Finance Report – Appendix 1

2023/24 – full year

Our results for 2023/24 show a strong operational performance despite a difficult property market which has led to disappointing capital spend. On-going market pricing corrections have driven a fall in year end values impacting the total shareholder return. Places remains highly liquid and able to meet its commitments over the next two years.

Places outperformed on the delivery of our dividend by £7.2m.

Outperformed the Budget Dividend for the year by £7.2m.

- Places budgeted a dividend of £9.4m but will deliver an expected dividend of £16.6m to TfL when paid later this year (plus £5.5m of Operating Surplus on sites not yet transferred to Places paid in period 2)
- Core gross income £7.4m (favourable).
- Direct property costs £4.5m (favourable), of which £12m (Favourable) due to credit control, £7.5m (adverse) property costs from transfers from TfL.
- Central Op Costs £3.0m (favourable)

Deliver Core Operating Margin of 40 per cent by FY27

The current year margin was 38 per cent, but was flattered by the bad debt recovery of £12m otherwise it would have been 24 per cent.

The Asset Management team is focusing on driving rents by concluding rents reviews and a renewed focus on void reduction. Meanwhile our Target Operating Model review is expected to deliver cost and income efficiencies over the next two years, as is the digital programme which starts in earnest in FY25. These initiatives are expected to help deliver the margin by FY27

Deliver Capital Investment Spend.

- Our residential delivery programme continued to be delayed by high construction cost, inflation and delays in resolving the second staircase issue.. This was offset in the year by concluding the Southwark land swap which was delayed from last year and will enable the Southwark development in the Platinum portfolio resulting in a net capex underspend of £58.2m.
- In the year, planned property sales totalling £28.2m we pulled to avoid selling in a poor market.

Maintain adequate liquidity to deliver on development targets

- Cash at year end £61.8m, £66.7m higher than budget. This arose predominantly from delays in the development programme but also stronger than budgeted net operating income.
- Revolving loan of £200m remains undrawn.
- Two year liquidity (cash and undrawn loan facilities) are currently sufficient at:
  - Mar 2024 £262m
  - Mar 2025 £207m
  - Mar 2026 £138m

Deliver annual compounding shareholder return of 7.5 per cent

- Year end values still being finalised.
- Draft total return (6.1) per cent made up of income 0.9 per cent, Capital (7.0) per cent.
- Yields have moved out further since September resulting in a like for like capital reduction of 3.4 per cent, while development valuations have fallen by 22 per cent.
- Market sentiment suggests we are at the bottom of current cycle. Cautious optimism inflation easing and therefore interest rates and yields will improve.

Outperformed the Budget Dividend for next year by £7.2m

Income Statement	Full Year		
(£m)	Actuals	Budget	var to Budget
Core Trading			
Retail	39.2	38.0	1.3
Arches	11.3	11.3	0.0
Offices	4.9	3.0	1.9
Residential	1.3	1.3	0.1
Car Parks	20.0	16.9	3.2
Industrial	1.3	-	1.3
Bus Garages	4.2	-	4.2
Infrastructure	6.5	9.4	(2.9)
Contract revenue & central income	1.2	3.1	(1.8)
Gross Property Income	**90.1**	**82.9**	**7.3**
Direct Property Costs	(15.3)	(19.8)	4.5
Net Property Income	**74.8**	**63.0**	**11.7**
Margin (%)	**83%**	**76%**	
Non Asset Management Income	0.1	-	0.1
Central Operating Costs	(41.2)	(44.2)	3.0
Core Trading Surplus	**33.7**	**18.9**	**14.8**
Margin (%)	**37%**	**23%**	
Project Income (including Joint Venture (JV) Dividends - Build to Sell)	4.0	2.3	1.7
Project Costs	(8.5)	(6.0)	(2.6)
Net Operating Surplus	**29.2**	**15.2**	**14.0**
Margin (%)	**31%**	**18%**	
Adjust for Build to Sell Dividend receipts	(3.5)	(0.7)	
Net Surplus of sites still owned by TfL	(5.5)		
Other Statutory adjustments	1.8		
Net Financing Costs	0.1	(1.3)	
Forecast Tax	(5.5)	(3.8)	

Operating Surplus for the year of £29.2m was £14.0m higher than the budget, this is forecast to generate a total return (dividend 16.6m+ cash £5.5m) to TfL. (NB Places for London dividend forecast includes cash collected on behalf of TfL owned assets not yet transferred to Places)

Income was £7.3m better than budget mainly due to better footfall driving higher turnover rents on retail, new ground rents on former Crossrail sites and better car park occupation due to tariffs remaining lower than nearby competing car parks.

