Places for London

The TfL Property Company

Finance Report

Appendix 1:
2024/2025 Half Year Update
(1 April – 12 October 2024)

Our forecasted results for this financial year show a strong operational performance, despite a significant overlay challenge to achieve the dividend.

Our capital delivery forecast indicates that spending will exceed budget due to increased investment in capital projects, aimed at generating higher income in the future.

Mid-year Financial Performance update

On track to deliver the Budgeted Dividend of c£11m

The year-to-date position for Places for London is outperforming the budget by £2.4m.

Although we have had a £10m efficiency target this financial year, the focus has been on delivering this overlay while ensuring we still achieve the overall full-year budget targets, maintaining alignment with Places for London financial objectives.

Deliver Core Operating Margin of 40 per cent by FY2026/27

The year-to-date margin is 34 per cent, excluding the TfL management fee. In comparison to last financial year, this is a strong position as the margin was inflated due to the significant bad debt recovery.

The Asset Management team continues to focus on identifying opportunities for investment to generate future revenue growth.

Enhanced cost controls are being implemented to drive efficiencies and improve overall financial performance.

Deliver Capital Investment Spend

Full year capital spend is set to exceed target, as we continue to invest in our portfolio to generate increased future revenue returns.

Changes in equity requirements and project timelines have led to a shift in the income and expenditure profile for the financial year. The year-to-date position is reflective of this as expenditure and income is currently lower than budget.

Maintain adequate liquidity to deliver on development targets

Year-to-date cash is £68.6m, £57m higher than budget. This is predominantly driven by the re-forecast of last financial year's dividend and income tax payment to TfL, re-phased to period 13.

Revolving loan of £200m remains undrawn. Based on the recent Business Plan the debt facility will start to be drawn down in Period 3 (25 May – 21 June 2025) next financial year. Expected draw down at Period 13 FY2025/26 is £71m. Therefore, our liquidity remains strong.

On target to deliver the Budgeted Dividend of £11m

Income Statement	Year To Date		Full Year	
(£m)	Actuals	var to Budget	Draft Q2	Budget
Core Trading				
Retail	19.0	(0.4)	35.3	37.0
Arches	6.4	(0.1)	12.2	12.3
Offices	8.3	1.1	14.4	13.9
Residential	0.6	0.0	1.1	1.2
Car Parks	10.5	(0.1)	21.6	20.5
Industrial	1.2	0.5	1.8	1.5
Bus Garages	4.6	1.2	6.7	4.4
Infrastructure	2.6	0.0	4.3	5.0
Contract revenue and central income	0.9	(0.2)	0.9	2.6
Gross Property Income	**54.3**	**2.1**	**98.3**	**98.3**
Direct Property Costs	(13.7)	(1.6)	(21.7)	(21.7)
Net Property Income	**40.6**	**0.5**	**76.5**	**76.5**
Margin (%)	**75%**		**78%**	**78%**
Non Property Income	0.1	0.1	0.2	0.0
Central Operating Costs	(26.5)	0.4	(51.0)	(51.6)
Core Trading Surplus	**14.2**	**1.0**	**25.8**	**25.0**
Margin (%)	**26%**		**26%**	**25%**
Project Income (inc JV Dividends - Build to Sell)	2.5	0.4	2.6	2.8
Project Costs	(3.7)	1.0	(9.9)	(9.3)
Net Operating Surplus	**13.0**	**2.4**	**18.4**	**18.5**
Margin (%)	**23%**		**18%**	**18%**
Adjust for Build to Sell Dividend receipts			(1.6)	(1.8)
Interest Payable			(1.2)	(1.5)
Taxation (calculated at the applicable rate)			(4.2)	(4.2)
Forecast Dividend			**11.4**	**11.1**
Net Operating Surplus (excluding TfL Management Fee) - Scorecard	**17.3**	**2.1**	**26.7**	**27.0**

Year-to-date net operating surplus stands at £13m, outperforming the budget by £2.4m. The year-end forecast remains on track, with a projected dividend of £11.4m for TfL, highlighting robust financial performance and strategic management.

The outperformance has helped to offset the £10m stretch in the budget gradually over this financial year. However, this outperformance is expected to level out as we approach year end as the budget includes back ended stretch targets.

The stretch is being met as a result of the property team identifying opportunities to recover additional costs associated with bus depots and unbilled office income. These efforts contribute positively to our financial position and demonstrate proactive management of our property portfolio.

Expenditure on the digital strategy is lower than initially anticipated due to a strategic reprioritisation of delivery plans. This approach has allowed us to avoid unnecessary consultancy costs while maintaining focus on achieving key objectives efficiently. This reprioritisation has led to some delays in the programme's overall timeline.

