Annual Report 2008

LandSecurities

Our world is changing...

Annual Report 2008

LandSecurities

WHAT WOULD YOU LIKE TO KNOW ABOUT LAND SECURITIES?

CORPORATE RESPONSIBILITY REPORT

www.landsecurities.com/doing2008

- Our approach to corporate responsibility
- Our response to climate change
- Corporate responsibility stakeholders
- 2007/08 activities and achievements
- 2008/09 targets
- Future challenges

WEBSITE

www.landsecurities.com

- Our vision, strategy, objectives and values
- Information on our Retail Portfolio, London Portfolio and Trillium
- Structure and Senior Management at Land Securities
- Latest information for investors
- Corporate responsibility
- Media centre
- Working at Land Securities
- Awards and memberships
- Frequently asked questions

ANNUAL REPORT

www.landsecurities.com/annualreport2008

OUR WORLD IS CHANGING

UNLOCKING POTENTIAL

BRINGING POSSIBILITIES TO LIFE

ADDING VALUE TO CONVENIENCE

RESHAPING LONDON

CUSTOMER FIRST

THE POWER TO TRANSFORM

TRANSFORMING WORKSPACES

EVOLVING WITH OUR CUSTOMERS

ENABLING PEOPLE TO ACHIEVE MORE

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At the end of our first year of business, in 1944, we owned three houses in Kensington. **Today we are the largest Real Estate Investment Trust in the UK.**

While our markets have always gone up and down, one thing has stayed the same – our long-term approach.

Year after year we've made Land Securities stronger by looking ahead, taking bold decisions early, and responding to people's needs with a positive can-do spirit.

Report of the Directors

Report from the Directors on the key strategic, financial and operational developments during the year.

Financial Statements

Statements presenting the essential numbers, including the independent auditors' report.

Investor Information

Summaries, analysis and information on properties, contracts and related subjects for shareholders.

After another year of change and evolution, our three businesses are in good shape.

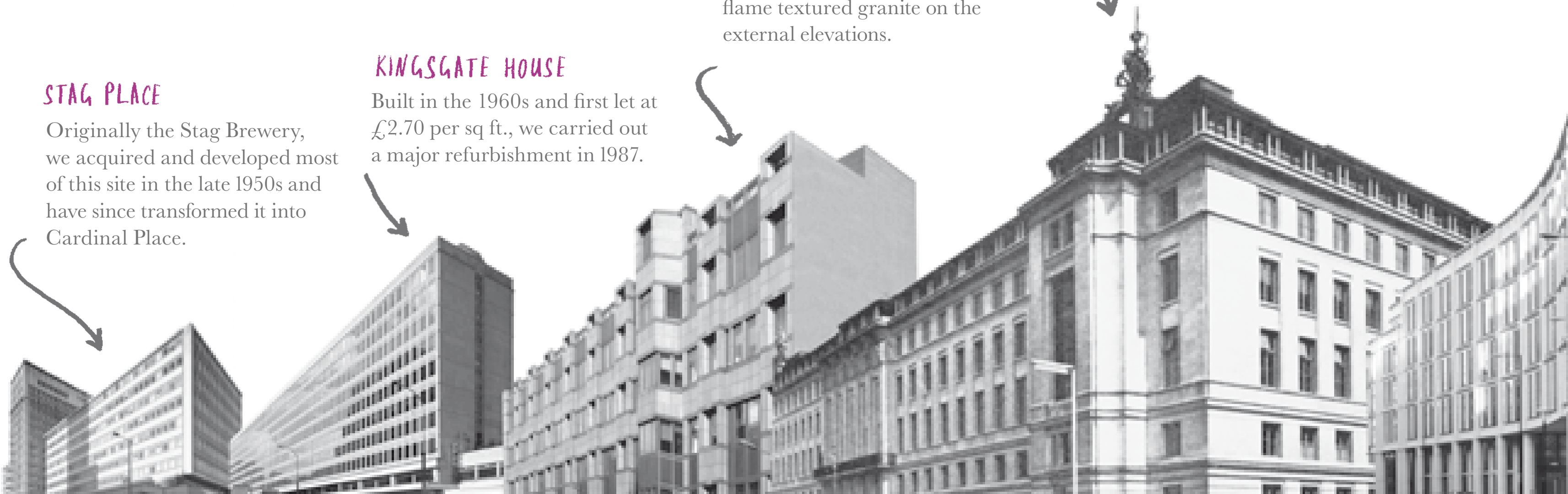
In Retail our ability to UNLOCK POTENTIAL means we can deliver the right space in the right place at the right time – for our customers and their customers.

In London our knowledge, understanding and scale enable us to compete from a position of strength today while innovating to RESHAPE LONDON for tomorrow.

And through Trillium we're extending the range of our partnerships to help organisations TRANSFORM WORKSPACES and operate more efficiently.

Our demerger plan is another example of evolution in action. While remaining as one company would be a safe choice, becoming three separate businesses will help us maximise our long-term value.

This annual report looks at the many ways we've evolved this year and shares our plans for the year ahead.



STAG PLACE

Originally the Stag Brewery, we acquired and developed most of this site in the late 1950s and have since transformed it into Cardinal Place.

KINGSGATE HOUSE

Built in the 1960s and first let at £2.70 per sq ft., we carried out a major refurbishment in 1987.

MOORGATE HALL

This early 1990s development provided new office and retail space and features polished and flame textured granite on the external elevations.

33 GROSVENOR PLACE

We started work in 1990, completed a comprehensive redevelopment in 1992 and sold in 1996 for £128.3m.

20 FENCHURCH STREET

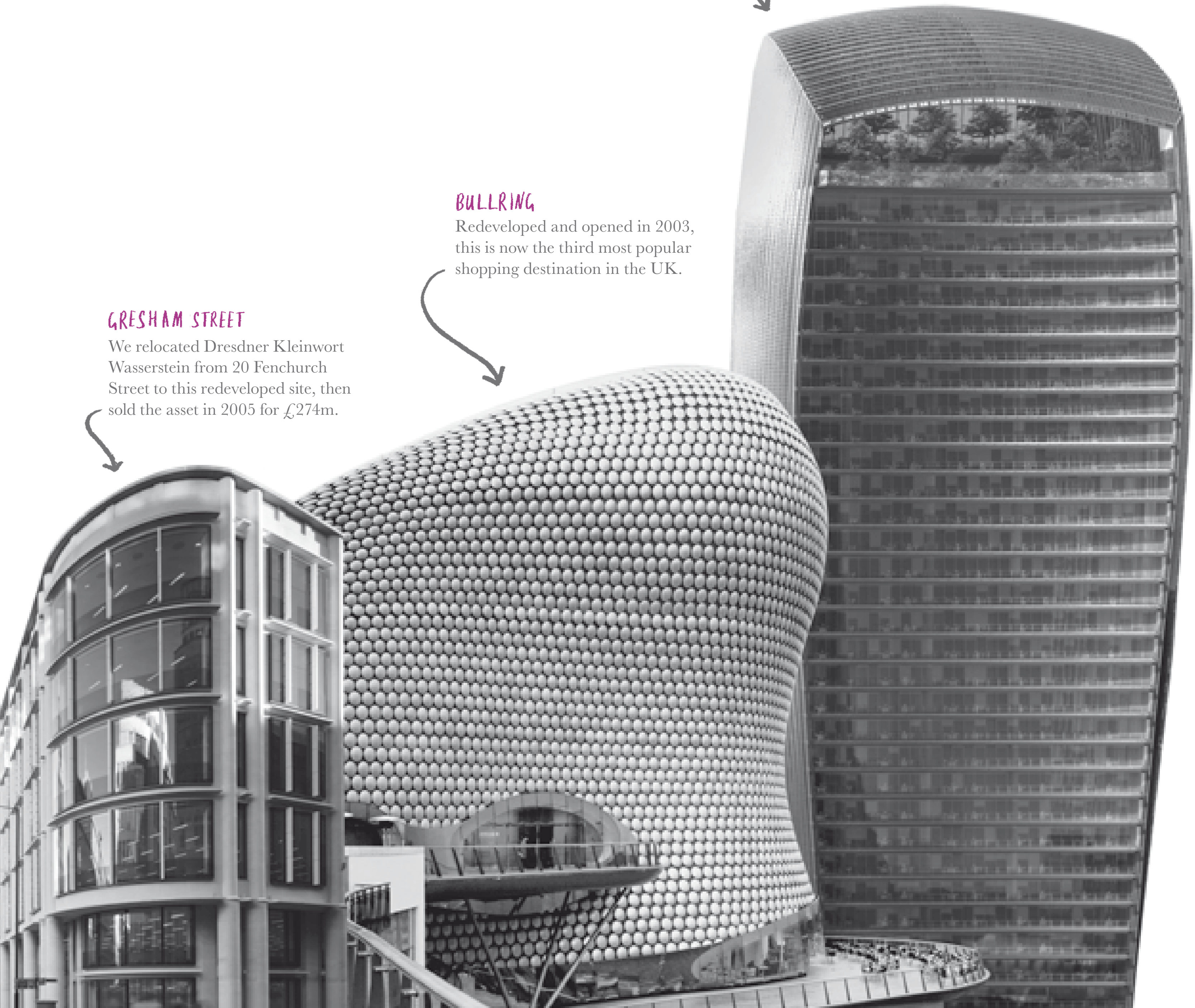
This extraordinary planned development includes a sky-high garden, with planning consent granted in 2007.

BULLRING

Redeveloped and opened in 2003, this is now the third most popular shopping destination in the UK.

GRESHAM STREET

We relocated Dresdner Kleinwort Wasserstein from 20 Fenchurch Street to this redeveloped site, then sold the asset in 2005 for £274m.



All you need to know

Land Securities is a leading Real Estate Investment Trust. Our national portfolio of commercial property includes some of the UK's best-known shopping centres and landmark buildings in London.

We are at the forefront of urban renaissance through our multi-billion pound development programme, transforming regional city centres and key sites in Central London. We are also one of the leading names in property outsourcing and Public Private Partnership markets as well as being involved in long-term, large-scale regeneration projects in the South-east.

Our values

There are certain core values that form the foundation of Land Securities. They embody the way in which employees and service partners work together to deliver effective customer relationships.

The values are:
- Customer service
- Respect for the individual
- Integrity
- Excellence
- Innovation

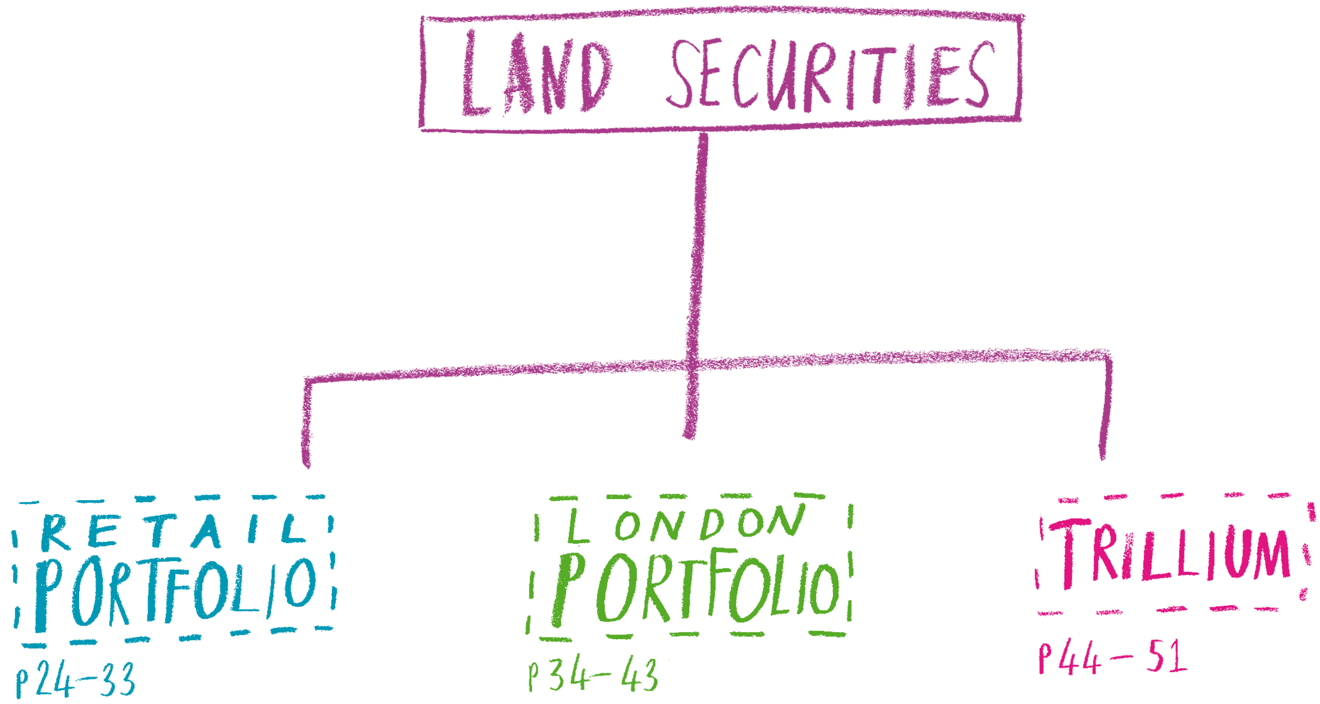
Our vision

Our vision is 'bringing property to life'. We will go beyond bricks and mortar, through design, community engagement and customer service to create places where people choose to shop, are proud to work and want to live.

Our strategy

Our strategy is to invest in commercial property in sectors where we have expertise and operational skills which provide competitive advantage. In these sectors we will apply our risk management skills and we will actively recycle capital with a view to delivering total returns in excess of our cost of equity.

Three strong businesses...



This business unit includes shopping centres, retail warehouses, shops outside London, shops in London held through the Metro Shopping Fund LP and other regional properties.

Key points

- 27 shopping centres and 27 retail parks
- 1.7 million m^2 of retail accommodation
- approximately 1,300 retailer occupiers
- some 260 million shopper visits per year

This business unit includes all London offices and London retail, but excludes those assets held in the Metro Shopping Fund LP.

Key points

- 1.1 million m^2 of office and retail accommodation
- more than 50,000 people work in offices owned by us
- provides accommodation for over 400 organisations
- long-term community development projects in London and the South-east

This business unit is engaged in long-term property outsourcing partnerships with public sector organisations including DWP, DVLA and Royal Mail and with corporates including Norwich Union, Barclays and Accor Hotels. We have equity interests in or manage 137 Public Private Partnership (PPP) projects in areas such as schools, hospitals, secure accommodation and offices.

Key points

- 3.1 million m^2 across 1,776 properties in property outsourcing partnerships
- 1.7 million m^2 of PPP project floorspace
- long-term contracts with gross income of £757.8m

Our performance

An overview of our key financial performance figures from this financial year.

Pre-tax loss

£888.8m

The loss reflects the impact of this year's valuation deficit, but we have only moved back to a figure comparable to our cumulative surplus in 2006.

Total dividend

64.0p

We increased the dividend again this year and have now generated compound annual growth of 14.6% since 2004.

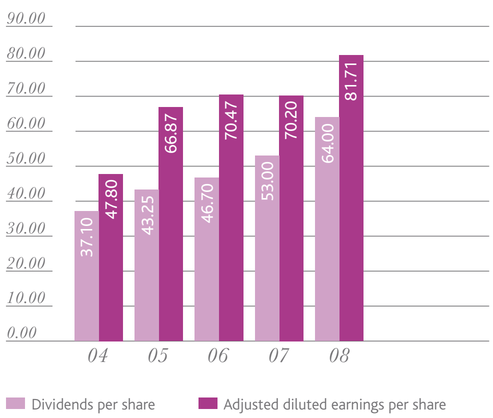
Revenue profit

£379.1m

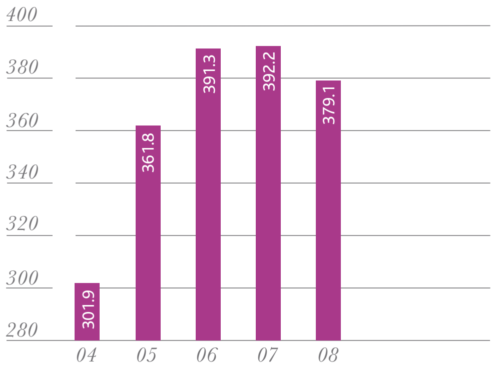
Increased revenue profit from London and Retail was offset by the impact of the accounting treatment for Trillium's PPP assets.

Land Securities performance versus IPD – ungeared total property return (%)

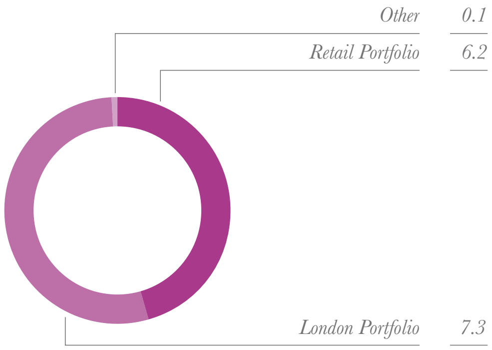
Dividends and adjusted diluted earnings per share (p)



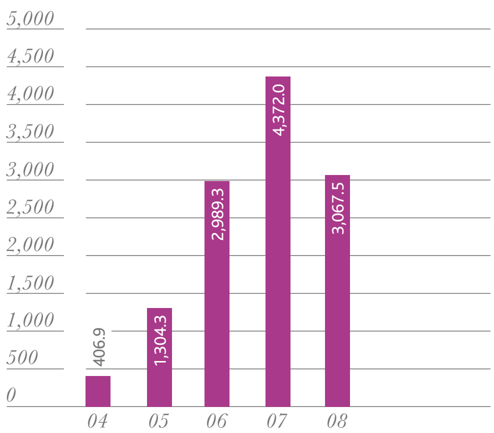
Revenue profit (£m)



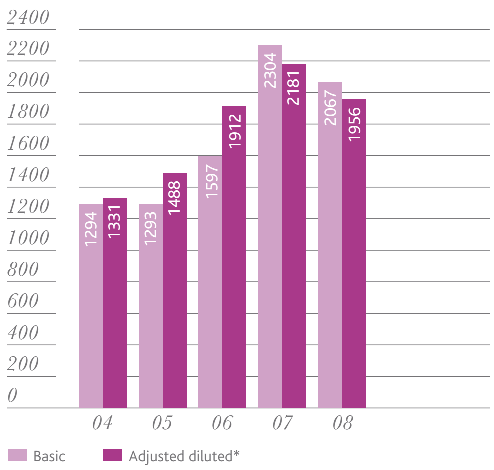
Combined portfolio value (£bn)



Five year cumulative valuation surplus (£m)



Net assets per share (p)



*Calculated under UK GAAP in 2004; under IFRS thereafter.

Read more about why we launched the fund, and which companies have invested in the fund, on page 47.

Find out how our Retail Portfolio managed to outperform IPD on pages 25-33 and read about the London Portfolio's outperformance on pages 34-43.

