

HAMMERSON plc – FULL YEAR 2023 RESULTS

Strong 2023: rental growth and earnings up, more to come

Rita-Rose Gagné, Chief Executive of Hammerson, said:

“Our city centre destinations are in high demand. This year we delivered a positive performance across our key strategic, operational and financial metrics. Like-for-like gross rental income was up 6%, following another record year of leasing. Occupancy remains strong and footfall and sales were up again. We’ve strengthened our operational platform, whilst reducing costs by 14%. As a result, adjusted earnings rose 11% to £116m, whilst net debt was down 23%, with ample liquidity.

Over the last three years, we have delivered against all strategic milestones. We now have a core portfolio focused on urban locations which are evolving into my vision: vibrant, 24/7 multi-use estates. These destinations are fast growing, and part of the fabric and infrastructure of the cities in which we operate.

Whilst our eyes are open to the current macro-economic environment, our occupiers are thriving and our visitor numbers are on the rise in our realigned portfolio. We are reaping the rewards of the investments we are making in our core portfolio alongside best-in-class occupiers, which underpins the high levels of demand for our space. We expect this trajectory to continue in the year ahead. We have a strong pipeline of leasing and repurposing opportunities. There is still more for us to do, but we are now entering a time where having the capability to invest and operate with discipline and conviction will be rewarded.”

Positive performance across our key operational and financial metrics:

- Another record year of leasing with 306 deals, representing £46m of headline rent, £29m at our share, up +23% LFL
- Permanent deals signed +37% vs previous passing; net effective rent +12% vs ERV
- Footfall up +3% year-on-year; dwell time +5%; LFL sales +1% UK, +3% France
- Adjusted earnings growth of +11% to £116m, or 2.3p per share (+10%), driven by like-for-like GRI up +6%, NRI +4%
- Continued cost reduction outperformance: gross administration cost -14% year-on-year bringing total cost reduction since FY 20 to -24%; guiding to a further -10% cost reduction in 2024
- Value Retail adjusted earnings of £32m (FY 22: £27m), and £74m of catch-up cash distributions received
- Group portfolio value of £4.7bn (FY 22: £5.1bn), mainly due to disposals and derecognitions; capital return -2.6%
- IFRS loss of £51m (FY 22: £164m loss), basic loss per share of -1.0p (FY 22: -3.3p)
- EPRA NTA per share 51p (FY 22: 53p)
- Execution of disposal programme has strengthened balance sheet: net debt down 23% to £1,326m; LTV 34% (FY 22: 39%), FPC LTV 44% (FY 22: 47%); Net debt to EBITDA of 8.0x (FY 22: 10.4x); liquidity of £1.2bn (FY 22: £1.0bn)
- Balance sheet further strengthened since the year-end with the exchange for the sale of USQ for £111m

Dividend

- In July 2023, the Board reinstated a cash dividend as guided and announced a new dividend policy of 60-70% of annual adjusted earnings, balancing distributions to shareholders with our focus on reinvesting in our core portfolio to deliver further growth and value.
- Today, the Board has recommended a final cash dividend of 0.78p per share subject to shareholder approval, which will be paid as an ordinary dividend, bringing the full year cash dividend to 1.50p per share, representing a 64% payout, commensurate with the half year payment. The dividend declaration will be released as a separate announcement.

Outlook

We had a strong 2023. City centres remain the dominant locations for commerce and lifestyle. Our destinations are in high demand by occupiers and visitors. The importance of a physical presence in a digitally-integrated strategy for best-in-class operators is undeniable. Over time, we have a unique opportunity to complement our retail core with a broader mix of uses by repurposing existing space and unlocking value on adjacent land.

We have a strong platform with long term visibility of income. We remain operationally disciplined and expect further cost reductions in 2024. We are confident in our ability to grow top line and earnings off a new base, and therefore create value for shareholders.

Results presentation today:

Hammerson will hold a presentation for analysts and investors at its Marble Arch House office to present its full year financial results for the 12 months ended 31 December 2023, followed by a Q&A session.

Date & time: Thursday 29 February 2024 at 09.45 am (GMT)

Webcast link: <https://hammerson-fy-results-2023.open-exchange.net/>

Conference call: Quote Hammerson when prompted by the operator, access code 329183

Please join the call 5 minutes before the booked start time to allow the operator to transfer you into the call by the scheduled start time

France: +33 9 7073 3958

Ireland: +353 1 691 7842

Netherlands: +31 85 888 7233

South Africa: +27 87 550 8441

UK: +44 20 3936 2999

USA: +1 646 787 9445

The presentation and press release will be available at: <https://www.hammerson.com/investors/reports-results-presentations> on the morning of results.

Enquiries:

Rita-Rose Gagné, Chief Executive Officer

Tel: +44 (0)20 7887 1000

Himanshu Raja, Chief Financial Officer

Tel: +44 (0)20 7887 1000

Josh Warren, Director of Strategy, Commercial Finance and IR

Tel: +44 (0)20 7887 1053 josh.warren@hammerson.com

Natalie Gunson, Group Director of Communications

Tel: +44 (0)20 7887 4672 natalie.gunson@hammerson.com

Oliver Hughes, Ollie Hoare and Charles Hirst, MHP

Tel: +44 (0)20 3128 8100 Hammerson@mhpgroup.com

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Index to key data

Unless otherwise stated, figures have been prepared on a proportionally consolidated basis, excluding Value Retail as outlined in the presentation of information section of the Financial Review.

Year ended		2023	2022	Note/Ref
Income				
Gross rental income		£208m	£215m	2
Adjusted earnings – Value Retail	a	£32m	£27m	2
Adjusted finance costs	a	£46m	£54m	2
Adjusted earnings	a	£116m	£105m	2
Revaluation losses – Managed portfolio		£(119)m	£(221)m	2
Revaluation losses – Group portfolio, including Value Retail		£(127)m	£(282)m	3B
Loss for the year (IFRS)		£(51)m	£(164)m	2
Adjusted earnings per share	a	2.3p	2.1p	10B
Basic loss per share		(1.0)p	(3.3)p	10B
Final cash dividend per share		0.78p	—	18
Dividend per share for the year (cash/enhanced scrip)		1.50p/—	0.2p/2.0p	18
Operational				
Like-for-like gross rental income change		+5.5%	+8.3%	Financial Review
Like-for-like adjusted net rental income change		+3.6%	+29.2%	Table 3
Occupancy – flagships		95%	96%	Table 5
Leasing activity		£29m	£25m	n/a
Leasing v ERV (principal leases)		+12%	+2%	n/a
Leasing v Passing rent (principal leases)		+37%	+34%	n/a
Passing rent		£188m	£210m	Table 4
Like-for-like passing rent change		+2.5%	+1.4%	n/a
ERV		£193m	£218m	Table 4
Like-for-like ERV change – flagships		+1.7%	(2.2)%	Financial Review
Capital and financing				
Managed portfolio value		£2,776m	£3,220m	3B
Group portfolio value (including Value Retail)		£4,662m	£5,107m	3B
Total accounting return		(2.1)%	(6.8)%	Table 15
Total property return (including Value Retail)		3.2%	(0.7)%	Table 9
Capital return (including Value Retail)		(2.6)%	(5.8)%	Table 9
Net debt		£1,326m	£1,732m	Table 13
Gearing		55%	68%	Table 18
Loan to value – headline		34%	39%	Table 19
Loan to value – fully proportionally consolidated		44%	47%	Table 19
Liquidity		£1,225m	£996m	Financial Review
Interest cover		3.91x	3.24x	Table 17
Net debt : EBITDA		8.0x	10.4x	Table 16
Net assets		£2,463m	£2,586m	Balance sheet
EPRA net tangible assets (NTA) per share		51p	53p	10C

- a These results include discussion of alternative performance measures (APMs) which include those described as Adjusted, EPRA and Headline as well as constant currency (where current period exchange rates are applied to the prior period's results). Adjusted, EPRA and Headline measures are described in note 1C to the financial statements and reconciliations for earnings and net assets measures to their IFRS equivalents are set out in note 9 to the financial statements.

CHIEF EXECUTIVE'S REVIEW

In 2023, we delivered another year of significant strategic, operational and financial progress and growth, reflecting three years of transformational change for the business. We are now well positioned to invest for growth and value creation. Today, the Group is focused on a core portfolio of city centre destinations in some of the fastest growing cities in Europe that are evolving to my vision: 24/7, urban 'living spaces'. Occupier flight to quality – fewer, better stores in prime locations – is undeniable, with high flagship occupancy at 95% following another year of record leasing in our uniquely located city centre destinations.

We signed 306 leases representing £46m of headline rent, £29m at our share, split roughly evenly between: new to portfolio brands, new concepts, social and entertainment offers; and renewals with our current occupiers, including new concepts and upsizes. We attract best-in-class occupiers who in turn make significant investments in their physical footprint. Rental levels have rebased and we are driving growth with permanent deals signed 12% ahead of ERV on a net effective basis, and 37% ahead of previous passing rent, equating to additional annualised passing rent of £7m on our £179m flagship rent roll.

The exceptional environments we create for our occupiers and visitors is reflected in strong operational fundamentals. Despite the volatile macroeconomic environment, footfall and like-for-like sales continue to grow. Notably, we have seen particularly strong operational performances at assets where we have made significant investments in recent years, such as Bullring, Dundrum and Les 3 Fontaines.

Since 2020, we have transformed our operating model, and reshaped our organisation. We have brought in new skills and talent in asset management, leasing, commercialisation and placemaking, which means we can focus our energies on value creation. On-site property management and associated accounting services in the UK and France have largely been consolidated with proven scale strategic partners.

We have invested to realign and upgrade our IT and digital platform in areas where speed and data quality is critical. Today we are a more agile, resilient and market facing asset-centric organisation, one that continues to evolve and reshape our destinations to be fit for the future. We have again reduced gross administration costs, down 14% year-on-year and we are targeting a further 10% reduction in 2024.

We have further realigned our portfolio, exiting non-controlling minority stakes in Italie Deux in France, alongside realising value from standalone development assets in Croydon, and other non-core land generating £216m in disposal proceeds in 2023. At the same time, we have been disciplined in not allocating capital to assets with secured debt where these did not meet our location and catchment, investment or return criteria. Whilst recognising an impairment of £22m, £125m of secured debt was derecognised in the period following exits from Highcross and O'Parinor, also bringing a sharper focus to investment opportunities in the core portfolio. Since the balance sheet date, we have exchanged on the sale of Union Square, which will bring to a close our £500m disposal programme set out at FY 21.

At 31 December 2023, our financial position was significantly strengthened, with ample cash and undrawn committed facilities of £1.2bn, more than covering near term maturities and providing capital for investment. We will continue to be disciplined allocators of capital and select the best returns for shareholders, mindful of our own cost of capital and all options for capital deployment including maintaining balance sheet strength and flexibility.

Dividend

As announced at the 2023 half year results and outlined in the 2022 annual report, the Board reinstated a cash dividend in 2023, declaring an interim cash dividend of 0.72p in July which was paid entirely as a PID.

At the same time, the Board announced a new sustainable dividend policy of 60% to 70% of annual adjusted earnings to be paid semi-annually. This policy is based on disciplined capital allocation seeking to balance returns to shareholders whilst continuing to invest to drive growth and value creation in our core assets.

Therefore, the Board recommends a final cash dividend of 0.78p per share in respect of 2023 to be paid as an ordinary dividend subject to shareholder approval, which would represent a full year cash dividend of 1.50p per share and a payout ratio of 64%, commensurate with the half year.

The Board recognises dividends are an important constituent of shareholder returns and the policy will be kept under review.

FINANCIAL AND OPERATIONAL REVIEW

Adjusted earnings were up 11% to £116m or 2.3p per share, reflecting 6% like-for-like growth in GRI and 4% growth in like-for-like NRI, combined with significant further reductions in gross administration and net finance costs.

At FY 22, we committed to reduce our gross administration costs by 20% by FY 24. We have delivered a 14% reduction in 2023. There are more efficiencies to come as we pursue greater automation and digitalisation of our business, as well as outsourcing and consolidation of supplier opportunities. We expect to deliver a further 10% reduction in 2024 which means we are on track to exceed our target of 20% reduction by 2024, which would bring cumulative savings of more than 30% since FY 20.

Net debt was down 23% to £1,326m (FY 22: £1,732m). Headline LTV was 34% (FY 22: 39%) and 44% (FY 22: 47%) including the Group's proportionate share of Value Retail net debt. Our Net debt: EBITDA improved to 8.0x from 10.4x at FY 22, reflecting both lower debt and the improved operating performance.

EPRA NTA was 51p per share at 31 December 2023 (FY 22: 53p), with higher earnings in part offsetting disposal and impairment and revaluation losses, totalling £167m. Having been broadly flat for the first three quarters of the year, we saw some marginal yield expansion in the fourth quarter in all territories, which offset incremental flagship ERV growth in the UK, Ireland and France. Moreover, all but two of our flagship assets benefited from positive ERV movements, and all ten in the second half of the year. We are starting to see positive valuation movements on selected assets.

Overall, the Group recorded an IFRS loss of £51m (FY 22: £164m loss), and a negative total accounting return of -2.1%.

Footfall and sales

Footfall and sales performance reflects the exceptional nature of our destinations and the improving mix of uses. The recovery in footfall that we saw across our assets in FY 22 continued through FY 23 with consumers also increasingly returning to city centres, both for leisure and work. Footfall was +3% year-on-year (UK+1%, France +7% and Ireland +4%), closing the gap on 2019 levels, which we are now on average less than 10% below. Average dwell time was up 5% to 88 minutes.

Overall, total sales and sales densities have risen by mid-teens percentages since 2019, with substantial evidence that repurposed space and new concepts materially outperform that which it is replacing.

Consumer spending continues to be resilient, with an improving outlook for 2024. Despite the 'cost of living' crisis, savings built during the Covid-19 pandemic, high levels of employment and strong wage growth, which outpaced inflation in the second half of 2023, have helped underpin continued consumer spend, along with evolving lifestyle trends. Like-for-like sales were up 1% in the UK and 3% for France.

Occupancy

Our core portfolio continues to benefit from the increasing polarisation in the market and the flight to quality reflected in the wealth of key new openings, leasing demand and tension, and growing footfall and sales. It is now a fact that online/offline has balanced and occupiers have now adopted a holistic view, understanding that a high quality physical presence is an essential part of the supply chain.

Flagship portfolio occupancy remained strong at 95%, broadly flat year-on-year. UK flagship occupancy stands at 95% and Ireland at 96%, with some assets in these geographies full. France was slightly weaker at 93% reflecting the continuing lease-up at Les 3 Fontaines extension.

Value Retail

Value Retail delivered another solid operational performance. Brand sales increased 10% year-on-year and were 5% above 2019 levels. Footfall across the Villages saw a 9% increase year-on-year but remained below 2019 levels. Sales densities grew broadly in line with footfall and were marginally ahead of 2019, whilst spend per visit was up 1% year-on-year and 6% ahead of 2019.

Average occupancy was 95%, marginally up on 2022 but remaining around one percentage point below 2019 levels. Overall, the Group's share of Adjusted earnings was £32m (FY 22: £27m). Positive GRI growth was partially offset by rising finance costs reflecting the refinancing in FY 22 at Bicester and La Vallée, and higher administration costs. Year-to-date, Hammerson has received £74m of cash distributions from Value Retail, in part reflecting catch up payments from 2019 to 2023.

At 31 December 2023, the Group's interest in Value Retail's property portfolio was £1.9bn, unchanged year-on-year. Net assets were £1.1bn, down 6%, primarily due to distributions paid to the Group. The difference between gross and net asset value is principally due to £0.7bn of net debt within the Villages which is non-recourse to the Group. The average LTV across the Villages is 39%.

STRATEGY UPDATE

We own city centre destinations and adjacent land around which we can reshape entire neighbourhoods. Our strategy recognises the unique position that we have in our locations and the opportunities to leverage our experience and capabilities to create and manage vibrant 24/7, multi-use, urban 'living spaces' that realise value for all our stakeholders, connects our communities and delivers a positive impact for generations to come.

Our aim is simple and clear – to chart a path to growth that delivers strong income and total returns for shareholders through consistent execution against our strategic goals. Following three years of strategic and operational progress, we are now investing for growth and value creation in our core assets.

We are combining targeted leasing with repurposing and redevelopment opportunities, which are integral and complementary to our destinations, directing capital expenditure to our core estates, where we are able to realise high returns. This asset focus is underpinned by our now increasingly agile platform, our strong capital structure and by our commitment to ESG.

In FY 23, we made significant progress towards all our goals as follows:

Investment for growth and value creation

The key source of competitive advantage for Hammerson is the quality and location of our destinations in some of Europe's fastest-growing cities. We have some of the best assets in the very best prime city centre catchments and transportation hubs, and, due to the strong ties we have in the communities in which we operate, supportive local authorities. Additionally, our pre-development and strategic land represent a considerable set of unrealised long term opportunities which we can selectively draw upon.

The consumer and occupier landscape continues to evolve at pace. Occupiers are continuing to shift to using physical space for a broad mix of uses, including: point of sale; last mile fulfilment; returns; servicing; experiential; marketing; brand development; education; workspace; and leisure – 'living spaces'. At the same time, visitors demand top quality environments and experiences. We continue to invest in our assets to partner with best-in-class occupiers to cater to the communities and catchments in which we operate, whether this be repurposing of obsolete department store space into leisure and modern retail, or redevelopment to residential, workspace, healthcare and lifestyle uses.

Our investments to date have attracted some of the very best global brands. Our leasing strategy has evolved from an emphasis on filling space and increasing occupancy as we emerged from the Covid-19 pandemic. We now focus more proactively on a high quality, diverse and complementary mix and offer for both occupiers and customers, which in turn underpins a more diverse, resilient and higher quality income profile.

Following our best year for leasing in FY 22 since FY 18, our momentum continued in FY 23 with another record year: 306 leases signed on a more focused portfolio (FY 22: 317), a volume increase of 10% on a like-for-like basis, representing £46m of headline rent at 100% (FY 22: £45m), or £29m at share (FY 22: £25m), up 23% like-for-like. In this context, we saw much greater competitive tension with occupiers not exercising breaks to leverage better terms, which meant an additional £2m of rent retained.

For principal deals, headline rent was 37% ahead of previous passing rent (FY 22: +34%), continuing to reflect strong demand, the lease up of vacant space and the conversion of temporary leases onto long term deals. On a net effective basis, principal deals were 12% ahead of ERV (FY 22: +2%), with new leases +14% and renewals +8%. In terms of mix, just under half of leasing was to best-in-class and new fashion concepts, and the balance to non-fashion, services, leisure, food, workspace and Printemps in France.

Providing the exceptional spaces with high footfall, high demand, growing leasing tension and thereby rental levels which underpins this leasing performance requires investment: investment to repurpose obsolete or underutilised space; investment in time to select the right brand partners to enhance the mix and complete works to a high standard; investment alongside key brand partners in their offer; investment in public realm to maintain our appeal to customers and occupiers whilst ensuring further integration with the communities we serve; and investment in key leasing, asset management, placemaking and marketing talent. From our investments in the last few years, we've delivered solid returns and created value.

Looking at two key examples that came to fruition this year:

- In Dundrum, we opened Penneys (Primark) and Nike Live, to complete the repurposing of the former House of Fraser space, with the backfill allowing Dunnes Stores, which opened in November, to enter the destination for the first time. Taken as a whole, the significant increase in rents with an incremental ERV benefit to adjacent units generated an IRR in excess of 20% from an investment of €31m (at 100%). Elsewhere in Dundrum, we converted underutilised storage space to modern workspace and leased it to Western Union, bringing a new use and income stream to the asset, as well as incremental customers to the food and leisure oriented Pembroke Square area. Dundrum has already seen an increase in footfall and sales following these openings in the second half of the year.

- In Bullring, we handed over former Debenhams space to M&S, which also opened in November, with an extremely strong sales performance and establishing a further consolidation of the city centre into our estate. We also handed over the top floor space to TOCA Social – the football themed entertainment operator – which will become their first operation outside London when it opens in 2024. This will strengthen the critical mass and complement the entertainment and social operators we opened in 2023, which included Lane 7 Bowling, and a new leisure concept, VR Sandbox. We target to complete the repositioning of the Debenhams space – representing about 15% of the total floorspace of the Bullring – by concluding negotiations with a best-in-class fashion operator which will concentrate the retail pitch alongside openings in 2023, including those to Bershka, JD Sports, Footlocker, and Pull and Bear. Taken together we expect our investment into this repositioning project will be around £17m (at 100%), which will not only deliver a high double digit IRR, but also a positive halo on the performance and presentation of the asset and the consequent rental demand and values, which we expect to further capitalise with future lettings. Following these openings, Bullring experienced a particularly strong Christmas period, with sales and footfall up in stark contrast to national indices. Importantly, it also saw an uplift in value of £35m (at 100%), reflecting a 5% increase in ERVs year-on-year.

We have a rich set of similar opportunities in our core portfolio relating to former department store space. Having proactively secured vacant possession, we have already commenced the repurposing of the former House of Fraser space in The Oracle, having agreed terms with Hollywood Bowl and TK Maxx, and are in detailed negotiations with other key partners. At the other end of the scheme, we await the outcome of a planning application for the major regeneration of the eastern quarter, including the former Debenhams, with the potential to develop c.450 residential units in phases alongside renewed landscaping and other commercial uses, much in demand in this strong catchment.

In Birmingham, we achieved planning consent for Drum, an amenity rich workspace led proposal, which predominantly occupies the former John Lewis Partnership space at Grand Central and is directly served by the UK's most connected rail station, Birmingham New Street. Strip out works have been completed, and we are working with stakeholders to unlock the next stages of de-risking and delivering this scheme.

In Cabot Circus, we are working up investment plans, alongside relevant operators, to reposition and maximise the value of major spaces including the House of Fraser department store at the gateway to the asset and to replace the cinema operator as part of the development of a social and entertainment quarter.

Overall, of the department store space the Group had at FY 19, roughly two-thirds has been repurposed or is in advanced planning, and a third has been sold.

Elsewhere, we continue to lease to high quality brand partners, enhancing the quality of the mix and bringing new uses to our destinations. Other than those already mentioned, key deals and openings in 2023 included:

- Renewals and new deals were secured with JD Sports, Uniqlo, Decathlon, Olympique de Marseille, Levi's, Puma, Hugo Boss, Michael Kors and Five Guys at Les Terrasses du Port as we approach the ten year anniversary of the opening of Marseille's super prime destination.
- At Les 3 Fontaines, we opened H&M in March and brought in New Yorker to an adjacent unit later in the year, whilst reconfigurations allowed the entry of Action, Celio and a new leisure offering from Smile World. In the extension, additions comprised increased presence from global brands including Eden Park and Swarovski.
- In Brent Cross, we signed a deal with Social Sports Society to bring a padel tennis and other outside sports facilities to the underutilised Southern Lands, subject to planning, alongside reconfigurations that allowed the renewal of Boots and the introduction of Superdrug into the scheme. We also relocated Moorfields Eye Hospital into an underutilised area of the scheme, after a period of testing customer appetite for alternative uses. In 2024, we expect to create a new market hall offering, where we have already agreed terms with three occupiers.
- In Bullring, in addition to repurposing and new leasing related to the former Debenhams unit, we opened the first Nike Rise concept outside of London, brought Footasylum in for the first time, and saw Goldsmiths undertake a significant refit and expansion which included the introduction of a separate Rolex store.
- Westquay saw the delivery of new offers from premium lifestyle and beauty brands Sweaty Betty and Space NK, and F&B from Wingstop and Mettricks.
- Cabot Circus saw four portfolio firsts, including the introduction of Stradivarius, bringing another sought-after Inditex brand into the destination, alongside the debuts of Lounge, German Donor Kebab and Lids.
- Meanwhile in Ireland, in Dundrum, Space NK signed a lease to open their second store in Ireland. Both with minimal vacancy, it was a quieter year at Pavilions and Ilac, although the former opened a new leisure offer from Zero Latency, whilst the latter signed a new flagship city centre store for Liverpool FC.