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Goal of 40-50 per cent Core Operating Margin due to be achieved by 2027

Income Statement - Places for London	Draft_Q2		
(£m)	FY 24/25	FY 25/26	FY 26/27
Core Trading			
Retail	35.3	38.0	41.7
Arches	12.2	13.8	16.0
Offices	14.4	16.9	17.9
Residential	1.1	1.2	1.6
Car Parks	21.6	24.5	24.9
Industrial	1.8	1.9	2.7
Bus Garages	6.7	5.2	5.3
Infrastructure	4.3	5.7	5.7
Contract revenue and central	0.9	0.0	-
income JV Dividends - Build to Hold	-	-	0.1
Gross Property Income	98.3	107.1	115.8
Direct Property Costs	(23.7)	(25.0)	(24.6)
Net Property Income	74.6	82.1	91.2
Margin (%)	76%	77%	79%
Non Property Income	0.2	0.1	0.4
Central Operating Costs	(40.8)	(47.4)	(45.6)
Core Trading Surplus (exc TfL Managment Fee)	34.0	34.9	45.9
Margin (%)	35%	33%	40%

Core operating margin is on track to achieve 35 per cent by year-end, reflecting strong operational efficiency and effective cost management.

To meet income targets, the Asset Management team is focusing on strategic investments in assets aimed at driving revenue growth.

Additionally, the Network Rail project is transitioning to a more self-funding model. This should bring the following benefits:

- Financial sustainability: the project reduces its reliance on the Places for London operational financing, which will reduce the risk to the dividend.
- Greater flexibility: the project can be more agile, making it easier for the partnership to adjust strategies in response to changing market conditions or priorities.
- Alignment with business goals: ensures the project's success is directly linked to its ability to generate value, aligning it to Places for London's goals.

We are also reinforcing tighter controls on staff and consultant expenses to ensure rigorous financial discipline and optimise resource allocation.

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Full year Net Capital expenditure exceeds budget, with the focus being on investments that will enhance operational performance going forward

Capital Account (£m)	Year To Date: Actuals	Year To Date: var to Budget	Full Year: Draft Q2	Full Year: Budget
Income				
Asset Disposals	-	(10.0)	11.9	12.0
Residential	10.9	(5.4)	43.4	54.1
Commercial	60.0	(0.3)	60.0	60.5
Other	-	-	-	-
Total Capital Income	**70.9**	**(15.7)**	**115.3**	**126.5**
Expenditure				
Asset Investment	(23.1)	5.0	(40.1)	(42.8)
Asset Disposal costs	(0.0)	0.7	(0.9)	(1.0)
Residential	(13.6)	18.8	(53.4)	(48.0)
Commercial	(36.8)	3.1	(52.4)	(52.2)
Other	(0.1)	0.7	(1.4)	(1.3)
Total Expenditure	**(73.7)**	**28.3**	**(148.2)**	**(145.3)**
Net Capital				
Asset Investment	(23.1)	5.0	(40.1)	(42.8)
Asset Disposals	(0.0)	(9.3)	11.1	11.0
Residential	(2.7)	13.4	(10.1)	6.0
Commercial	23.2	2.8	7.6	8.3
Other	(0.1)	0.7	(1.4)	(1.3)
Total Net Capital	**(2.8)**	**12.6**	**(32.8)**	**(18.8)**

Year-to-date net capital stands at (£2.8m), which is £12.6m below the budgeted figure. While year-to-date net capital costs are under budget, we anticipate they will exceed the budgeted figure by year-end, driven by changes in project timelines and adjustments in equity requirements in our Joint Ventures.

Capital income year-to-date is below budget, in part due to a delay in the disposal of Rigby Lane, which is now expected to occur in November.

Full-year capital income is expected to be lower than budget, primarily due to adjustments in expected income levels in the residential portfolio.

Capital expenditure year-to-date is lower than budget. The residential and office portfolio have experienced delays, primarily due to planning issues and rephasing of costs. Connected Living London sites contribute to around £5m of this due to a delay in the equity injection while planning for second staircase was finalised.

Full-year capital expenditure is expected to exceed budget, driven by investments aimed at generating operational gains in the future.