Key performance indicators

Objective	Metric	Progress
To create sustainable long-term returns for shareholders	■ Sustained real growth in adjusted earnings per share to be at least 3% per annum over rolling three-year periods ■ Annual revenue profit to exceed budget target	■ Normalised adjusted earnings per share growth over three years to 31 March 2008 exceeded RPI by 7.7% per annum ■ Achieved for this financial year
To maximise the returns from the investment portfolio	■ IPD outperformance in each core sector and on an overall portfolio basis	■ Outperformed IPD on an overall portfolio basis by 6.5% ■ Outperformed IPD sector benchmarks by 4.7% for our London Portfolio and by 4.8% for our Retail Portfolio
To manage our balance sheet effectively	■ Sell £1.5bn of investment properties ■ Establish PPP fund to raise £0.80bn of capital	■ Sold £1.5bn of investment properties ■ PPP fund successfully launched, raising £0.81bn of capital
To complete and let our development programme	■ £47.3m of development lettings to be completed ■ Developments to be completed on budget and on time	■ £58.5m of development lettings achieved ■ Development schemes completed on budget and on time, subject to one project being three weeks delayed. Projects at Princesshay, Exeter; Willow Place, Corby; Christ's Lane, Cambridge; One Wood Street, EC2; Bankside 2&3, SE1; and New Street Square, EC4 completed.
To grow our Trillium business by winning new contracts	■ Secure £150m of PPP contracts through secondary market acquisitions	■ Secured more than £300m of PPP contracts through secondary market acquisitions
Ensure high levels of customer satisfaction	■ Overall customer satisfaction in Retail and London businesses to exceed targets ■ 90% satisfaction ratings from our largest outsourcing client	■ Targets exceeded for both shopping centres and London offices ■ Achieved 94% satisfaction rating from our largest outsourcing client
Attract, develop, retain and motivate high-performance teams and individuals	■ Employee engagement to exceed ETS industry benchmark	■ Exceeded with grand mean score of 3.03 (classified as excellent by our external survey provider) compared to benchmark figure of 2.99

See how we define and mitigate our property development risks on page 22 and 23 and see a financial summary of our development pipeline on page 126.

We discuss our approach to employee engagement on page 21.

Our Chairman's message

This year we saw a correction in the property market, turbulence in the financial markets and uncertainty in the wider economy. Our Chairman, Paul Myners, assesses our response and discusses what changing conditions mean for the Company.


Paul Myners

Land Securities is a well-managed company that thrived during an extended run of good market conditions. This year there was a market correction. Property values have reflected changes in interest rates and risk premia margins. Our sector does not operate in isolation from the credit market and the wider economy.

We anticipated these changing conditions and have been preparing the Company accordingly. We limited acquisitions, accelerated sales, reduced our exposure to development risk and planned our funding conservatively. We keep an old fashioned focus on costs, spending only when necessary and productive. Our three businesses are in good shape as a result.

Successful companies respond early to change. The actions we took this year demonstrate strength. We will continue to be decisive and to make the most of our skills and competitive advantages in the current demanding conditions.

Land Securities has a long and proud history of managing itself well through a range of market conditions. We always look to move forward, even when progress demands bold decisions.

Back in the 1950s, under the leadership of Harold Samuel, we entered into the property sector's first convertible debenture agreement. This was criticised by some at the time but soon became common practice.

In the early 1970s we went against the prevailing trend in the sector and limited our borrowing, a decision that enabled us to bounce back from the property crash of 1974.

Looking at the Company in the early 1990s, we can see parallels with today. Chairman Peter Hunt wrote at the time: "The fundamental principles on which Land Securities has been built are helping us through the most difficult period for the property industry that I can remember."

Those principles still hold true. Once again we are being bold with our plans for demerger. Our diversified business model has served us well but we believe specialisation will become increasingly appealing.

"Successful companies respond early to change. The actions we took this year demonstrate strength. We will continue to be decisive and to make the most of our skills and competitive advantages in the current demanding conditions."

Investors value specialisation – they want to be absolutely clear on the specific risks and opportunities ahead. We believe that by demerging our businesses we can provide greater clarity and greater value through a step change in focus and flexibility. To use the jargon of professional investors, we will be more ambitious in our pursuit of portfolio alpha.*

Throughout the demerger process we will work hard to minimise costs and to communicate what we are doing and why. The Company strives to set high standards of disclosure. We will report key decisions quickly and clearly.

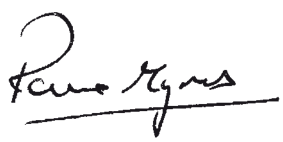
One principle will remain consistent throughout the process – we will only move to demerge when the conditions are right. We have no timetable to follow but our own.

During times of profound change you see the true calibre of a company's employees. I am impressed by what I have seen here this year. The demerger has not distracted anyone or anything. We recognise business conditions are placing great demands on our people at the moment and we thank them for their terrific response.

Win Bischoff left our Board recently after more than eight years of quite extraordinary service. He will be missed. We congratulate him on his appointment as Chairman of Citigroup. Christopher Bland, Rick Haythornthwaite and Kevin O'Byrne have been appointed to the Board as Non-executive Directors. They will be offering themselves for election by shareholders at our forthcoming Annual General Meeting. I encourage you to support their election.

Regardless of the demerger process and demanding market conditions, the Company continues to make corporate responsibility a priority. Rightly so. We want to be a provider and partner of choice, and our excellent track record across governance, sustainability and community affairs plays a vital role in this. It's quite simple – we want to be the sort of company people prefer to work with.

The Board thanks our colleagues, customers and suppliers for their tremendous support this year. With their help the Company remains in excellent shape and we look ahead with confidence to the next 12 months in Land Securities' remarkable history.



Paul Myners
Chairman

Chart 1
Land Securities returns (%)

Source: Organisation

Table 2
Total shareholder returns

	% return for year to 31/03/08	% return for five years to 31/03/08
Land Securities	(25.9)	148.0
FTSE 100	(6.3)	87.3
FTSE 350 Real Estate	(32.2)	147.1
FTSE All Share Real Estate	(33.3)	146.7

Source: Datastream

* *Alpha is a measure of return on a portfolio generated by management actions and not market trends.*

Our Chief Executive reports

High volume of sales, £1.56bn, in challenging market – prices 5.3% above valuation

Highest ever level of development completions at 242,200m² – 94% let by year end

Successful launch of £1.1bn fund in PPP sector

Business continued to perform well while making progress on demerger

Francis Salway

This year the Company anticipated changing conditions, acted decisively and achieved relative outperformance as a result. Chief Executive Francis Salway reports on our actions and our outlook for the year ahead.

"I believe the key to our performance this year can be summed up in two words – timing and execution..."

After a long run of good market conditions the property sector experienced a setback this year, with less liquidity in the capital markets and some caution on likely demand from occupiers. Although we anticipated this inflection point some time ago, and started preparations for changed market dynamics, our portfolio and our performance have not been immune to the general market trends.

Our key challenge this year was to keep evolving our businesses so they were fit to compete and win in the current demanding conditions, while laying the foundations for future growth. Our strategy delivered a strong relative performance, with our portfolio outperforming the IPD Quarterly Universe by 6.5% in relative terms. This outperformance represents some £800m of value preservation for our shareholders.

Timing and execution

I believe the key to our performance this year can be summed up in two words – timing and execution. Take our sales programme. We made our last major retail acquisition in February 2006, while this year we sold £835m of retail assets and achieved prices on average 3.1% above valuation.

As a result we have a high quality retail portfolio well suited to our customers' needs and we have the resources required to make acquisitions when the right opportunities appear. In London we have achieved similar success, with £716m of sales made at 8.2% above average valuation, providing resources to address future opportunities.

Our development programme was equally well timed and executed. This year we secured our highest ever level of development completions at 242,200m², and at year end these were 94% let. In London we had expected employment growth in the financial services sector to be weaker, so we will be completing just 25,500m² of office developments over the next two financial years, keeping our supply of high quality space in line with expected levels of demand.

Three market leaders within one company

Our three businesses performed well throughout the year and demonstrated their market leadership credentials.

In London we achieved the highest levels of office development lettings of any company or organisation this year. This included the leasing of Bankside 2&3, SE1 to Royal Bank of Scotland – the second largest letting of the year in the sector. In July we won planning consent from the Secretary of State for 20 Fenchurch Street. This followed a high profile media debate and public inquiry, and once again we showed that taking a project of this scale from vision to approval requires both imagination and determination – a rare blend.

Our Retail business capped a strong year with the completion and successful letting of Princesshay in Exeter. I think this is one of the finest developments in our history and deserved its British Council of Shopping Centres' Supreme Gold Award – the third year in a row a Land Securities development has won this accolade. I am also pleased by the launch and early progress of The Harvest Partnership, our joint venture with Sainsbury's.

Trillium produced another year of strong growth. Having integrated the Secondary Market Infrastructure Fund business acquired in February 2007, we launched our PPP fund, Trillium Investment Partners, this year and – despite less liquidity and increasing anxiety in the market – achieved a successful close of the fund in March 2008. Trillium Investment Partners has been established with an initial capital of £1.136bn, of which half is debt financed and half equity. The quality of the investors in the fund speaks volumes for Trillium's reputation, while our success in winning the Kent Building Schools for the Future contract confirms both the strength of our offer and the scale of the opportunities ahead.

Meeting changing needs and expectations

Our businesses are increasingly adept at understanding and responding to our customers' changing needs and expectations. This often requires us to make key decisions early, from adjusting the volume and type of space we are developing to incorporating innovative forms of public space into our projects.

Sustainability is of growing importance to many people and is one area where we have sought to anticipate change and act early. For a decade we have focused on environmental issues and this was recognised during the year when sustainablebusiness.com named us one of the World's Top 20 Sustainable Stocks, with Land Securities the only UK company included. I am also pleased that the Dow Jones

Our timing and execution of development has been good. We anticipated changing conditions, and timed our future level of space with expected levels of demand.

Chart 3
Timing of completion of development pipeline (year to 31 March) (£m)

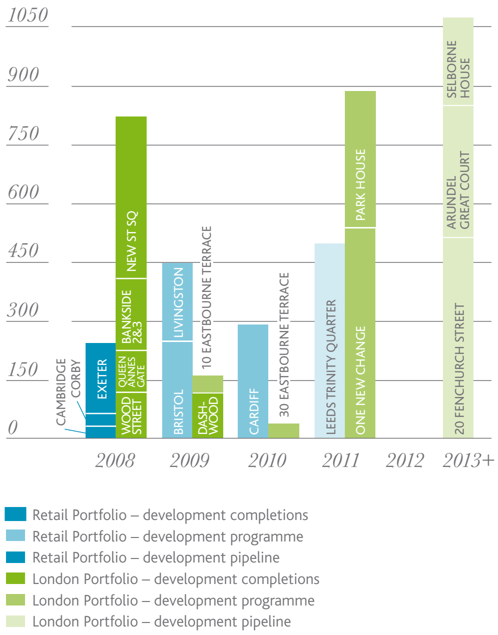


Table 4
Total property returns (%)

Year to 31/03/08	Land Securities	IPD	Relative return
Total portfolio	(3.2)	(9.1)	6.5

Source: IPD

Sustainability Index named us a global leader in both the real estate and finance sectors.
Acting responsibly means addressing some big challenges, such as working to reuse or recycle at least 80% of the demolition waste created by a new development, or enabling customers to improve the energy performance of a building. But it's about smaller things too, like offering our employees up to two days paid leave so they can help local community organisations. In our experience, both big and small acts help to make us a better business.

The value of REIT status

We converted to REIT status on 1 January 2007 and so this year we enjoyed exemption from corporation tax on qualifying rental income and on gains from investment property sales.

Although the conversion has coincided with the more challenging market conditions I outlined earlier, our change in status has been and continues to be advantageous for shareholders. First, we now pay less tax, which has increased earnings per share. Second, the representation of international shareholders on our register has increased from 23% to 37% since March 2005 and this suggests REIT status has attracted more international capital and potentially wider demand for shares – a clear benefit.

Plans for demerger

Since 2004 we have structured the Company around three large and distinct business divisions. The Board believes there is now potential to create greater value for shareholders by separating these businesses. In our Interim Report in November 2007 we confirmed our intention to demerge the Group into three separately quoted entities and we set out our rationale for doing so.

This is not a reaction to short-term market trends. A demerger has been under careful consideration for some time and, as with our conversion to REIT status, the Board's proposal is made with long-term value creation in mind. In the past few years we have run our three businesses with a high degree of autonomy and the demerger process is a natural step in our Company's evolution.

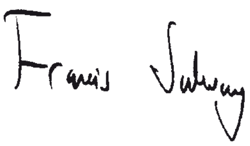
I am delighted to report that our planning for the demerger did not impact the activity levels or performance of the Company nor did it affect the support we provide to customers. Indeed, our satisfaction rating with our largest customer, the Department for Work and Pensions, was the highest ever at 94%, up three percentage points on 2006.

Throughout the year the Non-executive Directors have provided invaluable guidance to the senior management team. I would like to take this opportunity to thank them for their support.

Outlook

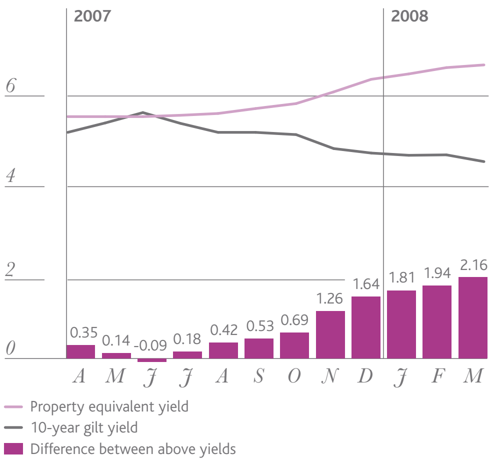
The market is certainly demanding but we have performed well in relative terms this year. As a result, we are well placed in our London and Retail property investment businesses, with moderate gearing levels, a well-timed development programme and strong portfolios well matched to occupiers' needs. Trillium is in excellent health with stable long-term cash flows and a robust pipeline of new opportunities across a number of dynamic sectors. I am confident our businesses have the strength and scale to thrive.

How occupiers respond to current economic conditions will prove key over the next 12 months. We are alive to the challenges involved and we will concentrate on competing hard in this environment while preparing for the next set of opportunities. I have long believed the companies that thrive in our industry do so because they maintain a clear long-term view of their markets and have the confidence to evolve their businesses well ahead of changing conditions – this is the approach Land Securities will continue to take.



Francis Salway

Chart 5
Property yield pricing relative to gilt yields (%)



Source: IPD

80%

We are working to reuse or recycle at least 80% of our demolition waste on development projects.

Bankside 2&3, London
We increased the momentum of regeneration with the successful completion of Bankside 2&3, now let to RBS.

The benefits of demerger

In November 2007 we announced our intention to demerge into three separate companies. Since then we have made progress on the extensive preparatory work required to make this happen. The Board will make the final decision on the implementation of our plan when market conditions are favourable and when it receives the mandate to do so from shareholders. Here we discuss the rationale for demerger.

Why we are considering demerger now

As a property company we set out to take key investment decisions from a position of strength. We restructured to create Retail, London and Outsourcing (now Trillium) in 2004 because it was right for the Company. The three businesses have grown and now have the size and strength to stand alone.

The demerger plan recognises that these businesses have different financial characteristics, and that specialisation will help each business to raise capital. We also believe that greater recognition will be given to major successes achieved within a specialised business, rather than within a more broadly based Group.

The history of the demerger process

The potential benefits of demerger were first raised within the Company in autumn 2005 following the successful creation of the three business units in 2004. The review process started long before current market conditions were evident and we believe demerger will be delivering value for shareholders when the current market conditions are regarded as history.

The Board has a strong track record on bold decisions. In recent years we acquired Trillium, exited the industrial sector through the property swap with SEGRO and boosted our development pipeline ahead of the current cycle. These decisive actions have proved successful. Demerger is the latest bold decision in the ongoing evolution of the Company.

Businesses benefit from specialisation

Historic data shows that in the UK and US specialist companies have produced higher shareholder returns over the last 10 years. We believe a balance sheet tailored to the respective sector cycles has the potential to improve return on shareholders' equity by a material amount. With a bespoke financial structure our London and Retail portfolios could be valued more easily and could raise capital more easily. We believe they will also be better positioned to access new flows of capital into the global listed property sector.

Our progress so far

Initial preparatory work for demerger is well advanced, and this includes the appointment of the leadership teams for each business. In terms of Chief Executives, Francis Salway will run the Retail business, Mike Hussey will continue to run London and Ian Ellis will continue to run Trillium.

Sir Christopher Bland has been appointed Chairman of Trillium in the run up to its demerger and subsequently. His recent roles include Chairman of BT and Chairman of the Board of Governors at the BBC.

Rick Haythornthwaite has been appointed as Chairman of the Retail business following demerger. He is currently Chairman of Mastercard Inc, Chairman of the Risk and Regulation Advisory Council and partner at Star Capital Partners Ltd. His previous roles include Chief Executive of Blue Circle Industries and Invensys and Non-executive Director of ICI. Paul Myners will assume the role of Chairman of the London business at demerger.

The cost of demerger

There will be the additional cost of running three corporate entities, including three boards, and our estimate is that this will be around £15m per annum, with the businesses able to manage overall costs down once separated.

In addition, the cost of finance for the three businesses is expected to increase slightly, but we believe the credit quality of the three individual portfolios will keep this increase to moderate levels. There will also be the one-off costs of undertaking the transaction – including legal, accountancy and adviser fees – and we expect these to be in line with similar transactions.

While we will keep costs under close scrutiny throughout the process, we believe the long-term benefits for shareholders will significantly outweigh the initial costs of demerger.

A clear step forward

Demerger represents a clear step forward for this Company and is in keeping with our heritage of taking key decisions early. In our view, the independent London and Retail businesses will – along with Trillium – continue to lead their markets, with their proven management teams supported by tailored financial structures.

KEY FACTS

What you should know...

The businesses will be of the size and strength to maintain market leading positions

Retail Portfolio and London Portfolio should each be of a size to be in the FTSE100 while Trillium should be of a size to be in the FTSE250

There will be a vote by shareholders before any decision is finalised

No date confirmed for demerger

The business leaders:

Retail Portfolio

Rick Haythornthwaite Chairman
Francis Salway CEO

London Portfolio

Paul Myners Chairman
Mike Hussey CEO

Trillium

Sir Christopher Bland Chairman
Ian Ellis CEO

Financial review

The Group's loss before tax was £888.8m, compared to a profit of £1,979.1m a year ago. The loss before tax includes the revaluation deficit on our investment properties of £1,304.5m (2007: £1,382.7m surplus). Revenue profit, our measure of underlying profit before tax, decreased from £392.2m to £379.1m. Earnings per share decreased from 753.59p last year to a loss per share of 188.80p, with adjusted diluted earnings per share showing a 16.4% increase on last year to 81.71p (2007: 70.20p).

The combined investment portfolio decreased in value from £14.8bn to £13.6bn. This included a valuation deficit of £1,279.6m or 8.8%. Net assets per share decreased by 10.3% to 2067p from 2304p, with adjusted diluted net assets per share decreasing by 10.3% to 1956p (2007: 2181p).

Martin Greenslade

"We are recommending a final dividend payment of 16.0p per share. Our full year dividend will be 64.0p per share, a 20.8% increase over last year."

(Loss)/profit before tax

The main drivers of our loss before tax are the change in value of our investment portfolio (including any profits or losses on disposal of properties), our net rental income, the performance of our Trillium business, and the amount of interest we paid. The degree to which movement on these and other items led to the reduction in our profit before tax from £1,979.1m last year to a loss of £888.8m this year, is explained in *Table 6* below:

Table 6
Principal changes in profit before tax and revenue profit

	Profit/(loss) before tax £m	Revenue profit £m
Year ended 31 March 2007	1,979.1	392.2
Valuation deficit	(2,687.2)	–
Profit on disposal of non-current properties	(50.1)	–
Profit on sale of trading properties	(2.5)	–
Amortisation of bond derecognition[1]	9.5	–
Long-term development contract profits[2]	(12.3)	–
Net rental and service charge income[3]	7.9	7.9
Indirect costs	1.5	1.5
Trillium operating profit (including joint ventures)[4]	34.6	34.6
Interest associated with PPP investments[5]	(42.0)	(42.0)
Other Trillium interest[6]	(18.9)	(18.9)
Other interest[7]	3.8	3.8
Demerger costs[8]	(9.8)	–
Debt restructuring charges	17.3	–
Joint venture tax adjustment	(79.9)	–
Interest rate swaps	(39.8)	–
Year ended 31 March 2008	(888.8)	379.1

1. The debt instruments issued as part of the refinancing in November 2004 do not meet the requirements of IAS 39 as they are not deemed to be substantially different from the debt they replaced. As a result, the book value of the new instruments is reduced to the book value of the debt it replaced and the difference is amortised over the life of the new instruments. The decrease in amortisation over the comparable period is a reflection of the maturity profile of debt replaced.
2. 2007 benefited from the first time recognition of profits on the BBC Broadcasting House contract.
3. Increased as a result of completed developments and like-for-like rental income growth, partially offset by properties sold.
4. Increase is mainly due to DWP contract and Accor hotels. See *Table 42* on page 49 for details.
5. Interest cost associated with acquiring PPP investments on which no revenue is recognised.
6. Increased costs due to higher average capital employed, principally associated with Royal Mail and Accor.
7. Relates to property investment business and Group. Lower interest costs due to net sales of investment properties, offset by interest on REIT entry charge and movement to quarterly dividends.
8. All costs related to the proposed demerger were expensed during the year but do not form part of the calculation of revenue profit.

