the financial effect as it is considered this could be prejudicial to its position.

16. Related party transactions

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

17. Events after the reporting period

Since 30 September 2023, the Group sold or exchanged contracts to sell certain interests in trading properties acquired as part of the U+I Group PLC in December 2021.

On 20 October 2023, the Group acquired a 100% interest in BM Com Lease Extension LLP and completed a lease extension at the site in Brighton, for a combined price of £7m.

On 26 October 2023, the Group completed on the sale of its interest in Morden Wharf for proceeds of £23m.

On 9 November 2023, the Group sold its interest in Junction 32 for a headline price of £47m.

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 and in Table 16.

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 per share	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		**30 September 2023**	
	EPRA NRV	**EPRA NTA**	**EPRA NDV**
	£m	**£m**	**£m**
Net assets attributable to shareholders of the parent	**6,673**	**6,673**	**6,673**
Shortfall of fair value over net investment in finance leases book value	**(6)**	**(6)**	**(6)**
Deferred tax liability on intangible asset	**-**	**-**	**-**
Goodwill on deferred tax liability	**-**	**-**	**-**
Other intangible asset	**-**	**(2)**	**-**
Fair value of interest-rate swaps	**(44)**	**(44)**	**-**
Excess of fair value of trading properties over book value	**26**	**26**	**26**
Shortfall of fair value of debt over book value	**-**	**-**	**457**
Purchasers' costs(1)	**614**	**-**	**-**
Net assets used in per share calculation	**7,263**	**6,647**	**7,150**

	EPRA NRV	**EPRA NTA**	**EPRA NDV**
Diluted net assets per share	**976p**	**893p**	**961p**

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

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

1. EPRA NTA and EPRA NDV reflect IFRS values which are net of purchasers' costs. Purchasers' costs are added back when calculating EPRA NRV.

Table 16: EPRA performance measures

Measure	Definition for EPRA measure	Notes	30 September 2023 EPRA measure
EPRA earnings	Recurring earnings from core operational activity	4	**£198m**
EPRA earnings per share	EPRA earnings per weighted number of ordinary shares	4	**26.7p**
EPRA diluted earnings per share[(1)]	EPRA diluted earnings per weighted number of ordinary shares	4	**26.7p**
EPRA Net Tangible Assets (NTA)	Net assets adjusted to exclude the fair value of interest-rate swaps and intangible assets and include the difference between the fair value and book value of net investment in finance leases and trading property	4	**£6,647m**
EPRA Net Tangible Assets per share	Diluted Net Tangible Assets per share	4	**893p**
EPRA net disposal value (NDV)	Net assets adjusted to include the difference between fair value and book value of debt, trading property and net investment in finance leases	4	**£7,150m**
EPRA net disposal value per share	Diluted net disposal value per share	4	**961p**
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	**35.8%**
		Table	
Voids/vacancy rate	ERV of vacant space as a % of ERV of Combined Portfolio excluding the development programme[(3)]	17	**4.0%**
Net initial yield (NIY)	Annualised rental income less non-recoverable costs as a % of market value plus assumed purchasers' costs[(4)]		**5.7%**
Topped-up NIY	NIY adjusted for rent free periods[(4)]		**6.2%**
Cost ratio	Total costs as a percentage of gross rental income (including direct vacancy costs)[(5)]		**23.0%**
	Total costs as a percentage of gross rental income (excluding direct vacancy costs)[(5)]		**18.3%**

1. In the period to 30 September 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 period.
2. EPRA LTV differs from the Group LTV presented in Note 13 as it includes net payables and receivables, and includes trading properties at fair value and debt instruments at nominal value rather than book value.
3. This measure reflects voids in the Combined Portfolio excluding only properties under development.
4. This measure relates to the Combined Portfolio, excluding properties currently under development. Topped-up NIY reflects adjustments of £64m 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 £5m.