Core Trading costs benefitted from c£12m of "One-Off" Bad Debt adjustment during the year. However, this was offset by £7.5m of unbudgeted vacancy costs and maintenance on assets transferred from TfL without cost budgets.

Project activity was £(0.8)m adverse to budget, with additional dividend income from Landmark Court and Blackhorse Rd being offset by unbudgeted project costs in relation to 200 Buckingham Palace Road & Seven Sisters.

Places for London

The TfL Property Company

Deliver Core Operating Margin of 40-50 per cent by 2027

Income Statement (Detail)	Full Year		
(£m)	Actuals	Budget	var to Budget
Core Trading			
Total Property Income	90.1	82.9	7.3
Direct Property Costs			
Maintenance	(8.0)	(6.1)	(1.9)
Property Costs	(15.7)	(11.0)	(4.7)
Utilities	(2.5)	(1.8)	(0.8)
Bad Debts	10.8	(1.0)	11.8
Total Direct Property Costs	(15.3)	(19.8)	4.5
Net Property Income	74.8	63.0	11.7
Central Operating Costs			
Staff Costs	(24.7)	(24.4)	(0.3)
Legal, Professional & Consultancy	(7.9)	(7.6)	(0.2)
Security costs	(0.2)	(0.6)	0.4
Other Indirect Costs	(1.3)	(2.5)	1.1
TfL Management Fee	(7.0)	(9.1)	2.1
Total Central Operating Costs	(41.1)	(44.2)	3.1
Core Trading Contribution	33.7	18.9	14.8
Margin (%)	37%	23%	

Core Operating margin delivered of 37 per cent

- The strategy for improving the margin centres around continuing to grow income by clearing the backlog of rent reviews and refocusing on letting voids to reduce operating costs.
- In addition, the target operating model review underway is expected to drive further efficiency by 2027.
- Offsetting this will be a short-term investment in our digital capability which is expected to drive further efficiency and margin improvement over the next three years.
- Meanwhile, the 200BPR project has now completed and as Seven Sisters Market gets delivered, it is expected costs will remain in budget.
- These initiatives are expected to enable Places to achieve a Core Operating Margin of over 40 per cent by 2027.

Net Capital Spend of £50.1m

Capital Account	Full Year		
(£m)	Actuals	Budget	var to Budget
Income			
Asset Disposals	4.5	39.4	(34.9)
Build to Rent	-	7.4	(7.4)
Residential	25.9	16.9	8.9
Commercial	3.6	1.1	2.5
Other	3.1	0.3	2.9
Total Capital Income	**37.0**	**65.1**	**(28.1)**
Expenditure			
Asset Investment	(40.6)	(34.1)	(6.4)
Asset Disposal costs	(0.2)	(5.9)	5.7
Build to Rent	(2.3)	(51.7)	49.4
Residential	(13.3)	(37.1)	23.8
Commercial	(29.9)	(12.3)	(17.6)
Other	(0.9)	(4.3)	3.4
Total Expenditure	**(87.2)**	**(145.4)**	**58.2**
Net Capital			
Asset Investment	(40.6)	(34.1)	(6.4)
Asset Disposals	4.3	33.5	(29.2)
Build to Rent	(2.3)	(44.2)	42.0
Residential	12.6	(20.2)	32.8
Commercial	(26.3)	(11.2)	(15.1)
Other	2.2	(4.1)	6.2
Total Net Capital	**(50.1)**	**(80.3)**	**30.2**

Net Capital for the year was £(50.1)m which is £30.2m lower than the budget.

Capital income was £(28.1)m lower than budget driven by the deferral of a large number of Asset Management disposals to avoid selling in a poor market.

Capital Expenditure was £58.2m lower than budget. The residential portfolio has been delayed while issues around second staircase requirements in buildings over 18m were resolved. Now this has been determined, redesign for revised planning applications are underway, particularly across the Connected London Living (CLL) portfolio.