Our approach to leasing works in parallel with our greater emphasis on placemaking, which not only serves to enliven space and enhance the experience and environment for customers and occupiers, but also increasingly contributes meaningfully in its own right in terms of incremental footfall, income, and engagement across all channels. Key highlights in the year included:

- Staging our first Late Night Out ticketed event, bringing the after hours economy to Bullring
- We brought the Charity Super.Mkt, the UK's first shop space bringing multiple charities under one roof, to Brent Cross, The Oracle and Cabot Circus, driving incremental footfall, significant media coverage and winning us a Revo award for Pop-up of the Year. We aim to continue working with Charity Super.Mkt through 2024.
- We had further success bringing digitally native brands to physical space, most notably SHEIN to Bullring and Grand Central, and UK firsts including Trinny London's kiosk to Bullring.
- In France, we hosted a two-week pop-up store at Les Terrasses du Port for local rapper Jul, and then 'Sunset Live' later in the year, which showcased local and international musical artists on the seafront terrace, attracting significant media and influencer attention, and involving 25 brand partners.
- Meanwhile, at Les 3 Fontaines we hosted the second edition of the 3Festival which celebrates 'Art in all its forms' with local partners from street art workshops to culinary battles.
- We continue to exploit underutilised car parking space with new uses, occupiers and events, including the UK's largest Tesla collection point, the Florescenza garden centre, and Big Kid Circus at Brent Cross; Skatepark with Red Bull at Cabot Circus, and the Supercar Weekend at Dundrum.
- We enlivened our destinations with summer bars including large external screens showing major sporting events, and created winter wonderlands in our unique outside spaces with Apres ski bars and ice rinks plus a visit from the much-loved Coca Cola truck in Bullring and Grand Central creating high footfall.
- We increased our social media presence and partnerships with local influencers, contributing to increased visibility and customer engagement with our destinations.

Turning to other near term projects which are integral to our existing assets, at Ironworks in Dundrum, a 122 unit residential development, construction continued during 2023. We also agreed a long term indexed lease for the social housing units that we have built as part of the scheme and were completed in the year.

In France, we are considering options for incremental repurposing of underutilised space at Cergy 3, to capitalise on strong demand, following the opening of Les 3 Fontaines extension in March last year, and are in discussions on heads of terms with two operators.

During 2023, we have been disciplined with our resourcing and capital expenditure on our development projects and pre-development and strategic lands; focusing on those initiatives which give short term routes to value, and those integral projects which add most value to our wider estate.

The wider development market has been somewhat fractured during the course of 2023; with viability under pressure due to ongoing challenges with construction costs, cost of capital and valuation yield movements, alongside uncertainty of public policy and decisions. Nevertheless, structural demand from occupiers – and therefore rental performance - remains strong across most asset classes where we have exposure, particularly in city centre locations for best-in-class workplace and purpose-built rental apartments.

We have continued to advance planning consents and land assembly agreements across the portfolio, which is capital light. In Ireland, we expect the initial planning consents to be finalised in 2024 at Dublin Central and there are ongoing discussions with potential end users, while our planning application for a strategic residential masterplan at Dundrum Phase II remains in consideration with the local authority. At Martineau Galleries, part of the wider Birmingham Estate, we have been working closely with Birmingham City Council and other stakeholders to ensure that we have a route to prepare for the development of this multi-use estate which will complement and benefit from our other holdings in the city.

Lastly, in our longer term development opportunities, standing alone from existing destinations, we exited our 50% share of all land and corporate interests at Croydon at a narrow discount to book value, as well as some small land interests in Clonsilla, Dublin, focusing our core portfolio and creating additional liquidity for investment. At Eastgate, Leeds, we have agreed to update an historical development agreement with the City Council paving the way to unlock the value of the site. At Bishopsgate Goodsynd, we are progressing with detailed design and feasibility, the procurement of initial demolition and preparation works, and engagement with Network Rail.

Agile platform

We have transformed our platform and cost base to create an organisation focused on growth and value creation. We took decisive action in 2021 and 2022, shifting from a top heavy, geographically oriented and siloed organisation to a simplified, asset-centric operating model.

In 2023, we continued to drive efficiencies and adapt our ways of working, both in terms of technology – systems and automation – and in terms of greater collaboration, encouraging cross pollination of ideas and practices between asset management, leasing, placemaking and marketing, ESG, strategy and insights, finance and communications.

We are creating a high performance, high engagement culture with an emphasis on strategic value creation focused on asset management and delivery, placemaking and the repositioning of our assets. Property management and associated accounting services have largely been consolidated to proven third party partners of scale.

In 2023, we implemented the consolidation of our property management suppliers in the UK in February, and similar activity in France in the second half. Our 164 colleagues are now focused on strategic tasks as a result of the overhaul of our operations.

The actions we have taken over the last three years in realigning our portfolio and business model as well as introducing new systems, tools and more efficient ways of working have necessarily resulted in a reduction of headcount of 68% since FY 20. This has delivered a gross administration cost reduction of 24%.

By introducing these agile, more efficient and sustainable ways of working we are increasing speed to market and productivity. Today, we deliver more leasing and commercialisation activity than in 2019, with a leaner team, on a more focused portfolio. Other sources of savings include reductions in work space in the UK and France, insurance renewals, and a rigorous management of costs in general. We have also increased our efforts on employee engagement and talent management as part of our strategy to retain and develop key talent and we continue to invest in and promote key talent to be fit for the future.

Sustainable and resilient capital structure

Our capital allocation framework remains the same. We will maintain a stable and resilient capital structure, with an IG credit rating, to maintain access to capital markets. We are committed to a sustainable and growing cash dividend, covered by cashflow, and balanced with our total returns focus. We are mindful of our cost of capital, but will remain opportunistic on capital deployment. After strengthening of the balance sheet, our priority is to invest for growth and value creation.

Today, we have a resilient balance sheet, ample liquidity, and have maintained our IG credit rating. In 2023, in France we completed the sale of our 25% share of Italie Deux, and 100% of the Italik extension, and our 50% share of our interests in Croydon, together with non-core land in the UK and Ireland, generating gross proceeds of £216m. Moreover, £125m of secured debt has been derecognised in connection with our exits from non-core assets in Highcross and O'Parinor.

Since the balance sheet date, we have exchanged unconditional contracts for the disposal of Union Square to an affiliate of Lone Star Real Estate Fund VI L.P. for gross proceeds of £111m, taking total proceeds since FY 21 to £521m and thereby completing our targeted £500m disposals programme. In September 2023, we issued a £100m increase of our existing £200m 7.25% coupon bonds maturing in 2028. The new issue was priced at a yield of 9.1%. In parallel, we redeemed £100m of our 3.5% coupon bonds maturing in 2025 and 6.0% coupon bonds maturing in 2026, at a discount of £4m.

Overall, net debt reduced 23% to £1,326m at 31 December 2023. Headline LTV stood at 34% (FPC: 44%), down from 39% (FPC: 47%) at FY 22. Net debt to EBITDA improved to 8.0x from 10.4x. At 31 December 2023, the Group had liquidity of £1.2bn in the form of cash balances (£570m) and undrawn committed RCFs (£655m), and had no significant unsecured refinancing requirements until 2026 not covered by existing cash.

Environmental, Social and Governance

Our ESG agenda grew in 2023, with a continued focus on achieving our targets, addressing both the Climate and Nature emergencies, whilst continuing to deliver an expanded Social Value programme.

We commenced our Net Zero Asset Plan (NZAP) programme of works focusing on degasification in Ireland, renewable energy in France, and HVAC and lighting design in the UK. To support this, we also undertook revised Physical Climate Risk Assessments in the UK and Ireland. These combine with our NZAPs to ensure a diligent, asset-centric approach to climate risk mitigation. Alongside the delivery of the NZAP projects across our destinations, renewable energy purchasing with true 'additionality' is a central pillar of our Net Zero transition and we are proactively seeking a Corporate Power Purchase Agreement (CPPA) to support our 2025 interim carbon target. Overall, our like-for-like scope 1, 2 and landlord 3 carbon emissions are down 13% year-on-year, and 35% since 2019.

Our climate and energy focus continues to receive external focus with Pavilions, Swords winning a Best Energy Achievement in Retail and Best Overall Achievement at the Business Energy Achievement Awards 2023 (Ireland) for going gas free in 2023, four years ahead of schedule. In addition to this we have launched a quantifiable program to deliver nature based action plans for each asset. This recognises that globally we are experiencing two emergencies, Nature and Climate. The rapid biodiversity loss globally not only needs to be addressed to maintain essential ecosystems but also to ensure a low carbon future aligned to the

Paris agreement. In 2023 we took the step to gift a woodland and natural grassland in Lowestoft to the Wildlife Trust. This land gift recognised the natural value of the land over its commercial value and ensure it is preserved for nature and the community for the foreseeable future.

From a Social Value perspective, we delivered asset-centric events to support the communities we serve whilst also continuing to support our corporate charity partner, LandAid. We also introduced an all-colleague Giving Back Day which coincided with volunteering week and will occur annually in the future. We had very high participation rates of more than 90%, with 152 colleagues taking part doing everything from CV workshops to clearing wetlands.

We continued to focus on benchmarks identified by our stakeholders as key to their decision making. We rank as one of the top property companies in ISS ESG with a score of C+. We maintained our low-risk rating by Sustainalytics, making us a regional leader, and we also regained our 4-star GRESB rating with a ten-point score improvement to 85 points. We also achieved a related GRESB ESG public disclosure score of 96/100, scoring us an A, which ranks us first out of our peers in our transparency surrounding our ESG practices.

CONCLUSION AND OUTLOOK

Since FY 20, we have navigated the Company through a high-risk period of deleveraging and repositioning. We have realigned our portfolio to a core of unique city centre destinations, started to deliver strong investment returns in our properties, and we have ample further opportunity to invest for growth and value creation. In the wider portfolio, we remain capital disciplined and have realised value from our pre-development and strategic lands, most recently with the exit from Croydon.

At the same time, we have transformed our platform. We have become leaner and 'developed muscle', with headcount and costs down by more than two-thirds and a quarter respectively since FY 20, but with speed to market and performance increased. We remain committed to a high performance, high engagement culture with the right talent to be fit for the future.

Whilst our eyes are open to the current macro-economic environment, our occupiers are thriving and our visitor numbers are on the rise in our realigned portfolio. City centres remain the dominant locations for commerce and lifestyle. Our destinations are in high demand by occupiers and visitors. The importance of a physical presence in a digitally integrated strategy for best-in-class operators is undeniable.

Over time, we have a unique opportunity to complement our core with a broader mix of uses by repurposing existing space, consolidating, and unlocking value on adjacent land. We have a strong platform with long term visibility of income. We are confident in our ability to grow top line and earnings off a new base, and therefore create value for shareholders in the years to come.

FINANCIAL REVIEW

OVERVIEW

2023 has been another year of significant financial progress.

Adjusted earnings for 2023 of £116m were 11% higher than 2022. Key drivers were underlying rental growth; lower gross administration and net finance costs; higher earnings from Value Retail; partly offset by income foregone from disposals. We returned to the payment of cash dividends. In addition to the interim dividend of 0.72p per share, the Directors have recommended a final dividend of 0.78p per share, bringing the full year cash dividend to 1.50p per share.

IFRS reported losses decreased to £51m compared with £164m in 2022. The reduction was due to lower revaluation losses, principally associated with outward yield shift, of £127m in 2023 compared with £282m in 2022.

Net assets at 31 December 2023 were £2,463m (2022: £2,586m). EPRA NTA per share was 51p (2022:53p), equivalent to a total accounting return of -2.1% (2022: -6.8%).

Net debt reduced by £406m, or 23%, to £1,326m at 31 December 2023 benefiting from disposal proceeds of £216m, the derecognition of £125m of secured debt, £104m of cash generated from operations and £74m of distributions from Value Retail. The reduction strengthened the Group's balance sheet and credit metrics, with year end headline LTV of 34% (2022: 39%) and LTV on a fully proportional consolidation basis of 44% (2022: 47%). Net debt:EBITDA improved to 8.0x (2022: 10.4x). The Group also has ample liquidity in cash and undrawn committed facilities of £1.2bn.

PRESENTATION OF FINANCIAL INFORMATION

IFRS vs Proportional consolidation

The Group's property portfolio comprises properties that are either wholly owned or co-owned with third parties.

While the Group prepares its financial statements under IFRS (the 'Reported Group'), the Group evaluates the performance of its portfolio for internal management reporting by aggregating its wholly owned businesses together with its share of joint ventures and associates which are under the Group's management ('Share of Property interests') on a proportionally consolidated basis, line-by-line (in total described as the Group's 'Managed portfolio').

The Group's investment in Value Retail is not proportionally consolidated because it is not under the Group's management, is independently financed and has differing operating metrics to the Group's Managed portfolio. Accordingly, it is accounted for separately as 'Share of results of associates' as reported under IFRS and is also excluded from the Group's proportionally consolidated key metrics such as net debt or like-for-like net rental income growth.

However, for certain of the Group's Alternative Performance Measures (APMs), for enhanced transparency, we do disclose certain metrics combining both the Managed portfolio and Value Retail. These include property valuations, property returns and certain credit metrics.

Both IFRS and Management reporting bases are presented in the Group's financial statements with supporting analysis and reconciliations between management and IFRS bases in the Additional Information section.

Management reporting and IFRS accounting treatment

	Comprising properties which are	Accounting treatment
Management reporting		
Managed portfolio	– Wholly owned and Share of Property interests	Proportionally consolidated
Value Retail	– Held as an associate	Single line – results/investment in associates
IFRS		
Managed portfolio:		
- Reported Group	– Wholly owned	Fully consolidated
	– Jointly owned ¹	Consolidation of Group's share
- Share of Property interests	– Held in joint ventures	Single line - results/investment in joint ventures
	– Held in associates ²	Single line - results/investment in associates
Value Retail	– Held as an associate	Single line - results/investment in associates

1 See note 11A to the financial statements for information on the Group's two joint operations (Pavilions, Swords and Ilac Centre, Dublin)

2 Only includes the Group's 25% investment in Italie Deux until its disposal on 31 March 2023.

Derecognition of Highcross and O'Parinor

During 2023, the Group derecognised its Highcross and O'Parinor joint ventures in which it had 50% and 25% interests respectively at 31 December 2022.

These two joint ventures had a total of £125m of borrowings secured against their individual property interests. These borrowings were non-recourse to the Group. At 31 December 2022, both loans were in breach of certain conditions and the Group was working constructively with the respective lenders on options to realise 'best value' for all stakeholders.

On 9 February 2023, a receiver was appointed by the lenders to administer Highcross for the benefit of the creditors. As a result of no longer having joint control, the Group derecognised its share of assets and liabilities, including the property value and £80m of secured borrowings. There was no loss on derecognition as the Group's joint venture investment in Highcross had been fully impaired at 31 December 2021, from which date the Group had ceased recognising the results of this joint venture in the income statement.

On 30 June 2023, the lenders to O'Parinor took control of the joint venture and the Group therefore impaired its joint venture investment by £22m and derecognised its share of assets and liabilities, including the property value and £45m of secured borrowings.

Alternative performance measures (APMs)

The Group uses a number of APMs, being financial measures not specified under IFRS, to monitor the performance of the business. Many of these measures are based on the EPRA Best Practice Recommendations (BPR) reporting framework which aims to improve the transparency, comparability and relevance of the published results of listed European real estate companies. Details on the EPRA BPR can be found on www.epra.com and the Group's key EPRA metrics are shown in Table 1 of the Additional information.

We present the Group's results on an IFRS basis but also on an EPRA, Headline and Adjusted basis as explained in note 1C to the financial statements. The Adjusted basis enables us to monitor the underlying operations of the business on a proportionally consolidated basis as described in the basis of preparation and excludes capital and non-recurring items such as revaluation movements, gains or losses on the disposal of properties or investments, as well as other items which the Directors and management do not consider to be part of the day-to-day operations of the business. Such excluded items are in the main reflective of those excluded for EPRA earnings, but additionally exclude certain cash and non-cash items which we deem not to be reflective of the normal routine operating activities of the Group. We believe that disclosing such non-IFRS measures enables evaluation of the impact of such items on results to facilitate a fuller understanding of performance from period to period. These items, together with EPRA and Headline adjustments are set out in more detail in note 9A to the financial statements.

For 2023, adjusting items additional to EPRA adjusting items comprised:

- Exclusion of a charge of £13.2m (2022: £5.1m) in respect of business transformation costs as the Group continues its implementation of strategic change and refining its operating model. This charge comprises mainly non-capitalisable costs relating to digital transformation as well as severance and other costs associated with team and operational restructuring.
- A charge of £0.3m (2022: credit of £2.4m) to reverse expected credit losses charged to the income statement but where the related income is deferred on the balance sheet such that the exclusion of this removes the distortive mismatch this causes.

INCOME STATEMENT

Summary income statement

	2023 £m	2022 £m	Change £m
Gross rental income	208.4	215.2	(6.8)
Net service charge expenses and cost of sales	(40.9)	(40.4)	(0.5)
Adjusted net rental income	167.5	174.8	(7.3)
Adjusted gross administration expenses	(51.5)	(59.8)	8.3
Other income	14.9	17.0	(2.1)
Profit from operating activities	130.9	132.0	(1.1)
Value Retail Adjusted earnings	32.1	27.4	4.7
Operating profit	163.0	159.4	3.6
Adjusted net finance costs	(45.9)	(54.0)	8.1
Tax charge	(0.8)	(0.5)	(0.3)
Adjusted earnings	116.3	104.9	11.4
Revaluation losses – Managed portfolio	(119.1)	(221.0)	101.9
Revaluation losses – Value Retail	(7.7)	(60.7)	53.0
(Loss)/profit on sale of properties	(17.8)	0.6	(18.4)
Impairment of joint venture	(22.2)	–	(22.2)
Business transformation costs	(13.2)	(5.1)	(8.1)
Other (see note 9A to the financial statements)	12.3	17.1	(4.8)
IFRS Loss for the year	(51.4)	(164.2)	112.8
(Loss)/earnings per share	pence	pence	pence
Basic	(1.0)	(3.3)	2.3
Adjusted	2.3	2.1	0.2

For the year ended 31 December 2023 the Group reported an IFRS loss of £51.4m (2022: £164.2m loss), a reduction of £112.8m. The key factors in the reduced loss were lower revaluation losses of £154.9m partly offset by the year-on-year change in the loss/profit on sale of properties of £18.4m and an impairment charge of £22.2m in 2023 in relation to the Group's O'Parinor joint venture.

On an Adjusted basis, earnings increased by £11.4m to £116.3m (2022: £104.9m). Adjusted net rental income was £7.3m lower, £11.2m was due to disposals partly offset by £4.8m higher income from the like-for-like Managed portfolio, equivalent to 3.6% growth. Gross administration costs were £8.3m, or 14%, lower reflecting reduced headcount and corporate costs. The Group's share of Value Retail Adjusted earnings grew by £4.7m and adjusted net finance costs were £8.1m lower, reflecting reduced debt levels and increased income from cash deposits benefiting from the higher interest rate environment.

A detailed reconciliation from Reported Group to the proportionally consolidated basis is set out in note 2 to the financial statements and further details on reconciling items between Adjusted earnings and IFRS loss are in note 9A to the financial statements.

Rental income

Analysis of rental income

	Gross rental income £m	Change in like-for-like	Adjusted net rental income £m	Change in like-for-like
Proportionally consolidated				
Year ended 31 December 2022	215.2		174.8	
Like-for-like Managed portfolio:				
— UK	5.9	6.8%	2.3	3.2%
— France	0.4	1.4%	0.5	1.8%
— Ireland	2.2	5.7%	2.0	6.0%
	8.5	5.5%	4.8	3.6%
Disposals	(17.8)		(11.2)	
Developments and other	0.4		(2.7)	
Foreign exchange	2.1		1.8	
Year ended 31 December 2023	208.4		167.5	

Gross rental income decreased by a net £6.8m to £208.4m. Disposals reduced income by £17.8m, principally Silverburn and Victoria Leeds in 2022 and Italie Deux and Croydon in 2023. This was partly offset by growth in like-for-like income of £8.5m, or 5.5%. 60% of the growth was due to higher base rent consistent with the Group's strong leasing performance and the remainder was due to year-on-year increases in variable rent (turnover rent and car park and commercialisation income).

Adjusted net rental income decreased by a net £7.3m to £167.5m. Disposals reduced NRI by £11.2m. From a like-for-like perspective, UK adjusted NRI grew by 3.2%, with lower void costs and the strong like-for-like GRI growth of 6.8% partly offset by the year-on-year change in bad debt charges where 2022 benefited from credits due to the reversals of provisions associated with the strong improvement in collections post Covid-19. Income growth in France of 1.8% was muted due to the adverse impact of a small number of tenants entering administration. Ireland was the strongest performing country with growth of 6.0%, benefiting from the reversal of prior year bad debt charges as collection rates improved.

Further analysis of net rental income by segment is provided in Table 3 of the Additional information.

Analysis of rental income

Rental income is further analysed below between the Group's various ownerships.

	2023				
		Share of Property interests			
	Reported Group £m	Joint Ventures £m	Associates £m	Subtotal £m	Total £m
Proportionally consolidated					
Gross rental income	92.8	114.4	1.2	115.6	208.4
Net service charge expenses and cost of sales	(17.2)	(24.0)	—	(24.0)	(41.2)
Net rental income	75.6	90.4	1.2	91.6	167.2
Change in provision for amounts not yet recognised in the income statement	0.2	0.1	—	0.1	0.3
Adjusted net rental income	75.8	90.5	1.2	91.7	167.5
	2022				
		Share of Property interests			
	Reported Group £m	Joint Ventures £m	Associates £m	Subtotal £m	Total £m
Proportionally consolidated					
Gross rental income	90.2	119.4	5.6	125.0	215.2
Net service charge expenses and cost of sales	(12.9)	(23.9)	(1.2)	(25.1)	(38.0)
Net rental income	77.3	95.5	4.4	99.9	177.2
Change in provision for amounts not yet recognised in the income statement	(0.9)	(1.5)	—	(1.5)	(2.4)
Adjusted net rental income	76.4	94.0	4.4	98.4	174.8

Administration expenses

	2023	2022
Proportionally consolidated	£m	£m
Employee costs – excluding variable costs	25.0	29.2
Variable employee costs	10.3	9.6
Other corporate costs	16.2	21.0
Adjusted gross administration costs	51.5	59.8
Property fee income	(8.4)	(11.5)
Joint venture and associate management fee income	(6.5)	(5.5)
Other income	(14.9)	(17.0)
Adjusted net administration expenses	36.6	42.8
Business transformation costs	13.2	5.1
Net administration expenses	49.8	47.9

During 2023, Adjusted net administration expenses decreased by £6.2m against 2022. Gross administration costs fell by £8.3m reflecting the Group's focus on cost reduction, partly offset by a reduction in other income of £2.1m due to disposals, principally in France. The most significant elements of the cost reduction were:

- Employee costs, including variable costs, were £3.5m (9%) lower reflecting the organisational restructuring and simplification of the Group's operating model in 2023. Average headcount, excluding employees recharged to tenants, reduced from 225 in 2022 to 175 in 2023.
- Other corporate costs, comprising mainly professional fees, premises costs and software licences, fell by £4.8m (23%). The two most significant areas of savings were premises costs, with downsized relocations in both the UK and France during the year; and a decrease of £1.5m in corporate insurances, with the most significant reduction in Directors and Officers insurance premiums reflecting the strengthening of the Group's financial position.

Business transformation costs of £13.2m in 2023 comprised mainly severance costs directly associated with the simplification of the Group's operating model and fees for contractors and consultants from the Group's digitalisation programme, both of these matters were key outputs of the Group's strategic and operational review undertaken in 2021 and do not reflect underlying trading.

Disposals and assets held for sale

During 2023, we realised gross proceeds of £216m, relating mainly to the disposals of the Group's interests in Italie Deux (including the Italik extension) and our standalone development interests in Croydon. In total, disposals in the year resulted in a loss on disposal of £18m, and these disposals were at an average 5% discount (based on gross proceeds) to 31 December 2022 book value.

Since the year end, we exchanged contracts for the sale of Union Square, Aberdeen for gross proceeds of £111m, representing an 8% discount to book value at 31 December 2023. This disposal concludes the Group's £500m non-core disposal program commenced in 2022.

Share of results of joint ventures

A listing of our interests in joint ventures is included in note 12 to the financial statements. On an IFRS basis, the Group's share of results in 2023 was £9.4m (2022: £41.5m loss). The £50.9m improvement was principally due to lower revaluation losses in 2023 of £73.9m compared with losses of £132.1m 2022.

On an Adjusted basis, our share of results from joint ventures was £85.0m (2022: £88.1m). The £3.1m year-on-year reduction was principally due to the disposals of the Group's investments in Croydon in 2023 and Silverburn in 2022, and the derecognition of O'Parinor in June 2023.

Given that five out of six of our UK flagship destinations and Dundrum, the largest asset of our Ireland flagships, are held in joint ventures the financial and operating performance of these assets is consistent with the proportionally consolidated performance explained in this Review and shown in the Additional Information. The two French flagship destinations are wholly owned.

Share of results of associates

Following the sale of the Group's investment in Italie Deux in March 2023, at 31 December 2023 the Group's sole associate investment was Value Retail. On an IFRS basis, the Group's share of results in 2023 was £16.0m compared with a loss of £7.1m in 2022. The year-on-year increase of £23.1m was principally due to lower revaluation losses in 2023 of £7.7m compared with losses of £66.9m in 2022, partly offset by losses on the fair value of derivatives of £11.1m in 2023 compared to gains of £18.1m in 2022 and a year-on-year increase in profit from operating activities of £6.6m.