Table 17: EPRA vacancy rate

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

	30 September 2023 £m
ERV of vacant properties	**26**
ERV of Combined Portfolio excluding properties under development	**647**
EPRA vacancy rate (%)	**4.0%**

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

	30 September 2023 £m	30 September 2022 £m	Change £m	Change %
Central London	**112**	114	**(2)**	**(2)**
Major retail	**68**	62	**6**	**10**
Subscale sectors	**57**	55	**2**	**4**
	237	231	**6**	**3**

1. Excludes surrender premiums received during the period.

Table 19: Acquisitions, disposals and capital expenditure

Investment properties	Group (excl. joint ventures) £m	Joint ventures £m	Adjustment for non-wholly owned subsidiaries £m	Six months ended 30 September 2023 Combined Portfolio £m	Six months ended 30 September 2022 Combined Portfolio £m
Net book value at the beginning of the period	**9,658**	**601**	**(139)**	**10,120**	11,833
Transfer from joint venture	-	-	-	**-**	11
Acquisitions	91	-	-	**91**	2
Capital expenditure	173	1	(1)	**173**	170
Capitalised interest	12	-	-	**12**	14
Net movement in head leases capitalised	-	-	-	**-**	(11)
Disposals	(1)	-	-	**(1)**	(904)
Net (deficit)/surplus on revaluation of investment properties	(371)	(17)	13	**(375)**	(323)
Net book value at the end of the period	**9,562**	**585**	**(127)**	**10,020**	10,792
Loss on disposal of investment properties	**(3)**	**-**	**-**	**(3)**	(92)

Trading properties	£m	£m	£m	£m	£m
Net book value at the beginning of the period	**118**	**-**	**-**	**118**	146
Capital expenditure	4	-	-	**4**	11
Disposals	(7)	-	-	**(7)**	(14)
Movement in impairment	(4)	-	-	**(4)**	(8)
Net book value at the end of the period	**111**	**-**	**-**	**111**	135
(Loss)/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)	91	-	**91**	2
Development capital expenditure(3)	108	2	**110**	162
Other capital expenditure	65	2	**67**	19
Capitalised interest	12	-	**12**	14
Acquisitions, development and other capital expenditure	**276**	**4**	**280**	197

Disposals	£m	£m
Net book value – investment property disposals	**1**	904
Net book value – trading property disposals	**7**	14
Net book value – other net assets of investment property disposals	**-**	51
Loss on disposal – investment properties	**(3)**	(92)
(Loss)/profit on disposal – trading properties	**(1)**	1
Other	**4**	(1)
Total disposal proceeds	**8**	877

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

Table 20: EPRA analysis of capital expenditure

Six months ended 30 September 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	2	5	-	5	-	-	5
City offices	-	-	-	36	1	37	-	37	-	-	37
Retail and other	6	-	-	-	1	1	-	7	-	-	7
Developments	85	96	-	-	-	-	12	193	-	-	193
Total Central London	**91**	**96**	**-**	**39**	**4**	**43**	**12**	**242**	**-**	**-**	**242**
Major retail											
Shopping centres	-	-	-	6	-	6	-	6	-	-	6
Outlets	-	-	-	6	1	7	-	7	-	-	7
Total Major retail	**-**	**-**	**-**	**12**	**1**	**13**	**-**	**13**	**-**	**-**	**13**
Mixed-use urban											
Completed investment	-	-	-	5	-	5	-	5	-	(1)	6
Developments	-	12	-	-	-	-	-	12	1	-	11
Total Mixed-use urban	**-**	**12**	**-**	**5**	**-**	**5**	**-**	**17**	**1**	**(1)**	**17**
Subscale sectors											
Leisure	-	-	-	1	1	2	-	2	-	-	2
Hotels	-	-	-	-	-	-	-	-	-	-	-
Retail parks	-	-	-	2	-	2	-	2	-	-	2
Total Subscale sectors	**-**	**-**	**-**	**3**	**1**	**4**	**-**	**4**	**-**	**-**	**4**
Total capital expenditure	**91**	**108**	**-**	**59**	**6**	**65**	**12**	**276**	**1**	**(1)**	**276**
Timing difference between accrual and cash basis								(28)	-	-	(28)
Total capital expenditure on a cash basis								**248**	**1**	**(1)**	**248**

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

Other business analysis

Table 21: Top 12 occupiers at 30 September 2023

	% of Group rent[1]
Accor	6.0
Central Government	5.7
Deloitte	2.3
Cineworld	1.7
Boots	1.7
Taylor Wessing	1.6
Peel	1.3
BBC	1.2
Sainsbury's	1.0
Qube Research & Technologies	1.0
H&M	1.0
M&S	1.0
	25.5

1. On a proportionate basis.

Table 22: Committed and future development pipeline and trading property development schemes at 30 September 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									
Thirty High, SW1 (formerly Portland House)	Office/Retail	100	299,000	-	196	30	Aug-25	189	407
Timber Square, SE1	Office/Retail	100	376,000	-	114	30	Dec-25	122	408

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

Property	Description of use	Ownership interest %	Size sq ft	Number of units	Sales exchanged by unit %	Estimated completion date	Total development costs to date £m	Forecast total development cost £m
Trading property development schemes								
Castle Lane, SW1	Residential	100	52,000	89	99	Jan-24	32	47

Table 22: Committed and future development pipeline and trading property development schemes at 30 September 2023 continued

Mixed-use urban

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

Where the property is not 100% owned, floor areas and letting status shown above represent the full scheme whereas all other figures represent our proportionate share. Letting % is measured by ERV and shows letting status at 30 September 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 30 September 2023 on unlet units, both after rents payable.