Asset Management underspend in the sector projects was largely offset by the acquisition of Buck Street Market in Camden.

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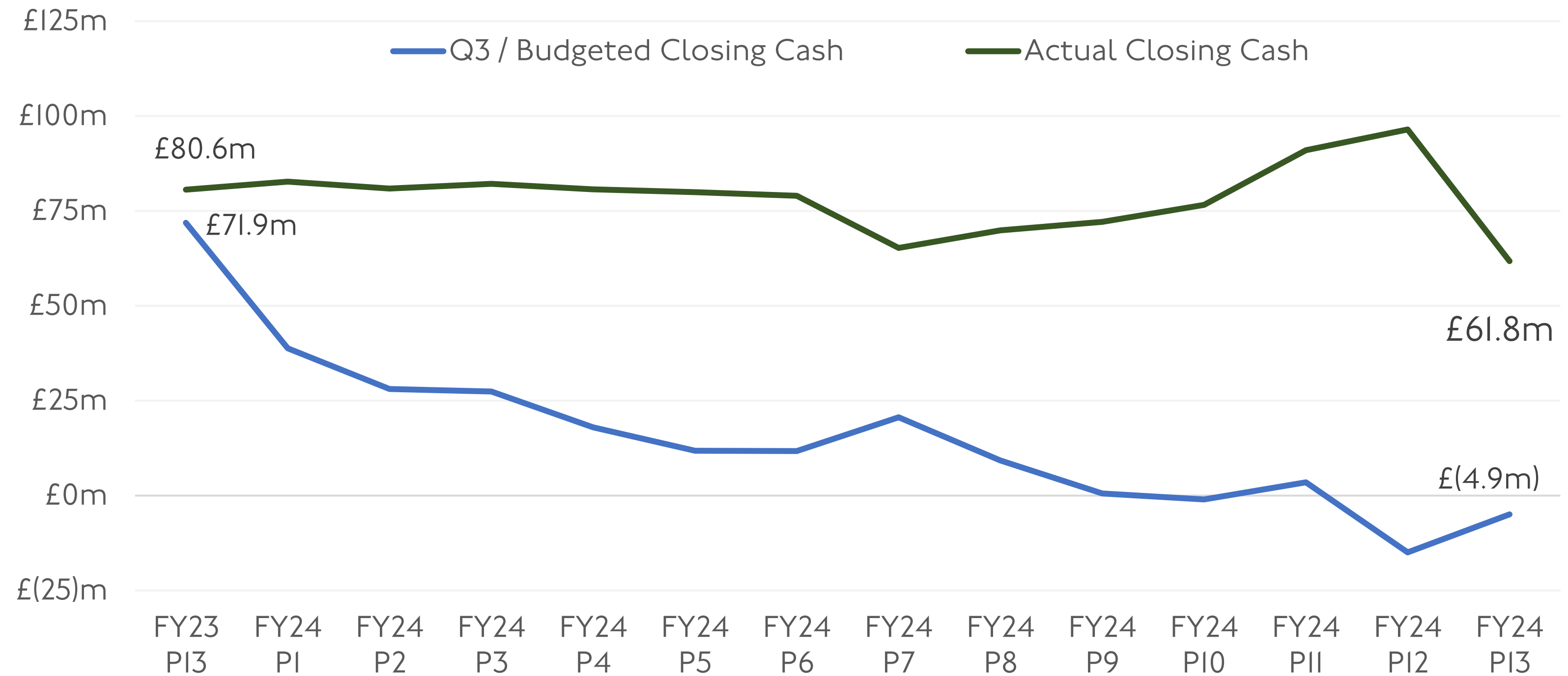
Maintain adequate liquidity to deliver on development targets



Cash at year end £61.8m, £66.7m higher than budget

Variance driven by –

- Net Capital underspend of £30.2m
- Deferred payment terms on the Land Swap at Southwark Station (included in Commercial Capital Expenditure) c£20.0m
- Settlement of Canary Wharf Group historical debt not in the Budget cashflow £10.7m
- Non settlement of forecast tax liability to TfL c£5.0m.
- Cash and undrawn facilities by Mar 2025 and Mar 2026 are forecast to stand at £207m and £138m respectively ensuring strong liquidity over the next two years.