Loss before tax was £888.8m, compared with a profit of £1,979.1m a year ago

The 'loss before tax' includes the revaluation deficit on our investment properties of £1,304.5m

Revenue profit, our measure of underlying profit before tax, decreased from £392.2m to £379.1m

Adjusted diluted earnings per share showed a 16.4% increase on last year to 81.71p (2007: 70.20p)

Revenue profit

Revenue profit is our measure of the underlying pre-tax profit of the Group, which we use internally to assess our performance. It includes the pre-tax results of our joint ventures but excludes capital and other one-off items such as the valuation (deficit)/surplus, gains on disposals, trading profits and profits on long-term development contracts.

Revenue profit for the year decreased by 3.3% from £392.2m to £379.1m. An increase in revenue profit from London and Retail on the back of higher net rental income was offset by a decline in Trillium for the accounting reasons described below. Net rental income from our investment portfolio increased by £8.2m, despite almost £800m of net investment property sales. This growth in rental income was driven by £17.4m of like-for-like rental income increases and £31.7m of higher income from our completed developments, which included Princesshay in Exeter and, in London, Cardinal Place, SW1 and Bankside 2&3, SE1. While net property sales reduced rental income by £36.6m, this was more than offset by the associated interest savings.

While Trillium's operating profit is higher than last year (see *Table 42* on page 49), at the revenue profit level there has been a decline of £26.3m, due to the accounting treatment of its PPP assets. Through the acquisition of Secondary Market Infrastructure Fund in February 2007 and subsequent transactions, Trillium has purchased a number of PPP assets. These assets were purchased with the intention from the outset that they would be transferred to a fund, Trillium Investment Partners, in which Trillium would subsequently reduce its ownership. As a result, we have accounted for all PPP investments which we are intending to transfer to Trillium Investment Partners or sell to third parties, as a disposal group. The implications of this are that we do not consolidate the individual assets and liabilities of the PPP investments. Instead, they are held at fair value less costs to sell in the balance sheet and we do not recognise our share of the underlying net income of the PPP investments, nor do we recognise in revenue profit any profits on disposal of these PPP investments. During the course of the year, we made £47.5m from the sale of Meterfit and equity interests in Trillium Investment Partners, the owner of the majority of Trillium's PPP investments. We do, however, include in revenue profit the interest cost associated with acquiring and owning these PPP investments, which amounted to £42m for the year. This imbalance in accounting for revenue profit, whereby we recognise interest cost but not revenues, has resulted in the decline in Trillium's contribution to revenue profit.

The net divestment of almost £800m of investment property sales reduced interest costs related to London and Retail. This benefit was largely offset by higher interest costs at Group level of £14.7m following the payment in July 2007 of £316.2m as our REIT entry charge and our move to paying quarterly dividends.

An explanation of the year-on-year change in revenue profit is given in *Table 6*, and a reconciliation between the (loss)/profit before tax and the revenue profit is shown in *Table 7*.

£58.5m p.a.

Development lettings in year

Table 7

Reconciliation of (loss)/profit before tax to revenue profit

	Year ended 31 March 2008 £m	Year ended 31 March 2007 £m
(Loss)/profit before tax	**(888.8)**	1,979.1
Valuation deficit/(surplus) – Group	**1,170.3**	(1,307.6)
– joint ventures	**134.2**	(75.1)
(Profits)/losses on non-current property disposals – Group	**(75.4)**	(118.4)
– joint ventures	**7.1**	–
Mark-to-market adjustment on interest rate swaps	**22.4**	(17.4)
Eliminate effect of bond exchange derecognition	**7.6**	17.1
Debt restructuring charges	**1.9**	19.2
Joint venture tax adjustment	**3.1**	(76.8)
Demerger costs	**9.8**	–
Profit on sale of trading properties – Group	**(2.8)**	(13.6)
– joint ventures	**(8.3)**	–
Long-term development contract profits	**(2.0)**	(14.3)
Revenue profit	**379.1**	**392.2**

Cardinal Place, SW1
Higher income from completed developments such as Cardinal Place helped drive growth in rents.

(Loss)/earnings per share

The basic loss per share was 188.80p, compared to earnings per share of 753.59p in the prior year, the change predominantly due to the revaluation deficit on the investment property portfolio (576.28p per share).

In the same way that we adjust profit before tax to remove capital and one-off items to give revenue profit, we also report an adjusted earnings per share figure, although this includes some additional adjustments to revenue profit. The adjustments to earnings per share are set out in note 11 to the financial statements. They are based on the guidance given by European Public Real Estate Association (EPRA) with a limited number of further adjustments to reflect better our underlying earnings. Adjusted diluted earnings per share increased from 70.20p per share in 2007 to 81.71p per share in 2008, a 16.4% increase. The increase in adjusted earnings per share is largely attributable to a significantly lower tax charge following REIT conversion (last year only benefited for three months), partially offset by the interest costs associated with the PPP investments in Trillium.

Total dividend

We are recommending a final dividend payment of 16.0p per share. Taken together with the three quarterly dividends of 16.0p, our full year dividend will be 64.0p per share (2007: 53.0p), a 20.8% increase over last year. A large part of this substantial increase is attributable to the tax we have saved by being a REIT for the full financial year.

REIT conversion also impacts on the make-up of the Group's dividend, which now consists of two components: a property income distribution (PID) from the REIT qualifying activities and a dividend distribution from the non-qualifying activities (non-PID). The aggregate of these two components will continue to be referred to as our total dividend. We are obliged for certain shareholders to withhold tax, currently at a rate of 20% (22% prior to 6 April 2008), from the PID element of the dividend. Our total dividend is therefore a gross dividend. *Table 8* sets out our quarterly dividends, the date on which they were paid, and how much of each dividend was a PID, together with similar details for our proposed final dividend. A note on the tax consequences for shareholders and forms to enable certain classes of shareholder to claim exemption from withholding tax are available on our website at www.landsecurities.com.

The total dividend for the year is covered 1.3 times by adjusted earnings (2007: 1.3 times). Subject to approval by shareholders at the Annual General Meeting to be held on 17 July 2008, our final dividend, which is 100% PID will be paid on 28 July 2008 to shareholders on the Register at 20 June 2008. For the next financial year, our first quarterly dividend will be 16.5p of which 90% will be a PID.

Table 8
Dividends

	Property income distribution (PID) pence	Non-property income distribution pence	Total pence
First quarterly dividend (paid on 26 October 2007)	12.8	3.2	16.0
Second quarterly dividend (paid on 7 January 2008)	12.8	3.2	16.0
Third quarterly dividend (paid on 25 April 2008)	12.8	3.2	16.0
Final dividend (payable on 28 July 2008)	16.0	–	16.0
Total	54.4	9.6	64.0

64p

This year's dividend is up 20.8% on 2007

Balance of business tests

REIT legislation specifies conditions in relation to the type of business a REIT may conduct, which the Group is required to meet in order to retain its REIT status. In summary, at least 75% of the Group's profits must be derived from REIT qualifying activities (the 75% profits test) and 75% of the Group's assets must be employed in REIT qualifying activities (the 75% assets test). Qualifying activities means a property rental business. The result of these tests for the Group for the financial year, and at the balance sheet date, is as follows:

Table 9
REIT balance of business tests

	For the year ended/as at 31 March 2008			For the year ended/as at 31 March 2007		
	Tax-Exempt Business	Residual Business	Adjusted Results	Tax-Exempt Business	Residual Business	Adjusted Results
Adjusted profit before tax (£m)	**351.1**	**9.7**	**360.8**	358.3	42.9	401.2
Balance of business – 75% profits test	**97.3%**	**2.7%**		89.3%	10.7%	
Adjusted total assets (£m)	**14,766.8**	**1,962.9**	**16,729.7**	15,695.8	2,111.6	17,807.4
Balance of business – 75% assets test	**88.3%**	**11.7%**		88.1%	11.9%	

Net assets

At the financial year end, net assets per share were 2067p, a decrease of 237p or 10.3% over the year. The fall in value of our investment property portfolio was responsible for the decline in net assets.

In common with other property companies, we calculate an adjusted measure of net assets which we believe better reflects the underlying net assets attributable to shareholders. Adjusted net assets are lower than our reported net assets primarily due to the debt adjustment we make. Under current accounting standards, we do not show our debt at its nominal value, although we believe it would be more appropriate to do so and we therefore adjust our net assets accordingly. At the year end, adjusted diluted net assets per share were 1956p per share, a decrease of 10.3% from last year end.

Property Income Distribution (PID)

Who can claim exemption from deduction of withholding tax on Property Income Distributions?[1]

- UK companies
- Charities
- Local Authorities
- UK Pension Schemes
- Managers of PEPs, ISAs and Child Trust Funds

Who is unlikely to be able to claim exemption from deduction of withholding tax on Property Income Distributions?

- Overseas shareholders[2]
- Individual private shareholders

1. See Total dividend information on how eligible shareholders can claim exemption.
2. May be able to reclaim some or all of the withholding tax under relevant double taxation treaty.

Chart 10
Geographical spread of equity shareholders (%)

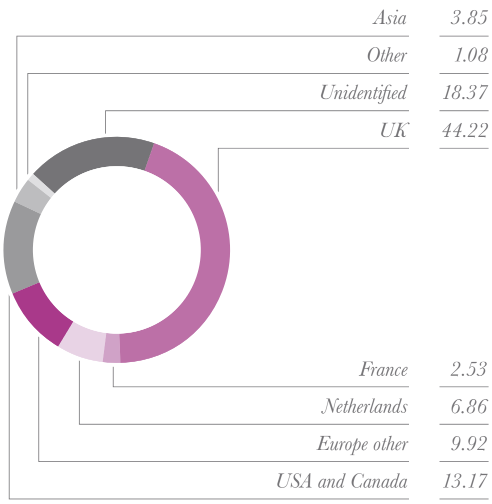


Table 11
Net assets

	Year ended 31 March 2008 £m	Year ended 31 March 2007 £m
Net assets at the beginning of the year	**10,791.3**	7,493.9
Adjusted earnings	**381.0**	330.0
Demerger costs*	**(6.9)**	–
Revaluation (deficits)/surpluses on ongoing and completed development properties*	**(126.6)**	130.9
Revaluation (deficits)/surpluses on investment properties (excluding Trillium)*	**(1,153.0)**	910.6
Revaluation deficits on Trillium investment properties*	**(24.9)**	(10.1)
Profits on non-current asset disposal*	**67.8**	105.2
Interest charges not included in adjusted earnings*	**(31.9)**	(13.0)
Prior year non-revenue tax adjustments	**16.2**	–
Tax credits not included in adjusted earnings	**–**	2,074.7
(Loss)/profit after tax	**(878.3)**	3,528.3
Profit on discontinued operations	**47.5**	–
Dividends paid	**(308.4)**	(223.0)
Other reserve movements	**(69.2)**	(7.9)
Net assets at the end of the year	**9,582.9**	10,791.3
Mark-to-market on interest rate hedges	**12.7**	(23.6)
Debt adjusted to nominal value	**(511.5)**	(519.1)
Adjusted net assets at the end of the year	**9,084.1**	10,248.6

*These amounts are post-tax

Cashflow and net debt

Cash receipts during the year totalled £1,080.7m from investment portfolio property disposals, which included Whitefriars, Canterbury and Greater London House, NW1. In total, we invested £1,667.2m in our properties including £722.6m on investment property acquisitions, £158.5m by Trillium (primarily Accor hotels) and £530.3m on developments. The development expenditure, which includes land acquisitions but excludes capitalised interest and our share of joint ventures, was spent principally on New Street Square, EC4, Queen Anne's Gate, SW1, and One New Change, EC4, in London and shopping centre developments in Livingston and Exeter.

As part of our strategy to continue to expand Trillium in the PPP market, we spent £158.5m acquiring PPP assets from AMEC. We also received £814.4m from our Trillium Investment Partners fund; first through raising debt against the assets (£414.8m in 'Receipts from the disposal group' in *Table 14*) followed by £399.6m from the sale of equity interests in the fund (included in 'Receipts from discontinued activities'). Further details are given in the Trillium section.

We invested a net £0.2m in our joint ventures including, £56.2m received on disposals, the largest of which was East Kilbride Shopping Centre, offset by £131.5m spent on shopping centre developments in Bristol and Cardiff.

At 31 March 2008, the Group's net debt was £5,384.5m, some £296.6m higher than 2007 (£5,087.9m). While this increase can be attributed to the REIT conversion charge of £316.2m, there were significant capital inflows and outflows which are summarised in *Table 14*.

5.3%

Property sales above 31 March 2007 valuation (before disposal costs)

Chart 12
Active capital management (£m)

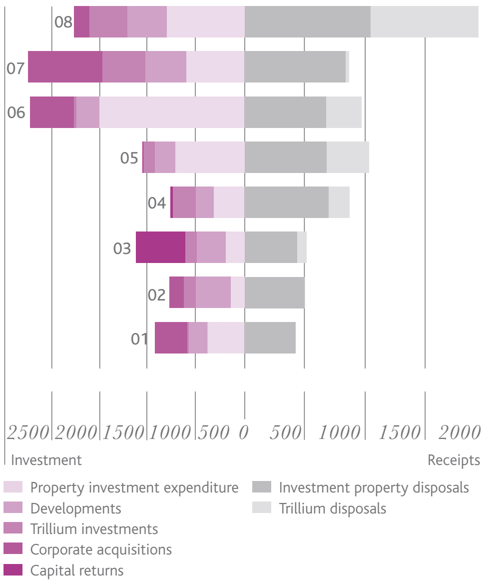


Table 13
Gearing

£m	31 March 2008 %	31 March 2007 %
Gearing – on book value of balance sheet debt	**56.2**	47.1
Adjusted gearing*	**64.9**	54.7
Adjusted gearing* – as above plus notional share of joint venture debt	**67.6**	58.8

*Book value of balance sheet debt increased to recognise nominal value of debt on refinancing in 2004 divided by adjusted net asset value.

Table 14
Cashflow and net debt

	Year ended 31 March 2008 £m	Year ended 31 March 2007 £m
Operating cash inflow after interest and tax (excluding REIT conversion charge)	**315.4**	361.5
REIT conversion charge	**(316.2)**	–
Dividends paid	**(308.4)**	(223.0)
Investment property acquisitions	**(722.6)**	(523.7)
Trillium property acquisitions	**(158.3)**	(416.5)
Development and refurbishment capital expenditure	**(530.3)**	(532.6)
Investment in finance lease receivables (Norwich Union and DVLA)	**(82.1)**	(43.3)
Investment in properties	**(1,493.3)**	(1,516.1)
Acquisition of AMEC (2007: SMIF and IIC)	**(158.5)**	(919.0)
Acquisition of PPP investments	**(152.7)**	–
Other capital expenditure	**(15.4)**	(18.8)
Total capital expenditure	**(1,819.9)**	(2,453.9)
Disposals	**1,080.7**	869.8
Receipts from discontinued activities	**424.9**	–
Receipts from the disposal group	**441.0**	25.0
Joint ventures	**(0.2)**	50.0
Purchase of share capital	**(87.6)**	(36.2)
Other movements	**(26.3)**	4.8
Increase in net debt	**(296.6)**	(1,402.0)
Opening net debt	**(5,087.9)**	(3,685.9)
Closing net debt	**(5,384.5)**	(5,087.9)

£1.56bn

Investment property sales

Details of the Group's gearing are set out in *Table 13*, which includes the effects of our share of joint venture debt, although the lenders to our joint ventures have no recourse to the wider Group for repayment.

Financing strategy and financial structure

Our financing strategy is to maintain an appropriate net debt to equity ratio (gearing) to ensure that asset level performance is translated into enhanced returns for shareholders while maintaining an appropriate risk reward balance to accommodate changing financial and operating market cycles.

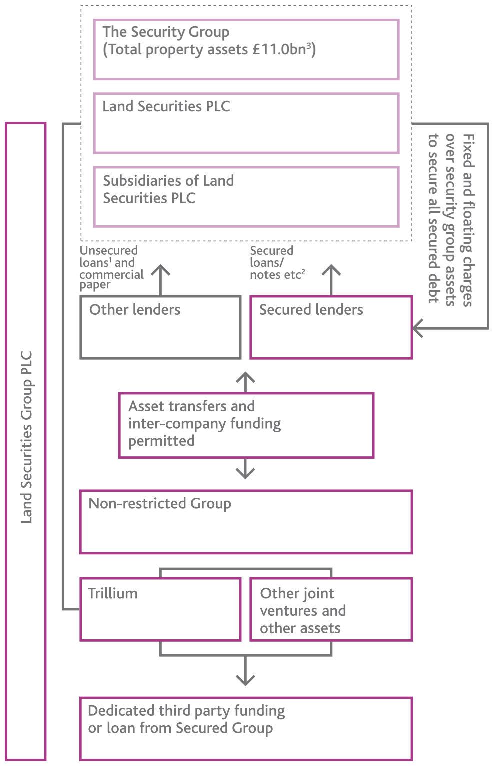
The last 12 months has seen a major upheaval in the international debt markets, beginning with defaults on sub-prime mortgages in the US. As a result of the nature of international banking, the contagion quickly spread around the world impacting the ability of domestic banks to make advances as their capital ratios came under pressure. The implications for borrowers like Land Securities continue to unfold. Initially the UK bond markets were effectively closed, and whilst this has historically been an important source of funding for the Group, our demerger plans have meant that the Group would not have accessed such long-term financing at this time. In the UK market, we have seen the following effects – an increase in the cost of debt, the imposition of more onerous covenants, increased execution time and increased execution risk.

Despite these conditions, Land Securities has executed eight different financing arrangements during the course of the year, either directly or through joint ventures. We have been able to continue to access the debt markets as a result of our on-going debt investor relations programme, a responsible creditor track record and a high quality portfolio and debt structure from which to raise funding. Under this structure (see *Chart 15*), we benefited from a lower cost of finance by utilising the credit strength of our investment portfolio without the more onerous restrictions of individually collateralised obligations. Operational flexibility is maintained through provisions which allow us to buy and sell assets, without restriction, and to undertake developments. At 31 March 2008, our debt investors had security over £11.0bn of investment properties in this structure.

As previously stated, net debt increased by 5.8% from £5.1bn to £5.4bn as a result of our REIT conversion charge. Despite only a moderate rise in net debt, gearing has increased from 47.1% to 56.2% principally due to the impacts of the revaluation deficit on our equity.

Our interest cover ratio, excluding our share of joint ventures, has fallen from 2.43 times in 2007 to 1.93 times in 2008. A large part of this reduction can be attributed to the accounting treatment of Trillium's PPP assets. While we recognise the interest cost associated with acquiring these assets, we do not include our share of the underlying income they generate. If we adjust the interest cost related to these assets, interest cover would be 2.23 times. Under the rules of the REIT regime, we need to maintain an interest cover ratio in the exempt business of at least 1.25 times to avoid paying tax. As calculated under the REIT regulations, our interest cover ratio of the exempt business for the year to 31 March 2008 was 2.09 times.

Chart 15
Funding structure



1. Limited to the higher of £150m or 2% of total collateral value.
2. The borrower under the Secured Bank facility is LS Property Finance Company Limited. Notes are issued from Land Securities Capital Markets PLC. Commercial paper is issued from Land Securities PLC.
3. Source: Knight Frank LLP Valuation Report for 31 March 2008.