Table 23: Combined Portfolio analysis
Total portfolio analysis

	Market value(1)		Valuation movement(1)		Rental income(1)		Annualised rental income(2)		Net estimated rental value(1)	
	30 September 2023 £m	31 March 2023 £m	(Deficit)/ surplus £m	(Deficit)/ surplus %	30 September 2023 £m	30 September 2022 £m	30 September 2023 £m	31 March 2023 £m	30 September 2023 £m	31 March 2023 £m
Central London										
West End offices	**2,578**	2,653	**(78)**	**(3.1)**	**68**	72	**136**	134	**153**	146
City offices	**1,221**	1,304	**(123)**	**(9.3)**	**35**	40	**64**	61	**94**	87
Retail and other	**1,039**	1,095	**(15)**	**(1.4)**	**27**	30	**39**	42	**53**	56
Developments(5)	**1,364**	1,190	**(70)**	**(4.9)**	**18**	19	**16**	5	**133**	57
Total Central London	**6,202**	6,242	**(286)**	**(4.5)**	**148**	161	**255**	242	**433**	346
Major retail										
Shopping centres	**1,206**	1,196	**1**	**0.1**	**64**	60	**119**	114	**122**	123
Outlets	**665**	684	**(26)**	**(3.8)**	**31**	28	**54**	56	**60**	60
Total Major retail	**1,871**	1,880	**(25)**	**(1.3)**	**95**	88	**173**	170	**182**	183
Mixed-use urban										
Completed investment	**355**	389	**(38)**	**(9.7)**	**12**	11	**24**	24	**26**	26
Developments(5)	**473**	426	**(19)**	**(3.6)**	**17**	17	**31**	28	**35**	31
Total Mixed-use urban	**828**	815	**(57)**	**(6.2)**	**29**	28	**55**	52	**61**	57
Subscale sectors										
Leisure	**424**	476	**(11)**	**(2.7)**	**23**	24	**47**	51	**45**	50
Hotels	**404**	408	**7**	**1.7**	**18**	15	**35**	31	**29**	28
Retail parks	**417**	418	**(3)**	**(0.6)**	**15**	15	**29**	28	**30**	30
Total Subscale sectors	**1,245**	1,302	**(7)**	**(0.6)**	**56**	54	**111**	110	**104**	108
Combined Portfolio	**10,146**	10,239	**(375)**	**(3.6)**	**328**	331	**594**	574	**780**	694
Properties treated as finance leases	**-**	-	**-**	**-**	**-**	(1)				
Combined Portfolio	**10,146**	10,239	**(375)**	**(3.6)**	**328**	330				
Represented by:										
Investment portfolio	**9,528**	9,603	**(358)**	**(3.7)**	**308**	303	**557**	536	**740**	655
Share of joint ventures	**618**	636	**(17)**	**(2.8)**	**20**	27	**37**	38	**40**	39
Combined Portfolio	**10,146**	10,239	**(375)**	**(3.6)**	**328**	330	**594**	574	**780**	694