On an Adjusted basis, our share of results from associates was £33.3m (Value Retail: £32.1m, Italie Deux: £1.2m) compared with £31.8m (Value Retail: £27.4m, Italie Deux: £4.4m) in 2022. The £4.7m year-on-year increase in Adjusted earnings from Value Retail was due to £14.4m higher gross rental income reflecting stronger sales and the benefits from indexed rents. This growth was partly offset by increased administration costs of £3.4m and finance costs of £7.5m, this latter change relating to the refinancing of the loans secured against La Vallée and Bicester in 2022. The reduction in Italie Deux reflects its disposal in March 2023.

Value Retail's Adjusted earnings reflected an effective yield of 2.7% as a percentage of the Group's investment at the start of the year (2022: 2.4%).

Net finance costs

Proportionally consolidated	2023			2022		
	Reported Group £m	Share of Property interests £m	Total £m	Reported Group £m	Share of Property interests £m	Total £m
Adjusted finance income	30.9	4.1	35.0	26.4	–	26.4
Finance costs						
Gross interest costs	(72.0)	(8.9)	(80.9)	(74.9)	(6.7)	(81.6)
Interest capitalised	–	–	–	1.2	–	1.2
Adjusted finance costs	(72.0)	(8.9)	(80.9)	(73.7)	(6.7)	(80.4)
Adjusted net finance costs	(41.1)	(4.8)	(45.9)	(47.3)	(6.7)	(54.0)
Debt and loan facility cancellation costs	–	–	–	(1.3)	–	(1.3)
Discount on redemption of bonds	4.3	–	4.3	–	–	–
Change in fair value of derivatives	0.7	(1.8)	(1.1)	(14.4)	4.1	(10.3)
IFRS net finance costs	(36.1)	(6.6)	(42.7)	(63.0)	(2.6)	(65.6)

Adjusted net finance costs were £45.9m, a decrease of £8.1m compared with 2022. The decrease was driven by the benefits of deleveraging since the start of 2022, early repayment of debt utilising proceeds from disposals, the related restructuring of hedging derivatives and higher interest income from cash deposits benefiting from the higher interest rate environment.

In the second half of 2023, we repurchased £12m of the Group's £350m 3.5% bonds maturing in 2025 and £88m of the Group's 6.0% bonds maturing in 2026 at £4.3m below book value. This latter amount has been recognised in finance income in 2023, and given its one-off nature has been excluded from the Group's Adjusted earnings.

Tax

Due to the Group having tax exempt status in its principal operating countries the tax charge, on a proportionally consolidated basis, remained low at £0.8m (2022: £0.5m).

The low tax charge reflects that the Group benefits from being a UK REIT and French SIIC and its Irish assets are held in a QIAIF. The Group is committed to remaining in these tax exempt regimes and further details on these regimes are given in note 7 to the financial statements. In order to satisfy the REIT conditions, the Company is required, on an annual basis, to pass certain business tests. The Group is expected to meet all requirements for maintaining its REIT status for the year ended 31 December 2023.

Dividends

As explained in the Chair of the Board's Statement, the Group announced a new sustainable dividend policy of 60-70% of annual Adjusted earnings during the year with an interim cash dividend of 0.72p per share paid in October.

The Board has proposed a final cash dividend of 0.78p per share, payable as an ordinary dividend on 10 May 2024 to shareholders on the register on 5 April 2024. A dividend reinvestment plan ('DRIP') remains available to shareholders.

NET ASSETS

A detailed analysis of the balance sheet on a proportionally consolidated basis is set out in Table 12 of the Additional information with a summary reconciling to EPRA NTA set out in the table below:

	2023				2022			
	Reported Group £m	Share of Property interests £m	EPRA adjustments £m	EPRA NTA Total £m	Reported Group £m	EPRA adjustments £m	Share of Property interests £m	EPRA NTA Total £m
Summary net assets								
Investment and trading properties	1,396	1,380	–	2,776	1,497	1,723	–	3,220
Investment in joint ventures	1,193	(1,193)	–	–	1,342	(1,342)	–	–
Investment in associates - Value Retail	1,115	–	79	1,194	1,189	–	52	1,241
- Italie Deux	–	–	–	–	108	(108)	–	–
Net trade receivables	28	15	–	43	23	19	–	42
Net debt ¹	(1,163)	(163)	–	(1,326)	(1,458)	(274)	(1)	(1,733)
Other net liabilities	(106)	(39)	–	(145)	(115)	(18)	(3)	(136)
Net assets	2,463	–	79	2,542	2,586	–	48	2,634
EPRA NTA per share ²				51p				53p

1 See Table 13 in Additional Information for further details.

2 EPRA adjustments in accordance with EPRA best practice, principally in relation to deferred tax, as shown in note 9B to the financial statements.

During 2023, net assets decreased 5% to £2,463m (2022: £2,586m). Net assets, calculated on an EPRA Net Tangible Assets (NTA) basis, were £2,542m, or 51p per share, a reduction of 2p compared to 31 December 2022 and is equivalent to a total accounting return of –2.1% (see Table 15 in Additional Information). The key components of the movement in Reported Group net assets and EPRA NTA are shown in the table below:

Movement in net assets

	Group net assets £m	EPRA adjustments £m	EPRA NTA £m
1 January 2023	2,586	48	2,634
Property revaluation – Managed portfolio	(119)	–	(119)
– Value Retail	(8)	–	(8)
Adjusted earnings	116	–	116
Disposal and impairment losses	(40)	–	(40)
Change in deferred tax	(2)	1	(1)
Dividends	(36)	–	(36)
Foreign exchange and other movements	(34)	30	(4)
31 December 2023	2,463	79	2,542

PROPERTY PORTFOLIO ANALYSIS

Portfolio valuation

The Group's external valuations continue to be conducted by CBRE Limited (CBRE), Cushman and Wakefield LLP (C&W) and Jones Lang LaSalle Limited (JLL), providing diversification of valuation expertise across the Group. At 31 December 2023 the majority of our UK flagship destinations have been valued by JLL and CBRE, the French portfolio by JLL, and the Irish portfolio, Value Retail and Brent Cross have been valued by C&W. This is unchanged from 31 December 2022.

There have been a limited number of comparable transactions in the Group's investment markets during 2023, with the higher interest rate environment and lower levels of liquidity resulting in an outward movement in valuation yields. However, there has been a growing polarisation based on asset quality from both an occupational and investment perspective, with the outward yield movements being more pronounced for less prime assets. Valuers have also begun to differentiate between properties based on future capital expenditure requirements.

At 31 December 2023, the Group's portfolio was valued at £4,662m, a reduction of £445m since 31 December 2022. This movement was primarily due to disposals, including the derecognition of Highcross and O'Parinor, of £331m; revaluation losses of £127m; adverse foreign exchange losses of £61m, partly offset by capital expenditure of £74m. Movements in the portfolio valuation are shown in the table below.

Movements in property valuation

	UK £m	France £m	Ireland £m	Total flagships £m	Develop- ments and other £m	Managed portfolio £m	Value Retail £m	Group portfolio £m
<i>Proportionally consolidated including Value Retail</i>								
At 1 January 2023	871	1,241	676	2,788	432	3,220	1,887	5,107
Capital expenditure	14	14	6	34	13	47	27	74
Disposals	–	(151)	–	(151)	(55)	(206)	–	(206)
Derecognition of Highcross and O'Parinor	–	(62)	–	(62)	(63)	(125)	–	(125)
Yield	(17)	(27)	(36)	(80)	(1)	(81)	–	(81)
Income	1	12	(1)	12	(4)	8	(4)	4
Development and other costs	(6)	–	–	(6)	(40)	(46)	(4)	(50)
Revaluation losses	(22)	(15)	(37)	(74)	(45)	(119)	(8)	(127)
Foreign exchange	–	(24)	(15)	(39)	(2)	(41)	(20)	(61)
At 31 December 2023	863	1,003	630	2,496	280	2,776	1,886	4,662

Capital expenditure

During the year, capital expenditure on the Managed portfolio was £47m, of which £34m was on the Group's Flagship portfolio reflecting reconfiguration works, including the repurposing of the former Debenhams at Bullring where M&S and TOCA Social opened in the year, and lease incentives directly related to the Group's record leasing volume in 2023. In addition, £13m was invested in the Group's Developments and other portfolio, with £5m spent on the on-site development of the Ironworks residential scheme at Dundrum. Other key areas of expenditure were to advance planning at Bishopsgate Goodsyards and Dublin Central. Table 11 of the Additional information analyses the spend between the creation of additional area and that relating to the enhancement of existing space.

Disposals, principally the Group's share of Italie Deux (including the Italik extension) and Croydon in the first half of the year, reduced the portfolio by £206m, with a further £125m reduction due to the derecognition of Highcross and O'Parinor.

Revaluation losses

In 2023, we recognised a total revaluation loss across the Group portfolio of £127m, comprising £119m in respect of the Managed portfolio and £8m in Value Retail. £81m, or 64%, of these losses was due to the Group's valuers moving out yields to reflect the higher interest rate environment and lower levels of market liquidity. The remainder of the losses related to development and other cost factors, principally adverse changes to residual valuations on the Developments and other portfolio associated with outward yield shift on end values and project cost inflation.

UK flagship destinations reported a revaluation deficit of £22m, £17m was due to outward yield shift averaging 10 basis points ('bps'), with the remaining £5m associated with capital expenditure, principally the recognition of a cladding allowance at Union Square. Bullring saw a revaluation gain in the year of £11m, the yield was stable reflecting the recent investment to repurpose the former Debenhams and the strong leasing performance leading to higher ERVs.

In France, yields moved out by 10bp equivalent to a revaluation deficit of £27m, this was partly offset by income growth, with like-for-like ERVs 2.5% higher, equivalent to a revaluation gain of £12m. While Ireland reported a revaluation deficit of £37m, of which £36m was due to outward yield shift averaging 30bp.

Value Retail values were broadly flat during the year, with capital expenditure offset by a marginal revaluation loss of £8m and adverse foreign exchange of £20m.

Further valuation analysis is included in Table 9 of the Additional information.

Like-for-like ERV¹

	2023 %	2022 %
Flagship destinations		
UK	1.8	(3.8)
France	2.5	(1.6)
Ireland	0.2	0.3
	1.7	(2.2)

1. Calculated on a constant currency basis for properties owned throughout the relevant reporting period.

Like-for-like ERVs grew by 1.7% during 2023. In the second half of the year ERVs were marked up at all of the Group's flagship destinations, equivalent to growth of 1.6%.

UK ERVs were 1.8% higher, reflecting the strong leasing performance and investment to attract 'best-in-class' occupiers. Bullring had the strongest growth at 5.0% over the year with occupiers seeking space following the opening of the repurposed former Debenhams space. We signed 23 permanent leases at the asset in 2023 at an average net effective rent 9% above prevailing ERVs.

ERVs in France grew by 2.5%, driven by indexation and leasing demand at both of our two wholly owned assets. At Les Terrasses du Port we have secured over 70% of the expected income from the expiring leases which were signed when the destination opened in 2014. The new deals have been signed at an average of 6% above ERV.

In Ireland, ERVs were up 0.2%, the lower vacancy levels in the Irish portfolio meant that it was more challenging to provide multiple sources of evidence for the valuers to mark up ERVs in 2023. However, the leasing pipeline for space remains strong, particularly at Dundrum Town Centre where there have been a number of major asset management initiatives, the most significant being the opening of Brown Thomas in the former House of Fraser unit in February 2023.

Property returns analysis

The Group's managed property portfolio generated a total property return of 1.6%, comprising an income return of 5.9% offset by a capital return of -4.1%. Incorporating the income and capital returns from the Value Retail portfolio, this brought the Group's income return to 6.0% and the capital return to -2.6%, to generate a total return of 3.2% (2022: -0.7%).

2023								
Proportionally consolidated including Value Retail	UK %	France %	Ireland %	Total flagships %	Develop- ments and other %	Managed portfolio %	Value Retail %	Group portfolio %
Income return	8.7	4.6	5.7	6.3	2.7	5.9	6.2	6.0
Capital return	(2.4)	(4.3)	(5.6)	(4.0)	(6.2)	(4.1)	(0.4)	(2.6)
Total return	6.1	0.1	(0.2)	2.0	(3.6)	1.6	5.8	3.2

2022								
Proportionally consolidated including Value Retail	UK %	France %	Ireland %	Total flagships %	Develop- ments and other %	Managed portfolio %	Value Retail %	Group portfolio %
Income return	7.9	4.8	5.2	6.0	2.3	5.4	5.3	5.3
Capital return	(9.4)	(4.6)	(3.0)	(5.9)	(14.8)	(7.3)	(3.1)	(5.8)
Total return	(2.1)	-	2.1	(0.2)	(12.8)	(2.3)	2.0	(0.7)

Shareholder returns analysis

	Total shareholder return Cash basis ¹ %	Total shareholder return Scrip basis ¹ %	Benchmark ² %
Return per annum over			
One year	22.8	22.8	5.5
Three years	6.6	16.5	(4.6)

1. Cash and scrip bases represent the return assuming investors opted for either cash or scrip dividends with the assumption that those opting for scrip dividends continued to hold the additional shares issued.

2. Benchmark is the FTSE EPRA/NAREIT UK index.

The Group's total shareholder return in 2023 over one year was 22.8%, outperforming the FTSE EPRA/NAREIT UK index of 5.5%. Over three years the Group also outperformed the benchmark of -4.6% with shareholder returns of 6.6% and 16.5% on a cash and scrip basis, respectively.

INVESTMENT IN JOINT VENTURES AND ASSOCIATES

Details of the Group's joint ventures and associates are shown in notes 12 and 13, respectively to the financial statements.

Reported Group

Joint ventures

During the year, our investment in joint ventures decreased by £149m to £1,193m (2022: £1,342m). £99m of the reduction related to the disposal of Croydon and derecognition of O'Parinor; revaluation losses totalled £74m and cash distributions to the Group were £55m. These reductions were partly offset by the Group's share of Adjusted earnings of £85m.

Associates

Our investment in associates decreased by £182m to £1,115m (2022: £1,297m). £109m of the reduction was due to the disposal of Italie Deux in March, a further £74m due to distributions from Value Retail, partly offset by the Group's share of Adjusted earnings of £33m.

TRADE RECEIVABLES

Collection rates improved over the course of the year such that 96% of the rental income due in 2023 (as at 23 February 2024) has been collected. As a result we reduced the provisioning rates for amounts overdue by 3–12 months, although this did not have a significant financial impact to property outgoings.

On a proportionally consolidated basis, net trade receivables at 31 December 2023 were £43m (2022: £42m), reflecting gross trade receivables of £62m (2022: £74m) against which a provision of £19m (2022: £32m) has been applied.

PENSIONS

On 8 December 2022, the Trustees of the Group's principal defined benefit pension scheme ('the Scheme'), with the Company's support, purchased a bulk annuity policy ('buy-in') with Just Retirement Limited ('Just') for a premium of £87.3m. This contract fully insured all future payments to members of the Scheme, with the premium met from the Scheme's assets.

During 2023, a data cleansing process was completed and subsequently verified by Just, resulting in a small balancing premium receipt to the Scheme. Given the successful completion of the buy-in and for the Trustees to trigger the winding-up of the Scheme, on 20 December 2023 the Company terminated its liability to make further contributions to the Scheme. This initiated a process for the Trustees to assign the bulk annuity policy to individual Scheme members and to transfer the administration to Just which is expected to take place in the first quarter of 2024, after which the final steps to wind up the Scheme can be undertaken.

This material balance sheet de-risking exercise is in line with the Group's long term strategy to strengthen the resilience of the Group's balance sheet.

FINANCING AND CASH FLOW

Financing strategy

Our financing strategy is to borrow predominantly on an unsecured basis to maintain flexibility. Secured loans are occasionally used, mainly in conjunction with joint venture partners. Value Retail also uses predominantly secured debt in its financing strategy. All secured debt is non-recourse to the rest of the Group.

The Group's debt is arranged to maintain access to short term liquidity and long term financing. Short term liquidity is principally through syndicated revolving credit facilities. Long term debt comprises the Group's fixed rate unsecured bonds and private placement notes. At 31 December 2023, the Group also had secured loans in the Dundrum joint venture and Value Retail. Acquisitions may initially be financed using short term funds before being refinanced with longer term funding depending on the Group's financing position in terms of maturities, future commitments or disposals, and market conditions.

Derivative financial instruments are used to manage exposure to fluctuations in foreign currency exchange rates and interest rates but are not employed for speculative purposes.

The Board regularly reviews the Group's financing strategy and approves financing guidelines against which it monitors the Group's financial structure. Where there is any non-compliance with the guidelines, this should not be for an extended period but the Group objective is to maintain an investment grade credit rating. The key financing metrics are set out below.

Key financial metrics

		Calculation (References to Additional information)	2023	2022
Proportionally consolidated unless otherwise stated				
Net debt		Table 13	£1,326m	£1,732m
Liquidity			£1,225m	£996m
Weighted average interest rate – net debt			2.4%	2.4%
Weighted average interest rate – gross debt			3.3%	2.6%
Weighted average maturity of debt			2.5 years	3.4 years
FX hedging			91%	91%
Net debt:EBITDA		Table 16	8.0x	10.4x
Loan to value – Headline ¹		Table 19	34%	39%
Loan to value – Full proportional consolidation (of Value Retail) ²		Table 19	44%	47%
Metrics with associated financial covenants				
	Covenants			
Interest cover	≥ 1.25x	Table 17	3.91x	3.24x
Gearing– Selected bonds ³	≤ 175%	Table 18	55%	68%
– Other borrowings and facilities	≤ 150%	Table 18	55%	68%
Unencumbered asset ratio	≥ 1.5x	Table 20	2.04x	1.74x
Secured debt/equity shareholders' funds	≤ 50%		11%	15%
Fixed rate debt as a proportion of total debt	n/a		84%	84%

1 Headline: 'Loan' excludes Value Retail net debt and 'Value' includes Value Retail net assets.

2 Full proportional consolidation of VR: 'Loan' includes Value Retail net debt and 'Value' includes Value Retail property values.

3 Applicable to bonds maturing in 2025 and 2027 (as set out in note 16 to the financial statements).

Credit ratings

During the year, Moody's and Fitch's senior unsecured investment grade credit ratings were re-affirmed as Baa3 and BBB+ respectively.

Leverage

At 31 December 2023, the Group's gearing was 55% (2022: 68%) and Headline loan to value ratio was 34% (2022: 39%).

The Group's share of net debt in Value Retail totalled £730m (2022: £675m). Fully proportionally consolidating Value Retail's net debt, the Group's loan to value ratio was 44% (2022: 47%).

Calculations for gearing and loan to value are set out in Tables 18 and 19 of the Additional information, respectively.

Borrowings and covenants

The terms of the Group's unsecured borrowings contain a number of covenants which provide protection to the lenders and bondholders as set out in the Key financial metrics table above. At 31 December 2023, the Group had significant headroom against these metrics.

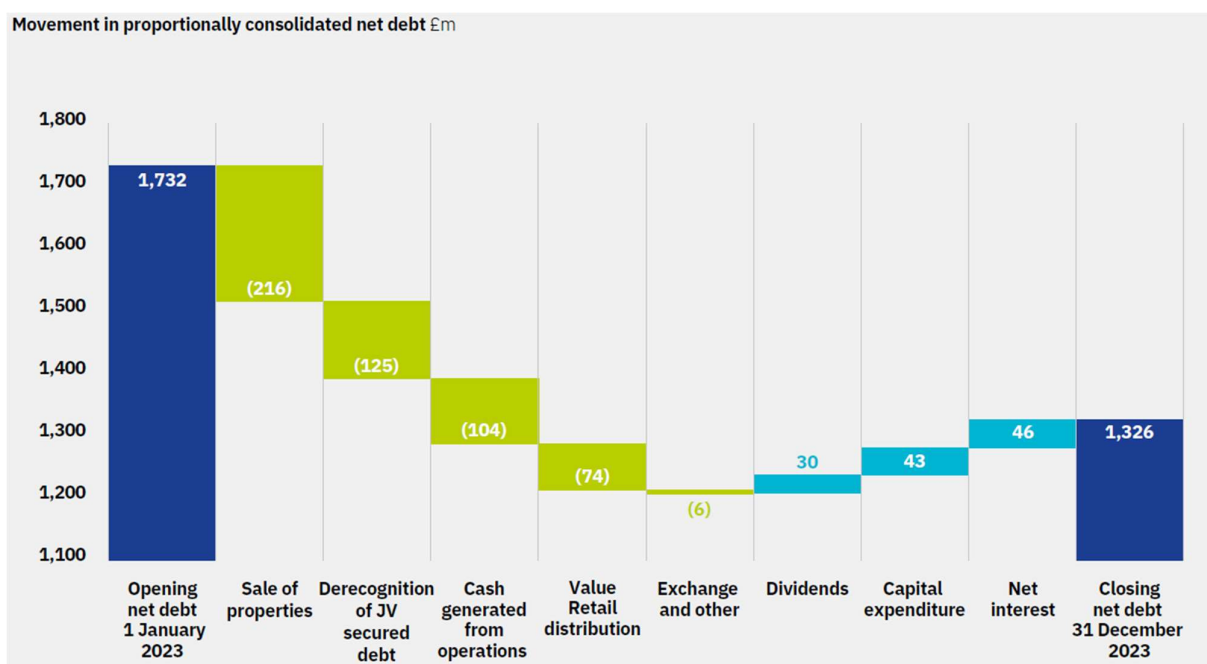
In addition, Dundrum and Value Retail have secured debt facilities which include covenants specific to those properties, including covenants for loan to value and interest cover. However, there is no recourse to the Group.

Managing foreign exchange exposure

The Group's exposure to foreign exchange translation differences on euro-denominated assets is managed through a combination of euro borrowings and derivatives. At 31 December 2023, the value of euro-denominated liabilities as a proportion of the value of euro-denominated assets was 91% the same level as at the beginning of the year. Interest on euro-denominated debt also acts as a partial hedge against exchange differences arising on net income from our overseas operations. Sterling strengthened against the euro during the year by 2%.

CASH FLOW AND NET DEBT

Proportionally consolidated net debt



On a proportionally consolidated basis, net debt decreased by 23% to £1,326m (2022: £1,732m). At 31 December 2023 the Group's net debt comprised loans of £1,885m and the fair value of currency swaps of £11m, less cash and cash equivalents of £570m, of which £472m is held by the Reported Group. Disposals during the year generated proceeds of £216m. Cash generated from operations of £104m comprised profit from operating activities of £117m less a net £13m reduction in working capital and other non-cash items. We also received £74m of distributions from Value Retail. These cash inflows were partly offset by cash dividends paid of £30m, capital expenditure of £43m and net interest of £46m.

Refinancing

During the first half of the year, £605m of revolving credit facilities were extended by one year such that they now mature in 2026.

In the second half of 2023, we extended our debt maturity profile through the issuance of a £100m bond tap of our existing £200m 7.25% bonds maturing in 2028 resulting in a new outstanding notional of £300m. The issuance was at a discount of £6.7m, meaning the newly issued bonds were priced at an effective yield of 9.1%. At the same time a matching tender was launched for the £350m 3.5% bonds maturing in 2025 and the £300m 6.0% bonds maturing in 2026 for which we repurchased £12m and £88m at yields of 7.7% and 8.1% respectively, in total £4.3m below book value.

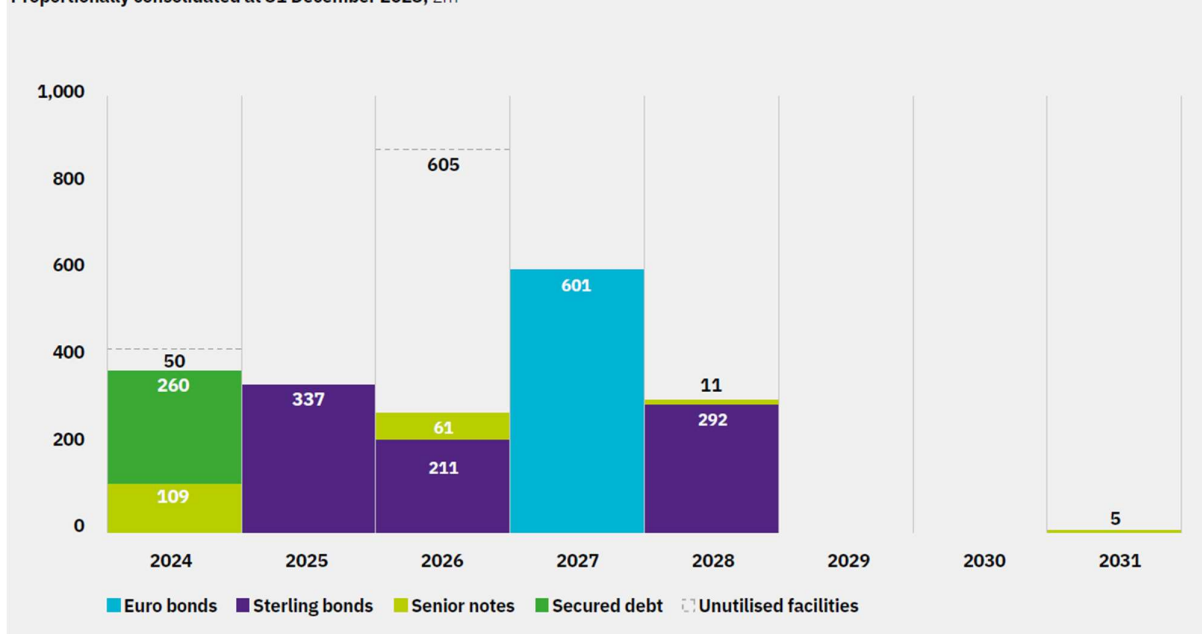
Liquidity

The Group's liquidity at 31 December 2023, calculated on a proportionally consolidated basis comprising cash of £570m and unutilised committed facilities of £655m, was £1,225m, £229m higher than at the beginning of the year. This was primarily due to proceeds from disposals.