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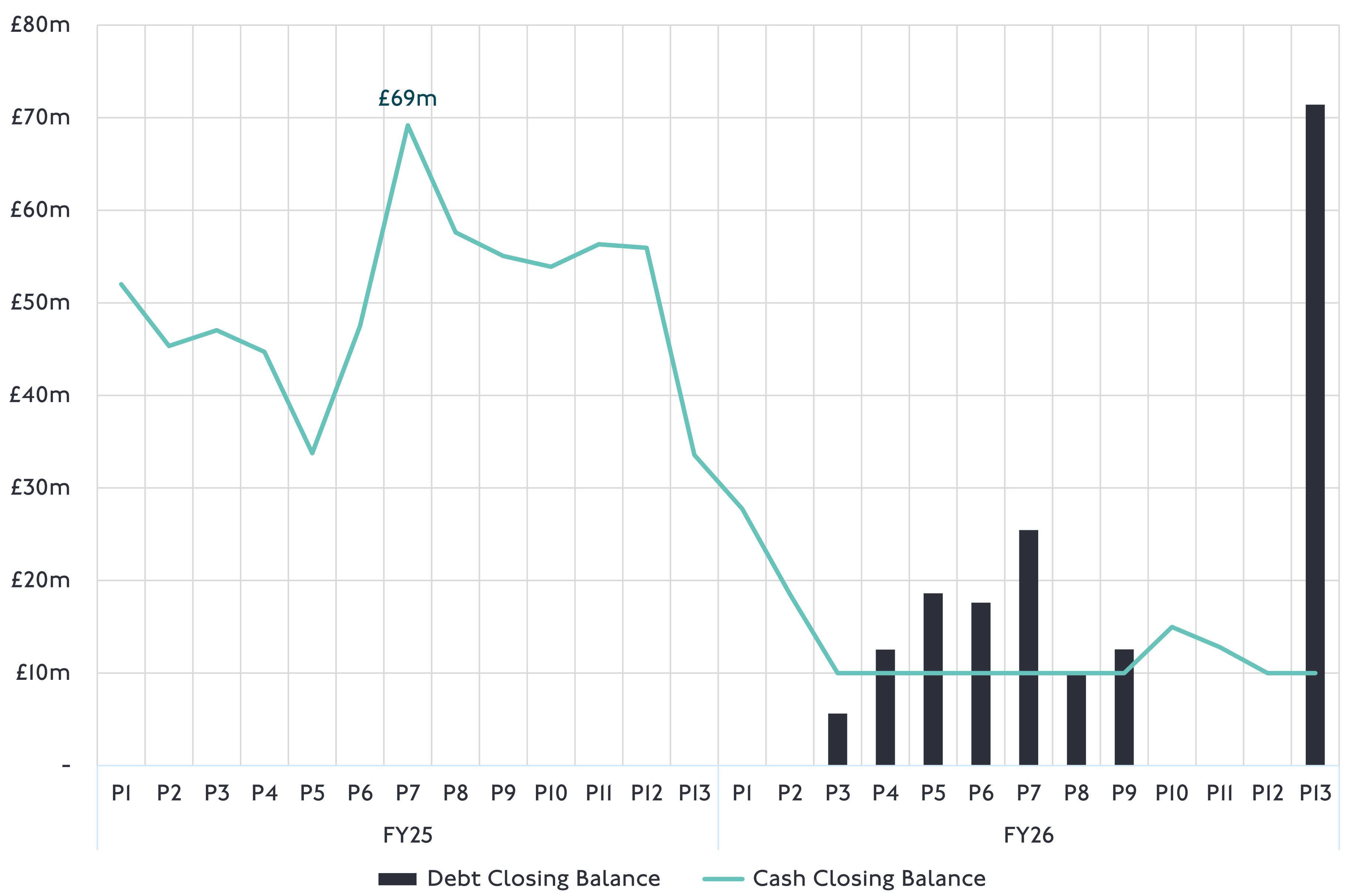
Maintain adequate liquidity to deliver on development targets

Our cash balance is currently £69m. This is significantly greater than budget, predominantly due to re-phasing the dividend and income tax payment (c£30m) to TfL from Period 7 (September/October) to Period 13 (March).

From next year onwards, we maintain our £10m minimum cash balance as we forecast to start drawing down debt in early FY24/26.

Period 13 (March) FY25/26 drawdown is mainly driven by Southwark Purpose-Built Student Accommodation scheme.



Maintain adequate liquidity to deliver on development targets

Places for London Cashflow	FY24/25	FY25/26
Opening Cash balance	£62m	£34m
Operational Cashflow	£19m	£19m
Investing Cashflow	(£34m)	(£98m)
Financing Cashflow	(£12m)	£55m
Closing Cash balance	£34m	£10m
Net Cash movement	(£28m)	(£24m)
Closing Debt Balance	£ -	£71m

- Cash balances forecast to remain positive throughout the remainder of FY24/25, with initial debt draw forecast for mid FY25/26. By the end of FY25/26, c£130m undrawn facility is forecast to be available, in addition to cash on hand, providing good liquidity.
- Operating cashflow (cash generated from the core business), remains positive at £19m in FY24/25 and FY25/26.
- Investing cashflow (cash outflow/inflow on capital expenditure net of any disposals), forecast to increase materially in FY25/26, due to key milestones being reached on Southwark Purpose-Built Student Accommodation scheme.
- Financing cashflow (cash movements associated with debt financing and intercompany payments), peaks in FY25/26 as debt draws commence.

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