During the year, the Group entered into three committed bilateral facilities all of which are secured on the assets of The Security Group. In June 2007, the Group entered into a £150m facility, which has been extended in December 2007, as a £175m facility with an expiry in February 2010. In July 2007, the Group entered into a £500m facility which was due to expire in July 2008, but a commitment has been obtained to replace it in July 2008 with a £350m facility with an expiry in July 2009. In December 2007, the £1.0bn SMIF acquisition facility was repaid. Another £350m facility was established in December 2007 which expires in October 2008. The Group has an option to extend each of these facilities by a further year. In December 2007, the Group acquired a share of Leeds Trinity Quarter which included a facility which has been refinanced post year end with a five-year £352m committed facility secured on these assets.

Also during the year, we bought back in the market 4.7m of our own shares for a total cost of £78.2m, equating to an average price of 1666p.

At 31 March 2008, Land Securities' net borrowings (including joint ventures) amounted to £6,133.0m, of which £865.0m was drawn under our £1.5bn secured bank facility and £67.3m related to finance leases. Committed but undrawn facilities amounted to £611.0m. The majority of debt due in one-year relates to drawings under the committed bank facilities which have a one-year extension option.

Hedging

We use derivative products to manage our interest rate exposure and have a hedging policy which requires at least 80% of our existing debt plus our net committed capital expenditure to be at fixed interest rates for the coming five years. Specific hedges are also used in geared joint ventures to fix the interest exposure on limited recourse debt. At the year end we had £2.3bn of hedges in place, and our debt was 80% fixed. Consequently, based on year end debt levels, a 1% rise in interest rates would increase full year interest charges by only £12.4m.

Taxation

As a consequence of the Group's conversion to REIT status, income and capital gains from our qualifying property rental business are now exempt from UK corporation tax. The tax credit for the year of £10.5m (2007: £1,549.2m) includes a current year tax charge of £10.3m on non-qualifying activities offset by a £20.8m release in respect of prior years.

Table 16

Principal financial risks

Risk description	Impact	Mitigation
Funding		
■ Lack of available funds	■ Unable to progress investment opportunities	■ Flexible funding structure. Sizeable committed, undrawn facilities – see page 18 ■ Ability to sell investment property assets
Interest rates		
■ Exposure to prevailing market rates	■ Increased borrowing costs following interest rate rise	■ Hedging policy – see page 19
Taxation		
■ Failure to meet REIT compliance tests	■ Loss of REIT status leading to higher tax costs	■ Internal monitoring procedures and current safety margin – see page 16 ■ Internal tax specialists and appropriate use of external advisers

Pension schemes

The Group operates a number of defined benefit pension schemes which are closed to new members. At 31 March 2008 the schemes had a combined surplus, net of deferred tax, of £10.2m (2007: deficit £5.2m). The surplus has arisen due to an increase in the prescribed discount rate used to value scheme liabilities from 5.4% to 6.9%.

Chart 17

Analysis of equity shareholdings by size of holding at 31 March 2008

	Number of holdings	%	Balance as at 31.03.08	%
1 to 500	13,355	49.82	3,461,572	0.74
501 to 1,000	6,388	23.83	4,695,417	1.00
1,001 to 5,000	5,484	20.46	10,855,966	2.31
5,001 to 10,000	534	1.99	3,784,092	0.80
10,001 to 50,000	525	1.96	11,974,938	2.54
50,001 to 100,000	144	0.54	10,503,640	2.23
100,001 to 500,000	230	0.86	51,159,879	10.86
500,001 to 1,000,000	61	0.23	43,506,607	9.24
1,000,001 to highest	84	0.31	330,959,367	70.28
Totals	26,805	100.00	470,901,478	100.00

Chart 18

Expected debt maturities (nominal) £bn

Report of the Directors

Business review

In this Group business review we outline the Company's approach to a number of key areas, from our business model to our customers, risk, employees and sustainability.

Our business model

We are the sixth largest Real Estate Investment Trust in the world and the largest in the UK. We own, develop and manage commercial property through three main businesses:

- Our Retail business provides customers with access to retail units in shopping centres and retail parks and manages these assets to maximise their value. Our development projects help to regenerate town and city centres throughout the UK, incorporating a vibrant mix of retail, leisure and, where appropriate, residential accommodation.
- Our London business provides customers with access to high quality offices and creates large office developments supporting complementary uses such as retail, public space and residential. Our UCD business operates within the London Portfolio and will develop new communities, the most significant of which is in Ebbsfleet, Kent.
- Our property partnerships business, Trillium, enables customers to outsource the construction and maintenance of buildings and, in some cases, the risks and costs associated with expanding or contracting the accommodation they occupy. Our activities include leasing, developing, managing, refurbishing, repairing and maintaining properties, facilities and land. We are increasingly active in the area of Public Private Partnership in sectors such as education, waste, defence training and local government infrastructure.

Our businesses are overseen and given strategic direction by the Group but are run with a high degree of autonomy.

Our customers

Our businesses work with a wide range of organisations and you will find more coverage of key customers and current market trends in the three business review sections that follow.

Across the Group:

We provide office space for many types of business and organisation, and every day thousands of people work in a building owned or managed by us.

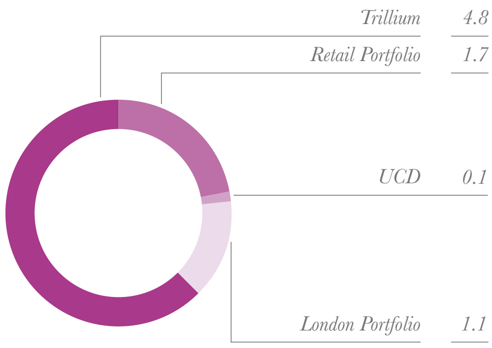
We provide shopping and leisure facilities throughout the UK and receive millions of visits to our shopping centres, retail parks and other properties each year.

Table 19
Group development activity

	Number of projects	Floorspace m^2	TDC[1] £m	Net income/ ERV[2] £m
Retail Portfolio				
Programme	6	184,160	768	48
Proposed development	2	99,070	502	31
Total Retail Portfolio pipeline	8	283,230	1,270	79
London Portfolio				
Programme	7	201,580	1,600	119
Proposed development	3	154,830	1,075	84
Total London Portfolio pipeline	10	356,410	2,675	203
Trillium Portfolio				
Programme	1	17,650	n/a	n/a
Proposed development	–	–	–	–
Total Trillium pipeline	1	17,650	–	–
LS Third Party				
Programme	1	83,000	n/a	n/a
Proposed development	–	–	–	–
Total third party pipeline	1	83,000	–	–

1. TDC: Total Development Cost – land, capital expenditure and capitalised interest.
2. The net income/ERV represents net headline annual rental payable on let units plus Estimated Rental Value (ERV) at 31 March 2008 on unlet units.

Chart 20
Floorspace under management (million m^2)



77%

of our employees believe Land Securities is a better employer than other companies.

Source: LSG PLC Employee Engagement Survey 2007

Table 21
Top 10 global REITs

Rank	Company	Mkt cap £m
1	Westfield Group	15,878
2	Unibail-Rodamco	10,627
3	Simon Property Group	10,426
4	Prologis	7,647
5	Public Storage	7,607
6	*Land Securities Group*	*7,017*
7	Vornado Realty Trust	6,653
8	Equity Residential Trust Properties SHBI	5,629
9	Boston Properties	5,535
10	Kimco Realty	4,983

Source: Datastream, as at 31 March 2008

Our people

We set out to attract, retain and develop the brightest and best people in our industry and to maximise the contribution they make to the Company. We are very proud of the expertise, ambition and sheer energy of the people in Land Securities and believe that the quality of our employees is an enormous source of competitive advantage for our businesses. For us, key areas within employee development include:

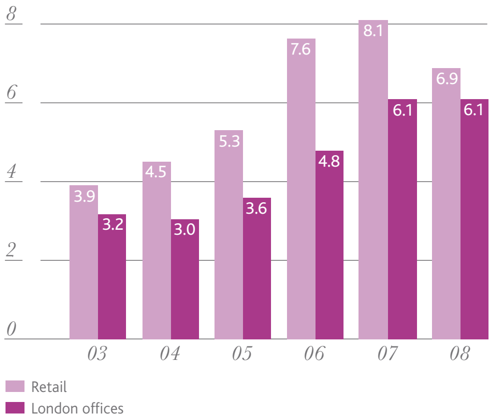
- Communication and engagement
  Progress here is best measured by our annual employee engagement survey. This year we saw a good response rate of 82%, high levels of satisfaction and very positive responses around important issues such as leadership, clarity on objectives and having the right tools to do the job.
  Areas that require more attention from us over the next year include providing employees with greater opportunities to contribute to decision making and greater opportunities to develop careers further. Overall we are pleased with the results, particularly as the survey took place soon after we announced plans for demerger.
- Reward and recognition
  To make sure we stay competitive in terms of remuneration we benchmark our packages against a range of comparable organisations and professions. We believe our current levels of reward and recognition are competitive and serve us well in terms of recruiting and retaining excellent employees.
  Along with a base salary, most of our employees are also included in a performance-related bonus scheme and are eligible for a range of benefits such as pension and insurance schemes.
  For information on pay and rewards for our Executive Directors and Non-executive Directors please see page 66.
- Employment policies
  Our policy is to ensure there is equal opportunities access for all. We always give full and fair consideration to applications from all parts of the communities in which we work. Our focus is on developing a diverse workforce, all of whom have access to learning and career development opportunities.

90%

Ninety per cent of our employees say they are satisfied working for the Land Securities Group

Chart 23

Retail and London offices valuations at 31 March (£bn)



Our approach to sustainability

We have a long history of addressing environmental issues and improving the way we operate to support sustainability. This has been important to the business for many years, and it is increasingly important to those we work with and rely upon – customers, local authorities, central government, business partners, suppliers and the public.

You can find coverage of our approach to sustainability on pages 54 to 61 of this annual report and in our Corporate Responsibility Reports, which are available at www.landsecurities.com.

Table 22

Development stakeholder groups

Stage	Stakeholder
Site assembly	■ Adjacent owners ■ Local authorities
Design	■ CABE ■ Energy consultants and Breeam ■ Heritage bodies ■ Local authorities
Public consultation	■ Businesses ■ Local authorities ■ Residents ■ Schools and other community organisations ■ Transport
Planning	■ Department for Communities and Local Government ■ Local authorities ■ Local communities
Construction	■ Contractors ■ Design team ■ Local communities
Letting	■ Agents ■ Occupiers

Our risks and how we manage them

The tables below show the principal risks we face. The risks facing our London and Retail businesses are broadly the same and relate to property investment and development risks. The risks facing Trillium are different and are stated separately.

UK Government is our largest single customer

Risk description	Impact	Mitigation
Property investment risks		
Market conditions ■ Prolonged downturn in tenant demand in the City market	■ Threat of voids in the development portfolio	■ Committed development exposure limited to remaining space in One New Change (due to complete in 2010) and Dashwood House (due to complete in Q4 2008). 20 Fenchurch Street is not committed yet and will only start when market conditions are favourable or a prelet of part is in place
■ Reduced consumer spending leading to lower retail sales	■ Threat of cutbacks in retailer opening programme	■ Pre-letting of key units before committing to development. Sales programme has already divested schemes and locations most likely to suffer adverse impact
Market cycles ■ Property markets are cyclical	■ Underperformance of investment portfolio impacting on financial performance	■ Good quality covenants ■ Secure income flows under UK lease structure ■ Annual investment appraisals
Property risk ■ Asset value concentration	■ Poor performance of a single asset having material impact on overall performance	■ Large multi-asset portfolio ■ Largest property represents only 5.5% of combined portfolio ■ Average investment property lot size of £71.5m ■ Retail assets combine a range of diversified income streams
Tenant risk ■ Tenant concentration	■ Impact on revenue if a major occupier fails	■ Diversified tenant base ■ Government largest single customer representing 9.7% gross rents, the next largest represents 4.1% ■ Of our income, 65.1% is derived from tenants which make less than a 1% contribution to rent roll
Health, safety and environmental risk ■ Responsibility for the safety of visitors to our properties and our environmental performance	■ Impact on reputation or potential criminal proceedings resulting in financial impact	■ Annual cycle of health and safety audits ■ Quarterly Board reporting ■ Dedicated specialist personnel for environment and health and safety ■ Established policy and procedures including award-winning health and safety system and ISO 14001 certified environmental system ■ Active environment programme addressing key areas of impact (energy and waste) ■ Residual carbon footprint from common parts of retail shopping centres and our Head Offices are offset with Carbon Neutral Company
Property development risks		
Site assembly risk ■ Third-party interests in part of site cannot be acquired	■ Unable to progress development either in time, at all, or within budget	■ Policy of buying into all or part of future development sites early as income-producing investments ■ Experience of Compulsory Purchase Order procedures
Planning risk ■ Development proposals fail to gain sufficient support and therefore planning consent	■ Unable to progress developments in a timely manner	Development expertise including: ■ Skilled development management teams ■ Public consultation and change management capabilities ■ Long-standing relationships with key development stakeholders ■ Reputation
Construction risk ■ Construction cost overruns or poor management of construction ■ New and different procurement methodologies and contract forms for London and UCD	■ Returns are eroded by cost overruns or project completion is delayed ■ Different risk profiles and unfamiliar terms and conditions	■ Transfer of risk to specialist contractors ■ Skilled project management teams ■ Use of specialist advisers and growing in-house familiarity
■ Construction cost inflation	■ Cost in excess of assumptions in appraisal	■ Adequate provision in appraisals ■ Forward purchase of high inflation risk items
■ Supplier capacity and capability	■ Lack of competitive tension ■ Poor performance by suppliers	■ Closer, more open relationship with the supply chain

All development schemes completed on budget and on time, subject to one project delayed by three weeks

Risk description	Impact	Mitigation
Property development risks continued		
Letting risk ■ Development remains unlet after completion or fails to meet lettings target	■ Impact on profit	■ Experienced and skilled in-house leasing teams ■ Risk evaluation model to ensure that dividend remains covered by forecast earnings in the unlikely situation that all our London developments remain 100% vacant and retail schemes are only 65% let
Health, safety and environmental risk ■ Construction is a high risk activity in terms of health and safety	■ Impact on reputation ■ Potential criminal proceedings ■ Financial impact of above	■ Advanced health and safety training programme in place, working in conjunction with our contractors ■ Maintaining H&S awareness and training as a priority ■ Project Managers toolkit 'Blueprint' has and will assist in reducing or mitigating risk
■ The environmental performance of a building is increasingly important	■ Corporate reputation	■ All our office development schemes are subject to Breeam (energy performance) ratings with a target rating of Good/Very Good. ■ Implementation of sustainable development process checklist
Trillium risks		
New business risk ■ Unable to originate and win attractive new business	■ Market pressure pushes down returns on new business opportunities creating a potential mismatch with investors' return expectations	■ Dedicated new business team ■ Established bid process framework ■ Regular Investment Committee review
Service partners risk ■ Performance of service partners	■ Impact on reputation and potential financial penalties should service partners not deliver to agreed standards	■ Regular assessment of service partners' performance ■ On-going suppliers performance reviews ■ Contingency plan set up with alternative suppliers where appropriate
Vacation of space risk ■ Client space remains unlet after vacation	■ Impact on income as a result of shortfall in rental income and on-going holding costs	■ Specialist national disposals team manages surplus space
Head rent growth risk ■ Inflation on head rents payable higher than increases in unitary charge	■ Growth of head rent on leasehold properties with negative effect on income statement	■ Budgetary forecasts to asset level ■ Lease restructuring/rent review processes ■ Freehold buy-ins ■ Hedging income from freehold against leasehold properties
Health, safety and environmental risk ■ Responsibility for the health and safety and environmental risks on behalf of clients and their employees	■ Impact on reputation or potential criminal proceedings resulting in financial impact	■ Annual cycle of health and safety audits ■ Quarterly and annual Board reporting ■ Dedicated specialist personnel for environment and health and safety ■ Established policy and procedures including award-winning health and safety system and ISO 14001 certified environmental system ■ Active environment programme addressing key areas of impact (energy and waste)

We employ dedicated environment and health and safety experts

BRINGING POSSIBILITIES TO LIFE

UNLOCKING POTENTIAL

ADDING VALUE TO CONVENIENCE

PRINCESSHAY – EXETER

Our multi-award winning development enables people to enjoy an entire shopping and leisure experience in one place, with 60 new shops and restaurants fully integrated with the city's public spaces and historic buildings.

Retail Portfolio

Completed and launched the Princesshay development, Exeter

Sold £834.8m of assets achieving total sales at 3.1% above valuation

Achieved the successful sale of Whitefriars, Canterbury, for £253m

Launched and grew The Harvest Partnership, a joint venture with J Sainsbury plc

Richard Akers, Managing Director
Land Securities Retail Portfolio

We are transforming shopping as a leisure activity for millions of people across the UK. Using our ability to unlock the potential within properties and places, we develop new and better ways for retailers to connect with customers – creating the environments they need to increase footfall, grow sales and provide a great leisure experience.

"Conditions are challenging but our strong relationships with retailers have helped us perform well. We made sound progress on leasing developments and enhancing assets. We formed a valuable joint venture with Sainsbury's. And we launched and let our Princesshay development in Exeter."

Retail Portfolio

White Rose, Leeds
Successful rent reviews at shopping centres such as White Rose helped drive up like-for-like rental income by 5.5%.

Our market

Current market conditions are certainly challenging. Absolute sales growth is the single most useful market indicator for our business as it includes the effect of retailers increasing floorspace to win greater market share. This year absolute retail sales showed positive growth of 5.4% as reported by the Office of National Statistics (ONS).

This is not the whole story, however. Pressure on margins has reduced profitability for many retailers and there has been an increase in insolvencies across the market as a consequence. Our strong leasing performance in the portfolio and in the development programme has helped to mitigate the effects of a weaker occupational market.

2008 will see a peak of completions of new shopping centre developments across the UK. This has sharpened competition between providers, with many retailers being offered greater incentives to take leases. However, well-conceived developments are attracting good levels of demand as no retail business can afford to stand still. Retailers of all sizes know they can work with companies such as Land Securities to enhance their performance through range and format changes, new locations and greater efficiency. Our challenge is to be as dynamic as the most successful retailers and that means evolving our portfolio to ensure we provide good space at good rates in the right locations.

Looking long-term, there will always be winners and losers in the retail sector – and internet retailing is certainly a fierce competitor for some shops – but in our experience people are drawn by the immediacy and experience they get by going shopping. More and more, we work to create a great environment around our shops so people enjoy spending time there, as well as spending money. We see a growing appetite for shopping-as-leisure and expect continued demand for high quality shopping centres and retail parks from our customers and their customers.

Our strategy

Our aim is to be the provider and partner of choice for retailers and local authorities in the UK. We want to be recognised as a market leader in terms of customer focus, design and innovation. Our challenge is to spot, unlock and maximise the potential of places and properties throughout the UK.

We create value by:

- Identifying, acquiring and enhancing shopping centre and retail park assets that offer growth potential
- Using our asset management expertise to make our locations more attractive to shoppers and retailers
- Developing major new shopping and leisure assets that can transform under-valued areas into thriving destinations
- Forming close relationships with retailers and local authorities, ensuring we understand and can respond to people's changing needs
- Recycling our capital and applying our skills to reposition assets higher up the value hierarchy.

Our performance

With the investment markets weakening our focus has been on asset disposals and on leasing.

Disposals of £834.8m at an average of 3.1% above March 2007 valuations has had a significant positive impact on our financial performance with our ungeared property return being 4.6% and 5.5% better than the IPD benchmark for shopping centres and retail warehouses respectively.

Our leasing and asset management activity has helped us to perform well against key portfolio metrics. Rent review programmes, particularly at the White Rose Centre in Leeds, drove our like-for-like rental income up by 5.5%. Asset management activity has helped to create rental value growth of 2.0% in a generally flat market, and our strong leasing performance on the investment properties with some £19m of rent secured has enabled us to keep voids at 4.0% across the like-for-like portfolio.