Debt and facility profile

Maturity profile of loans and facilities

Proportionally consolidated at 31 December 2023, £m



The Group's weighted average maturity of debt is 2.5 years (2022: 3.4 years). The near-term unsecured maturities including the £109m of private placement notes due in 2024 and the £337m sterling bonds due in 2025 are covered by existing cash with the Group.

Refinancing discussions are progressing in relation to the €600m (Group's 50% share €300m) secured loan held by the Dundrum joint venture which matures in September 2024.

Maturity analysis of loans and reconciliation to net debt

Loan	Maturity ¹	2023 £m	2022 £m
Sterling bonds	2025–2028	840.6	846.4
Sustainability-linked eurobond	2027	600.8	612.3
Unamortised facility fees	2024–2026	(2.2)	(3.1)
Senior notes (US private placements)	2024–2031	185.3	190.8
Total loans – Reported Group		1,624.5	1,646.4
Share of Property interests	2024	260.0	391.6
Total loans – proportionally consolidated		1,884.5	2,038.0
Cash and cash equivalents		(569.6)	(336.5)
Fair value of currency swaps		11.4	30.6
Net debt– proportionally consolidated		1,326.3	1,732.1

1 Maturity of loans at 31 December 2023

RISKS AND UNCERTAINTIES

The Board continually reviews and monitors the principal risks and uncertainties which could have a material effect on the Group's results. The principal risks and uncertainties for 2023 are listed below with details of each risk. Full disclosure of the risks, including the factors which mitigate them, is set out within the Risk and uncertainties section of the Annual Report 2023.

A. Macroeconomic Residual risk: High	Adverse changes to the geopolitical landscape and macroeconomic environment in which the Group operates have the potential to hinder the ability to deliver the strategy and financial performance.
B. Retail market Residual risk: Medium	In the context of the ever-evolving retail marketplace, the Group fails to anticipate and address structural market changes. This could impair leasing performance, result in a sub-optimal occupier mix and thus impact the ability to attract visitors, and grow footfall/spend and income at the Group's properties.
C. Investment market and valuations Residual risk: Medium	Investor appetite for retail-led assets is reduced due to macroeconomic or retail market factors including increased borrowing costs, economic downturn, and consumer and occupier confidence. This could adversely impact property valuations and risk hindering the liquidity of the Group's portfolio. This in turn would reduce the availability of funds for reinvestment in core assets and/or refinancing of debt.
D. Climate Residual risk: Medium	Climate risks, particularly the reduction in carbon emissions and compliance with ESG regulations, are not appropriately managed and communicated. This is likely to adversely impact valuations and investor sentiment and may result in an increased final year bond coupon if the Group's sustainability linked bond targets are not met. Also, extreme weather events may impact our properties.
E. Tax Residual risk: Medium	The Group suffers financial loss and reputational damage from new or increased tax levies or due to non-compliance with local tax legislation.
F. Legal and regulatory compliance Residual risk: Medium	The failure to comply with a multitude of laws and regulations relevant to the Group. These laws and regulations cover the Group's role as a multi-jurisdiction listed company; an owner and operator of property; an employer; and as a developer. Failure to comply could result in the Group suffering reputational damage and/or financial penalties. Changes or new requirements may place administrative burden on to the Group and divert resources away from strategic objectives.
G. Non-retail/multi-use markets Residual risk: Medium	The Group fails to target the optimal (non-retail) property sectors for future repurposing or developments or has insufficient access to capital and the skills required to deliver its urban estates vision. Occupier or investor demand for non-retail sectors weakens or evolves such that the Group's repurposing or development plans are sub-optimal.
H. Cyber security Residual risk: Medium	The Group's information technology systems fail or are subject to an attack which breaches their technological defences. A failure could lead to operational disruption, financial, or reputational damage due to assets being brought down and/or loss of commercially sensitive data.
I. Health and safety Residual risk: Medium	There is a risk of serious work related injury, death and/or ill health to the Group's colleagues, customers or contractors, and anyone else who visits the Group's properties or premises. This may be due to the Group's actions or activities, or from external threats such as terrorism. In addition an incident or public health issue, such as a pandemic, is likely to have an adverse operational impact. Insufficient insight into health and safety risks and mitigations or a failure to embed a strong safety culture could increase the Group's exposure to reputational damage, fines and sanctions.
J. Capital structure Residual risk: Medium	Lack of access to capital on attractive terms could lead to the Group having insufficient liquidity to enable the delivery of the Group's strategic objectives.
K. Partnerships Residual risk: High	A significant proportion of the Group's assets are held in conjunction with third parties which has the potential to limit the ability to implement the Group's strategy and reduces control and therefore liquidity if partners are not strategically aligned.
L. Property development Residual risk: Medium	Property development is inherently risky due to its complexity, management intensity and uncertain outcomes, particularly for major schemes with multiple phases and long delivery timescales. Unsuccessful projects result in adverse financial and reputational outcomes.
M. Transformation Residual risk: Medium	The Group fails to deliver its strategic objective of creating an agile platform due to sub-optimal transformation projects. Other issues could arise due to transformation initiatives being delivered late, overbudget or causing significant disruption to business-as-usual activity.
N. People Residual risk: Medium	A failure to retain or recruit key management and other colleagues to build skilled and diverse teams could adversely impact operational and corporate performance, culture and ultimately the delivery of the Group's strategy. As the Group evolves its strategy it must continue to motivate and retain people, ensure it offers the right colleague proposition and attract new skills in a changing market.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2023

	Note	2023 £m	2022 £m
Revenue	2,4	134.3	131.4
Profit from operating activities*	2	26.2	29.7
Revaluation loss on properties	2	(45.2)	(82.7)
Other net gains	2	1.2	0.6
Share of results of joint ventures	12B	9.4	(41.5)
Impairment of joint ventures	8	(22.2)	–
Share of results of associates	13B	16.0	(7.1)
Operating loss		(14.6)	(101.0)
Finance income	6	35.2	26.1
Finance costs	6	(71.3)	(89.1)
Loss before tax		(50.7)	(164.0)
Tax charge	7	(0.7)	(0.2)
Loss for the year attributable to equity shareholders		(51.4)	(164.2)
Basic and diluted loss per share	10B	(1.0)p	(3.3)p

* Includes a charge of £9.4m (2022: £4.0m) and a corresponding credit of £8.0m (2022: credit of £10.7m) relating to provisions for impairment of trade (tenant) receivables.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

		2023 £m	2022 £m
Loss for the year		(51.4)	(164.2)
Recycled through the profit or loss on disposal of overseas property interests			
Exchange gain previously recognised in the translation reserve		(100.3)	–
Exchange loss previously recognised in the net investment hedge reserve		80.2	–
Net exchange loss relating to equity shareholders	a	(20.1)	–
Items that may subsequently be recycled through profit or loss, net of tax			
Foreign exchange translation differences		(49.3)	130.6
Gain/(loss) on net investment hedge		39.3	(103.4)
Net gain/(loss) on cash flow hedge		0.2	(1.9)
Share of other comprehensive (loss)/gain of associates		(8.8)	23.3
		(18.6)	48.6
Items that will not subsequently be recycled through the profit or loss, net of tax			
Net actuarial losses on pension schemes		(1.4)	(26.7)
Total other comprehensive (loss)/income	b	(40.1)	21.9
Total comprehensive loss for the year		(91.5)	(142.3)

a Relates to the sale of Italie Deux and the derecognition of O'Parinor as described in note 8.

b All items within total other comprehensive (loss)/income relate to continuing operations.

CONSOLIDATED BALANCE SHEET

As at 31 December 2023

	Note	2023 £m	2022 £m
Non-current assets			
Investment properties	11	1,396.2	1,461.0
Interests in leasehold properties		32.7	34.0
Right-of-use assets		3.9	9.5
Plant and equipment		0.9	1.4
Investment in joint ventures	12C	1,193.2	1,342.4
Investment in associates	13D	1,115.0	1,297.1
Other investments		8.8	9.8
Trade and other receivables		1.9	3.2
Derivative financial instruments		–	7.0
Restricted monetary assets	15	21.4	21.4
		3,774.0	4,186.8
Current assets			
Trading properties	11	–	36.2
Trade and other receivables	14	74.1	85.9
Derivative financial instruments		5.2	0.1
Restricted monetary assets	15	2.2	8.6
Cash and cash equivalents		472.3	218.8
		553.8	349.6
Total assets		4,327.8	4,536.4
Current liabilities			
Trade and other payables		(129.8)	(168.3)
Obligations under head leases		(0.1)	(0.2)
Loans	16A	(108.6)	–
Tax		(0.3)	(0.5)
Derivative financial instruments		(2.3)	(16.1)
		(241.1)	(185.1)
Non-current liabilities			
Trade and other payables		(55.5)	(56.3)
Obligations under head leases		(37.3)	(38.1)
Loans	16A	(1,515.9)	(1,646.4)
Deferred tax		(0.4)	(0.4)
Derivative financial instruments		(15.0)	(23.7)
		(1,624.1)	(1,764.9)
Total liabilities		(1,865.2)	(1,950.0)
Net assets		2,462.6	2,586.4
Equity			
Share capital		250.1	250.1
Share premium		1,563.7	1,563.7
Other reserves		105.5	135.4
Retained earnings		549.7	646.0
Investment in own shares		(6.4)	(8.8)
Equity shareholders' funds		2,462.6	2,586.4
EPRA net tangible assets value per share	10C	51p	53p

These financial statements were approved by the Board on 28 February 2024 and signed on its behalf by:

Rita-Rose Gagné
Chief Executive

Himanshu Raja
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Share capital a £m	Share premium £m	Merger reserve b £m	Capital and share-based reserves c £m	Other reserves d £m	Retained earnings £m	Investment in own shares a £m	Equity shareholders' funds £m	Non-controlling interests £m	Total equity £m
At 1 January 2022	221.0	1,593.2	374.1	198.2	110.0	252.9	(3.5)	2,745.9	0.1	2,746.2
Foreign exchange translation differences	–	–	–	–	130.7	–	–	130.7	(0.1)	130.6
Loss on net investment hedge	–	–	–	–	(103.4)	–	–	(103.4)	–	(103.4)
Gain on cash flow hedge	–	–	–	–	6.3	–	–	6.3	–	6.3
Gain on cash flow hedge recycled to net finance costs	–	–	–	–	(8.2)	–	–	(8.2)	–	(8.2)
Share of other comprehensive gain of associates (see note 13D)	–	–	–	–	–	23.3	–	23.3	–	23.3
Net actuarial losses on pension schemes	–	–	–	–	–	(26.7)	–	(26.7)	–	(26.7)
Loss for the year	–	–	–	–	–	(164.2)	–	(164.2)	–	(164.2)
Total comprehensive income/(loss)	–	–	–	–	25.4	(167.6)	–	(142.2)	(0.1)	(142.3)
Transfer	–	–	(374.1)	(198.2)	–	572.3	–	–	–	–
Share-based employee remuneration	–	–	–	–	–	3.0	–	3.0	–	3.0
Cost of shares awarded to employees	–	–	–	–	–	(1.4)	1.4	–	–	–
Purchase of own shares	–	–	–	–	–	–	(6.7)	(6.7)	–	(6.7)
Dividends (see note 18)	–	–	–	–	–	(140.3)	–	(140.3)	–	(140.3)
Scrip dividend related share issue	29.1	(29.1)	–	–	–	127.1	–	127.1	–	127.1
Scrip dividend related share issue costs	–	(0.4)	–	–	–	–	–	(0.4)	–	(0.4)
At 31 December 2022	250.1	1,563.7	–	–	135.4	646.0	(8.8)	2,586.4	–	2,586.4
Recycled exchange gains on disposal of overseas property interests	–	–	–	–	(20.1)	–	–	(20.1)	–	(20.1)
Foreign exchange translation differences	–	–	–	–	(49.3)	–	–	(49.3)	–	(49.3)
Gain on net investment hedge	–	–	–	–	39.3	–	–	39.3	–	39.3
Loss on cash flow hedge	–	–	–	–	(3.4)	–	–	(3.4)	–	(3.4)
Loss on cash flow hedge recycled to net finance costs	–	–	–	–	3.6	–	–	3.6	–	3.6
Share of other comprehensive loss of associates (see note 13D)	–	–	–	–	–	(8.8)	–	(8.8)	–	(8.8)
Net actuarial losses on pension schemes	–	–	–	–	–	(1.4)	–	(1.4)	–	(1.4)
Loss for the year	–	–	–	–	–	(51.4)	–	(51.4)	–	(51.4)
Total comprehensive loss	–	–	–	–	(29.9)	(61.6)	–	(91.5)	–	(91.5)
Share-based employee remuneration	–	–	–	–	–	3.6	–	3.6	–	3.6
Cost of shares awarded to employees	–	–	–	–	–	(2.4)	2.4	–	–	–
Dividends (see note 18)	–	–	–	–	–	(35.9)	–	(35.9)	–	(35.9)
As at 31 December 2023	250.1	1,563.7	–	–	105.5	549.7	(6.4)	2,462.6	–	2,462.6

a Share capital includes shares held in treasury and shares held in an employee share trust, which are held at cost and excluded from equity shareholders' funds through 'Investment in own shares'.

b The merger reserve arose in September 2014 from a placing of new shares using a structure which resulted in merger relief being taken under Section 612 of the Companies Act 2006. Following receipt of the proceeds in 2014 and the relevant criteria enabling use of the reserve having been satisfied, the amounts in the merger reserve are deemed distributable and accordingly the balance of this reserve was transferred to retained earnings.

c The capital redemption reserve comprised £14.3m relating to share buybacks which arose over a number of years up to 2019 and £183.9m resulting from the cancellation of the Company's shares as part of the reorganisation of share capital in 2020. Following approval by the Court on 22 November 2022, this reserve was reclassified as available for distribution to shareholders in accordance with ICAEW Technical Release 02/17BL section 2.8A and as a result was transferred to retained earnings.

d Other reserves comprises Translation, Net investment hedge and Cash flow hedge reserves.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2023

	Note	2023 £m	2022 £m
Profit from operating activities		26.2	29.7
Net movements in working capital and restricted monetary assets	19A	(4.7)	2.6
Non-cash items	19A	2.8	(0.8)
Cash generated from operations		24.3	31.5
Interest received		39.1	18.1
Interest paid		(80.8)	(69.1)
Debt and loan facility issuance and extension fees		(1.0)	(2.8)
Premiums on hedging derivatives		–	(3.9)
Tax (paid)/repaid		(0.9)	0.3
Distributions and other receivables from joint ventures		57.6	89.5
Distributions from joint ventures classified as assets held for sale		–	6.0
Cash flows from operating activities		38.3	69.6
Investing activities			
Capital expenditure		(18.7)	(36.4)
Sale of properties (including trading properties)		49.0	124.0
Sale of investments in joint ventures		69.0	67.9
Sale of investments in associates		96.7	–
Advances to joint ventures		(8.3)	(4.0)
Distributions and capital returns received from associates		73.6	2.6
Cash flows from investing activities		261.3	154.1
Financing activities			
Share issue expenses		–	(0.5)
Proceeds from award of own shares		–	0.1
Purchase of own shares		–	(6.7)
Proceeds from new borrowings		96.0	–
Repayment of borrowings		(111.1)	(302.4)
Equity dividends paid	18	(29.9)	(13.2)
Cash flows from financing activities		(45.0)	(322.7)
Increase/(decrease) in cash and cash equivalents		254.6	(99.0)
Opening cash and cash equivalents	19B	218.8	315.1
Exchange translation movement	19B	(1.1)	2.7
Closing cash and cash equivalents	19B	472.3	218.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION, CONSOLIDATION AND PRINCIPAL ACCOUNTING POLICIES

A: BASIS OF PREPARATION AND CONSOLIDATION

Basis of preparation

The consolidated financial statements have been prepared in accordance with both UK adopted international accounting standards and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the EU, (IFRS adopted by the EU as at 31 December 2020), as well as SAICA Financial Reporting Guides as issued by the Accounting Practices committee and those parts of the Companies Act 2006 as applicable to companies reporting under IFRS.

New accounting standards, amendments to standards and IFRIC interpretations which became applicable during the year or have been published but are not yet effective, were either not relevant or had no, or are not expected to have a material impact on the Group's results or net assets.

In addition to the above, an assessment has been undertaken on the Pillar 2 tax legislation (effective 1 January 2024), which is based around undertaxed profits. The Group is not expected to meet the minimum threshold in place for the legislative rules to apply.

The financial statements are prepared on the historical cost basis, except that investment properties, other investments and derivative financial instruments are stated at fair value. Accounting policies have been applied consistently.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power over the investee, is exposed, or has rights, to variable return from its involvement with the investee and has the ability to use its power to affect its returns.

The results of subsidiaries, joint ventures or associates are included in the consolidated income statement when control is achieved, which is usually from the effective date of acquisition, or up to the effective date of disposal which is usually on completion of the transaction. All intragroup transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustments are made to bring the accounting policies used into line with those used by the Group.

Business combinations are accounted for using the acquisition method where any excess of the purchase consideration over the fair value of the assets, liabilities and contingent liabilities acquired and the resulting deferred tax thereon is recognised as goodwill which is then reviewed annually for impairment. Acquisition related costs are expensed.

B. ALTERNATIVE PERFORMANCE MEASURES (APMs)

The Group uses a number of performance measures which are non-IFRS. The key measures comprise the following:

- Adjusted measures: Used by the Directors and management to monitor business performance internally and exclude the same items as for EPRA earnings, but also certain cash and non-cash items which they believe are not reflective of the normal day-to-day operating activities of the Group. Furthermore, the Group evaluates the performance of its portfolio by aggregating its share of joint ventures and associates which are under the Group's management ('Share of Property interests') on a proportionally consolidated basis. The Directors believe that disclosing such non-IFRS measures enables a reader to isolate and evaluate the impact of such items on results and allows for a fuller understanding of performance from year to year. Adjusted performance measures may not be directly comparable with other similarly titled measures used by other companies.
- EPRA earnings and EPRA net assets: Calculated in accordance with guidance issued by the European Public Real Estate Association recommended bases.
- Headline earnings: Calculated in accordance with the requirements of the Johannesburg Stock Exchange listing requirements.

A reconciliation between reported and the above alternative earnings and net asset measures is set out in note 9.

1. BASIS OF PREPARATION, CONSOLIDATION AND PRINCIPAL ACCOUNTING POLICIES - continued

D. GOING CONCERN

Introduction

In order to prepare the financial statements for the year ended 31 December 2023 on a going concern basis the Directors have undertaken a detailed assessment of the Group's principal risks and current and projected financial position over the period to 30 June 2025 ('the going concern period'). This period has been selected as it coincides with the first six monthly covenant test date for the Group's unsecured debt facilities falling due after the minimum 12 months going concern period.

The assessment included the preparation of a Base scenario which contained earnings, balance sheet, cash flow, liquidity and credit metric projections. The Base scenario was derived from the Group's 2024 Business Plan, which was approved by the Board in December 2023, with amendments to exclude certain uncommitted transactions such as disposals. The Business Plan projections assumed further improvements in the Group's near term operational performance, supported by the Group's strong leasing pipeline; collections performance; robust occupancy; and footfall and sales growth seen in 2023. The projections also factored in the latest geopolitical, economic and trading outlook, particularly the financial challenges on both consumers and businesses from high interest rates, benign economic growth, inflation and supply chain pressures.

Financial position

Over the course of 2023, the Group's net debt has reduced by £406m to £1,326m. The Group also has significant liquidity of £1,225m (2022: £997m), comprising cash of £570m and undrawn revolving credit facilities of £655m. The net debt reduction was principally due to disposal proceeds in the year of £216m and the derecognition of the Group's investment in Highcross and O'Parinor which included £125m of secured debt. This reduction has led to an improvement in the Group's credit metrics as detailed on page 21 of the Financial Review. Over the going concern period, there is only £109m of unsecured debt maturities, relating solely to a proportion of the Group's £185m private placement notes.

The Group has three principal unsecured debt covenants: gearing, interest cover and unencumbered asset ratio, with the latter covenant only applicable to the private placement notes. It also has a covenant relating to the amount of secured debt as a percentage of equity shareholders' funds which must remain below 50%. This was 11% at 31 December 2023 and is forecast to remain broadly unchanged over the going concern period. The key variables impacting the three principal covenants are valuation movements for the gearing and unencumbered asset ratio covenants, and changes in net rental income for the interest cover covenant. Net interest cost also impacts the interest cover ratio, although at 31 December 2023, 84% of the Group's gross debt is at fixed interest rates, which limits the volatility of this element of the covenant over the going concern period.

The Group also has secured debt in its Dundrum joint venture and its associate, Value Retail. These secured facilities are non-recourse to the rest of the Group and subject to covenants, principally relating to loan to value and interest cover. The loan secured against Dundrum and three of the loans held by Value Retail mature over the going concern period. In total the Group's share of these maturing loans was £513m at 31 December 2023.

Assessment approach

Consistent with the Group's strong financial position, the Base scenario projections forecast that the Group will maintain significant covenant headroom and liquidity over the going concern period.

To further determine the Group's ability to continue as a going concern, a reverse stress test ('stress test') was undertaken on the Base scenario to assess the maximum level that valuations and net rental income could fall over the going concern period before the Group reaches its key unsecured debt covenant thresholds. The stress test adopted valuation yields and ERVs as at 31 December 2023. However, to fully assess the impact on the going concern assessment the stress test adopted the following worse case assumptions:

- the secured loans in Dundrum and Value Retail are not refinanced and the lenders enforce their security resulting in the Group derecognising the full value of its equity investments totalling £508m; and
- the early repayment of £77m of the Group's unsecured private placement notes which do not mature over the going concern period. This assumption has been adopted as the unencumbered asset ratio, which is only applicable to these notes, has the lowest covenant headroom to valuation falls at 31 December 2023 of 27% and hence would breach before the gearing covenant shown below. In practice, this potential issue can be avoided as the Group has the right to redeem the notes for their value plus a make whole amount.

Having reviewed the results of the stress tests, current external forecasts, recent precedents and plausible future adverse impacts to valuations and net rental income, the Directors are satisfied that the Group has sufficient covenant headroom over the going concern period.

The Group is also forecast to retain significant liquidity over the going concern period, such that liquidity in the stress tests remains above £800m over the going concern period.

1. BASIS OF PREPARATION, CONSOLIDATION AND PRINCIPAL ACCOUNTING POLICIES - continued

D. GOING CONCERN - continued

Mitigating actions

The going concern assessment explained above excludes the beneficial impact of potential mitigating actions which would provide the Group with further financial strength and covenant headroom. These include:

- Refinancing of maturing loans in the ordinary course of business, particularly in relation to secured debt, as this avoids the modelled derecognition of these investments in the stress test. Refinancing discussions are progressing for the Dundrum secured loan while Value Retail management remain confident of refinancing its maturing loans following the major refinancing activities of £1.4bn in 2022 and 2023.
- Additional liquidity from further disposals including the recently contracted sale of Union Square, Aberdeen for £111m which is due to complete in March 2024.
- Curtailment of uncommitted capital expenditure plans and other discretionary cash flows factored into the assessment.

Conclusion

The going concern assessment described above demonstrates that the Group is forecast to remain in a robust financial position over the going concern period with significant liquidity and debt covenant headroom. The Directors have therefore concluded that it is appropriate to prepare the financial statements on a going concern basis.