Places for London

The TfL Property Company

Maintain adequate liquidity to deliver on development targets

Places Budget Cashflow Summary

	FY 2025 £m	FY 2026 £m
Operating Summary		
Total income	118.5	120.4
Total expenditure	(82.2)	(82.3)
Operating Account Working Cap / VAT	(11.7)	(12.9)
Net Operating Cashflow	24.6	25.1
Capital Summary		
Total Capital Receipts	147.7	219.1
Total Capital Expenditure	(168.0)	(291.6)
Capital Account Working Cap / VAT	(6.0)	3.6
Net Capital Cashflow	(26.3)	(68.9)
TfL Management Fees	(8.0)	(8.3)
Net Trading Cashflow	(9.7)	(52.1)
Dividends Paid	(21.0)	(11.0)
Interest & Fees	(1.2)	(1.2)
Tax Forecast	(7.5)	(4.7)
Net Cashflow	(39.3)	(69.1)
Closing Cash Balance (Pre Funding)	6.8	(62.3)

- Over the budget period, capital receipts are forecast to increase. This is partly driven by expected market improvements leading to better values for the income delayed in FY23/24 and largely due to further land sales into JVs as our development programme gathers pace.
- Capital expenditure also increases as development starts with the largest cash requirements from the Platinum programme, residential and asset management projects.
- Dividends are paid a year in arrears so the 2025 dividend includes the FY23/24 debt management out performance which is not expected to repeat in FY24/25.

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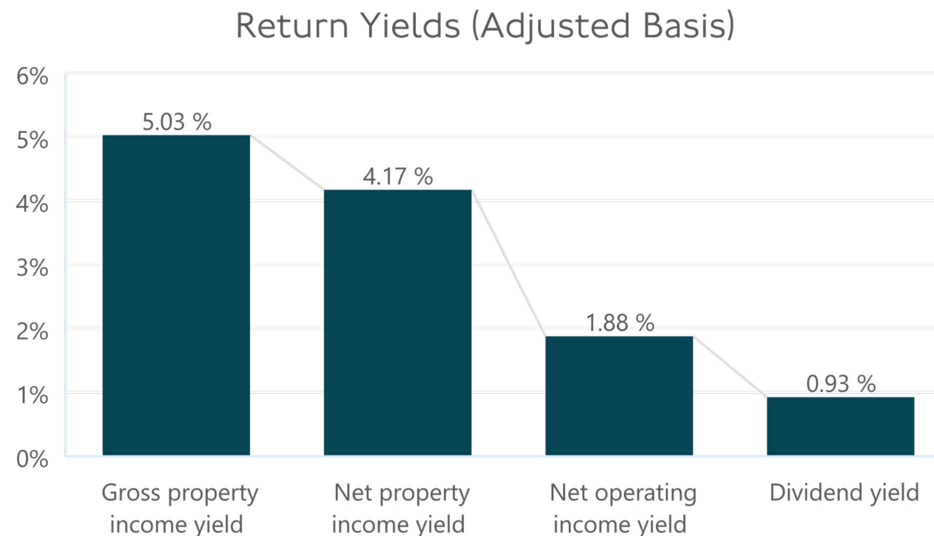
The TfL Property Company

Deliver annual compounding shareholder return of 7.5 per cent

	Book	Adjusted
Net Assets at 31 Mar 2023	£1,800m	£1,792m
Net Assets at 31 Mar 2024	£1,698m	£1,667m
Dividend	£16.6m	£16.6m
Total Shareholder Return	(4.75)%	(6.04)%
Income Return	0.92 %	0.93 %
Capital Appreciation/(Depreciation)	(5.67)%	(6.97)%



DRAFT total shareholder return ("TSR") for FY24 is (6.04) per cent on an adjusted basis.

Capital return still draft while auditors review valuations and accounting treatment. The capital return is based on the current CBRE valuation.

TSR reflects the financial return, being; the capital appreciation/(depreciation) and dividend income returns, generated against the equity invested.

TSR is shown on both a book and adjusted basis. The book basis reflects the return before adjusting for assets disposed during the year and assets transferred in from TfL.

The adjusted basis (i.e. like for like) removes the impacts of these items to illustrate the return on assets being actively managed during the year.

When considering the income return, this can be further analysed by reviewing yields at different levels of the financial statement.

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