Future growth in rental income will come from our development programme as we complete schemes and also from the reversionary potential on our existing portfolio on which the rent passing currently stands 11.6% below today's rental values.

We remain in a strong financial position, with resources available to take advantage of opportunities created by changed conditions in the investment market. Our cashflow will continue to be helped by the UK's system of long leases and upward-only rent reviews. The quality and mix of our occupiers is excellent, and this will help to diversify risk if demand from occupiers weakens over the next 12 months.

Chart 24
Retail Portfolio by value £6.2bn

Chart 25
UK retail sales growth to 31 March (%)

Source: BRC/KPMG survey

Sales

The timing of our sales was critical this year. We had anticipated more challenging conditions early and decided to make no major acquisitions during this financial year. Instead, we focused on disposals and achieved total sales of £834.8m at 3.1% above valuation.

Important sales this year included:

- Whitefriars, Canterbury
  We sold our award-winning shopping centre to Henderson Global Investors and Canada Pension Plan Investment Board for £253m, achieving a good return on an investment we completed in 2005.
- East Kilbride Shopping Centre
  The Scottish Retail Property Limited Partnership, our joint venture with British Land Plc, completed a £385m sale of this asset in June 2007.
- Victoria Place, SW1
  In January 2008 the Metro Shopping Fund LP, our joint venture with Delancey, sold Victoria Place shopping centre, SW1, to Ewart Properties Ltd for £92.5m. The good price achieved reflects the value we have added to the asset and the surrounding environment.
- Coppergate, York
  In March 2008 we completed the sale of this shopping centre for £42.5m.
- Retail warehouses
  We completed the sale of eight retail warehouse assets for £130m and sold four supermarket assets for more than £125m.

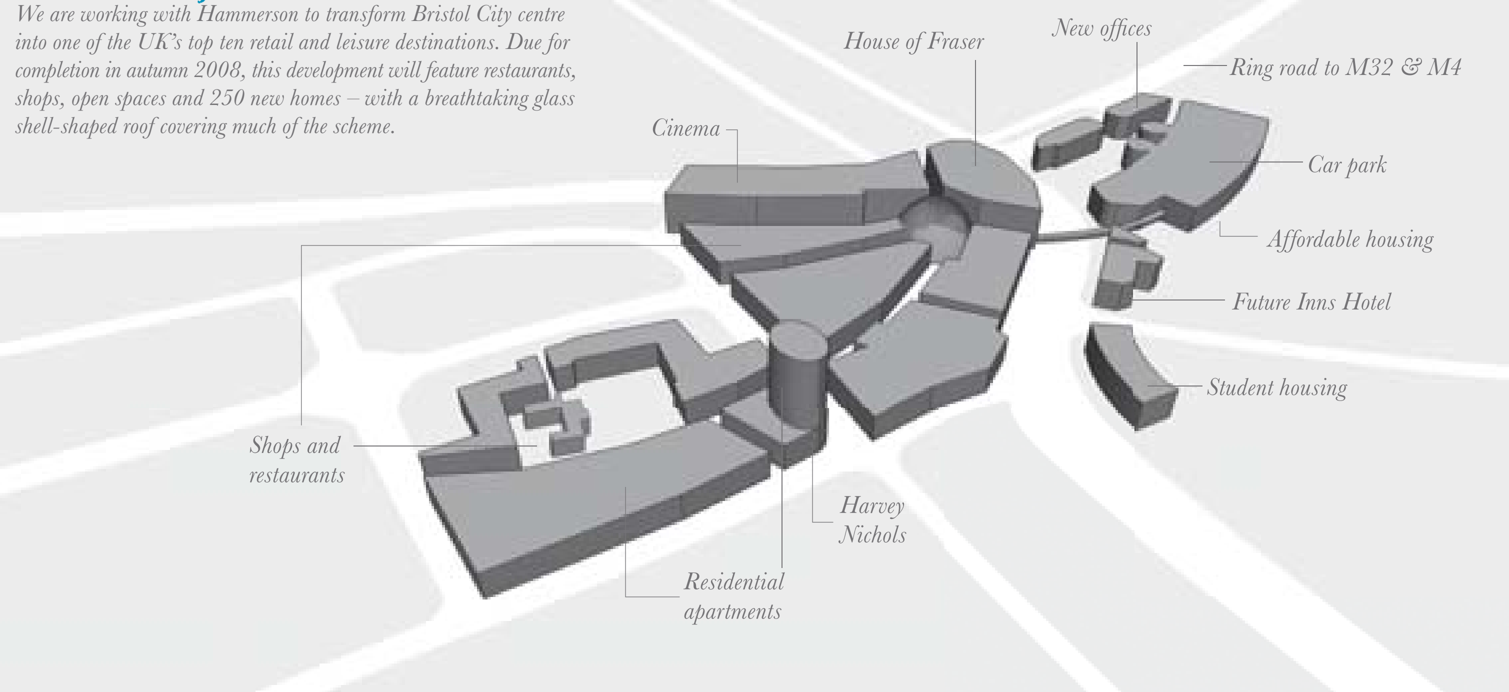
Asset management

We maximise rental income from our portfolio through asset management. This involves us in making long-term improvements to the environment, to services and to the tenant mix. Rental growth is the reward for our investment in these improvements.

Our approach to our biggest asset – the White Rose Centre in Leeds – demonstrates the value of our expertise. Our successful rent review programme coincided with the opening of a new store for Marks & Spencer. This follows the development of new space for Next, Zara and River Island in 2006. This enabled us to settle the major round of rent reviews, at an average increase in rent of 40% over the five-year period since the previous reviews. We also achieved new lettings at even higher levels, further underpinning the success of the centre.

CABOT CIRCUS, BRISTOL

We are working with Hammerson to transform Bristol City centre into one of the UK's top ten retail and leisure destinations. Due for completion in autumn 2008, this development will feature restaurants, shops, open spaces and 250 new homes – with a breathtaking glass shell-shaped roof covering much of the scheme.



BRINGING POSSIBILITIES TO LIFE

UNLOCKING POTENTIAL

ADDING VALUE TO CONVENIENCE

CORBY

Our long-term vision and commitment is helping to transform Corby from a town on the margins to an increasingly vibrant centre. Major retailers are taking space; shopper satisfaction levels are increasing; and more people want to spend time in the town.

Retail Portfolio

At Gunwharf Quays in Portsmouth we continued to achieve rental growth, improving the mix of shops with 11 new fascias introduced to the centre, and we won a British Council of Shopping Centres 2008 Achieving Customer Excellence award for customer service.

At Aintree Retail Park in Liverpool we have exchanged agreements to let units to Marks & Spencer, Next and Boots, which significantly changes the retail mix on the park, and we have increased rental values by 12%.

At Westwood Cross, Thanet, we have completed a new development that adds a cinema, restaurants and leisure facilities to the retail units, and introduced JD Sports to the shopping park. Our Thanet ownerships will be further enhanced with the integration of the adjacent Sainsbury's store and car park, which we now jointly own and manage through our Harvest venture with J Sainsbury.

At Lakeside Retail Park we have provided small pod units and Costa Coffee is one of the first occupiers. While the key attraction of retail parks for shoppers remains convenience, we have continued to introduce enhancements like this to improve the overall shopping experience.

Our approach to asset management keeps a clear focus on helping our customers thrive. For example, the running costs of shopping centres are borne by retailers through their service charge. This year we carried out an efficiency programme that has enabled us to achieve a zero increase on the average service charge across our shopping centre portfolio, helping to lessen cost pressures on retailers.

Development

We completed three new developments this year and these set new standards in terms of the positive impact regeneration schemes can have on town and city centres. Highlights included:

- **Princesshay, Exeter**
  Our British Council of Shopping Centres Supreme Gold Award, the Retail Week Shopping Location of the Year award and International Council of Shopping Centers award for Best Medium Size Shopping Centre all underline the success of this development, which has been very well received by residents and retailers and was 92% let on full opening in September 2007. The scheme demonstrates our ability to integrate a new development into an historic city centre, drawing more shoppers from a wider catchment area into the city.
- **Christ's Lane, Cambridge**
  We achieved very strong pre-lettings for this distinctive retail-led scheme of eight shops, a restaurant and 15 apartments. The retail element opened in December 2007 and is 100% let. The Christ's Lane project sits in a sensitive location within a conservation area between two Cambridge colleges, Christ's and Emmanuel. Our development re-established one of the city's historic streets to create a new, busy retail thoroughfare.
- **Corby**
  This year we completed the development of a new mall to complement our existing holdings within the town centre. The quality of new tenants – including Primark, River Island, Jane Norman and Dorothy Perkins – has exceeded our original expectations and significantly improved the attractiveness of the town as a shopping destination. By floor area, the scheme is now 85% let.

Table 26
Retail property – floorspace

Type of retail property	Market million m²	Land Securities million m²	% market share
Shopping centres	15.4	1.1	7.1
Retail parks	15.5	0.5	3.2
Total core markets	30.9	1.6	5.2
Other retail markets	86.5	0.1	–
Total	117.4	1.7	1.4

Source: Property Market Analysis

Table 27
Retail Portfolio valuation and performance summary

	31/03/08 £m	31/03/07 £m
Combined portfolio valuation	**6,186.6**	7,226.2
Like-for-like		
Investment portfolio valuation	**4,974.7**	5,614.7
Rental income	**292.0**	276.9
Gross estimated rental value	**329.0**	322.4
Voids by estimated rental value	**13.3**	12.2
Gross income yield	**5.6%**	4.9%

Whitefriars, Canterbury
We achieved a £253m sale this year, generating a good return on our investment in this mixed-use development.

Retail Portfolio

Along with our successful completions we have made good progress with our on-going development programme. For example, our Cabot Circus development in Bristol is on schedule for opening in autumn 2008, is 85% let or is in solicitors' hands and we have secured House of Fraser and Harvey Nichols as anchor tenants. In Cardiff we are on schedule for the autumn 2009 opening of the combined St. David's 1 and 2 shopping centres, with John Lewis as anchor tenant. And at Leeds Plaza we have entered into a partnership with Caddick Developments to link our existing centre to a new development. We opened discussions with potential anchor tenants this year, started demolition in April and the phased opening is scheduled between October 2010 and January 2011.

Joint ventures

This year we once again demonstrated our ability to form strong partnerships with other organisations. In November 2007 we launched The Harvest Limited Partnership, a 50:50 joint venture with J Sainsbury. This adds our expertise in development to Sainsbury's desire to add new space to stores, with the two companies working together to unlock and realise the development potential of a number of sites. Initially, we contributed a Sainsbury's supermarket in our ownership while Sainsbury's contributed two freehold stores. In December we increased the portfolio with the purchase of the Maltings shopping centre in Salisbury for £27.5m. This 8,830m^2 property includes a Sainsbury's store, 27 retail units and a car park.

Our outlook

Our experience is that UK retail sales growth is relatively resilient through the economic cycle, but we recognise that the current trading environment is proving challenging for retailers. The quality and mix of our tenants is excellent, and this will help to reduce and diversify risk if demand from occupiers weakens over the next 12 months. Our cashflow will continue to be helped by the UK's system of long leases with upward-only rent reviews and also by the reversionary nature of our portfolio.

In the meantime, strong relationships with retailers are enabling us to make sound progress on leasing our developments and we will continue to provide space that meets retailers' need for efficiency and quality. We have a range of upgrade and development opportunities within our own portfolio and we will focus on bringing a number of these projects forward for delivery over the coming years.

Table 28

Customer satisfaction survey – Shopping centres

Shopping centres	2005 Actual	2006 Actual	2007 Actual
Understanding the need of the business	3.60	3.63	3.91
Communications	3.79	3.65	4.10
Willingness to recommend us	94%	91%	95%
Responsiveness	3.85	3.93	4.04
Overall customer service	3.94	3.81	4.19

Christ's Lane, Cambridge

By re-establishing a historic and vibrant thoroughfare we created strong tenant interest, with the retail element 100% let on opening.

Table 29
Top 12 properties

a

b

c

d

e

f

g

h

i

j

k

l


Top 12 Properties

a **White Rose, Leeds**
Award-winning shopping centre with more than 100 stores.

b **Almondvale Centre, Livingston**
Unique retail destination in the heart of the town centre.

c **Cabot Circus, Bristol**
139,350m² of exceptional new retail, leisure and residential space.

d **Bullring, Birmingham**
An iconic shopping location, this partnership development has led the city's retail renaissance (one-third ownership).

e **Princesshay, Exeter**
Award-winning mixed-use development based around a vibrant piazza.

f **Gunwharf Quays, Portsmouth**
Historic harbour hosts designer outlets, bars, restaurants, cinema and Bowlplex.

g **St. David's Centre, Cardiff**
Home to 70 stores, with links to St David's 2 adding 89,900m².

h **The Plaza, Leeds**
Popular shopping centre with high street shops and cafés.

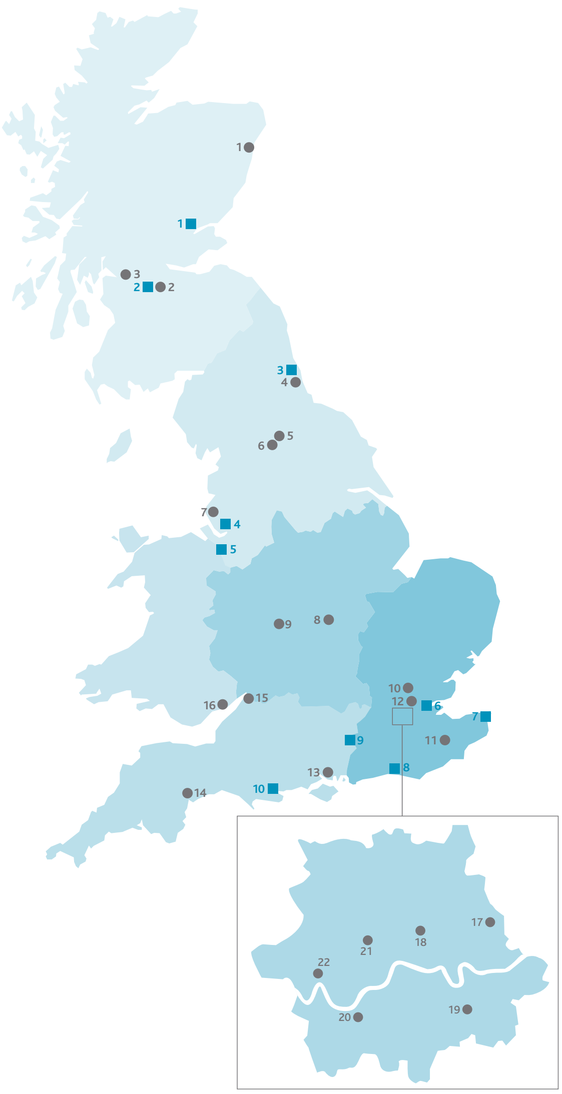
i **The Bridges, Sunderland**
Our community shopping centre provides a retail focal point.

j **Team Valley, Gateshead**
Retail World, where big shed retailing meets the high street.

k **Buchanan Galleries, Glasgow**
Established destination with consent to double in size.

l **Westwood Cross, Thanet**
Thriving retail park with growing leisure element.

Top Retail Portfolio properties
over £50m by location



● Shopping Centres

Scotland
Aberdeen
1 Bon Accord Centre[1]▲
St Nicholas Centre[1]
Livingston
2 Almondvale Centre*●
Glasgow
3 Buchanan Galleries[2]*

North, north-west, Yorkshire and Humberside
Sunderland
4 The Bridges*
Leeds
5 Leeds Plaza & Albion St*●
6 White Rose Centre*
Liverpool
7 St Johns Centre, Williamson Sq & Clayton Sq*

Midlands
Corby
8 Corby Town Centre▲●
Birmingham
9 Bullring[3]*

South and south-east
Welwyn Garden City
10 Howard Centre▲
Maidstone
11 Fremlin Walk*
Hatfield
12 The Galleria▲
Portsmouth
13 Gunwharf Quays*

Wales and south-west
Exeter
14 Princesshay*
Bristol
15 Cabot Circus*●
Cardiff
16 St. David's Shopping Centre[4]*●

London
17 Stratford Centre, Stratford*
18 N1, Islington[5]▲
19 Lewisham Centre*
20 Southside, Wandsworth[5]▲●
21 Notting Hill Gate, W11[5]▲
22 W12 Centre, Shepherds Bush▲

■ Retail Warehouses

Scotland
Dundee
1 Kingsway Retail Park▲
Livingston
2 Almondvale Retail Parks*●

North, north-west, Yorkshire and Humberside
Gateshead
3 Team Valley Retail Park*
Liverpool
4 Aintree Retail Park▲

Midlands
Chester
5 Chester and Greyhound Retail Parks*

South and south-east
West Thurrock
6 Lakeside Retail Park*
Thanet
7 The Fort, Westwood Cross*
Bexhill-on-Sea
8 Ravenside Retail and Leisure Park▲
Bracknell
9 The Peel Centre▲
Poole
10 The Commerce Centre▲

Notes
[1] Part of Scottish Retail Property Limited Partnership
[2] Part of Buchanan Partnership
[3] Part of Birmingham Alliance
[4] Part of St. David's 2 Partnership
[5] Part of Metro Shopping Fund LP

Key
*£100m or above
▲£50–£100m
●In development pipeline/programme

WESTWOOD CROSS, THANET

Successful retail parks enable people to shop in an easy, convenient way. But they can offer more. At Westwood Cross, for example, we've added a cinema, restaurants and leisure facilities, so there are even more reasons for people to spend both money and time at the centre.

ADDING VALUE TO CONVENIENCE

UNLOCKING POTENTIAL

BRINGING POSSIBILITIES TO LIFE

Retail Portfolio

Table 30
Development timeline

2008

Cabot Circus, Bristol
High quality development due for full completion autumn 2008.

2008

The Elements, Livingston
Transformation of retail in Livingston, due for completion autumn 2008.

2009

Southside, Wandsworth
Mixed-use expansion of existing centre and repositioning of tenant mix.

2009

St. David's 2, Cardiff
Major mixed-use development incorporating urban regeneration.

2011

Trinity Quarter, Leeds
Busy city shopping centre to be integrated with The Plaza.

Retail development pipeline at 31 March 2008

Property	Description of use	Ownership interest %	Size m²	Planning status	Letting status %	Net income/ ERV £m	Estimated/ actual completion date	Total development costs to date £m	Forecast total development cost £m
Shopping centres and shops									
Developments, let and transferred or sold									
Christ's Lane, Cambridge	Retail Residential	100	5,800 1,350	–	100	2	Nov 2007	33	33
Princesshay, Exeter	Retail Residential	100	37,360 7,200	–	95	13	Sep 2007	204	204
Developments completed									
Willow Place, Corby	Retail	100	16,260	–	75	2	Oct 2007	42	42
Developments approved and those in progress									
Cabot Circus, Bristol The Bristol Alliance – a limited partnership with Hammerson	Retail Leisure Offices Residential	50	83,610 9,000 28,000 18,740	–	75	18	Sep 2008	198	243
St. David's, Cardiff St. David's Partnership – a limited partnership with Capital Shopping Centres	Retail/leisure Residential	50	89,900 16,500	–	12	18	Oct 2009	156	306
The Elements, Livingston	Retail Leisure	100	32,000 5,670	–	36	8	Oct 2008	107	151
Southside Shopping Centre, Phase I, Wandsworth, Metro Shopping Fund – a limited partnership with Delancey	Retail Office Residential	50	1,960 1,740 4,040	–	–	1	Sep 2009	6	8
Proposed developments									
Trinity Quarter, Leeds	Retail	75	94,890	PR	20	n/a	2011	n/a	n/a
Retail Warehouses									
Developments, let and transferred or sold									
Commerce Centre, Poole	Retail	100	19,100	–	100	3	Aug 2006	50	50
Thanet Leisure, Thanet	Leisure	100	8,970	–	100	1	Aug 2007	25	25
Maskew Avenue, Peterborough	Retail	100	13,380	–	100	3	Sep 2007	36	36
Developments approved and those in progress									
Angel Road Retail Park, Edmonton	Retail	100	3,480	–	70	1	Feb 2009	12	18
Proposed developments									
Almondvale South Phase II b, Livingston	Retail	100	4,180	PR	–	n/a	2009	n/a	n/a

Planning status for proposed developments
PR – Planning Received

Total development cost (£m)
Total development cost refers to the book value of the land at the commencement of the project, the estimated capital expenditure required to develop the scheme from the start of the financial year in which the property is added to our development programme, together with finance charges less residential and other miscellaneous sale proceeds. Floor areas shown above represent the full scheme whereas the cost represents our share of costs. Letting % is measured by ERV and shows letting status at 31 March 2008. Trading property development schemes are excluded from the development pipeline. Cost figures for proposed schemes are not given as these could still be subject to material change prior to final approval.