Foreign currency

Exchange rates

The principal foreign currency denominated balances are in euro where the translation exchange rates used are:

Consolidated income statement:

Average rate	Year ended 31 December 2023	Year ended 31 December 2022
Quarter 1	€1.133	€1.195
Quarter 2	€1.150	€1.179
Quarter 3	€1.163	€1.168
Quarter 4	€1.154	€1.150

Consolidated balance sheet:

	31 December 2023	31 December 2022
Year end rate	€1.153	€1.128

2. PROFIT/(LOSS) FOR THE YEAR

As described in note 3, the Group evaluates the performance of its portfolio by aggregating its share of joint ventures (see note 12) and associates (see note 13) which are under the Group's management ('Share of Property interests') on a proportionally consolidated basis with its wholly owned portfolio in its 'Reported Group'.

Adjusted earnings, which are also calculated on a proportionally consolidated basis, is the Group's primary profit measure and this is the basis of information which is reported to the Board. The following table sets out a reconciliation from Reported earnings to Adjusted earnings.

	Note	Reported Group £m	Share of Property interests £m	2023 Proportionally consolidated		
				Sub-total before adjustments	Capital and other ^a	Adjusted
				£m	£m	£m
Revenue		134.3	132.4	266.7	–	266.7
Gross rental income^b	3A, 4	92.8	115.6	208.4	–	208.4
Service charge income	4	26.6	17.1	43.7	–	43.7
		119.4	132.7	252.1	–	252.1
Service charge expenses		(29.1)	(20.4)	(49.5)	–	(49.5)
Cost of sales	5	(14.7)	(20.7)	(35.4)	0.3	(35.1)
Net rental income		75.6	91.6	167.2	0.3	167.5
Gross administration costs	5	(64.3)	(0.4)	(64.7)	13.2	(51.5)
Other income	4	14.9	–	14.9	–	14.9
Net administration expenses		(49.4)	(0.4)	(49.8)	13.2	(36.6)
Profit from operating activities		26.2	91.2	117.4	13.5	130.9
Revaluation losses on properties		(45.2)	(73.9)	(119.1)	119.1	–
Disposals						
– Profit/(loss) on sale of properties	8A	1.3	(19.1)	(17.8)	17.8	–
– Recycled exchange gains on disposal of overseas interests		20.1	–	20.1	(20.1)	–
Change in fair value of other investments		(1.1)	–	(1.1)	1.1	–
Loss on sale of joint ventures and associates		(19.1)	19.1	–	–	–
Other net gains		1.2	–	1.2	(1.2)	–
Share of results of joint ventures	12B	9.4	(9.4)	–	–	–
Impairment of joint venture		(22.2)	–	(22.2)	22.2	–
Share of results of associates	13B	16.0	(1.2)	14.8	17.3	32.1
Operating (loss)/profit		(14.6)	6.7	(7.9)	170.9	163.0
Net finance costs	6	(36.1)	(6.6)	(42.7)	(3.2)	(45.9)
(Loss)/profit before tax		(50.7)	0.1	(50.6)	167.7	117.1
Tax charge	7	(0.7)	(0.1)	(0.8)	–	(0.8)
(Loss)/profit for the year attributable to equity shareholders		(51.4)	–	(51.4)	167.7	116.3

a Adjusting items, described above as 'Capital and other', are set out in note 9A.

b Proportionally consolidated figure includes £13.6m (2022: £13.7m) of contingent rents calculated by reference to tenants' turnover.

2. PROFIT/(LOSS) FOR THE YEAR – continued

				2022		
	Note	Reported Group £m	Share of Property interests £m	Proportionally consolidated		
				Sub-total before adjustments £m	Capital and other ^a £m	Adjusted £m
Revenue		131.4	143.6	275.0	–	275.0
Gross rental income^b	3A, 4	90.2	125.0	215.2	–	215.2
Service charge income	4	24.2	18.6	42.8	–	42.8
		114.4	143.6	258.0	–	258.0
Service charge expenses		(27.8)	(22.5)	(50.3)	–	(50.3)
Cost of sales	5	(9.3)	(21.2)	(30.5)	(2.4)	(32.9)
Net rental income		77.3	99.9	177.2	(2.4)	174.8
Gross administration costs	5	(64.6)	(0.3)	(64.9)	5.1	(59.8)
Other income	4	17.0	–	17.0	–	17.0
Net administration expenses		(47.6)	(0.3)	(47.9)	5.1	(42.8)
Profit from operating activities		29.7	99.6	129.3	2.7	132.0
Revaluation losses on properties		(82.7)	(138.3)	(221.0)	221.0	–
Disposals and assets held for sale						
– Profit/(loss) on sale of properties	8A	0.7	(0.1)	0.6	(0.6)	–
– Income from assets held for sale	8A, 9A	–	(1.6)	(1.6)	1.6	–
Change in fair value of other investments		(0.1)	–	(0.1)	0.1	–
Other net gains/(losses)		0.6	(1.7)	(1.1)	1.1	–
Share of results of joint ventures	12B	(41.5)	41.5	–	–	–
Share of results of associates	13B	(7.1)	1.8	(5.3)	32.7	27.4
Operating (loss)/profit		(101.0)	2.9	(98.1)	257.5	159.4
Net finance costs	6	(63.0)	(2.6)	(65.6)	11.6	(54.0)
(Loss)/profit before tax		(164.0)	0.3	(163.7)	269.1	105.4
Tax charge	7	(0.2)	(0.3)	(0.5)	–	(0.5)
(Loss)/profit for the year attributable to equity shareholders		(164.2)	–	(164.2)	269.1	104.9

3. SEGMENTAL ANALYSIS

The Group's reportable segments are determined by the internal performance reported to the Chief Operating Decision Makers which has been determined to be the Chief Executive Officer and the Group Executive Committee. Such reporting is both by sector and geographic location as these demonstrate different characteristics and risks, are managed by separate teams and are the basis on which resources are allocated.

The Group evaluates the performance of its portfolio by aggregating its wholly owned properties and joint operations in the 'Reported Group' with share of joint ventures and associates which are under the Group's management ('Share of Property interests') on a proportionally consolidated line-by-line basis. The Group does not proportionally consolidate the Group's investment in Value Retail as this is not under the Group's management, and instead monitors the performance of this investment separately as its share of results of associates as reported under IFRS.

The Group's activities presented on a proportionally consolidated basis including Share of Property interests are:

- Flagship destinations
- Developments and other

Total assets are not monitored by segment and resource allocation is based on the distribution of property assets between segments.

A. INCOME BY SEGMENT

	Gross rental income		Adjusted net rental income	
	2023 £m	2022 £m	2023 £m	2022 £m
Flagship destinations				
UK	92.8	90.5	72.9	74.3
France	58.6	61.8	49.4	53.8
Ireland	40.0	37.3	36.3	33.6
	191.4	189.6	158.6	161.7
Developments and other	17.0	25.6	8.9	13.1
Managed portfolio – proportionally consolidated	208.4	215.2	167.5	174.8
Less Share of Property interests	(115.6)	(125.0)		
Reported Group	92.8	90.2		

3. SEGMENTAL ANALYSIS - continued

B. INVESTMENT AND DEVELOPMENT PROPERTY ASSETS BY SEGMENT

		2023			2022		
	Note	Property valuation £m	Capital expenditure £m	Revaluation losses £m	Property valuation £m	Capital expenditure £m	Revaluation losses £m
Flagship destinations							
UK		863.1	13.9	(21.8)	871.0	12.8	(90.2)
France		1,003.3	14.3	(15.2)	1,241.0	33.3	(57.2)
Ireland		629.7	5.4	(37.5)	676.4	4.9	(20.1)
		2,496.1	33.6	(74.5)	2,788.4	51.0	(167.5)
Developments and other		280.0	13.3	(44.6)	431.7	21.9	(53.5)
Managed portfolio – proportionally consolidated		2,776.1	46.9	(119.1)	3,220.1	72.9	(221.0)
Value Retail		1,885.7	27.5	(7.7)	1,887.0	6.6	(60.7)
Group portfolio		4,661.8	74.4	(126.8)	5,107.1	79.5	(281.7)
Less Value Retail	13C	(1,885.7)	(27.5)	7.7	(1,887.0)	(6.6)	60.7
Less Share of Property interests ^a	12C	(1,379.9)	(27.3)	73.9	(1,722.9)	(35.2)	138.3
Less trading properties ^b		–	–	–	(36.2)	–	–
Reported Group	11	1,396.2	19.6	(45.2)	1,461.0	37.7	(82.7)

- a The property valuation of Share of Property interests comprises UK Flagship destinations: £741.8m (2022: £738.6m); France flagship destinations: £nil (2022: £166.8m), Ireland flagship destinations: £485.2m (2022: £525.0m) and Developments and other £152.9m (2022: £292.5m).
- b In December 2019, the Group exchanged contracts for the forward sale of Italik, subject to completion of the development which was opened in 2021, resulting in the sale becoming unconditional although in accordance with a contractually allowed option and subsequent agreement, the purchaser deferred completion to 2023. At 31 December 2022, the 75% of Italik contracted for sale was included within Trading properties at the agreed sale price less forecast costs to complete with final completion occurring on 11 March 2023 as explained in note 8.

4. REVENUE

	Note	2023 £m	2022 £m
Base rent		69.6	68.2
Turnover rent		4.7	5.5
Car park income*		10.9	10.8
Lease incentive recognition		3.2	2.7
Other rental income		4.4	3.0
Gross rental income	2	92.8	90.2
Service charge income*	2	26.6	24.2
Other income			
– Property fee income*	2	8.4	11.5
– Joint venture and associate management fees*	2	6.5	5.5
		14.9	17.0
Total		134.3	131.4

* Revenue for those categories marked * amounted to £52.4m (2022: £52.0m) and is recognised under IFRS 15 'Revenue from Contracts with Customers'. All other revenue is recognised in accordance with IFRS 16 'Leases'.

5. COSTS

Profit from operating activities is stated after charging:

	2023 £m	2022 £m
Cost of sales		
Ground and equity rents payable	1.1	0.7
Inclusive lease costs recovered through rent	2.8	3.1
Other property outgoings ^a	10.6	6.4
Change in provision for amounts not yet recognised in the income statement	0.2	(0.9)
	14.7	9.3

	Note	2023 £m	2022 £m
Gross administration costs			
Employee costs		35.2	42.0
Depreciation of plant and equipment		0.6	1.0
Depreciation of right-of-use assets		2.4	3.1
Other costs ^b		12.9	13.4
Business transformation costs	9A	13.2	5.1
		64.3	64.6

a Includes charges and credits in respect of expected credit losses as set out in note 14A.

b Comprises predominantly professional fees (mainly audit, valuation and legal), Corporate office costs and insurances and IT related costs.

6. NET FINANCE COSTS

	Note	2023 £m	2022 £m
Discount on redemption of bonds		4.3	–
Interest receivable on derivatives		12.8	21.4
Bank and other interest receivable		18.1	4.7
Finance income		35.2	26.1
Interest on bank loans and overdrafts		(4.5)	(4.6)
Interest on bonds and related charges		(59.2)	(61.4)
Interest on senior notes and related charges		(5.4)	(6.0)
Interest on obligations under head leases		(2.1)	(2.1)
Interest on other lease obligations		(0.1)	(0.1)
Other interest payable		(0.7)	(0.4)
Gross interest costs		(72.0)	(74.6)
Interest capitalised in respect of properties under development		–	1.2
		(72.0)	(73.4)
Debt and loan facility cancellation costs	9A	–	(1.3)
Fair value gains/(losses) on derivatives	9A	0.7	(14.4)
Finance costs		(71.3)	(89.1)
Net finance costs		(36.1)	(63.0)

7. TAX CHARGE

	2023 £m	2022 £m
Foreign current tax	0.7	0.2
Tax charge	0.7	0.2

The Group's tax charge remains low because it has tax exempt status in its principal operating countries. The Group has been a REIT in the UK since 2007 and a SIIC in France since 2004. These tax regimes exempt the Group's property income and gains from corporate taxes, provided a number of conditions in relation to the Group's activities are met. These conditions include, but are not limited to, distributing at least 90% of the Group's UK tax exempt profits as property income distributions (PID) with equivalent tests of 95% on French tax exempt property profits and 70% of tax exempt property gains. Based on preliminary calculations, the Group has met the REIT and SIIC conditions for 2023. The residual businesses in both the UK and France are subject to corporation tax as normal. The Irish assets are held in a QIAIF which provides similar tax benefits to those of a UK REIT but which subjects dividends and certain excessive interest payments to a 20% withholding tax. The Group is committed to remaining in these tax exempt regimes.

The Group operates in a number of jurisdictions and is subject to periodic reviews and challenges by local tax authorities on a range of tax matters during its normal course of business. Tax impacts can be uncertain until a conclusion is reached with the relevant tax authority or through a legal process. The Group uses in-house expertise when assessing uncertain tax positions and seeks the advice of external professional advisors where appropriate. The Group believes that its tax liability accruals are adequate for all open tax years based on its assessment of many factors, including tax laws and prior experience.

8. DISPOSALS AND IMPAIRMENT

A. DISPOSALS

Year ended 31 December 2023

On 31 March 2023, the Group raised gross proceeds of €164m (£144m) from the disposal of its 25% associate stake in Italie Deux in Paris and the wholly owned Italik extension. 75% of the Italik extension had been classified as a trading property up to the point of disposal.

On 21 April 2023, the Group completed the sale of its 50% joint venture investment in Centrale and Whitgift in Croydon for gross proceeds of £70m. Also during the year the Group raised further gross proceeds of £2m from the sale of ancillary non-core land.

In total these disposals resulted in a net loss on disposal of £17.8m, of which a profit of £1.3m related to the Reported Group.

Year ended 31 December 2022

The profit on the sale of properties of £0.7m includes the disposal of Victoria, Leeds which was sold on 25 February 2022 for gross proceeds of £120m and several post completion adjustments arising mainly from historical disposals in prior periods.

Also, on 15 March 2022, the Group completed the sale of its joint venture investment in Silverburn for gross proceeds of £70m. The Group had exchanged contracts for this sale on 14 December 2021 such that this investment was classified as assets held for sale at 31 December 2021 at £71.4m. In 2022, £nil gain/loss on disposal was recognised. However, income generated during the period of £1.6m was included in Adjusted earnings as shown in note 9A.

B. IMPAIRMENT ON DERECOGNITION OF JOINT VENTURES

Year ended 31 December 2023

At 31 December 2022, the Group's Highcross and O'Parinor joint ventures, in which the Group had 50% and 25% interests respectively had £125m of debt secured against the property interests which was non-recourse to the Group. In both cases the loans were in breach of certain conditions and the Group had been working constructively with the respective lenders on options to realise "best value" for all stakeholders.

On 9 February 2023, a receiver was appointed to administer Highcross for the benefit of the creditors and, as a result of no longer having joint control the Group derecognised its share of assets and liabilities, including the property value and £80m of debt. There was no loss on derecognition as the Group's joint venture investment in Highcross had been fully impaired at 31 December 2021, from which date the Group had ceased recognising the results of this joint venture in the consolidated income statement.

On 30 June 2023, the lenders on O'Parinor took control of the joint venture. The Group therefore fully impaired its joint venture investment by £22.2m and derecognised its share of assets and liabilities, including the property value of £61m and £45m of secured debt. The impairment has increased by £0.1m from 30 June 2023 due to additional costs of disposal.

9. KEY ALTERNATIVE PERFORMANCE MEASURES

Headline earnings has been calculated in accordance with the requirements of the Johannesburg Stock Exchange listing requirements. EPRA earnings and EPRA net assets are calculated in accordance with guidance issued by the European Public Real Estate recommended bases. Reconciliations from Reported Group (IFRS) earnings after tax and Net assets attributable to equity shareholders to these measures are set out below.

A. ALTERNATIVE EARNINGS MEASURES

	Footnote	2023 £m	2022 £m
Reported Group			
Loss after tax		(51.4)	(164.2)
Adjustments:			
Revaluation losses on managed portfolio		119.1	221.0
Disposals			
– Loss/(profit) on sale of properties	a	17.8	(0.6)
– Recycled exchange gains on disposal of overseas property interests	b	(20.1)	–
Joint venture related			
– Impairment of investment	c	22.2	–
Associates (Value Retail):			
– Revaluation losses	d	7.7	60.7
– Deferred tax	d, e	7.4	0.1
– Change in fair value of financial assets	d	0.2	(0.2)
Sub-total: Adjustments for Headline earnings		154.3	281.0
Associates (Value Retail):			
– Change in fair value of derivatives	d, f	11.1	(18.1)
– Change in fair value of participative loans	d, f	(9.1)	(9.8)
Included in Financing:			
– Discount on redemption of bonds	g	(4.3)	–
– Debt and loan facility cancellation costs	g	–	1.3
– Change in fair value of derivatives	g	1.1	10.3
Change in fair value of other investments	h	1.1	0.1
Sub-total: Adjustments for EPRA earnings		154.2	264.8
Included in profit from operating activities:			
– Business transformation costs	i	13.2	5.1
– Change in provision for amounts not yet recognised in the income statement	j	0.3	(2.4)
– Income from assets held for sale	k	–	1.6
Total: Adjustments for Adjusted earnings		167.7	269.1
Headline earnings		102.9	116.8
EPRA earnings		102.8	100.6
Adjusted earnings		116.3	104.9

- a As shown in note 2, includes profit on the sale of properties of £1.3m (2022: loss of £0.6m) and losses on the sale of joint venture and associates of £19.1m (2022: £nil) principally relating to the sales of Italie Deux and Croydon. See note 8 for further details.
- b Exchange gains previously recognised in equity until disposal, principally in relation to Italie Deux and O'Parinor.
- c Impairment resulting from derecognition of O'Parinor joint venture, see note 8 for details.
- d Adjustments in respect of associates. Total for 2023 is £17.3m (2022: £32.7m).
- e In accordance with EPRA guidance, the tax effects of EPRA adjustments (including those for disposals) are excluded.
- f Change in fair value of derivatives and participative loans: such items are excluded because they represent gains and losses arising from market rather than settlement revaluation methodologies which differ from the accruals basis upon which all other non-investment property related assets and liabilities are measured. Such a treatment is a form of revaluation gain or loss created by an assumption that the derivatives or loans will be settled before their maturity. Such gains and losses are excluded from Adjusted earnings as they are unrealised and conflict with the commercial reasons for entering into such arrangements and are expected to be held to maturity.

9. KEY ALTERNATIVE PERFORMANCE MEASURES - continued

g Financing items comprise:

	2023			2022		
	Reported Group £m	Share of Property interests £m	Total £m	Reported Group £m	Share of Property interests £m	Total £m
Discount on redemption of bonds	(4.3)	–	(4.3)	–	–	–
Debt and loan facility cancellation costs	–	–	–	1.3	–	1.3
Change in fair value of derivatives ^f	(0.7)	1.8	1.1	14.4	(4.1)	10.3
	(5.0)	1.8	(3.2)	15.7	(4.1)	11.6

The write off of up-front fees arising on early cancellation or early repayment redemption premiums are considered outside of day-to-day financing activities and are accordingly excluded from Adjusted earnings.

h Relates to the fair value movement in a small residual investment in VIA Outlets.

i Business transformation costs comprise:

	2023 £m	2022 £m
Employee severance	6.3	3.4
System related costs	2.9	1.7
Consultancy costs	4.0	–
	13.2	5.1

Such costs relate to the strategic and operational review undertaken by the new management team and which is an integral part of the Group's strategy announced during 2021. The related costs are incremental and do not form part of underlying trading. These costs have been incurred since the announcement of the strategy and further transformation activities will take place in 2024.

j The Group makes a charge for expected credit losses in accordance with the technical interpretation of IFRS 9 irrespective of whether the income to which the provision relates has been recognised in the income statement or is deferred on the balance sheet. Because of the mismatch this causes between the cost of provision being recognised in one accounting period and the related revenue being recognised in a different accounting period, the adjustment eradicates this distortion. For 2023 the adjustment of £0.3m (2022: £(2.4m)) is split £0.2m (2022: £(0.9m)) for the Reported Group and £0.1m (2022: £(1.5m)) for Share of Property interests.

k Income from assets held for sale in 2022 relates to the Group's joint venture investment in Silverburn, which was transferred to assets held for sale as at 31 December 2021 and where the sale completed in March 2022. A £nil gain/loss was generated on the sale which comprised certain additional costs and accruals of £1.6m which were offset by net income generated in the period up to the point of disposal (after taking account of distributions) of £1.6m. The Group excludes losses on disposal from its EPRA and Adjusted earnings, and because this offset of income generated in the period against the loss causes the income to be excluded, the income is added back as an adjusting item in order to reflect the fact that the property remained under the Group's ownership and management up until completion of the disposal and is therefore considered to form part of underlying earnings. There were no assets held for sale as at 31 December 2023.

9. KEY ALTERNATIVE PERFORMANCE MEASURES - continued

B. ALTERNATIVE NET ASSET MEASURES

The Group uses the EPRA best practice guidelines incorporating three measures of net asset value: EPRA Net Tangible Assets (NTA), Net Reinstatement Value (NRV) and Net Disposal Value (NDV). EPRA NTA is considered to be the most relevant measure for the Group.

A reconciliation between IFRS net assets and the three EPRA net asset valuation metrics is set out below.

					2023
	Footnote	Reported Group £m	Share of Property interests £m	Value Retail £m	Total £m
Reported balance sheet net assets (equity shareholders' funds)		2,462.6	–	–	2,462.6
Change in fair value of borrowings	a	36.7	(0.2)	–	36.5
EPRA NDV					2,499.1
Deduct change in fair value of borrowings	a	(36.7)	0.2	–	(36.5)
Deferred tax – 50% share	b	0.2	0.1	100.7	101.0
Fair value of currency swaps as a result of interest rates	c	1.0	–	–	1.0
Fair value of interest rate swaps		0.7	(1.3)	(22.0)	(22.6)
EPRA NTA					2,542.0
Deferred tax – remaining 50% share	b	0.2	–	100.7	100.9
Purchasers' costs	d	302.9	–	–	302.9
EPRA NRV					2,945.8
					2022
	Footnote	Reported Group £m	Share of Property interests £m	Value Retail £m	Total £m
Reported balance sheet net assets (equity shareholders' funds)		2,586.4	–	–	2,586.4
Change in fair value of borrowings	a	216.2	(0.7)	–	215.5
EPRA NDV					2,801.9
Deduct change in fair value of borrowings	a	(216.2)	0.7	–	(215.5)
Deferred tax – 50% share	b	0.2	0.1	99.4	99.7
Fair value of currency swaps as a result of interest rates	c	(0.9)	–	–	(0.9)
Fair value of interest rate swaps		2.1	(6.3)	(47.3)	(51.5)
EPRA NTA					2,633.7
Deferred tax – remaining 50% share	b	0.2	–	99.4	99.6
Purchasers' costs	d	330.0	–	–	330.0
EPRA NRV					3,063.3

a Applicable for EPRA NDV calculation only and hence the adjustment is reversed for EPRA NTA and EPRA NRV.

b EPRA guidance stipulates exclusion of 50% of deferred tax for EPRA NTA purposes.

c Excludes impact of foreign exchange.

d Represents property transfer taxes and fees payable should the Group's entire property portfolio, (including Value Retail), be acquired at year end market values.

10. (LOSS)/EARNINGS PER SHARE AND NET ASSET VALUE PER SHARE

The calculations of the (loss)/earnings per share (EPS) measures set out below are based on (loss)/profit after tax, Headline profit after tax, EPRA profit after tax and Adjusted profit after tax attributable to owners of the parent and the weighted average number of shares in issue during the year.

Headline earnings per share has been calculated in accordance with the requirements of the Johannesburg Stock Exchange listing requirements. EPRA has issued recommended bases for the calculation of certain per share information which includes net asset value per share as well as earnings per share. The calculation of Headline, EPRA and Adjusted earnings which includes a reconciliation to Reported IFRS earnings is set out in note 9A.

Basic EPS measures are calculated by dividing the earnings attributable to the equity shareholders of the Company by the weighted average number of shares outstanding during the year. Diluted EPS measures are calculated on the same basis as basic EPS but with a further adjustment to the weighted average number of shares outstanding to assume conversion of all potentially dilutive ordinary shares. Such potentially dilutive ordinary shares comprise share options and awards granted to colleagues where the exercise price is less than the average market price of the Company's ordinary shares during the year and any unvested shares which have met, or are expected to meet, the performance conditions at the end of the year. To the extent that there is no dilution, this arises due to the anti-dilutive effect of all such shares.

Net assets per share comprise net assets calculated in accordance with EPRA guidelines, as set out in note 9B, divided by the number of shares in issue.