Table 23: Combined Portfolio analysis continued

Total portfolio analysis

	Net initial yield[3]		Equivalent yield[4]	
	30 September 2023	Movement in like-for-like[6]	30 September 2023	Movement in like-for-like[6]
	%	bps	%	bps
Central London				
West End offices	**4.8**	13	**5.4**	31
City offices	**3.9**	68	**5.8**	51
Retail and other	**4.4**	29	**4.9**	22
Developments[5]	**-**	n/a	**5.0**	n/a
Total Central London	**4.5**	31	**5.3**	33
Major retail				
Shopping centres	**8.0**	(14)	**8.1**	13
Outlets	**6.7**	21	**7.4**	20
Total Major retail	**7.5**	-	**7.8**	16
Mixed-use urban				
Completed investment	**6.0**	50	**6.8**	52
Developments[5]	**5.4**	n/a	**5.8**	n/a
Total Mixed-use urban	**6.0**	50	**6.1**	52
Subscale sectors				
Leisure	**8.6**	33	**8.7**	17
Hotels	**6.9**	24	**6.7**	5
Retail parks	**6.7**	16	**6.6**	21
Total Subscale sectors	**7.4**	23	**7.3**	13
Combined Portfolio	**5.7**	26	**6.1**	29
Represented by:				
Investment portfolio	**5.7**	n/a	**6.1**	n/a
Share of joint ventures	**5.7**	n/a	**5.8**	n/a
Combined Portfolio	**5.7**	n/a	**6.1**	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 initial yield – refer to Glossary for definition. This calculation includes all properties including those sites with no income.
4. Equivalent yield – refer to Glossary for definition. Future developments are excluded from the calculation of equivalent yield on the Combined Portfolio.
5. Comprises the development pipeline – refer to Glossary for definition.
6. The like-for-like portfolio – refer to Glossary for definition.

Table 24: Floor Areas

	30 September 2023 Million sq ft
Central London	
West End offices	2.4
City offices	1.6
Retail and other	1.0
Developments	0.5
Total Central London	5.5
Major retail	
Shopping centres	6.7
Outlets	1.5
Total Major retail	8.2
Mixed-use urban	
Completed investment	1.2
Developments	1.9
Total Mixed-use urban	3.1
Subscale sectors	
Leisure	3.3
Hotels	1.9
Retail parks	1.8
Total Subscale sectors	7.0
Total	**23.8**

Table 25: Reconciliation of segmental information note to interim reporting for the six months to 30 September 2022

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

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

Table 26: Lease lengths

	Weighted average unexpired lease term at 30 September 2023	
	Like-for-like portfolio	Like-for-like portfolio, completed developments and acquisitions
	Mean[1]	Mean[1]
	Years	Years
Central London		
West End offices	6.2	6.8
City offices	8.3	7.9
Retail and other	7.9	7.3
Total Central London	**6.9**	**7.1**
Major retail		
Shopping centres	4.5	4.5
Outlets	3.1	3.1
Total Major retail	**4.2**	**4.2**
Mixed-use urban	**8.3**	**6.6**
Subscale sectors		
Leisure	10.8	10.8
Hotels	7.7	7.7
Retail parks	5.4	5.4
Total Subscale sectors	**8.3**	**8.3**
Combined Portfolio	**6.3**	**6.3**

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

Investor information

1. Company website: landsec.com

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

2. Registrar: Equiniti Group PLC

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

Telephone:

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

Correspondence address:

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

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

3. Shareholder enquiries

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

4. Share dealing services: shareview.co.uk

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

5. 2023/24 second quarterly dividend

The Board has declared a second quarterly dividend for the year ending 31 March 2024 of 9.2p per ordinary share which will be paid on 2 January 2024 to shareholders registered at the close of business on 24 November 2023. This will be paid wholly as a Property Income Distribution (PID). Together with the first quarterly dividend of 9.0p already paid on 6 October 2023 wholly as a PID, the first half dividend will be 18.2p per ordinary share (six months ended 30 September 2022: 17.6p).

6. Dividend related services

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

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

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

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

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

7. Financial reporting calendar	**2024**
Financial year end	31 March
Preliminary results announcement	14 May*
Half year results announcement	12 November*

* Provisional date only

8. Investor relations enquiries

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

Glossary

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

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

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

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 proposed 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 after 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, trading property 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 valuers.

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 trading property 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 and trading property.

Equivalent yield
Calculated by the Group's external valuers, 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 valuers. For investment properties in the development programme, which have not yet reached practical completion, the ERV represents management's view of market rents.

ERV – Net estimated rental value
The estimated market rental value of lettable space as determined biannually by the Group's external valuers, after deducting expected rent payable. 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 (also known as mark-to-market adjustment).

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

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

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

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

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

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 2022 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 valuers, 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 period. Net assets per share is also commonly known as net asset value per share (NAV per share).

Net initial yield
Net initial yield is a calculation by the Group's external valuers 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 valuers 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 (over-rented or reversionary). 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 valuers. 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 cost ratio
Total cost ratio represents all costs included within EPRA earnings, other than rents payable, financing costs and provisions for bad and doubtful debts, expressed as a percentage of gross rental income before rents payable adjusted for costs recovered through rents but not separately invoiced.

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

Total 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.

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 valuers.

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.