Net income/ERV
Net income/ERV represents net headline annual rental payable on let units plus ERV at 31 March 2008 on unlet units.

ONE NEW CHANGE

Through developments like this we're shaping London for the better. In this case we're creating wonderful, contemporary office, retail and public space that will add new amenities to the City.

CUSTOMERS FIRST

RESHAPING LONDON

THE POWER TO TRANSFORM

London Portfolio

151,830m² of new developments completed and 94% let, including Bankside 2&3 let to RBS

No. 1 market share of London office development lettings

Total sales of £716.2m at 8.2% above valuation

Planning approval won for 20 Fenchurch Street, EC3

Timing of development pipeline well matched to demand

Mike Hussey, Managing Director
Land Securities London Portfolio

We are helping to reshape one of the world's great cities. Using our knowledge, understanding and scale, we develop and invest to create high quality office and retail space for world-class businesses and brands. We believe the spaces we provide enable organisations to enhance performance and improve day-to-day life for employees, shoppers and local residents.

"The market was demanding but we anticipated change early and achieved the lettings and sales needed to position the business favourably. We're in good shape to compete and the timing of our development pipeline looks well matched to current market conditions."

THE POWER TO TRANSFORM

CUSTOMERS FIRST

RESHAPING LONDON

NEW STREET SQUARE

We're revitalising London's Mid-town district with a cluster of new buildings. The contemporary look and excellent environmental performance of the development reflects our tenants' brand qualities, while the new shops, restaurants, bars and public spaces meet the needs of their employees.

London Portfolio

Our market

London is a world-class city with a growing population and excellent prospects for long-term business growth and employment. The capital's attraction as a place to live and work means households are set to increase by 15% (or 500,000) by 2021 and employment is expected to increase by 22% by 2026. [Source: London Draft Mayor's Housing Strategy September 2007, and GLA Economics].

In the short-term, our market has entered a period of slowdown after several years of very strong growth, and we now expect demand for new office space to reduce substantially. The credit crunch has accentuated these market dynamics. We did not predict the credit crunch but we did recognise the early signs of a slowdown some time ago and have adjusted our portfolio and development pipeline accordingly. The next two years will see our lowest development completions for a decade, while our existing portfolio is focused on high quality properties in thriving central locations.

Looking further ahead, we see a return to strong and sustainable growth in the London property sector. Our confidence in the London market is based on London's proven ability to attract people, businesses and international capital.

Our strategy

We invest substantial amounts of capital to create substantial value, using our expertise and scale to maximise growth and minimise risk. We believe that, in the London market, businesses thrive by taking decisive action on the timing and scope of key portfolio decisions.

We create value by:

- Ensuring we understand our customers' changing needs and expectations
- Investing early in the cycle to maximise value
- Focusing on major development projects located in a number of key central locations across London
- Using a mixed-use approach to create high quality properties that exceed people's expectations, thereby generating demand and improved rental performance.

Our performance

We have managed our strategy carefully over the last few years in order to time our delivery of developments and our sales and acquisition programme to the cyclical nature of the London office and commercial property market.

We have demonstrated elsewhere in this report the success of our development programme taking our overall schemes that completed this financial year from 78% to 94% let.

In addition, we sold £716.2m of assets at 8.2% average above March 2007 valuation. The majority of these sales reflected our belief that the assets had reached maturity in terms of their investment profile and could secure good prices in the strong investment market of 2007.

The combination of these two key areas of activity has resulted in a net outperformance of the IPD sector benchmark for London offices of 4.3%. This is a significant achievement.

Our asset management team has also performed well in the year and put us in good shape for the year ahead. For London offices we saw our voids drop from 5.7% to 1.8% in the year and we continue to benefit from the strength of our rental value growth, an 18.1% increase in like-for-like rental values and an increase in the reversionary potential from 6.7% to 20.5%. These factors have driven our underlying rental performance and our redevelopment of older secondary assets over the last three years is leading us into more difficult market conditions with a strong cashflow of well-let, newly developed assets that will come into our like-for-like portfolio next year.

Sales and acquisitions

Our objective is to create a balanced portfolio containing a strong blend of both investment assets and buildings offering medium and long-term development opportunities.

Our rationale for selling a particular asset is simple – we look to achieve the right price at the right time so we can recycle the capital into assets with greater growth potential. We have completed transactions valued at £1bn or more every year for the last four years and have now turned over more than 50% of our portfolio since 2004. This year we sold £716.2m of assets – an increase on previous years. A high level of turnover is not an end in itself, but our ability to achieve good liquidity from a very large portfolio shows that we have agility as well as scale.

Important sales this year included:

- Greater London House, NW1

  We acquired this investment more than three years ago, achieved excellent rental growth, decided to crystallise the return on our investment in Spring 2007 and completed its sale in August 2007.

Chart 31

London Portfolio valuation breakdown £7.3bn

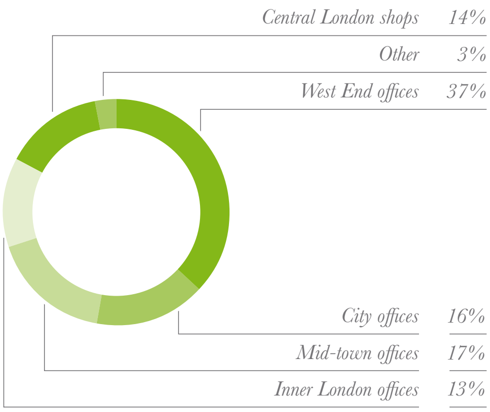


Chart 32

West End and City vacancy rates (%)

Source: Knight Frank

Table 33

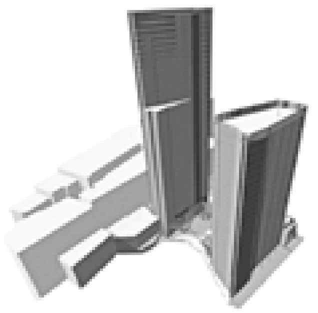
London valuation and performance summary

	31/03/08 £m	31/03/07 £m
Combined portfolio valuation	**7,351.1**	7,461.3
Like-for-like		
Investment portfolio valuation	**4,025.5**	4,202.6
Rental income	**213.4**	211.1
Gross estimated rental value	**262.2**	231.9
Voids by estimated rental value	**2.7**	5.2
Gross income yield	**5.2%**	4.4%

London Portfolio

- Blackfriars Road, SE1
  Having recognised its development potential we acquired this site in 2003. Having chosen to concentrate our South Bank activities at Bankside, for the time being, we opted to add substantial value by seeking planning permission for development and accepted a strong offer to sell in June 2007.
- Lime Street Estate, EC3
  This series of buildings sits within the City's tall buildings zone and has medium-term development potential. It has performed well as an investment over many years and produced a good price on sale for us this year.

Important acquisitions this year included:
- Thomas More Square, E1
  Located close to Tower Hill, this estate provides more than 52,000m^2 on a 1.7 hectare site, and we see excellent long-term development potential here. In November 2007 we entered into a 50% co-ownership agreement with Ontario Teachers' Pension Plan Board.
- Times Square, EC4
  Here we completed the purchase of a further 50.5% interest in Times Square, EC4, taking our holding to 95%.
- Harbour Exchange, E13
  We added 3 Harbour Exchange to our five neighbouring holdings.



Blackfriars Road, SE1
We acquired this site in 2003, gained planning permission for development, and sold it in 2007 – achieving a good return on our investment.

Asset management

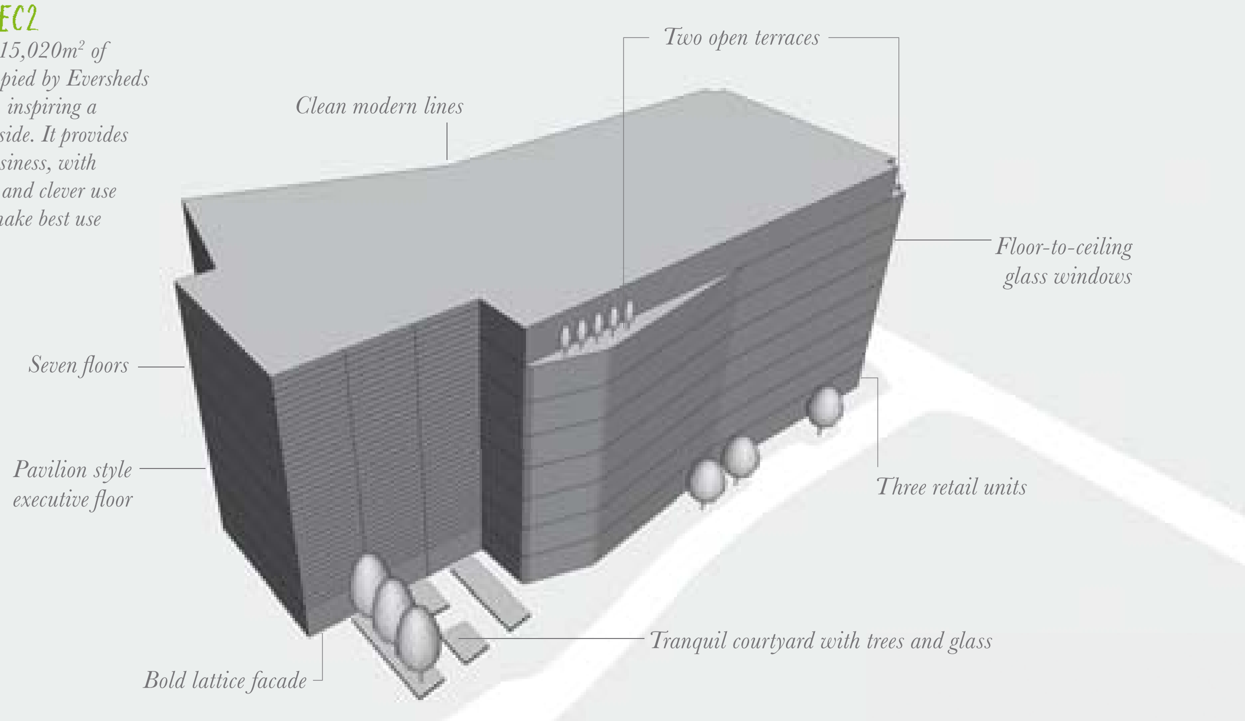
We have focused on two areas. First, maximising income from assets intended for redevelopment in the next cycle. Second, improving the performance of our Central London retail assets. We will continue to focus on our relationships with customers while driving efficiency in the portfolio, which will help to differentiate us in a period of reduced asset growth.

Joint ventures

Joint ventures enable us to pursue opportunities and diversify risk in the portfolio. In December we sold 50% of our holding at the corner of Oxford Street and Tottenham Court Road, W1, to Frogmore Real Estate Partners and entered into a joint venture through which we will define a long-term redevelopment strategy and Frogmore will manage the assets. This approach will combine the two companies' skills and experience and provide both parties with exposure to the investment and development markets.

ONE WOOD STREET, EC2

This development has created 15,020m^2 of flexible office space – now occupied by Eversheds – and 1,500m^2 of retail space, inspiring a shopping renaissance in Cheapside. It provides a wonderful atmosphere for business, with exceptional views, open spaces and clever use of glass and lattice shades to make best use of natural light.



London Portfolio

Table 34
Top 12 properties

a

b

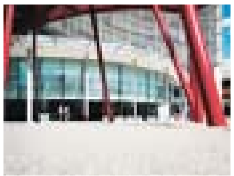
c

d

e

f

g

h

i

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l


Top 12 Properties

a **Cardinal Place, SW1**
Landmark offices, with ground floor retail anchored by Marks & Spencer.

b **New Street Square, EC4**
Innovative offices around a public square, with retail and restaurants.

c **50 Queen Anne's Gate, SW1**
Refurbished former Home Office building now occupied by Ministry of Justice.

d **Portland House, SW1**
Offices in Victoria let to American Express, Government and others.

e **Bankside 2&3, SE1**
Contemporary office, retail and leisure space in thriving Southbank.

f **Times Square, EC4**
We now hold a 95% interest in this substantial City office asset.

g **Portman House, W1**
Prime retail space in the heart of the West End with modern offices above.

h **Empress State Building, SW6**
Office tower building, with Metropolitan Police as tenant.

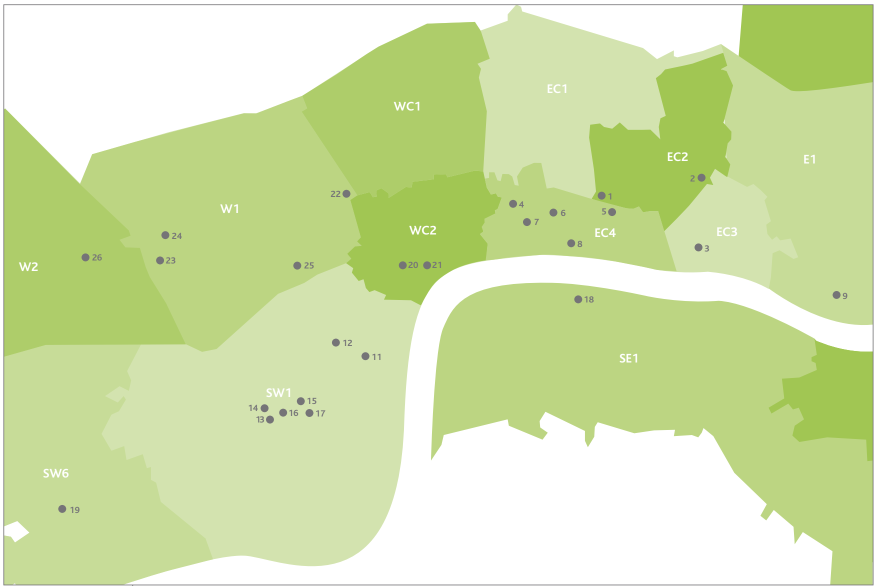
i **Piccadilly Circus Lights, W1**
Offices, retail, leisure and a world famous advertising landmark.

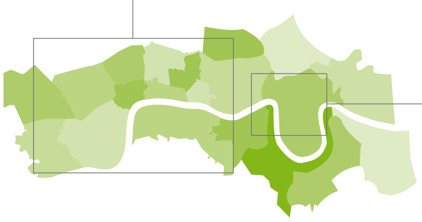
j **Eland House, SW1**
Victoria offices benefiting from Cardinal Place redevelopment.

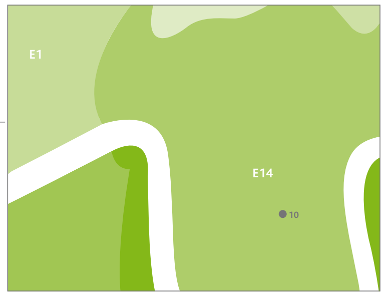
k **455/475 Oxford Street, W1**
Our Park House development will create a mixed-use scheme in the West End.

l **Ashdown House, SW1**
Office and retail space in prominent Victoria location.

Top London Portfolio properties
Over £100m by location







EC2
1. One Wood Street
2. Dashwood House*

EC3
3. 20 Fenchurch Street*

EC4
4. New Street Square*
5. One New Change*
6. 50 Ludgate Hill and 26 Old Bailey
7. Hill House
8. Times Square

E1
9. Thomas More Square Estate

E14
10. 3-9 Harbour Exchange

SW1
11. New Scotland Yard
12. 50 Queen Anne's Gate*
13. Portland House
14. Eland House
15. Kingsgate House
16. Cardinal Place
17. Ashdown House

SE1
18. Bankside 2&3

SW6
19. Empress State building[L]

WC2
20. 40 Strand
21. Arundel Great Court*

W1
22. 2/50 Oxford Street
22. 6/17 Tottenham Court Road
23. 455/475 and 475/497 Oxford Street and Park House*
24. Portman House
25. Piccadilly Circus Lights

W2
26. 10/20/30/40/50 Eastbourne Terrace*

*In the development pipeline
[L] Landflex building

THE POWER TO TRANSFORM

CUSTOMERS FIRST

RESHAPING LONDON

BANKSIDE

We're helping to transform this under-valued location into a place where people want to work, live and play. Unveiled last year, our Monument to the Unknown Artist interactive sculpture is proving a big hit with visitors and those working in our Bankside 1,2 & 3 office development

London Portfolio

Development programme

This year we completed 151,830m² of development space of which 94% is now fully let – an excellent performance that has put us in a strong position in a challenging market. Highlights included:

- **Bankside 2&3, SE1**
  Completed in 2007, these two buildings are now fully let to Royal Bank of Scotland, providing them with 35,172m² of high quality space in an increasingly popular and vibrant location.
- **New Street Square, EC4**
  Completed in April 2008 and now 87% let, our development has set record rents for the Mid-town market, helping to establish this location as a leading destination for the legal and professional community.
- **One Wood Street, EC2**
  Completed in September 2007, this development has now been handed over to its occupier, Eversheds.

In addition, the offices at Cardinal Place, SW1, are now fully let to occupiers, including 3i, Microsoft, EDF and Experian and Victoria continues to grow its position as one of the most attractive commercial centres in London.

For some time we have managed our development pipeline with one eye on the possibility of lower levels of demand. While the industry as a whole was increasing supply for completion in 2008/09, we opted to hold back. Over the next two years we have just 25,500m² of office developments coming on to the market.

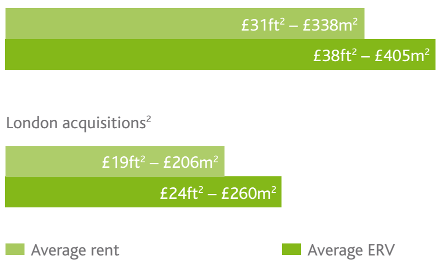
In the medium-term the picture looks somewhat different. We see a return to strong growth for high quality buildings and have invested in a major development pipeline of 235,720m². We believe these developments have the potential to deliver significant returns beyond 2010. Key developments include:

- **One New Change, EC4**
  Our innovative development will bring excellent offices, retail and public space to a historic site opposite St Paul's Cathedral and is due for completion in late 2010. In October 2007 we exchanged contracts with K&L Gates on the pre-letting of 35% of the office space for a minimum term of 15.5 years.
- **Park House, W1**
  Due for completion in 2011, this mixed-use scheme will offer some of the largest floor plates in the West End and add premium retail and residential units to an exceptional site.
- **20 Fenchurch Street, EC3**
  We won planning permission this year following an arduous public enquiry and much debate. This stunning development could be delivered by 2012.

Our outlook

Short-term, market conditions will be challenging with deteriorating employment levels in the financial services sector. However, we are well positioned to compete and can use our balance sheet strength to take advantage of opportunities. Over the medium-term, we see a return to strong demand for high quality space and we are timing our substantial and imaginative future development programme in line with this view. Long-term, we believe continued strong economic and commercial growth within London will support our diverse mixed-use portfolio, enabling us to enhance our standing as a market leader in a world-class capital.

Chart 35
London office portfolio



1. Excluding voids and properties in the current development programme.
2. Acquisitions completed between 1 April 2007 and 31 March 2008 and excludes properties purchased for development.