A. NUMBER OF ORDINARY SHARES FOR PER SHARE CALCULATIONS

	2023 million	2022 million
Shares in issue (for purposes of net asset per share calculations)	5,002.3	5,002.3
Weighted average number of shares:		
For purposes of basic EPS	4,971.4	4,938.9
Effect of potentially dilutive shares (share options)	10.6	10.3
For purposes of diluted EPS (excluding Reported Group)	4,982.0	4,949.2

B. (LOSS)/EARNINGS PER SHARE

Note	(Loss)/earnings		(Loss)/earnings per share			
	2023 £m	2022 £m	Basic 2023 pence	2022 pence	Diluted 2023 pence	2022 pence
Reported Group	(51.4)	(164.2)	(1.0)p	(3.3)p	(1.0)p	(3.3)p
Headline	9A	102.9	116.8	2.1p	2.4p	2.1p
EPRA	9A	102.8	100.6	2.1p	2.0p	2.1p
Adjusted	9A	116.3	104.9	2.3p	2.1p	2.3p

C. NET ASSET VALUE PER SHARE

		Net asset value		Net asset value per share	
	Note	2023 £m	2022 £m	2023 pence	2022 pence
EPRA NDV	9B	2,499.1	2,801.9	50p	56p
EPRA NTA	9B	2,542.0	2,633.7	51p	53p
EPRA NRV	9B	2,945.8	3,063.3	59p	61p

11. PROPERTIES

	2023			2022		
	Investment properties £m	Trading properties £m	Total £m	Investment properties £m	Trading properties £m	Total £m
At 1 January	1,461.0	36.2	1,497.2	1,561.4	34.3	1,595.7
Revaluation losses	(45.2)	–	(45.2)	(82.7)	–	(82.7)
Capital expenditure	19.6	–	19.6	37.7	–	37.7
Capitalised interest	–	–	–	1.2	–	1.2
Disposals (see note 8)	(11.9)	(36.2)	(48.1)	(125.3)	–	(125.3)
Exchange adjustment	(27.3)	–	(27.3)	68.7	1.9	70.6
At 31 December	1,396.2	–	1,396.2	1,461.0	36.2	1,497.2

	2023			2022		
	Freehold £m	Long leasehold £m	Total £m	Freehold £m	Long leasehold £m	Total £m
Valuation analysis by tenure	734.0	662.2	1,396.2	805.3	691.9	1,497.2

Properties are stated at fair value, valued by professionally qualified external valuers in accordance with RICS Valuation – Global Standards as follows:

Valuer	Properties
CBRE	UK flagships, Developments and other properties
Jones Lang LaSalle	UK flagships, French flagships, Developments and other properties
Cushman and Wakefield	Brent Cross, Irish flagships, Development and other, Value Retail (not included in

The estimation and judgement required in the valuations which are derived from data that is not publicly available, consistent with EPRA's guidance, these valuations are classified as Level 3 in the IFRS 13 fair value hierarchy. A reconciliation of the Group portfolio valuation to Reported Group is shown in note 3B. A listing of properties is in Table 22 of the Additional Information.

A. JOINT OPERATIONS

Investment properties included a 50% interest in the Ilac Centre, Dublin and a 50% interest in Pavilions, Swords totalling £144.5m (2022: £151.4m). These properties are jointly controlled in co-ownership with Irish Life Assurance plc.

12. INVESTMENT IN JOINT VENTURES

The Group's investments in joint ventures form part of the Share of Property interests to arrive at management's analysis of the Group on a proportionally consolidated basis as explained in note 3 and set out in note 2.

The Group and its partners invest principally by way of equity investment. However, where applicable, non-equity (loan) balances have been included within non-current other payables as a liability of the joint venture. Joint ventures comprise prime urban real estate consisting of Flagship destinations and Developments and other properties.

A. INVESTMENTS AT 31 DECEMBER 2023

Joint venture	Partner	Principal property	Share
United Kingdom			
Bishopsgate Goodsyrd Regeneration Limited	Ballymore Properties	The Goodsyrd	50%
Brent Cross Partnership	Aberdeen Standard Investments	Brent Cross	41%
Bristol Alliance Limited Partnership	AXA Real Estate	Cabot Circus	50%
Grand Central Limited Partnership	CPP Investments	Grand Central	50%
The Bull Ring Limited Partnership	CPP Investments	Bullring	50%
The Oracle Limited Partnership	ADIA	The Oracle	50%
The West Quay Limited Partnership	GIC	Westquay	50%
Ireland			
Dundrum Retail Limited Partnership/Dundrum Car Park Limited	PIMCO	Dundrum	50%

The results of disposals of interests in joint ventures are included up to the point of disposal except for where such disposals form part of assets held for sale whereby they are excluded for the whole year.

During the year, and as explained in note 8, the Group disposed of its 50% interest in Croydon and also derecognised its 50% investment in Highcross and 25% investment in O'Parinor.

Figures in the following tables include, where applicable, adjustments to align to the Group's accounting policies and exclude balances which are eliminated on consolidation. For 2023, Goodsyrd, Croydon (up to its disposal in April 2023), Highcross (up to date of derecognition in February 2023) and O'Parinor (up to date of derecognition in June 2023) are included in 'Other'. Croydon is separately disclosed in 2022.

12. INVESTMENT IN JOINT VENTURES - continued

B. RESULTS

2023						
100% share						
	Brent Cross £m	Cabot Circus £m	Bullring £m	Grand Central £m	The Oracle £m	West Quay £m
Gross rental income	28.6	29.4	48.5	8.0	23.5	28.9
Net rental income	24.1	22.8	39.7	4.4	14.7	23.2
Administration expenses	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Profit from operating activities	24.0	22.7	39.6	4.3	14.6	23.1
Revaluation (losses)/gains on properties	(9.6)	(6.1)	21.3	(13.8)	(22.3)	(2.8)
Operating profit/(loss)	14.4	16.6	60.9	(9.5)	(7.7)	20.3
Finance income	0.4	0.4	0.5	–	0.2	0.7
Finance costs	(0.4)	(0.7)	–	(0.1)	–	(0.4)
Profit/(loss) before tax	14.4	16.3	61.4	(9.6)	(7.5)	20.6
Tax charge	–	–	–	–	(0.1)	–
Profit/(loss) for the year	a 14.4	16.3	61.4	(9.6)	(7.6)	20.6
Share of distributions received by the Group	9.8	7.5	10.0	14.9	2.0	–

C. ASSETS AND LIABILITIES

2023						
100% share						
	Brent Cross £m	Cabot Circus £m	Bullring £m	Grand Central £m	The Oracle £m	West Quay £m
Non-current assets						
Investment properties	388.0	234.9	575.0	67.0	184.1	283.5
Other non-current assets	12.8	13.6	0.3	2.6	–	4.2
	400.8	248.5	575.3	69.6	184.1	287.7
Current assets						
Cash and cash equivalents	16.9	18.8	28.8	9.0	14.8	31.3
Other current assets	5.4	6.0	7.5	9.9	4.3	7.9
	22.3	24.8	36.3	18.9	19.1	39.2
Current liabilities						
Loans - secured	–	–	–	–	–	–
Other payables	(14.9)	(13.1)	(22.0)	(10.8)	(8.9)	(17.0)
	(14.9)	(13.1)	(22.0)	(10.8)	(8.9)	(17.0)
Non-current liabilities						
Obligations under head leases	(12.8)	(14.1)	–	(2.8)	–	(4.2)
Other payables – due to Group companies	b –	–	–	–	–	(348.2)
– other parties and deferred tax	(0.9)	(0.2)	(0.6)	(0.4)	(0.4)	(348.9)
	(13.7)	(14.3)	(0.6)	(3.2)	(0.4)	(701.3)
Net assets/(liabilities)	b 394.5	245.9	589.0	74.5	193.9	(391.4)

- a Following the impairment of Highcross to £nil in 2021, the Group ceased to equity account for its investment in this joint venture such that although gross balance sheet items on a proportionally consolidated basis remain included in the Group's figures, it was excluded from all income statement metrics including revaluation losses. The effect of this is that the Group's share of results was £nil and the cumulative losses restricted shown on the balance sheet therefore represents the Group's share of losses which exceed the Group's investment of £nil.
- b The Group's long term loan due from Westquay of £348.2m (2022: £348.2m) has been impaired by its share of the net liabilities of Westquay of £195.7m (2022: £201.1m).
- c Comprises income in respect of Silverburn as described in note 9A.
- d Other current assets in Croydon included restricted monetary assets of £41.8m relating to cash held in escrow for specified development costs.
- e Dundrum loans of £42.6m at 100%, previously included in 'other payables' were reclassified to equity.

	2023			
	100%			Group Share
	Dundrum £m	Other £m	Total £m	£m
Gross rental income	59.2	17.5	243.6	114.4
Net rental income	52.6	13.7	195.2	90.4
Administration expenses	(0.3)	–	(0.9)	(0.4)
Profit from operating activities	52.3	13.7	194.3	90.0
Revaluation (losses)/gains on properties	(74.4)	(41.8)	(149.5)	(73.9)
Operating (loss)/profit	(22.1)	(28.1)	44.8	16.1
Finance income	4.6	2.9	9.7	4.1
Finance costs	(17.1)	(7.4)	(26.1)	(10.7)
Profit/(loss) before tax	(34.6)	(32.6)	28.4	9.5
Tax charge	–	–	(0.1)	(0.1)
Profit/(loss) for the year	a (34.6)	(32.6)	28.3	9.4
Share of distributions received by the Group	3.5	–	47.7	47.7

	2023			
	100% share			Group Share
	Dundrum £m	Other £m	Total £m	£m
Non-current assets				
Investment properties	1,011.0	89.0	2,832.5	1,379.9
Other non-current assets	2.2	–	35.7	16.7
	1,013.2	89.0	2,868.2	1,396.6
Current assets				
Cash and cash equivalents	77.8	0.6	198.0	97.3
Other current assets	8.0	0.1	49.1	23.6
	85.8	0.7	247.1	120.9
Current liabilities				
Loans - secured	(520.0)	–	(520.0)	(260.0)
Other payables	(9.1)	(0.5)	(96.3)	(46.0)
	(529.1)	(0.5)	(616.3)	(306.0)
Non-current liabilities				
Obligations under head leases	–	–	(33.9)	(15.8)
Other payables – due to Group companies	b –	(49.3)	(397.5)	–
– other parties and deferred tax	(1.0)	(49.5)	(401.9)	(2.5)
	(1.0)	(98.8)	(833.3)	(18.3)
Net assets/(liabilities)	b 568.9	(9.6)	1,665.7	1,193.2

12. INVESTMENT IN JOINT VENTURES - continued

B. RESULTS

		2022					
		100% share					
		Brent Cross £m	Cabot Circus £m	Bullring £m	Grand Central £m	The Oracle £m	West Quay £m
Gross rental income		28.0	27.8	45.2	9.9	22.1	29.1
Net rental income		26.5	23.9	37.2	6.4	15.7	24.5
Administration expenses		–	–	0.1	(0.1)	–	–
Profit from operating activities		26.5	23.9	37.3	6.3	15.7	24.5
Revaluation losses on properties		(35.8)	(30.0)	(35.0)	(4.6)	(44.1)	(29.3)
Adjustment for income from assets held for sale		c	–	–	–	–	–
Operating (loss)/profit		(9.3)	(6.1)	2.3	1.7	(28.4)	(4.8)
Finance income		–	–	0.3	–	0.1	–
Finance costs		(0.3)	(0.5)	–	(0.1)	–	(0.2)
(Loss)/profit before tax		(9.6)	(6.6)	2.6	1.6	(28.3)	(5.0)
Tax charge		–	–	–	–	–	–
(Loss)/profit for the year		(9.6)	(6.6)	2.6	1.6	(28.3)	(5.0)
Share of distributions received by the Group		11.8	15.8	23.9	–	9.3	–

C. ASSETS AND LIABILITIES

		2022					
		100% share					
		Brent Cross	Cabot Circus	Bullring	Grand Central	The Oracle	West Quay e
		£m	£m	£m	£m	£m	£m
Non-current assets							
Investment properties		396.6	237.3	540.5	78.5	201.1	285.3
Other non-current assets		12.8	13.5	2.7	2.6	–	4.2
		409.4	250.8	543.2	81.1	201.1	289.5
Current assets							
Cash and cash equivalents		13.0	24.1	18.0	24.7	11.6	16.5
Other current assets	d	4.2	7.1	9.8	19.0	3.6	3.9
		17.2	31.2	27.8	43.7	15.2	20.4
Current liabilities							
Loans – secured		–	–	–	–	–	–
Other payables		(13.6)	(21.3)	(20.9)	(7.3)	(9.7)	(10.9)
		(13.6)	(21.3)	(20.9)	(7.3)	(9.7)	(10.9)
Non-current liabilities							
Loans – secured		–	–	–	–	–	–
Obligations under head leases		(12.8)	(14.1)	–	(2.8)	–	(4.2)
Other payables – due to Group companies	b,e	–	–	–	–	–	(348.2)
– other parties and deferred tax	e	(0.8)	(0.6)	(1.0)	(0.6)	(0.7)	(348.8)
		(13.6)	(14.7)	(1.0)	(3.4)	(0.7)	(701.2)
Cumulative losses restricted	a	–	–	–	–	–	–
Net assets/(liabilities)	b	399.4	246.0	549.1	114.1	205.9	(402.2)

2022						
	100% share					Group Share £m
	Croydon £m	Highcross £m	Dundrum £m	Other £m	Total £m	
Gross rental income	14.3	20.6	55.0	21.4	273.4	119.4
Net rental income	0.5	14.3	48.1	22.6	219.7	95.5
Administration expenses	(0.2)	(0.3)	(0.4)	(0.1)	(1.0)	(0.3)
Profit from operating activities	0.3	14.0	47.7	22.5	218.7	95.2
Revaluation losses on properties	(54.2)	(52.1)	(34.2)	(12.5)	(331.8)	(132.1)
Adjustment for income from assets held for sale c	–	–	–	(3.2)	(3.2)	(1.6)
Operating (loss)/profit	(53.9)	(38.1)	13.5	6.8	(116.3)	(38.5)
Finance income	0.2	7.4	–	–	8.0	0.3
Finance costs	–	(5.0)	(1.9)	(5.7)	(13.7)	(3.0)
(Loss)/profit before tax	(53.7)	(35.7)	11.6	1.1	(122.0)	(41.2)
Tax charge	(0.5)	–	–	–	(0.5)	(0.3)
(Loss)/profit for the year	(54.2)	(35.7)	11.6	1.1	(122.5)	(41.5)
Share of distributions received by the Group	–	–	2.6	–	63.4	63.4

2022						
	100% share					Group Share £m
	Croydon £m	Highcross £m	Dundrum £m	Other £m	Total £m	
Non-current assets						
Investment properties	108.9	125.7	1,088.9	379.3	3,442.1	1,620.0
Other non-current assets	0.6	6.1	8.9	–	51.4	26.7
	109.5	131.8	1,097.8	379.3	3,493.5	1,646.7
Current assets						
Cash and cash equivalents	13.9	22.2	73.3	13.9	231.2	110.9
Other current assets d	65.4	5.0	3.7	19.5	141.2	61.3
	79.3	27.2	77.0	33.4	372.4	172.2
Current liabilities						
Loans - secured	–	(158.8)	–	(186.4)	(345.2)	(126.1)
Other payables	(16.0)	(35.7)	(14.9)	(11.8)	(162.1)	(80.7)
	(16.0)	(194.5)	(14.9)	(198.2)	(507.3)	(206.8)
Non-current liabilities						
Loans – secured	–	–	(530.9)	–	(530.9)	(265.5)
Obligations under head leases	–	–	–	–	(33.9)	(15.8)
Other payables – due to Group companies b	(25.3)	–	–	(45.4)	(418.9)	–
– other parties and deferred tax e	(43.3)	(0.2)	(0.9)	(55.8)	(452.7)	(6.3)
	(68.6)	(0.2)	(531.8)	(101.2)	(1,436.4)	(287.6)
Cumulative losses restricted a	–	35.7	–	–	35.7	17.9
Net assets/(liabilities)	b	104.2	–	628.1	1,957.9	1,342.4

12. INVESTMENT IN JOINT VENTURES - continued

D. RECONCILIATION OF MOVEMENTS IN INVESTMENT IN JOINT VENTURES

	Footnote	2023 £m	2022 £m
At 1 January		1,342.4	1,451.8
Share of results of joint ventures		9.4	(41.5)
Advances		8.3	4.0
Cash distributions (including interest)	a	(55.0)	(84.0)
Other receivables		(6.8)	(5.3)
Disposals (see note 8)		(98.9)	–
Exchange and other movements		(6.2)	17.4
At 31 December		1,193.2	1,342.4

a Comprises distributions of £47.7m (2022: £63.4m) and interest previously accrued of £7.3m (2022: £20.6m).

13. INVESTMENT IN ASSOCIATES

A. PERCENTAGE SHARE

	Principal property	Footnote	2023 Share	2022 Share
Value Retail	Various Villages across Europe	a	40%	40%
Italie Deux	Italie Deux, Paris	b	–	25%

a Interest is calculated based on the share of profits to which the Group is entitled and excludes individual interests which are loss making.

b The Group disposed of its 25% interest in Italie Deux on 31 March 2023. See note 8 for further details.

Analysis of the results and assets and liabilities of the Group's investment in associates is set out below and with the exception of Value Retail, these results form part of the Share of Property interests to arrive at management's analysis of the Group on a proportionally consolidated basis as explained in note 3 and set out in note 2.

B. RESULTS

	2023					
	Value Retail		Italie Deux		Total	
	100% share £m	Group share £m	100% share £m	Group share £m	100% share £m	Group share £m
Gross rental income	482.7	162.4	4.8	1.2	487.5	163.6
Net rental income	330.6	114.5	4.6	1.2	335.2	115.7
Administration expenses	(156.9)	(51.4)	–	–	(156.9)	(51.4)
Profit from operating activities	173.7	63.1	4.6	1.2	178.3	64.3
Revaluation gains/(losses) on properties	15.8	(7.7)	–	–	15.8	(7.7)
Operating profit	189.5	55.4	4.6	1.2	194.1	56.6
Interest costs	(97.0)	(35.2)	–	–	(97.0)	(35.2)
Fair value losses on derivatives	(47.5)	(11.1)	–	–	(47.5)	(11.1)
Fair value gain on participative loans	–	15.6	–	–	–	15.6
Net finance costs	(144.5)	(30.7)	–	–	(144.5)	(30.7)
Profit before tax	45.0	24.7	4.6	1.2	49.6	25.9
Current tax charge	(12.9)	(2.5)	–	–	(12.9)	(2.5)
Deferred tax charge	(28.9)	(7.4)	–	–	(28.9)	(7.4)
Profit for the year	3.2	14.8	4.6	1.2	7.8	16.0
Adjusted earnings – Value Retail						32.1
Adjusted earnings – Italie Deux						1.2
Adjusted earnings – Total						33.3

13. INVESTMENT IN ASSOCIATES – continued

	2022					
	Value Retail		Italie Deux		Total	
	100% share £m	Group share £m	100% share £m	Group share £m	100% share £m	Group share £m
Gross rental income	434.1	148.0	22.4	5.6	456.5	153.6
Net rental income	288.5	101.3	17.8	4.4	306.3	105.7
Administration expenses	(144.3)	(48.0)	(0.1)	–	(144.4)	(48.0)
Profit from operating activities	144.2	53.3	17.7	4.4	161.9	57.7
Revaluation losses on properties	(98.1)	(60.7)	(24.8)	(6.2)	(122.9)	(66.9)
Operating profit/(loss)	46.1	(7.4)	(7.1)	(1.8)	39.0	(9.2)
Interest costs	(79.6)	(27.7)	(0.1)	–	(79.7)	(27.7)
Fair value gain on derivatives	57.0	18.1	–	–	57.0	18.1
Fair value gain on participative loans	–	15.0	–	–	–	15.0
Net finance (costs)/income	(22.6)	5.4	(0.1)	–	(22.7)	5.4
Profit/(loss) before tax	23.5	(2.0)	(7.2)	(1.8)	16.3	(3.8)
Current tax charge	(15.3)	(3.2)	–	–	(15.3)	(3.2)
Deferred tax charge	(8.8)	(0.1)	–	–	(8.8)	(0.1)
Loss for the year	(0.6)	(5.3)	(7.2)	(1.8)	(7.8)	(7.1)
Adjusted earnings – Value Retail						27.4
Adjusted earnings – Italie Deux						4.4
Adjusted earnings – Total						31.8

C. ASSETS AND LIABILITIES

	2023						2022
	100% share Value Retail £m	Group share £m	Value Retail £m	Italie Deux £m	100% share Total £m	Group share £m	
Non-current assets							
Investment properties	5,142.1	1,885.7	5,151.0	411.6	5,562.6	1,989.9	
Other non-current assets	321.3	93.0	370.7	–	370.7	114.2	
	5,463.4	1,978.7	5,521.7	411.6	5,933.3	2,104.1	
Current assets							
Cash and cash equivalents	193.8	64.4	288.6	27.4	316.0	93.6	
Other current assets	116.0	43.2	98.9	11.8	110.7	40.7	
	309.8	107.6	387.5	39.2	426.7	134.3	
Total assets	5,773.2	2,086.3	5,909.2	450.8	6,360.0	2,238.4	
Current liabilities							
Loans	(159.3)	(87.8)	(314.7)	–	(314.7)	(108.1)	
Other payables	(143.2)	(103.2)	(148.4)	(17.0)	(165.4)	(104.6)	
	(302.5)	(191.0)	(463.1)	(17.0)	(480.1)	(212.7)	
Non-current liabilities							
Loans	(1,973.1)	(706.1)	(1,787.1)	–	(1,787.1)	(653.6)	
Participative loans	(398.5)	(98.5)	(387.1)	–	(387.1)	(95.7)	
Other payables, including deferred tax	(665.7)	(188.1)	(650.7)	(3.1)	(653.8)	(185.2)	
	(3,037.3)	(992.7)	(2,824.9)	(3.1)	(2,828.0)	(934.5)	
Total liabilities	(3,339.8)	(1,183.7)	(3,288.0)	(20.1)	(3,308.1)	(1,147.2)	
Net assets	2,433.4	902.6	2,621.2	430.7	3,051.9	1,091.2	
Reverse participative loans	398.5	212.4	387.1	–	387.1	205.9	
	2,831.9	1,115.0	3,008.3	430.7	3,439.0	1,297.1	

D. RECONCILIATION OF MOVEMENTS IN INVESTMENT IN ASSOCIATES

	2023			2022		
	Value Retail £m	Italie Deux £m	Total £m	Value Retail £m	Italie Deux £m	Total £m
At 1 January	1,189.4	107.7	1,297.1	1,140.8	106.2	1,247.0
Share of results of associates	14.8	1.2	16.0	(5.3)	(1.8)	(7.1)
Capital return	—	—	—	—	(2.0)	(2.0)
Distributions	(66.3)	—	(66.3)	(4.4)	(0.6)	(5.0)
Share of other comprehensive (loss)/gain of associate a	(8.8)	—	(8.8)	23.3	—	23.3
Disposals	—	(108.6)	(108.6)	—	—	—
Exchange and other movements	(14.1)	(0.3)	(14.4)	35.0	5.9	40.9
At 31 December b	1,115.0	—	1,115.0	1,189.4	107.7	1,297.1

a Relates to the change in fair value of derivative financial instruments in an effective hedge relationship within Value Retail.

b Includes accumulated impairment to the investment in Value Retail of £94.3m (2022: £94.3m) which was recognised in the year ended 31 December 2020 and is equivalent to the notional goodwill on this investment.

14. TRADE AND OTHER RECEIVABLES

A: TRADE (TENANT) RECEIVABLES - AGEING ANALYSIS AND PROVISIONING

	2023			2022		
	Gross trade receivables £m	Provision £m	Net trade receivables £m	Gross receivables £m	Provision £m	Net trade receivables £m
Not yet due	11.9	(1.2)	10.7	3.2	(0.6)	2.6
0 – 3 months overdue	5.5	(1.0)	4.5	4.0	(0.8)	3.2
3 – 12 months overdue	8.1	(2.6)	5.5	8.1	(2.3)	5.8
More than 12 months overdue	16.1	(9.2)	6.9	25.7	(13.9)	11.8
	41.6	(14.0)	27.6	41.0	(17.6)	23.4

Provisions against trade receivables includes £0.9m (2022: £0.2m) against receivables whereby the income has been deferred on the balance sheet. On a proportionally consolidated basis, a further £1.0m (2022: £1.4m) relates to Share of Property interests. The charge made for making these provisions is excluded from Adjusted earnings as described in note 9A.

B: ANALYSIS OF MOVEMENTS IN PROVISIONS

	2023 £m	2022 £m
Loss allowance		
At 1 January	17.6	27.4
Additions to provisions	9.4	4.0
Disposals	—	(1.3)
Release of provisions	(8.0)	(10.7)
Utilisation	(5.4)	(2.8)
Exchange	0.4	1.0
At 31 December	14.0	17.6

15. RESTRICTED MONETARY ASSETS

	Footnote	2023		2022	
		Current £m	Non-current £m	Current (restated) £m	Non-current £m
Cash held in respect of tenants and co-owners	a	2.2	—	8.6	—
Cash held in escrow	b	—	21.4	—	21.4
		2.2	21.4	8.6	21.4

a Comprises amounts held to meet future services charge costs and related expenditure such as marketing expenditure, where local laws or regulations restrict the use of such cash.

b Comprises funds placed in escrow in 2020 by Hammerson plc to satisfy potential obligations under indemnities granted in favour of Directors and officers to the extent that such obligations are not already satisfied by the Company or covered by Directors' and Officers' liability insurance. The funds will remain in trust until the later of December 2026, or, if there are outstanding claims at that date, the date on which all claims are resolved.