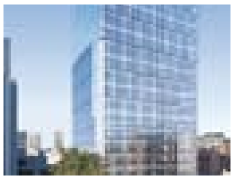
Table 36
Customer satisfaction survey – London offices

London Office	2005 Actual	2006 Actual	2007 Actual
Understanding the need of the business	3.52	3.44	3.72
Communications	3.26	3.71	3.81
Willingness to recommend us	94%	81%	91%
Responsiveness	3.66	3.45	3.51
Overall Customer Service	n/a	3.57	3.82

Park House, W1
On schedule for completion in 2011 this site covers an entire city block. It includes retail space, offices and apartments, with views across Mayfair.

London Portfolio

Table 37
Development pipeline






2008	2008	2011	2011	2013	2013
Dashwood House, EC2 Comprehensive office redevelopment, due November 2008.	**10 Eastbourne Terrace, W2** Comprehensive refurbishment including external envelope, due summer 2008.	**One New Change, EC4** Landmark development adjacent to St Paul's.	**Park House, W1** Redevelopment to create mixed-use scheme.	**Arundel Great Court, WC2** Major island site with proposals for mix of offices, retail, hotel and residential.	**20 Fenchurch Street, EC3** Rafael Viñoly-designed City tower.

London development pipeline at 31 March 2008

Property	Description of use	Ownership interest %	Size m²	Planning status	Letting status %	Net income/ ERV £m	Estimated/ actual completion date	Total development costs to date £m	Forecast total development cost £m
Developments, let and transferred or sold									
Cardinal Place, SW1	Offices Retail	100	51,130 9,420	–	100 97	37	Completed Jan 2006	388	388
Bankside 2&3, SE1	Offices Retail/Leisure	100	35,550 3,170	–	100 72	17	Completed Aug 2007	163	163
One Wood Street, EC2	Offices Retail	100	15,020 1,500	–	100 100	8	Completed Sep 2007	110	110
Developments approved and those in progress									
New Street Square, EC4	Offices Retail	100	62,340 2,980	–	87 87	35	Apr 2008	347	383
50 Queen Anne's Gate, SW1	Offices	100	30,140	–	100	13	May 2008	137	142
10 Eastbourne Terrace, W2	Offices	100	6,150	–	73	3	Jun 2008	37	43
Dashwood House, EC2	Offices Retail	100	13,870 740	–	–	9	Nov 2008	90	113
30 Eastbourne Terrace, W2	Offices	100	4,470	–	–	2	May 2009	13	35
One New Change, EC4	Offices Retail	100	31,660 19,830	–	34 12	32	Sep 2010	220	537
Park House, W1	Offices Retail Residential	100	15,550 8,470 5,380	–	11	25	Feb 2011	218	347
Proposed developments									
Arundel Great Court & Howard Hotel, WC2	Offices Retail Residential	100	42,600 3,830 25,720	–	n/a	n/a	2012	n/a	n/a
Selborne House, SW1	Offices Retail	100	23,340 3,970	–	n/a	n/a	2012	n/a	n/a
20 Fenchurch Street, EC3	Offices Retail	100	54,810 560	PR	n/a	n/a	2013	n/a	n/a

Planning status for proposed developments
PR – Planning Received

Total development cost (£m)
Total development cost refers to the book value of the land at the commencement of the project, the estimated capital expenditure required to develop the scheme from the start of the financial year in which the property is added to our development programme, together with finance charges less residential proceeds. Floor areas shown above represent the full scheme whereas the cost represents our share of costs. Letting % is measured by ERV and shows letting status at 31 March 2008. Trading property development schemes are excluded from the development pipeline. Cost figures for proposed schemes are not given as these could still be subject to material change prior to final approval.

Net income/ERV
Net income/ERV represents net headline annual rental payable on let units plus ERV at 31 March 2008 on unlet units.

Urban Community Development

Urban Community Development creates value through the transformation of under-used land into thriving places and communities. Our work is both supporting and benefiting from London's long-term economic and population growth.

Kent Thameside

Our regeneration programme at Ebbsfleet Valley in Kent is a 20-25 year project that will transform 420 hectares of land into a vibrant mix of residential, business, retail, leisure and public space. We are working at two main development sites – Eastern Quarry and Ebbsfleet – within which are 10 'villages' or development areas. This year we achieved excellent progress on planning permission and made a good start on development and marketing. Highlights included:

- Planning
  We gained planning permission for Eastern Quarry, enabling us to focus on developing the 870,000m² project. We have since gained approval for our site-wide and area masterplans together with 18 other submissions for infrastructure and landscaping. We have also completed the masterplan for the central core of Ebbsfleet, comprising some 506,000m², with a team from Arup Urban Design. We have submitted these plans to Dartford and Gravesham Borough Councils.
- Construction, marketing and sales
  We started construction of phase one at Springhead Park with our partner, Countryside Properties. The marketing suite and first show homes were launched in March 2008 and more than 50% of the first phase was reserved within two weeks. First occupations will take place in September 2008. The final development will provide more than 600 homes together with a church and community centre, health centre and sports centre. We continue to achieve good sales at Waterstone Park, a further joint development with Countryside Properties next to Bluewater.
- Transport connections
  In November 2007 Eurostar launched its services from Ebbsfleet International station to Paris, Brussels and Lille, with Paris just over two hours away. High-speed domestic services to London will be launched in late 2009 with a journey time of just 17 minutes to St Pancras International. Fastrack, the award winning Bus Rapid Transit network serving Kent Thameside, has flourished, carrying significantly more passengers than expected.
- Culture
  In conjunction with London and Continental Railways and Eurostar, we launched the Ebbsfleet Landmark, a £2m project to create a major public artwork to help put Ebbsfleet Valley on the map. Artists Daniel Buren, Richard Deacon, Christopher Le Brun, Mark Wallinger and Rachel Whiteread have submitted models of their ideas and the final selection will be made in late summer.

Harrow and Wealdstone

In January 2008 we formed a partnership with Kodak Ltd to find new uses for 24 hectares of redundant land around its production plant in Harrow and Wealdstone. Our approach will enable Kodak to continue production while devising ways to maximise the land's future potential.

Milton Keynes

Working with joint venture partner Gazeley Limited, we completed the development of a 60,400m² distribution centre. This was pre-let to John Lewis and we have now sold the asset, generating a profit of £8.1m.

Harlow

In April 2008 we formed a 50:50 joint venture with Places for People and set out our plan to acquire more than 970 hectares of land to the north of Harlow, to help meet much-needed housing and employment in the area. The purchase is subject to the site's inclusion in the final East of England Plan.

Our outlook

Ebbsfleet Valley is making the vital step from planning to implementation successfully, and we expect to make substantial further progress on construction of infrastructure, landscaping and buildings, residential sales and community facilities over the next year, particularly at Springhead Park. Meanwhile, we are seeking out new opportunities to help the UK meet growing demand for housing and mixed-use space.

EBBSFLEET VALLEY

The completed development will provide:

10,000
new homes

645,560 m²
of offices

322,800 m²
of mixed-use space in total

TRANSFORMING WORKSPACES

EVOLVING WITH OUR CUSTOMERS

ENABLING PEOPLE TO ACHIEVE MORE!

NORWICH UNION

This year we delivered a fully refurbished headquarters building to Norwich Union – on budget and three weeks early. Around 3,000 employees now enjoy a more open and contemporary work environment, including a new state-of-the-art atrium.

Land Securities Trillium

Successful launch and close of the £1.136bn Trillium Investment Partners fund

Strong financial performance on existing contracts

New business success in key strategic areas, including education and waste

Acquisition and integration of AMEC Project Investments (PFI) business

Ian Ellis, Chief Executive
Land Securities Trillium

We are the clear market leader in property partnerships and Public Private Partnerships (PPP). We help transform the performance of businesses and public services through long-term partnerships that invest in, manage and service property and community infrastructure. Our work enables organisations to transform workspace, enhance employees' performance and create value for stakeholders.

"We met important deadlines early, we won a number of substantial contracts and we closed the Trillium Investment Partners fund successfully. We are now the market leader in property partnerships and PPP, and we see good prospects for further growth in both areas."

Land Securities Trillium

Our market

Despite uncertainty in the economy, our markets are in good shape. As UK market leader in property partnerships we are in a very strong position to compete for major opportunities as they arise. Central and local government are committed to achieving more efficient use of assets and we believe this is likely to create further market opportunities for us.

The PPP market is also strong. Our focus here is on education, waste and local authority infrastructure, all of which offer a pipeline of major opportunities. Building Schools for the Future (BSF) is a 15-year government programme with £45bn committed for the upgrading of every secondary school in the country. In waste, the government must address the UK's reliance on landfill by 2010 or face heavy penalties from the EU – £10bn is one estimate of the investment needed to address this. To date, £2bn has been committed to PFI in the waste sector and this has been matched by an equal amount from local authorities.

Meanwhile, the Government Efficiency Review is requiring some £30bn to be realised from the sale of assets by central government departments and local authorities, and many are looking to partner with the private sector to achieve this and to upgrade their estates.

We also see good potential revenue opportunities on the Continent. With EU money moving towards eastern Europe, more governments in the west are adopting PPP to procure and deliver social infrastructure investment. In Continental Europe our initial focus is on acquiring investments in secondary market assets already in operation.

Our strategy

We invest in and manage properties and facilities for a wide range of organisations across the public and private sectors. We don't just supply better buildings – we own, manage, develop and upgrade everything from individual properties to entire estates. Government departments, international businesses, individual schools and many other organisations use our expertise to maximise the potential of their infrastructure for their business and their people.

We create value by:

- Using our asset management skills and development expertise to improve performance and reduce risk for customers while growing our own business
- Increasing the scope, scale and value of our contracts with customers by forming excellent long-term relationships, earning trust and delivering major improvements
- Developing new and better ways to get the most from properties, workspaces and facilities
- Gaining access to new market areas and strengthening our leadership position by acquiring specialist businesses
- Supporting the growth of our pipeline of opportunities through Trillium Investment Partners acquiring mature assets.

Our performance

We delivered an underlying operating profit of £129.1m (2007: £98.8m), significantly higher than last year largely due to our new contracts with Accor and Royal Mail and around £43.0m of non-recurring items. On the DWP contract, which accounted for the majority of the non-recurring items, the anticipated decline in operating profits due to vacations did indeed materialise, but this was offset by us resolving a number of outstanding issues which allowed us to recognise additional profits of £31.3m.

Higher operating profit contributions from DVLA and Norwich Union reflect the completion of major refurbishment works, while the DVLA contract has also benefited from scope extensions.

Increased costs reflect the overhead associated with the former SMIF, IIC and AMEC teams. Bid costs increased due to the high level of new business activity associated with our appointment as preferred bidder on both DTR and Kent BSF, and our involvement in Workplace 2010.

The successful launch and close of the Trillium Investment Partners fund and the sale of the Meterfit asset has given rise to a profit on disposal of £47.5m.

Chart 38
Existing portfolio by use (million m²)

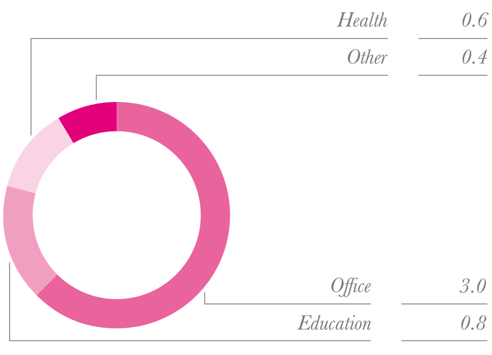
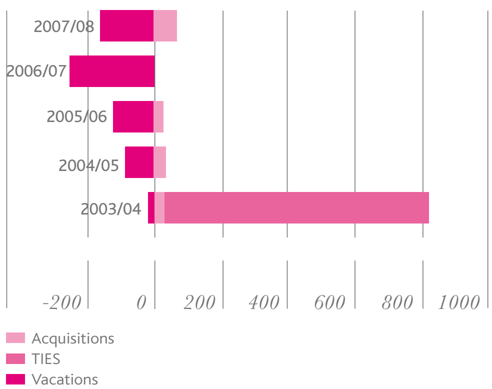


Chart 39
DWP contract growth and vacation (000m²)



Trillium Investment Partners

This year we achieved a major success with the launch and close of the Trillium Investment Partners, a £1.136bn fund that enables third party investors to gain exposure to our PPP contracts.

The launch of the fund attracted very strong interest, despite one of the weakest debt and equity markets for some time, and the calibre of the equity partners is a testament to the strength and quality of the assets and our business. We have retained a 10% stake in the venture.

Trillium Investment Partners is now the largest investment vehicle of its kind focused on PPP contracts. We intend to grow the fund to around £2bn over five years through the acquisition of mature PPP assets, such as schools and hospitals already in operation. The fund will acquire these assets from Trillium, where our market leading New Business division has already secured £240m of new opportunities. The fund is aiming to invest £200m every year for the next four years.

A new division of Trillium, authorised by the FSA, will manage the fund and receive an annual management fee.

AMEC PFI acquisition

In November 2007 we completed the acquisition of AMEC's Project Investments business, which included interests in seven signed PFI projects and one project at preferred bidder stage. We paid £158.5m for the business, which provides us with a top quality portfolio of assets and a specialist team experienced across the complete PFI/PPP process, from bidding to long-term management of investments. This acquisition is now fully integrated into Trillium, and reinforced our position as a leader in PFI, transport and health sectors.

New business

Property partnerships

- Defence Training Review
  Having won preferred bidder status in January 2007, Metrix – our 50:50 joint venture with QinetiQ – continues to work with the Ministry of Defence to create a new defence training academy at St Athan, South Wales. This is one of the UK's largest PPP projects.
- Workplace 2010
  This is a 20-year contract to provide a full range of property outsourcing services for the Northern Ireland Civil Service. Workplace 2010 includes a major five-to-seven-year programme to transform the Northern Ireland Civil Service's office estate, improve working environments for staff and facilitate new ways of working, with the aim of delivering greater value for the taxpayer. We are one of two final short-listed bidders.

£158.5m

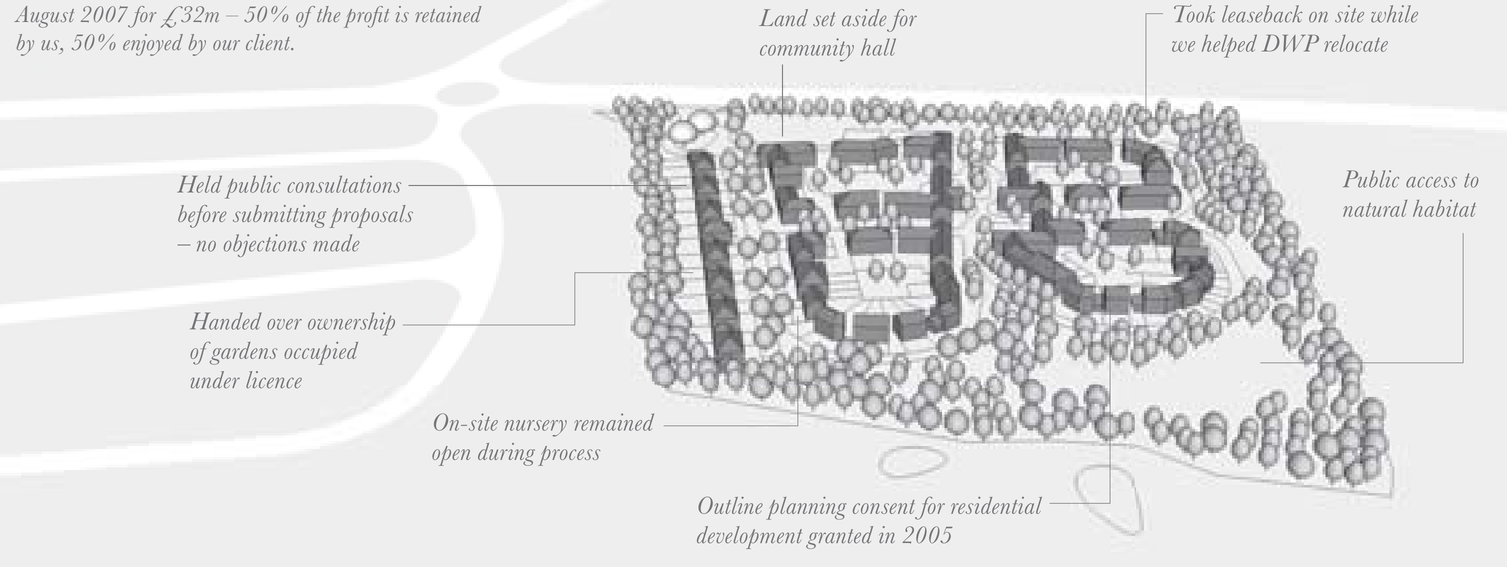
Paid to acquire AMEC's Project Investments Business.

Our partners in the Trillium Investment Partners fund:

HBOS plc, Victorian Funds Management Corporation of Australia, funds managed by Bank of Ireland, Transport for London Pension Fund, Lloyds TSB, London Pensions Fund Authority and pension funds operated by Daily Mail General Trust plc.

HINCHLEY WOOD

We purchased this 12-acre site in 1998 through our contract with the DWP. Since then we have paved the way for a transformation from outdated government buildings on brownfield land to a site with outline planning permission for 136 much-needed homes. We sold the site in August 2007 for £32m – 50% of the profit is retained by us, 50% enjoyed by our client.



DWP

Our fit-out at the DWP's Caxton House offices in London required us to relocate the Ministerial team and civil servants while we transformed the space to increase collaboration and flexibility. The tight nine-month turnaround was determined by the Parliamentary calendar, but we delivered on time.

Land Securities Trillium

PPP

- **Education**
  With Northgate Information Solutions, we were announced as Kent County Council's preferred bidder for the first phase of its £1.8bn BSF programme. Through this, we will enter into a new £600m public private partnership with Kent County Council and Partnerships for Schools to refurbish or rebuild secondary schools and help transform education in the Gravesham, Swale and Thanet districts by 2014. Our success in Kent builds on our work across the UK, where we now own or manage 197 schools with 174,000 pupils. This year we were also named as one of the two final short-listed bidders for the Birmingham BSF programme, with a final decision expected in September 2008; and in April 2008 *e4i* (Education for Inverclyde) – a consortium comprising Trillium, Miller Construction, Cyril Sweett and FES – was named preferred bidder for the £80m Inverclyde Schools PPP project.
- **Waste**
  This year we secured our first major success in the fast-growing waste sector. Working in partnership with Norfolk Environmental Waste Services and Cyril Sweett Investments, we became preferred bidder for Norfolk Waste Management Contract A, a 25 year project to build and operate an Advanced Mechanical Biological Treatment (AMBT) facility to treat and recycle solid waste. AMBT facilities are considered effective and environment-friendly, and we are now demonstrating to other local authorities that our solution in Norfolk can help them meet pressing EU environment and waste targets.
- **Thornton Hall Prison**
  Working in partnership with Global Solutions Limited, in the Leargas consortium with McNamara and Barclays Private Equity, we have been named preferred bidder for Thornton Hall, a €500m PFI prison near Dublin, Republic of Ireland.