16. LOANS

A. LOAN PROFILE

	Footnote	2023 £m	2022 £m
Unsecured			
£300.0m (2022: £200m) 7.25% sterling bonds due 2028	a	292.2	199.0
€700.0m 1.75% eurobonds due 2027	b	600.8	612.3
£211.2m (2022: £300.0m) 6% sterling bonds due 2026	a	211.1	299.1
£338.3m (2022: £350.0m) 3.5% sterling bonds due 2025	a	337.3	348.3
Unamortised facility fees		(2.2)	(3.1)
Senior notes due 2031		5.0	5.1
Senior notes due 2028		11.0	11.3
Senior notes due 2026		60.7	62.0
Senior notes due 2024		–	112.4
		1,515.9	1,646.4
Senior notes due 2024 – shown in current liabilities		108.6	–
		1,624.5	1,646.4

- a On 31 August 2023 the Group issued £100m of bonds (at a discount of £6.7m), adding to the existing £200m, 7.25% sterling bond issue due 2028. The newly issued bonds therefore having an effective interest rate of 9.1%. The proceeds were used to redeem £88.8m of the 6% sterling bonds due in 2026, and £11.7m of the 3.5% sterling bonds due in 2025 by way of a tender. The tendered bonds were redeemed at a discount, and after associated costs, the Group recognised a net gain of £4.3m which is shown in finance income in note 6, this discount has been excluded from the Group's Adjusted earnings as shown in note 9A.
- b The coupon is linked to two sustainability performance targets, both of which will be tested in December 2025 against a 2019 benchmark. If the targets are not met, a total of 37.5 basis points per annum, or €2.625m (£2.3m) per target, will be payable in addition to the final year's coupon. The Group has made certain assumptions which support not increasing the effective interest rate, as a result of the possibility of failing to meet the targets. Planned future initiatives which will assist the Group in achieving the targets include the introduction of energy efficient projects, the generation of additional on or offsite energy and driving compliance with relevant energy performance legislation. The Group continues to make steady progress against both targets.

B. UNDRAWN COMMITTED FACILITIES

The Group has the following revolving credit facilities (RCF), which are all in sterling unless otherwise indicated, expiring as follows:

	Footnote	2023 £m	2022 £m
2021 RCF expiring 2024		50.0	150.0
2021 JPY7.7bn RCF expiring 2026	a	43.2	48.9
2021/22 RCF expiring 2026	a	563.0	463.0
	b	656.2	661.9

- a On 29 April 2023, the Group exercised its option to extend the maturity of these RCFs by one year from 2025 to 2026.
- b £0.8m (2022: £2.1m) of RCFs have been utilised (although not drawn) to support ancillary facilities leaving £655.4m (2022: £659.8m) available to the Group.

C. MATURITY ANALYSIS OF UNDRAWN COMMITTED FACILITIES

	2023 £m	2022 £m
Expiry		
Within one year	50.0	–
Within one to two years	–	50.0
Within two to five years	606.2	611.9
	656.2	661.9

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

A: FINANCIAL RISK MANAGEMENT AND STRATEGY

The Group's financial risk management strategy seeks to set financial limits for treasury activity to ensure they are in line with the risk appetite of the Group. The Group's activities expose it to certain financial risks comprising liquidity risk, market risk (comprising interest rate and foreign currency risk), credit risk and capital risk.

The Group's treasury function, which operates under treasury policies approved by the Board, maintains internal guidelines for interest cover, gearing, unencumbered assets and other credit ratios and both the current and projected financial position against these guidelines is monitored regularly.

To manage the risks set out above, the Group uses certain derivative financial instruments to mitigate potentially adverse effects on the Group's financial performance. Derivative financial instruments are used to manage exposure to fluctuations in foreign currency exchange rates and interest rates but are not employed for speculative purposes.

B. FINANCIAL INSTRUMENTS HELD AT FAIR VALUE

Definitions

The Group's financial instruments are categorised by level of fair value hierarchy prescribed by accounting standards. The different levels are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (actual prices) or indirectly (derived from actual prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (from unobservable inputs).

Fair value valuation technique

Financial instrument	Valuation technique for determining fair value
Unsecured bonds	Quoted market prices
Senior notes	Present value of cash flows discounted using prevailing market interest rates
Unsecured bank loans and overdrafts	Present value of cash flows discounted using prevailing market interest rates
Fair value of currency swaps and interest rate swaps	Present value of cash flows discounted using prevailing market interest rates
Other investments including participative loans to Value Retail	Underlying net asset values of the interests in Villages/centre *

* The assets of the Villages/centre comprise mainly investment properties held at fair value determined by professional valuers.

Fair value hierarchy analysis

	Hierarchy	2023		2022	
		Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Unsecured bonds	Level 1	1,441.4	1,407.4	1,458.7	1,249.5
Senior notes	Level 2	185.3	180.4	190.8	180.7
Unsecured facility fees	Level 2	(2.2)	–	(3.1)	–
Fair value of currency swaps	Level 2	11.4	11.4	30.6	30.6
Borrowings		1,635.9	1,599.2	1,677.0	1,460.8
Fair value of interest rate swaps	Level 2	0.7	0.7	2.1	2.1
Participative loans to Value Retail	Level 3	212.4	212.4	205.9	205.9
Fair value of other investments	Level 3	8.8	8.8	9.8	9.8

18. DIVIDENDS

		Cash dividend per share	Enhanced scrip alternative per share	Footnote	2023 £m	2022 £m
Prior period dividends						
2021 final dividend	- Cash	0.2p		a	—	11.8
	- Enhanced scrip alternative		2.0p	b	—	51.4
2022 interim dividend	- Cash	0.2p			—	1.4
	- Enhanced scrip alternative		2.0p	b	—	75.7
2023 interim dividend	- Cash	0.72p		a,c	35.9	—
					35.9	140.3

Cash flow analysis:

Cash dividend			d	29.9	2.6
Withholding tax - 2021 final dividend			a	—	10.6
				29.9	13.2

Total cash dividends per share in respect of the year				0.72p	0.2p
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a Dividends paid as a PID are subject to withholding tax which is paid approximately two months after the dividend itself is paid.

b Calculated as the market value of shares issued to satisfy the enhanced scrip dividend alternative.

c 2023 interim dividend paid on 2 October 2023 less £6.0m of withholding tax which was paid in January 2024. No final 2022 dividend was paid as the Group had satisfied its 2022 PID obligations.

d Comprises cash payments after deduction of withholding tax (see note c above), where applicable.

A final 2023 dividend of 0.78 pence per share payable in cash, was recommended by the Board on 28 February 2024 and, subject to approval by shareholders at the 2024 AGM, is payable on 10 May 2024 to shareholders on the register at the close of business on 5 April 2024. The dividend will be paid entirely as a non-PID, and treated as an ordinary company dividend.

19. NOTES TO THE CASH FLOW STATEMENT

A. ANALYSIS OF ITEMS INCLUDED IN OPERATING CASH FLOWS

	Footnote	2023 £m	2022 £m
Net movements in working capital and restricted monetary assets			
Movements in working capital:			
– Decrease/(increase) in receivables		8.8	(6.0)
– Decrease in payables		(19.8)	(17.4)
		(11.0)	(23.4)
Decrease in restricted monetary assets		6.3	26.0
		(4.7)	2.6
Non-cash items			
Increase in accrued rents receivable		(3.2)	(3.5)
Increase/(decrease) in loss allowance provisions	a	1.0	(2.6)
Amortisation of lease incentives and other costs		0.6	1.2
Depreciation (note 5)		3.0	4.1
Other non-cash items including share-based payment charge		1.4	—
		2.8	(0.8)

a Comprises movement in provisions against trade (tenant) receivables and unamortised tenant incentives.

B. ANALYSIS OF MOVEMENTS IN NET DEBT

	2023			2022		
	Cash and cash equivalents £m	Borrowings £m	Net debt £m	Cash and cash equivalents £m	Borrowings £m	Net debt £m
At 1 January	218.8	(1,677.0)	(1,458.2)	315.1	(1,878.9)	(1,563.8)
Cash flow	254.6	(15.1)	239.5	(99.0)	302.4	203.4
Change in fair value of currency swaps	–	(1.9)	(1.9)	–	8.4	8.4
Exchange and other non-cash movements	(1.1)	58.1	57.0	2.7	(108.9)	(106.2)
At 31 December	472.3	(1,635.9)	(1,163.6)	218.8	(1,677.0)	(1,458.2)

Borrowings at 31 December 2023 reflects loans of £1,624.5m (2022: £1,646.4m) and fair value of currency swaps of £11.4m (2022: £30.6m).

20. CONTINGENT LIABILITIES AND COMMITMENTS

A: CONTINGENT LIABILITIES

	2023 £m	2022 £m
Reported Group:		
– guarantees given	23.1	45.3
– claims arising in the normal course of business	15.6	34.0
Share of Property interests – claims arising in the normal course of business	12.4	6.5
	51.1	85.8

In addition, the Group operates in a number of jurisdictions and is subject to periodic challenges by local tax authorities on a range of tax matters during the normal course of business. The tax impact can be uncertain until a conclusion is reached with the relevant tax authority or through a legal process. The Group addresses this by closely monitoring these potential instances, seeking independent advice and maintaining transparency with the authorities it deals with as and when any enquiries are made. As a result, the Group has identified a potential tax exposure attributable to the ongoing applicability of tax treatments adopted in respect of certain tax structures within the Group. The range of potential outcomes is a possible outflow of minimum £nil and maximum £122m (2022: minimum £nil and maximum £145m). The Directors have not provided for this amount because they do not believe an outflow is probable.

B: CAPITAL COMMITMENTS ON INVESTMENT PROPERTIES

	2023 £m	2022 £m
Reported Group	0.4	0.4
Share of Property interests	45.5	51.4
	45.9	51.8

21. POST BALANCE SHEET EVENTS

On 23 February 2024, the Group exchanged contracts for the sale of Union Square, Aberdeen for gross proceeds of £111m, with completion due in March 2024. At the balance sheet date this asset did not meet the criteria for reclassification to assets held for sale under IFRS 5 as it was not being actively marketed and substantive terms had yet to be agreed such that a sale was not considered highly probable. Consequently as at 31 December 2023 it was included within investment properties at its fair value of £121m.

ADDITIONAL INFORMATION - UNAUDITED

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Hammerson is a member of the European Public Real Estate Association (EPRA) and has representatives who actively participate in a number of EPRA committees and initiatives. This includes working with peer group companies, real estate investors and analysts and the large audit firms, to improve the transparency, comparability and relevance of the published results of listed real estate companies in Europe.

As with other real estate companies, we have adopted the EPRA Best Practice Recommendations (BPR) and were again awarded a Gold Award for compliance with the EPRA BPR for our 2022 Annual Report. Further information on EPRA and the EPRA BPR can be found on their website www.epra.com. Details of our key EPRA metrics are shown in Table 1.

SUMMARY EPRA PERFORMANCE MEASURES

Table 1

Performance measure	Note/ Table	2023	2022
Earnings	9A	£102.8m	£100.6m
Earnings per share (EPS)	10B	2.1p	2.0p
Cost ratio (including vacancy costs)	Table 8	41.2%	38.0%
		2023	2022
Net Disposal Value (NDV) per share	10C	50p	56p
Net Tangible Assets value (NTA) per share	10C	51p	53p
Net Reinstatement Value (NRV) per share	10C	59p	61p
Net Initial Yield (NIY)	Table 10	5.9%	5.8%
Topped-up Net Initial Yield	Table 10	6.3%	6.0%
Vacancy rate	Table 5	5.8%	4.8%
Loan to value	Table 21	48.1%	49.2%

PORTFOLIO ANALYSIS

Where applicable, the information presented within the 'Development and other' segment only reflects available data in relation to the investment properties within this segment.

Adjusted net rental income

Table 2

	2023 £m	2022 £m
Proportionally consolidated		
Base rent	149.8	159.2
Turnover rent	13.6	13.7
Car park income	28.1	27.9
Commercialisation income	9.8	9.5
Surrender premiums	0.4	0.8
Lease incentive recognition	4.3	0.9
Other rental income	2.4	3.2
Gross rental income	208.4	215.2
Ground rents payable	(1.8)	(1.3)
Inclusive lease costs recovered through rent	(6.4)	(9.1)
Other property outgoings	(32.7)	(30.0)
Cost of Sales	(40.9)	(40.4)
Adjusted net rental income	167.5	174.8

Net rental income

Table 3

Like-for-like net rental income (NRI) is calculated as the percentage change in NRI for investment properties owned throughout both the current and prior year, after taking account of exchange translation movements. Properties undergoing a significant extension project are excluded from this calculation during the period of the works.

2023							
	Properties owned throughout 2022/23 £m	Change in like-for-like NRI %	Disposals £m	Developments and other £m	Total Adjusted NRI £m	Change in provision £m	Total NRI £m
Proportionally consolidated							
UK	73.5	3.2	–	(0.6)	72.9	(0.3)	72.6
France	28.1	1.8	3.4	17.9	49.4	–	49.4
Ireland	36.3	6.0	–	–	36.3	–	36.3
Flagship destinations	137.9	3.6	3.4	17.3	158.6	(0.3)	158.3
Developments and other	–	n/a	–	8.9	8.9	–	8.9
Managed portfolio	137.9	3.6	3.4	26.2	167.5	(0.3)	167.2

2022							
	Properties owned throughout 2022/23 £m	Exchange £m	Disposals £m	Developments and other £m	Total Adjusted NRI £m	Change in provision £m	Total NRI £m
Proportionally consolidated							
UK	71.2	–	3.7	(0.6)	74.3	1.7	76.0
France	27.6	(1.0)	10.6	16.6	53.8	–	53.8
Ireland	34.3	(0.7)	–	–	33.6	0.2	33.8
Flagship destinations	133.1	(1.7)	14.3	16.0	161.7	1.9	163.6
Developments and other	–	(0.1)	0.3	12.9	13.1	0.5	13.6
Managed portfolio	133.1	(1.8)	14.6	28.9	174.8	2.4	177.2

The Managed portfolio value on which like-for-like growth is based was £2,008m (2022: £2,244m).

Rental data

Table 4

								2023
Proportionally consolidated	Gross rental income £m	Adjusted net rental income £m	Vacancy rate %	Average rents passing £/m ²	Rents passing £m	Estimated rental value £m	Rents passing for reversion £m	Reversion/(over-rented) %
			a	b	c	d	e	f
UK	92.8	72.9	4.9	400	87.3	82.3	83.7	(1.8)
France	58.6	49.4	6.9	450	53.0	61.3	54.2	13.2
Ireland	40.0	36.3	3.8	480	39.0	39.5	37.1	6.4
Flagship destinations	191.4	158.6	5.4	430	179.3	183.1	175.0	4.6
Developments and other	17.0	8.9	13.6	190	8.5	10.0	9.2	8.9
Managed portfolio	208.4	167.5	5.8	400	187.8	193.1	184.2	4.8

								2022
UK	90.5	74.3	3.6	420	84.0	80.8	80.6	0.4
France	61.8	53.8	4.4	430	65.9	75.5	67.0	12.5
Ireland	37.3	33.6	2.3	500	38.8	39.9	36.9	8.1
Flagship destinations	189.6	161.7	3.7	440	188.7	196.2	184.5	6.3
Developments and other	25.6	13.1	16.0	170	21.6	21.6	21.8	(1.4)
Managed portfolio	215.2	174.8	4.8	380	210.3	217.8	206.3	5.5

a See Table 5 for analysis of vacancy.

b Average rents passing at the year end before deducting head rents and excluding rents passing from anchor units, car parks and commercialisation.

c Rents passing are the annual rental income receivable at the year end from an investment property, after any rent-free periods and after deducting head rents and car parking and commercialisation running costs totalling £12.6m (2022: £14.2m).

d The estimated rental value (ERV) at the year end calculated by the Group's valuers. At 31 December 2023, includes ERV for vacant space of £9.9m (2022: £9.2m) as per Table 5 and ERV for space undergoing reconfiguration of £2.6m - UK £2.3m, Ireland £0.3m (2022: £2.6m - UK £2.2m, Ireland £0.4m). ERVs in the above table are included within the unobservable inputs to the portfolio valuations as defined by IFRS 13.

e Rents passing for reversion is rents passing adjusted for tenant incentives and inclusive costs, to give a better comparison with ERV which is on a net effective basis.

f We have amended the reversion/(over-rented) figures (and restated 2022 figures) to show a direct comparison between the valuers' ERV and rents passing for reversion, with both sets of figures being on a net effective basis. The reversion/(over-rented) figures therefore show the future change in the Group's rental income from the settlement of review rents or a combination of letting:

- units at prevailing ERVs at the next lease event i.e. break or expiry (see Table 6)

- vacant units (see Table 5)

- units undergoing reconfiguration (see noted above).

Vacancy

Table 5

	2023					2022
	ERV of vacant space £m	Total ERV for vacancy £m a	Vacancy rate %	ERV of vacant space £m	Total ERV for vacancy £m	Vacancy rate %
Proportionally consolidated		a			a	
UK	3.2	65.9	4.9	2.3	64.2	3.6
France	4.2	60.6	6.9	3.2	72.5	4.4
Ireland	1.3	35.2	3.8	0.8	35.7	2.3
Flagship destinations	8.7	161.7	5.4	6.3	172.4	3.7
Developments and other	1.2	8.5	13.6	2.9	17.9	16.0
Managed portfolio	9.9	170.2	5.8	9.2	190.3	4.8

a Total ERV for vacancy differs from Table 4 due to the exclusion of car park ERV and head rents payable which distort the vacancy metric.

Lease expiries and breaks

Table 6

Proportionally consolidated	Rental income based on passing rents that expire/break in					ERV of leases that expire/break in					Weighted average unexpired lease term	
	Outstanding £m	2024 £m	2025 £m	2026 £m	Total £m	Outstanding £m	2024 £m	2025 £m	2026 £m	Total £m	to break years	to expiry years
UK	2.7	14.4	8.6	10.5	36.2	3.8	12.9	7.2	8.8	32.7	5.8	7.9
France	3.6	6.2	1.7	1.6	13.1	3.4	6.2	2.0	1.8	13.4	2.6	5.9
Ireland	0.9	5.0	1.6	3.0	10.5	1.3	5.1	1.4	2.8	10.6	5.4	6.9
Flagship destinations	7.2	25.6	11.9	15.1	59.8	8.5	24.2	10.6	13.4	56.7	4.6	6.9
Developments and other	1.3	1.0	2.2	0.7	5.2	1.0	0.9	1.5	0.6	4.0	6.1	7.6
Managed portfolio	8.5	26.6	14.1	15.8	65.0	9.5	25.1	12.1	14.0	60.7	4.6	7.0

The table above compares rents passing (as per Table 4) on a headline basis for those units with leases expiring or subject to a tenant break in each year compared to the ERV of those units determined by the Group's valuers on a net effective basis (as per Table 4).

Top ten tenants

Table 7

Ranked by passing rent

Proportionally consolidated	Passing rent £m	% of total passing rent
Inditex	9.6	5.1
H&M	3.8	2.0
Next	3.4	1.8
Selfridges	3.2	1.7
River Island	2.8	1.5
CK Hutchison Holdings	2.6	1.4
JD Sports	2.5	1.4
Boots	2.3	1.2
Watches of Switzerland	2.2	1.2
Signet	2.1	1.1
	34.5	18.4

Cost ratio

Table 8

Proportionally consolidated		2023 £m	2022 £m
Adjusted gross administration costs		51.5	59.8
Business transformation costs	A	13.2	5.1
Gross administration costs		64.7	64.9
Property fee income		(8.4)	(11.5)
Management fee receivable		(6.5)	(5.5)
Property outgoings		39.1	39.1
Less inclusive lease costs recovered through rent		(6.4)	(9.1)
Total operating costs	B	82.5	77.9
Less vacancy costs		(8.6)	(12.3)
Total operating costs excluding vacancy costs	C	73.9	65.6
Gross rental income		208.4	215.2
Ground rents payable		(1.8)	(1.3)
Less inclusive lease costs recovered through rent		(6.4)	(9.1)
Gross rental income	D	200.2	204.8
Cost ratio including vacancy costs	B/D	41.2%	38.0%
Cost ratio excluding vacancy costs	C/D	36.9%	32.0%
Cost ratio including vacancy costs (excluding business transformation costs)	(B-A)/D	34.6%	35.5%

The Group's business model for developments is to use a combination of in-house resource and external advisors. The cost of external advisors is capitalised to the cost of developments. The cost of employees working on developments is generally expensed, but capitalised subject to meeting certain criteria related to the degree of time spent on and the stage of progress of specific projects. Employee costs of £0.1 (2022: £0.8m) were capitalised as development costs and are not included within 'Gross administration costs'.

Valuation analysis

Table 9

								2023
	Properties at valuation	Revaluation losses in the year	Income return	Capital return	Total return	Initial yield	True equivalent yield	Nominal equivalent yield
Proportionally consolidated - including Value Retail	£m	£m	a %	a,b %	a,b %	%	%	c %
UK	863.1	(21.8)	8.7	(2.4)	6.1	7.8	8.5	8.1
France	1,003.3	(15.2)	4.6	(4.3)	0.1	4.4	5.3	5.1
Ireland	629.7	(37.5)	5.7	(5.6)	(0.2)	5.4	6.0	5.8
Flagship destinations	2,496.1	(74.5)	6.3	(4.0)	2.0	5.8	6.6	6.3
Developments and other	280.0	(44.6)	2.7	(6.2)	(3.6)	8.2	10.2	9.6
Managed portfolio	2,776.1	(119.1)	5.9	(4.1)	1.6	5.9	6.7	6.4
Value Retail	1,885.7	(7.7)	6.2	(0.4)	5.8			
Group portfolio	4,661.8	(126.8)	6.0	(2.6)	3.2			

								2022
	Properties at valuation	Revaluation losses in the year	Income return	Capital return	Total return	Initial yield	True equivalent yield	Nominal equivalent yield
	£m	£m	a %	a,b %	a,b %	%	%	c %
UK	871.0	(90.2)	7.9	(9.4)	(2.1)	7.7	8.4	8.0
France	1,241.0	(57.2)	4.8	(4.6)	–	4.4	5.2	5.0
Ireland	676.4	(20.1)	5.2	(3.0)	2.1	5.3	5.7	5.5
Flagship destinations	2,788.4	(167.5)	6.0	(5.9)	(0.2)	5.7	6.3	6.1
Developments and other	431.7	(53.5)	2.3	(14.8)	(12.8)	7.0	10.3	9.7
Managed portfolio	3,220.1	(221.0)	5.4	(7.3)	(2.3)	5.8	6.6	6.3
Value Retail	1,887.0	(60.7)	5.3	(3.1)	2.0			
Group portfolio	5,107.1	(281.7)	5.3	(5.8)	(0.7)			

- a Returns included 100% of Italik, 75% of which was classified as a trading property until its sale in March 2023.
- b Capital and Total return figures include the losses on disposal and impairment charges on derecognised assets (Highcross and O'Parinor)
- c Nominal equivalent yields are included within the unobservable inputs to the portfolio valuations as defined by IFRS 13. The nominal equivalent yield for the Reported Group was 5.7% (2022: 5.7%).

Net Initial Yield

Table 10

Investment portfolio

		Note	2023 £m	2022 £m
Proportionally consolidated				
Wholly owned	a	3B	1,396.2	1,461.0
Share of Property interests		3B	1,379.9	1,722.9
Trading properties		3B	–	36.2
Net investment portfolio valuation on a proportionally consolidated basis				
		3B	2,776.1	3,220.1
Less: Developments	b		(192.3)	(249.0)
Completed investment portfolio				
			2,583.8	2,971.1
Purchasers' costs	c		171.9	197.2
Grossed up completed investment portfolio				
	A		2,755.7	3,168.3
Annualised cash passing rental income			182.4	207.1
Non recoverable costs			(15.5)	(21.1)
Rents payable			(4.1)	(3.8)
Annualised net rent				
	B		162.8	182.2
Add:				
Notional rent expiration of rent-free periods and other lease incentives	d		7.8	3.2
Future rent on signed leases			1.7	3.8
Topped-up annualised net rent				
	C		172.3	189.2
Add back: Non recoverable costs			15.5	21.1
Passing rents				
		Table 4	187.8	210.3
Net initial yield	B/A		5.9%	5.8%
'Topped-up' net initial yield	C/A		6.3%	6.0%

a 31 December 2022 figure included 100% of Italik, 75% of which is part of trading properties. The Group's 100% interest was sold in March 2023.

b Included within the Developments and other portfolio.

c Purchasers' costs equate to 6.7% (2022: 6.7%) of the value of the completed investment portfolio.

d Weighted average remaining rent-free period is 0.5 years (2022: 0.7 years).

Capital expenditure

Table 11

2023					2022		
		Reported Group £m	Share of Property interests £m	Proportionally consolidated £m	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m
Proportionally consolidated	Note						
Developments		3	10	13	5	10	15
Capital expenditure – creating area		1	–	1	14	–	14
Capital expenditure – no additional area		12	13	25	3	24	27
Tenant incentives		4	4	8	16	1	17
Total	3B	20	27	47	38	35	73
Conversion from accruals to cash basis		(1)	(3)	(4)	(2)	5	3
Total on cash basis		19	24	43	36	40	76

BALANCE SHEET INFORMATION

Note 2 to the financial statements shows the Group's proportionally consolidated income statement. The Group's proportionally consolidated balance sheet and net debt are shown in Tables 12 and 13 respectively. As explained in note 3 to the financial information, the Group's interest in Value Retail is not proportionally consolidated as it is not under the Group's management.

Balance sheet

Table 12

		2023			2022		
	Note	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m
Non-current assets							
Investment properties		1,396.2	1,379.9	2,776.1	1,461.0	1,722.9	3,183.9
Interests in leasehold properties		32.7	15.4	48.1	34.0	15.4	49.4
Right-of-use assets		3.9	–	3.9	9.5	–	9.5
Plant and equipment		0.9	–	0.9	1.4	–	1.4
Investment in joint ventures		1,193.2	(1,193.2)	–	1,342.4	(1,342.4)	–
Investment in associates		1,115.0	–	1,115.0	1,297.1	(107.7)	1,189.4
Other investments		8.8	–	8.8	9.8	–	9.8
Trade and other receivables		1.9	1.3	3.2	3.2	5.0	8.2
Derivative financial instruments		–	–	–	7.0	6.3	13.3
Restricted monetary assets		21.4	–	21.4	21.4	–	21.4
		3,774.0	203.4	3,977.4	4,186.8	299.5	4,486.3
Current assets							
Trading properties		–	–	–	36.2	–	36.2
Trade and other receivables		74.1	22.0	96.1	85.9	43.4	129.3
Derivative financial instruments		5.2	1.4	6.6	0.1	–	0.1
Restricted monetary assets		2.2	0.2	2.4	8.6	21.0	29.6
Cash and cash equivalents		472.3	97.3	569.6	218.8	117.7	336.5
		553.8	120.9	674.7	349.6	182.1	531.7
Total assets		4,327.8	324.3	4,652.1	4,536.4	481.6	5,018.0
Current liabilities							
Trade and other payables		(129.9)	(46.0)	(175.9)	(168.5)	(66.8)	(235.3)
Loans		(108.6)	(260.0)	(368.6)	–	(126.1)	(126.1)
Tax		(0.3)	–	(0.3)	(0.5)	(0.3)	(0.8)
Derivative financial instruments		(2.3)	–	(2.3)	(16.1)	–	(16.1)
		(241.1)	(306.0)	(547.1)	(185.1)	(193.2)	(378.3)
Non-current liabilities							
Trade and other payables		(55.5)	(2.4)	(57.9)	(56.3)	(7.0)	(63.3)
Obligations under head leases		(37.3)	(15.8)	(53.1)	(38.1)	(15.8)	(53.9)
Loans		(1,515.9)	–	(1,515.9)	(1,646.4)	(265.5)	(1,911.9)
Deferred tax		(0.4)	(0.1)	(0.5)	(0.4)	(0.1)	(0.5)
Derivative financial instruments		(15.0)	–	(15.0)	(23.7)	–	(23.7)
		(1,624.1)	(18.3)	(1,642.4)	(1,764.9)	(288.4)	(2,053.3)
Total liabilities		(1,865.2)	(324.3)	(2,189.5)	(1,950.0)	(481.6)	(2,431.6)
Net assets		2,462.6	–	2,462.6	2,586.4	–	2,586.4
EPRA adjustment	9B			79.4			47.3
EPRA NTA	10C			2,542.0			2,633.7
EPRA NTA per share	10C			51p			53p

Net debt

Table 13

Proportionally consolidated	2023			2022		
	Reported Group £m	Share of Property interests £m	Total £m	Reported Group £m	Share of Property interests £m	Total £m
Cash and cash equivalents	472.3	97.3	569.6	218.8	117.7	336.5
Loans	(1,624.5)	(260.0)	(1,884.5)	(1,646.4)	(391.6)	(2,038.0)
Fair value of currency swaps	(11.4)	–	(11.4)	(30.6)	–	(30.6)
Net debt	(1,163.6)	(162.7)	(1,326.3)	(1,458.2)	(273.9)	(1,732.1)

Movement in net debt

Table 14

Proportionally consolidated	2023 £m	2022 £m
Opening net debt	(1,732.1)	(1,798.8)
Profit from operating activities	117.3	129.3
Decrease in receivables and restricted monetary assets	16.5	27.5
(Decrease)/increase in payables	(31.0)	8.2
Adjustment for non-cash items	0.7	0.7
Cash generated from operations	103.5	165.7
Interest received	43.6	16.8
Interest paid	(93.5)	(73.5)
Redemption premiums and fees from early repayment of debt	4.3	–
Debt and loan facility issuance and extension fees	(0.6)	(2.8)
Bond issue costs	73.6	–
Premiums on hedging activities	–	(3.9)
Tax repaid/(paid)	(0.4)	0.1
Cash flows from operating activities	130.5	102.4
Investing activities		
Capital expenditure	(42.9)	(76.3)
Derecognition of JV cash	(15.6)	–
Derecognition of JV secured debt	125.0	–
Cash held within sold or derecognised entities	(8.4)	–
Sale of properties	216.4	191.9
Cash flows from investing activities	274.5	115.6
Financing activities		
Share issue expenses	–	(0.5)
Purchase of own shares	–	(6.7)
Proceeds from awards of own shares	0.1	0.1
Equity dividends paid	(30.0)	(13.2)
Cash flows from financing activities	(29.9)	(20.3)
Exchange translation movement	30.7	(131.0)
Closing net debt	(1,326.3)	(1,732.1)

Total accounting return

Table 15

		2023		2022	
		NTA £m	NTA per share p	NTA £m	NTA per share p
EPRA NTA at 1 January		2,633.7	52.7	2,840.1	64.3
Scrip dividend dilution in NTA per share in the year		—	—	—	(7.5)
EPRA NTA at 1 January rebased to reflect scrip dividends in the year	A	2,633.7	52.7	2,840.1	56.8
EPRA NTA at 31 December		2,542.0	50.8	2,633.7	52.7
Movement in NTA		(91.7)	(1.9)	(206.4)	(4.1)
Cash dividends in the year		35.9	0.7	13.2	0.3
	B	(55.8)	(1.2)	(193.2)	(3.8)
Total accounting return	B/A		(2.1)%		(6.8)%

FINANCING METRICS

Net debt : EBITDA

Table 16

	Note	2023 £m	2022 £m
<i>Proportionally consolidated</i>			
Adjusted operating profit		163.0	159.4
Amortisation of tenant incentives and other items within net rental income		(3.6)	(0.1)
Share-based remuneration		3.6	3.0
Depreciation		3.0	4.1
EBITDA – rolling 12 month basis	A	166.0	166.4
Net debt	B Table 13	1,326.3	1,732.1
Net debt : EBITDA	B/A	8.0x	10.4x

Interest cover

Table 17

	Note	2023 £m	2022 £m
<i>Proportionally consolidated</i>			
Adjusted net rental income	2	167.5	174.8
Less net rental income in associates: Italie Deux	13B	(1.1)	(4.4)
	A	166.4	170.4
Adjusted net finance costs	2	45.9	54.0
Less interest on lease obligations and pensions		(3.3)	(2.6)
Add capitalised interest	6	–	1.2
	B	42.6	52.6
Interest cover	A/B	3.91x	3.24x

Gearing

Table 18

	Note	2023 £m	2022 £m
<i>Proportionally consolidated</i>			
Net debt	Table 13	1,326.3	1,732.1
Unamortised borrowing costs		18.4	15.9
Cash held within investments in associates: Italie Deux		–	6.8
Net debt for gearing	A	1,344.7	1,754.8
Equity shareholders' funds - Consolidated net tangible worth	B	2,462.6	2,586.4
Gearing	A/B	54.6%	67.8%

Loan to value

Table 19

Proportionally consolidated		Note	2023 £m	2022 £m
Net debt – 'Loan'	A	Table 13	1,326.3	1,732.1
Managed property portfolio	B	3B	2,776.1	3,220.1
Investment in Value Retail			1,115.0	1,189.4
'Value'	C		3,891.1	4,409.5
Loan to value – Headline	A/C		34.1%	39.3%
Net debt – Value Retail	D		729.6	674.9
Property portfolio – Value Retail	E	3B	1,885.7	1,887.0
Loan to value – Full proportional consolidation of Value Retail	(A+D)/(B+E)		44.1%	47.1%
Net payables – Managed Portfolio			110.9	160.3
Net payables – Value Retail			76.4	14.2
Net payables - Group	F		187.3	174.5
Loan to value – EPRA	(A+D+F)/(B+E)		48.1%	49.2%

Unencumbered asset ratio

Table 20

Proportionally consolidated		Note	2023 £m	2022 £m
Managed property portfolio		3B	2,776.1	3,220.1
Adjustments:				
– Properties held in associates: Italie Deux			–	(102.9)
– Encumbered assets		*	(487.7)	(651.0)
Total unencumbered assets	A		2,288.4	2,466.2
Net debt – proportionally consolidated		Table 13	1,326.3	1,732.1
Adjustments:				
– Cash held within investments in associates: Italie Deux			–	6.8
– Cash held within investments in encumbered joint ventures		*	39.4	50.8
– Unamortised borrowing costs – Group			18.4	15.9
– Encumbered debt		*	(260.2)	(392.3)
Total unsecured debt	B		1,123.9	1,413.3
Unencumbered asset ratio	A/B		2.04x	1.74x

* At 31 December 2023 encumbered assets and debt relate to Dundrum. At 31 December 2022 they also included Highcross and O'Parinor where the lenders took control of the secured properties in 2023 at which point the derecognised the assets and liabilities of these entities.

EPRA LTV Metric

Table 21

						2023
Proportionally consolidated		Reported Group £m	Share of joint ventures £m	Share of associates £m	Non-controlling interests £m	Total £m
Include:						
Loans		1,624.5	260.0	793.9	–	2,678.4
Foreign currency derivatives		11.4	–	–	–	11.4
Net payables ^a		87.0	23.9	76.4	–	187.3
Exclude:						
Cash and cash equivalents		(472.3)	(97.3)	(64.4)	–	(634.0)
Net Debt	A	1,250.6	186.6	805.9	–	2,243.1
Include:						
Investment properties at fair value		1,396.2	1,379.9	1,885.7	–	4,661.8
Total property value	B	1,396.2	1,379.9	1,885.7	–	4,661.8
EPRA LTV	A/B					48.1%

						2022
Proportionally consolidated		Reported Group £m	Share of joint ventures £m	Share of associates £m	Non-controlling interests £m	Total £m
Include:						
Loans		1,646.4	391.6	674.9	–	2,712.9
Foreign currency derivatives		30.6	–	–	–	30.6
Net payables ^a		101.0	14.7	82.8	–	198.5
Exclude:						
Cash and cash equivalents		(218.8)	(117.7)	(93.6)	–	(430.1)
Net Debt	A	1,559.2	288.6	664.1	–	2,511.9
Include:						
Investment properties at fair value		1,461.0	1,722.8	1,887.0	–	5,070.8
Properties held for sale		–	36.2	–	–	36.2
Total property value	B	1,461.0	1,759.0	1,887.0	–	5,107.0
EPRA LTV	A/B					49.2%

Rows with zero balances have intentionally been excluded from the EPRA specified format in the above tables.

- a Net payables includes the following balance sheet accounts: interests in leasehold properties, right-of-use assets, trade and other receivables (current and non-current), restricted monetary assets (current and non-current), trade and other payables (current and non-current), obligations under head leases (current and non-current), tax and deferred tax (at 50%).

KEY PROPERTIES

Table 22

Table 22

Managed portfolio	Location	Accounting classification where not wholly-owned		Ownership	Area, m ²	No. of tenants	Passing rent £m
Flagship destinations							
UK							
Brent Cross	London	Joint venture		41%	94,000	114	12.8
Bullring	Birmingham	Joint venture	a	50%	117,000	152	23.9
Cabot Circus	Bristol	Joint venture	b	50%	106,300	109	10.8
The Oracle	Reading	Joint venture		50%	72,100	98	10.4
Union Square	Aberdeen			100%	51,800	72	15.9
Westquay	Southampton	Joint venture		50%	94,400	110	13.6
France							
Les 3 Fontaines	Cergy		c	100%	76,600	197	21.9
Les Terrasses du Port	Marseille			100%	62,800	166	30.3
Ireland							
Dundrum Town Centre	Dublin	Joint venture		50%	125,600	152	27.5
Ilac Centre	Dublin	Joint operation		50%	27,900	64	4.1
Pavilions	Swords	Joint operation		50%	44,400	94	7.2
Developments and other (key properties)							
Bristol Broadmead	Bristol	Joint venture	b	50%	34,800	62	2.9
Dublin Central	Dublin			100%	n/a	n/a	n/a
Dundrum Phase II	Dublin	Joint venture		50%	n/a	n/a	n/a
Grand Central	Birmingham	Joint venture	a	50%	39,000	53	3.7
Eastgate	Leeds			100%	n/a	n/a	n/a
Martineau Galleries	Birmingham		a	100%	35,200	41	2.0
Pavilions land	Swords			100%	n/a	n/a	n/a
The Goodsyard	London	Joint venture		50%	n/a	n/a	n/a
				Ownership	Area, m ²	No. of tenants	Income £m
Value Retail		Associate	d				
Bicester Village	Bicester			50%	28,000	159	77.9
La Roca Village	Barcelona			41%	25,900	146	23.5
Las Rozas Village	Madrid			38%	15,600	99	14.8
La Vallée Village	Paris			26%	21,600	109	25.5
Maasmechelen Village	Brussels			27%	20,000	106	6.3
Fidenza Village	Milan			34%	21,100	117	7.3
Wertheim Village	Frankfurt			45%	20,900	116	11.0
Ingolstadt Village	Munich			15%	21,000	112	3.9
Kildare Village	Dublin			41%	21,600	117	11.7

a Collectively known as the Birmingham Estate.

b Collectively known as the Bristol Estate.

c Property includes areas held under co-ownership; figures above reflect the Group's ownership interests only.

d Passing rent for Value Retail represents annualised base and turnover rent at the Group's ownership share.

RESPONSIBILITY STATEMENT

The Annual Report 2023 which will be issued in March 2024, contains a responsibility statement in compliance with DTR 4.1.12 of the Listing Rules which sets out that as at the date of approval on 28 February 2024, the Directors confirm to the best of their knowledge:

- The Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards and International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Group
- The Company financial statements, which have been prepared in accordance with UK Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities and financial position of the Company
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces

The financial statements were approved by the Directors and signed on their behalf by:

Rita-Rose Gagné
Director

Himanshu Raja
Director

28 February 2024

GLOSSARY

Adjusted earnings	Reported amounts excluding certain items in accordance with EPRA guidelines and also certain cash and non-cash items which the Directors believe are not reflective of the normal day-to-day operating activities of the Group.
Annual Incentive Plan (AIP)	Annual bonus plan for all employees, including Executive Directors.
Average cost of debt or weighted average interest rate (WAIR)	The cost of finance expressed as a percentage of the weighted average debt (can be calculated on both a net and gross debt basis) during the period.
Borrowings	The aggregate of loans and currency swaps but excluding the fair value of the interest rate swaps, as the fair value crystallises over the life of the instruments rather than at maturity.
BREEAM	An environmental rating assessed under the Building Research Establishment Environmental Assessment Method.
Capital return	The change in property value during the period after taking account of capital expenditure, calculated on a monthly time-weighted and constant currency basis.
Compulsory Voluntary Arrangement (CVA)	A legally binding agreement with creditors to restructure liabilities, including future lease liabilities.
Corporate Sustainability Reporting Directive (CSRD)	A new directive requiring large companies to disclose ESG information based on the European Sustainability Reporting Standards (ESRS). The Group is expecting to report under CSRD in 2025.
Dividend cover	Adjusted earnings per share divided by dividend per share.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
EPRA	The European Public Real Estate Association, a real estate industry body, of which the Company is a member. This organisation has issued Best Practice Recommendations with the intention of improving the transparency, comparability and relevance of the published results of listed real estate companies in Europe.
Equivalent yield (true and nominal)	The capitalisation rate applied to future cash flows to calculate the gross property value. The cash flows reflect future rents resulting from lettings, lease renewals and rent reviews based on current ERVs. The true equivalent yield (TEY) assumes rents are received quarterly in advance, while the nominal equivalent yield (NEY) assumes rents are received annually in arrears. These yields are determined by the Group's external valuers.
ERV	The estimated market rental value of the total lettable space in a property calculated by the Group's external valuers on a net effective basis.
ESG	Using environmental, social and governance factors to evaluate companies and countries on how far advanced they are with sustainability.
F&B	Food and beverage.
Gearing	Net debt expressed as a percentage of equity shareholders' funds calculated as per the covenant definition in the Group's unsecured bank loans and facilities and private placements.
Gross property value or Gross asset value (GAV)	Property value before deduction of purchasers' costs, as provided by the Group's external valuers.
Gross rental income (GRI)	Income from leases, car parks and commercialisation, after amortising lease incentives.
Headline rent	The annual rental income derived from a lease, including base and turnover rent but after rent-free periods.
Inclusive lease	A lease, often for a short period, under which the rent includes costs such as service charge, rates and utilities. Instead, the landlord incurs these costs as part of the overall commercial arrangement.
Income return	Income derived from property taken as a percentage of the property value on a time-weighted and constant currency basis after taking account of capital expenditure.
Initial yield (or Net initial yield (NIY))	Annual cash rents receivable (net of head rents and the cost of vacancy, and, in the case of France, net of an allowance for costs of approximately 5%, primarily for management fees), as a percentage of gross property value, as provided by the Group's external valuers. Rents receivable following the expiry of rent-free periods are not included. Rent reviews are assumed to have been settled at the contractual review date at ERV.

Interest cover	Adjusted net rental income excluding associates, divided by Adjusted net finance costs before capitalised interest and interest charges on lease obligations and pensions.
Interest rate or currency swap (or derivatives)	An agreement with another party to exchange an interest or currency rate obligation for a pre-determined period.
Joint venture and associate management fees	Fees charged to joint ventures and associates for accounting, secretarial, asset and development management services.
Leasing	Comprises new lettings and renewals.
Leasing vs Passing rent	A comparison of Headline rent from new leases and renewals to the Passing rent at the most recent balance sheet date.
Like-for-like (LFL) GRI/NRI	The percentage change in GRI/NRI for flagship properties owned throughout both current and prior periods, calculated on a constant currency basis. Properties undergoing a significant extension project are excluded from this calculation during the period of the works. For interim reporting periods properties sold between the balance sheet date and the date of the announcement are also excluded from this metric.
Loan to value (LTV)	Net debt expressed as a percentage of property portfolio value. The Group has three measures of LTV: Headline, which includes the Group's investment in Value Retail; Full proportional consolidation of Value Retail (FPC), which incorporates the Group's share of Value Retail's net debt and property values; and EPRA, which includes an adjustment for net payables.
Net effective rent (NER)	Annual rent from a unit calculated by taking the total rent payable over the term of the lease to the earliest termination date and deducting all tenant incentives.
Net rental income (NRI)	GRI less net service charge expenses and cost of sales. Additionally, the change in provision for amounts not yet recognised in the income statement is also excluded to calculate Adjusted NRI.
NTA (EPRA)	EPRA Net Tangible Assets: An EPRA net asset per share measure calculated as equity shareholders' funds with adjustments made for the fair values of certain financial derivatives, deferred tax and any goodwill balances.
Occupancy rate	The ERV of the area in a property or portfolio, excluding developments, which is let, expressed as a percentage of the total ERV, excluding the ERV for car parks, of that property or portfolio.
Occupational cost ratio (OCR)	The proportion of retailer's sales compared with the total cost of occupation, including rent, local taxes (i.e. business rates) and service charge. Calculated excluding department stores.
Over-rented	The amount, or percentage, by which the ERV falls short of rent passing for reversion.
Passing rents or rents passing	The annual rental income receivable from an investment property after rent-free periods, head rents, car park costs and commercialisation costs.
Pre-let	A lease signed with a tenant prior to the completion of a development or other major project.
Principal lease	A lease signed with a tenant with a secure term of greater than one year.
Property fee income	Amounts recharged to tenants or co-owners for property management services including, but not limited to service charge management and rent collection fees.
Property Income Distribution (PID)	A dividend, generally subject to withholding tax, that a UK REIT is required to pay from its tax-exempt property rental business and which is taxable for UK-resident shareholders at their marginal tax rate.
Property interests (Share of)	The Group's non-wholly owned properties which management proportionally consolidate when reviewing the performance of the business. These exclude Value Retail which is not proportionally consolidated.
Property outgoings	The direct operational costs and expenses incurred by the landlord relating to property ownership and management. This typically comprises void costs, net service charge expenses, letting related costs, marketing expenditure, repairs and maintenance, tenant incentive impairment, bad debt expense relating to items recognised in the income statement and other direct irrecoverable property expenses. These costs are included within the Group's calculation of like-for-like NRI and the cost ratio.
Proportional consolidation	The aggregation of the financial results of the Reported Group and the Group's Share of Property interests under management (i.e. excluding Value Retail) as set out in note 2 to the financial statements.
QIAIF	Qualifying Investor Alternative Investment Fund. A regulated tax regime in the Republic of Ireland which exempts participants from Irish tax on property income and chargeable gains subject to certain requirements.

REIT	Real Estate Investment Trust. A tax regime which in the UK exempts participants from corporation tax both on UK rental income and gains arising on UK investment property sales, subject to certain requirements.
Rent collection	Rent collected as a percentage of rent due for a particular period after taking account of any rent concessions granted for the relevant period.
Rent passing for reversion	Passing rent adjusted for tenant incentives and inclusive costs to be on a net effective basis. This will increase or decrease due to changes to rents passing at rent review or the next lease event (i.e. expiry or break), or by leasing vacant space or space undergoing reconfiguration.
Reported Group	The financial results as presented under IFRS.
Reversionary or under-rented	The amount, or percentage, by which the ERV exceeds the rent passing for reversion.
RIDDOR	A health and safety reporting obligation to report deaths, injuries, diseases and ‘dangerous occurrences’ at work, including near misses, under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013.
Scope 1 emissions	Direct emissions from owned or controlled sources.
Scope 2 emissions	Indirect emissions from the generation of purchased energy.
Scope 3 emissions	All indirect emissions (not included in Scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.
SAICA	South African Institute of Chartered Accountants.
SIIC	Sociétés d’Investissements Immobiliers Côtées. A tax regime in France which exempts participants from the French tax on property income and gains subject to certain requirements.
SONIA	Sterling Overnight Index Average.
Task Force on Climate-related Financial Disclosures (TCFD)	An organisation established with the goal of developing a set of voluntary climate-related financial risk disclosures to be adopted by companies to inform investors and the public about the risks they face relating to climate change.
Temporary lease	A lease with a period of one year or less, measured to the earlier of lease expiry or tenant break.
Total accounting return (TAR)	The growth in EPRA NTA per share plus dividends paid, expressed as a percentage of EPRA NTA per share at the beginning of the period. The return excludes the dilution impact from scrip dividends.
Total development cost	All capital expenditure on a development or other major project, including capitalised interest.
Total property return (TPR) (or total return)	NRI, excluding the change in provision for amounts not yet recognised in the income statement, and capital growth expressed as a percentage of the opening book value of property adjusted for capital expenditure, calculated on a monthly time-weighted and constant currency basis..
Total shareholder return (TSR)	Dividends and capital growth in a Company’s share price, expressed as a percentage of the share price at the beginning of the period.
Transitional risk	Business risk posed by regulatory and policy changes implemented to tackle climate change.
Turnover rent	Rental income which is linked to an occupier’s revenues.
Vacancy rate	The ERV of the area in a property, or portfolio, excluding developments, which is currently available for letting, expressed as a percentage of the ERV of that property or portfolio.
WAULB/WAULT	Weighted Average Unexpired Lease to Break/Term.
Yield on cost	Passing rents expressed as a percentage of the total development cost of a property.