Chart 40
History of Trillium

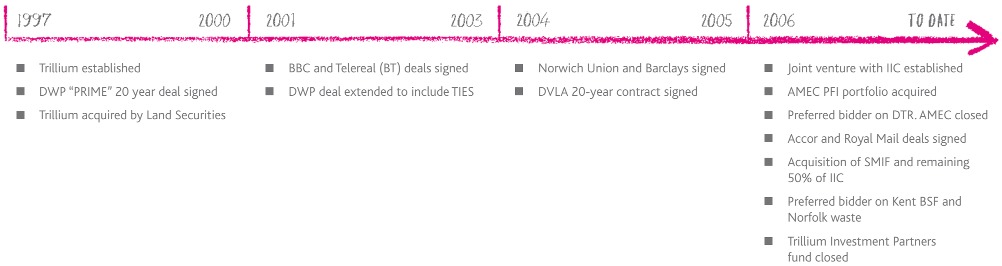


Chart 41
The Trillium business model

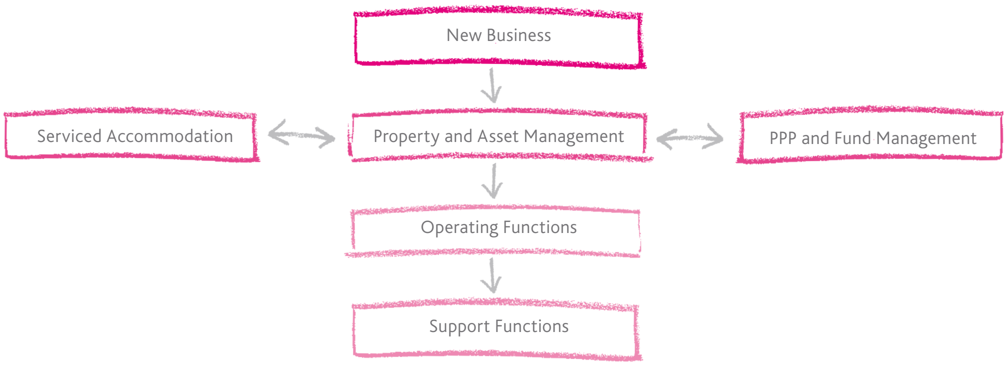


Table 42
Trillium financial results

	Year ended 31 March 2008 £m	Year ended 31 March 2007 £m
Contract level operating profit		
– DWP	**94.3**	81.0
– Norwich Union	**11.1**	9.2
– Barclays	**1.9**	3.3
– DVLA	**3.7**	1.7
– Telereal II	**15.5**	16.1
– Accor	**27.1**	1.5
– Royal Mail	**4.1**	–
– BBC	**9.2**	2.8
Bid costs	**(11.9)**	(2.8)
Central and other costs	**(25.9)**	(14.0)
Underlying operating profit	**129.1**	98.8
Net deficit on revaluation of investment properties	**(24.9)**	(13.6)
Profit on disposal of properties	**18.1**	7.5
Segment profit	**122.3**	92.7
Share of profit/(loss) from Investors in the Community (IIC) (joint venture)	**0.1**	(3.0)
Share of loss of Trillium Investment Partners (associate)	**(0.5)**	–
Profit on sale of interest in Trillium Investment Partners (discontinued operation)	**37.5**	–
Profit on sale of Meterfit (discontinued operation)	**10.0**	–

Education

This year, 'Investment in school facilities and PFI – do they play a role in educational outcomes?', an independent KPMG report, stated that new PFI schools are improving pupil performance.

LEEDS SCHOOLS

We've been helping to improve the quality of education and educational facilities at six schools in Leeds. Our approach has created flexible, efficient and innovative spaces – like a new centre at Primrose High School where pupils and local people can gain media training.

EVOLVING WITH OUR CUSTOMERS

TRANSFORMING WORKSPACES

ENABLING PEOPLE TO ACHIEVE MORE!

Land Securities Trillium

Property partnerships

This was a very successful year for a number of our property partnership contracts with major long-term customers. Key highlights included:

- Department for Work and Pensions
  We achieved a customer satisfaction rating of 94% this year – three percentage points better than last year's level. This is particularly impressive given the enormous scale of the portfolio, with some 1,300 properties under management. Notable successes also included the sale for development of the Hinchley Wood site.
- Norwich Union
  We completed a major three-year refurbishment of Norwich Union's headquarters this year – three weeks ahead of schedule and on budget. Our work has helped to transform the working environment.
- DVLA
  The major refurbishment of the main HQ offices and a number of other sites were completed successfully, with the main HQ works handed over eight weeks early and on budget. We also provided a new print facility building in September 2007. We continue to support DVLA with increased investment and services in its ongoing estates transformation project.
- Royal Mail
  Our contract with Royal Mail went live in March 2007, when we took over freeholds and the risk and management of 296 vacant and sublet leaseholds. We have made good progress on the disposal of surplus space and have continued to evolve our relationship with Royal Mail.
- Accor
  In May we completed the purchase of a further seven Ibis and Novotel hotels, bringing the portfolio owned to 29 hotels in London and across the UK. The hotels are leased back to Accor on a turnover rent basis and we maintain the structural fabric of each hotel.

Our outlook

We are market leader in two sectors – property partnerships and PPP – both of which offer stable long-term cashflows and good growth prospects. We have a well-rounded business with a strong supply of investment capital and a comprehensive range of services. We have robust contracts, a strong new business pipeline and operate in market sectors driven by government investment and blue chip corporate activity. We see excellent prospects for continued growth in the short, medium and long term.

Chart 43
Our history

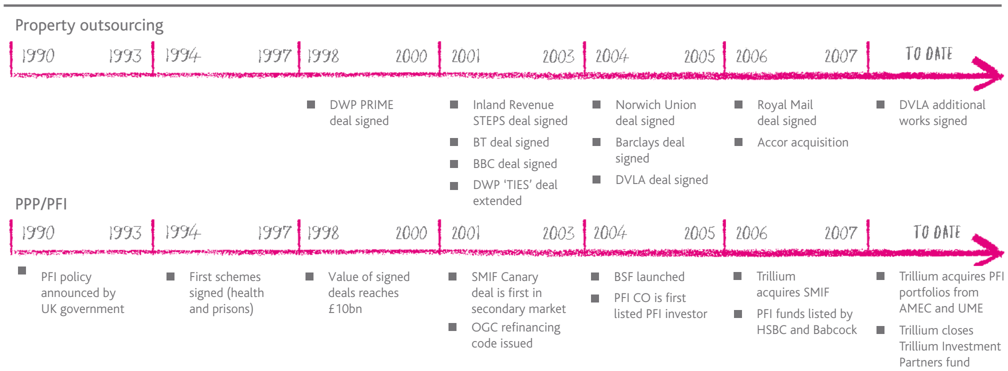
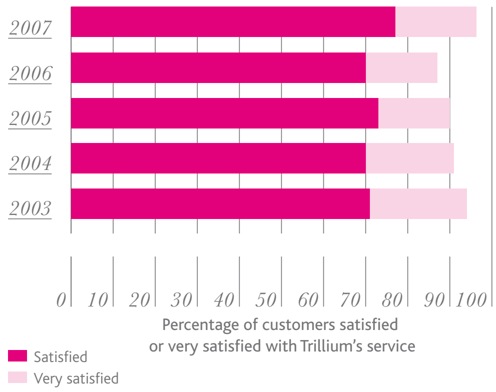


Chart 44
DWP customer satisfaction (%)



94%
Record DWP customer satisfaction score achieved this year

8 weeks
Early delivery of DVLA facilities

3 weeks
Early delivery of Norwich Union headquarters

Table 45
Trillium number of people by occupation

As at 31 March 2008	Total
Asset management	105
Call centre	68
Capital projects	139
Quality assurance	30
Facilities management	377
HR/finance	115
Business development and commercial	95
Total	**929**

Board of Directors

Paul Myners (60)
Chairman & Non-executive Director

Appointed to the Board in September 2006 and Chairman in January 2007. Member of the Court of Directors of the Bank of England and Chairman of Guardian Media Group plc, Tate, the Low Pay Commission and The Personal Accounts Delivery Authority. Also a trustee of Glyndebourne and the Smith Institute.

Francis Salway (50)
Executive Director

Joined the Group in October 2000. Previously an Investment Director at Standard Life Investments. He was appointed to the Board in April 2001. Appointed Chief Operating Officer in January 2003 and Group Chief Executive in July 2004. Also Vice President of the British Property Federation.

Martin Greenslade (43)
Executive Director

Joined the Board as Group Finance Director in September 2005. Previously Group Finance Director of Alvis PLC and a member of the executive committee of Nordea's investment banking division and Managing Director of its UK business. Also a Director of International Justice Mission UK.

Ian Ellis (52)
Executive Director

Joined the Board in November 2002. An original member of the management team which set up Trillium. Previously Chief Executive of the investment management division of Insignia Richard Ellis. Chief Executive of Land Securities Trillium. Non-executive Director of Rok plc.

Sir Christopher Bland (70)
Non-executive Director

Appointed to the Board as a Non-executive Director in April 2008 and as Chairman of Land Securities Trillium Limited. Previously Chairman of BT Group plc and Chairman of the Board of Governors of the BBC. Chairman of the Royal Shakespeare Company.

Kevin O'Byrne (43)
Non-executive Director

Appointed to the Board as a Non-executive Director in April 2008. Group Finance Director of DSG International PLC since 2004. Previously Chief Financial Officer for Hemscott Publishing Group and European Finance Director for The Quaker Oats Company.

David Rough (57)
Non-executive Director

Joined the Board as a Non-executive Director in April 2002 and appointed Senior Independent Director in November 2003. Group Director (Investments) of Legal and General Group PLC until December 2001. A Non-executive Director of Xstrata Group PLC and Friends Provident Group plc.

Alison Carnwath (55)
Non-executive Director

Appointed to the Board as a Non-executive Director in September 2004. Chairman of M F Global Inc (a NYSE Listed company) and a Non-executive Director of Man Group plc. An independent Director of PACCAR Inc., a Fortune 500 Company Listed on NASDAQ.

Mike Hussey (42)

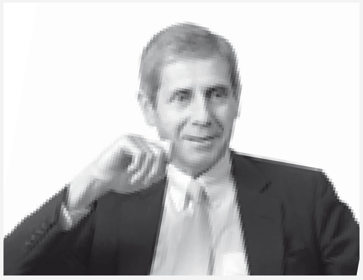
Executive Director

Appointed to the Board in September 2004 after joining the Group as Development Director in 2002. Previously Head of Leasing and Marketing at Canary Wharf Group. Appointed Managing Director, London Portfolio in July 2004. A Director of New West End Company.

Richard Akers (46)

Executive Director

Joined the Board in May 2005, following his appointment as Managing Director, Retail Portfolio in July 2004. Joined the Group in 1995 and previously held the position of Head of Retail Portfolio Management.



Sir Stuart Rose (59)

Non-executive Director

Joined the Board as a Non-executive Director in May 2003. Chief Executive of Marks & Spencer Group plc. Previously Chief Executive of Arcadia Group until December 2002. Chief Executive of Booker PLC from 1998 until 2000.

Rick Haythornthwaite (51)

Non-executive Director

Appointed to the Board as a Non-executive Director in April 2008. Chairman of Mastercard Inc. and the Risk and Regulation Advisory Council and a partner at Star Capital Partners Ltd. Previously Chief Executive of Blue Circle Industries PLC and Invensys plc and a Non-executive Director of ICI plc. Chairman of the Southbank Centre.

Bo Lerenius (61)

Non-executive Director

Appointed to the Board as a Non-executive Director in June 2004. Previously Group Chief Executive of Associated British Ports Holdings PLC and Chief Executive Officer and Vice Chairman of Stena Line AB. A Non-executive Director of G4S plc, Thomas Cook Group PLC and Ittur Group (Sweden). Since 2007, Chairman of the Swedish Chamber of Commerce for the UK.

Corporate responsibility

Our business activities have an enormous influence on the day-to-day lives of thousands of people across the UK. Our approach to corporate responsibility focuses on seven key areas where what we do and how we do it has a particularly significant effect on the world around us.

July 2007 – we were the only UK company named as one of the world's '20 Most Sustainable Stocks' by sustainablebusiness.com

Online environmental E-Training introduced for all staff

Gunwharf Quays sends just 0.5% waste to landfill

On target to reduce CO_2 emissions in existing buildings by 10% before 2011

CUSTOMERS

We believe our customer service differentiates us from our peers. Our aim is to provide best in class levels of service so that occupiers and clients choose us as their business partner.

COMMUNITY

We build relationships with local government, education partners, community organisations and residents. Our activities help to transform towns and cities throughout the UK.

HEALTH AND SAFETY

We are committed to taking every reasonable step to ensure the health and safety of our employees and anyone else affected by our business activities.

EMPLOYEES

We employ 1,700 people across the Group and aspire to be the property sector's employer of choice. The wellbeing and professional development of employees is central to our growth and success.

INVESTORS

We encourage a two-way dialogue with existing and potential investors and business commentators. We believe this creates a better understanding of our business and better business relationships.

SUPPLIERS

We work with suppliers whose values and approach mirror our own, helping us to ensure high standards are maintained and risks minimised.

ENVIRONMENT

How we build and run our buildings has a significant effect on the human and natural environment. Innovation and best practice procedures help us to develop and manage buildings to good environmental standards.

Volunteering

The Foundation is responsible for encouraging every employee to volunteer a minimum of one day a year in work time. It has supported 326 volunteers so far, clocking up more than 3,000 volunteering hours in total. This year around 20% of employees took part in projects, and our target is to have 50% of employees involved by 2010.

Employees who volunteer in their own time are encouraged to apply for matched leave. Volunteering 32 hours a year earns two additional days' leave, for example. To date 30 employees have taken a total of 45.5 days of additional leave.

Some examples of our volunteering work:

- Enterprise – Young Enterprise scheme launched
  Our volunteers are helping young people interested in business to develop their skills and knowledge. The teams set up and run concept companies and learn the lessons of business along the way. Launched in 2008, we are running this project in London and the North West initially.
- Education – Supporting schools in Tower Hamlets
  Trillium has supported St Anne's Catholic Primary School and Thomas Buxton Junior School in Tower Hamlets for six years. We have helped to support literacy by buying books for their libraries and enabling more reading partners to come in and read to children. Last year we funded local artist Janet Brooke's involvement in a curriculum art project, and the art works produced in response were exhibited in Spring 2008 at the SW1 Art Gallery in our Cardinal Place scheme. Over the years we have also used our core skills to help improve the schools' buildings and infrastructure, and this year we turned a potentially hazardous part of the existing school playground into a safe play environment.
- Environment – Earthwatch
  For five years we have enabled employees to take part in a competition to win an environmental trip with the Earthwatch Foundation. Everyone who takes part becomes an environmental champion in their area of the business, helping to increase awareness of issues among colleagues. Last year's winner, Anna Chapman from UCD, travelled to the tip of Vancouver Island to help monitor the migratory feeding habits of grey whales.
- Employability – SPEAR mentoring programme
  SPEAR is an eight-week programme for 16-24 year old unemployed people in West London. The course is run by experts in change management, education and youth work. This year four of our employees have mentored young people through the course and two other employees have applied to take part in the next course. Each employee makes a commitment to meet the young person for an hour every fortnight to help him or her make decisions. Land Securities Group also supports SPEAR with an annual donation of £6,000.

£487,600

Charitable donations made in 2007/08.

50%

Our target to have employees in volunteering by 2010.

Birds Eye View project

Children at schools in Tower Hamlets visited our Victoria offices then worked with print artist Janet Brooke to create art works reflecting what they had seen. The work was shown at the Land Securities Art Gallery in Spring 2008.

Give As You Earn
Donating to charity through the Give as You Earn (GAYE) scheme is tax efficient for all involved. This year we ran three GAYE promotions and increased the number of employees giving from 1% to 8.5%. This increase was boosted by the Company's offer to match each employee donation with an additional 20%, up to a maximum of £5,000 per employee each year.

Community
Strong relationships are the lifeblood of any community and we work hard to ensure we play our part. We start to build these relationships well in advance of any planning process because we want our schemes – whether office development, shopping centre or management of a school contract – to help create a sense of local ownership and civic pride. Here are some examples of our commitments in action:

- Victoria Transport Interchange
  Our London team held a four-day public exhibition with models, video presentation, traffic modelling, interactive views and a take-home information pack. 2,500 people attended.
- Shopping Centre Study Support
  Our Study Support centres based at the White Rose Shopping Centre, Leeds, and the Stratford Centre, London, are helping to enhance the skills and personal development of children.
- Child Awareness
  This scheme provides a hotline so people can alert us if a child appears to be lost or missing in a shopping centre.
- Art and development
  At the Cabot Circus development in Bristol our on-site artist has worked with construction workers of 60 different nationalities to write a Cabot Circus recipe book. At the Southbank, Greyworld's spectacular interactive 'Monument to the Unknown Artist' was unveiled this year and is now helping to add even more vibrancy to the area.

Employees
We employ around 1,700 people across the UK. Our strategy is to become the employer of choice in the property sector by attracting, recruiting and retaining exceptional employees who will add value to our business and our customers. Key areas of support for employees include:

- Learning and Development
  Around 84% of our employees have a learning and development plan in place and our Learning and Development offer achieved on average a 96% satisfaction rating.
- Diversity
  We look to create a diverse, inclusive and representative working environment where everyone is treated with dignity and respect. We have also won awards for our activities to promote diversity within the communities in which we work.
- Employee survey
  We have outperformed the survey provider benchmark consistently over the past few years. This year the employee engagement score was 3.03/4.00, a small improvement over the previous year. 82% of the employee population completed the survey. 90% of employees are satisfied with working at Land Securities and over 92% are proud to work for Land Securities.

8.5%
The number of our employees donating to charity.

£6,000
Annual donation to SPEAR.

2,500
Members of the public who attended our Victoria Transport Interchange Exhibition.

60
Cabot Circus, Bristol
One artist and construction workers from 60 different nations wrote the Cabot Circus recipe book.

Environment

In July 2007 we were the only UK company included in the World's 20 Most Sustainable Stocks by sustainablebusiness.com. Since then the Dow Jones Sustainability Index named us a global leader in both the real estate and finance sectors, and we have been named sector leaders for sustainability in the UK by Sustainable Asset Management. Some examples of our commitments in action include:

- Development
  Our target is to design new offices with 20% lower carbon emissions than that required by Building Regulations, and we are on target to reduce emissions of CO_2 in our existing buildings by 10% before 2011.
- Customers
  We are engaging with our tenants to help them reduce their own energy use. For example, a successful workshop with occupiers at Cardinal Place, London, has led to the introduction of building-specific Environmental Management Programmes that place responsibilities for success on each tenant, as well as on us as landlords.
- Waste
  At Gunwharf Quays, Portsmouth, just 0.5% of waste is sent to landfill due to successful recycling initiatives, while our Fremlin Walk Centre in Maidstone has started a composting trial with caterers.

Health and Safety

We produce an annual health and safety plan and our Board reviews our progress every quarter. We committed to a number of new targets in 2007 and met the following:

- Ensure that 70% of Group contractors are accredited with the Construction Skills Certification Scheme – 71% are now accredited
- Certify one additional business activity to OHSAS 18001 standard – both Gunwharf Quays, Portsmouth and the Bridges Shopping Centre, Sunderland, have achieved this standard
- Develop and launch a Wellbeing Policy for the Group and train 25% of management on its implementation
- Develop a web-based e-learning training course for use within schools.

Accident records are reviewed across the Group every month. We report on RIDDOR accidents (those reportable to the enforcement authorities), events and near misses. The number of RIDDOR accidents fell by 16.4% to 204 in the year compared to 244 in 2006/07.

Charitable giving

Land Securities Group and its businesses made total charitable and community investments and donations in the order of £487,600 in 2007/08.

In addition to charitable giving and volunteering arranged through The Land Securities Foundation, we run numerous regional grant programmes. The London Portfolio's Capital Commitment Fund is now in its third year, for example, and has supported 33 groups in Southwark and Westminster. Key national sponsorship relationships this year included:

- The Prince of Wales' Arts & Kids Foundation
  Now in its third year, we have worked with schools to give 1,300 children the opportunity to study a new play, specially commissioned for the project.
- British Volleyball
  Our partnership with British Volleyball is helping to achieve a higher profile for the sport and providing business skills to help support its growth.

Corporate Responsibility Committee

Our Corporate Responsibility Committee is drawn from across the Company. Each Committee member has his or her own particular discipline and a drive to ensure we transform excellent new research and thinking into tangible improvements. The Committee meets on a regular basis to set policy and overall objectives, and to review progress against targets.

84%

Of our employees have a learning and development plan in place.

92%

Of our employees are proud to work for Land Securities.

10%

The target to reduce our CO_2 emissions by 2011.

0.5%

The small amount of waste at Gunwharf Quays in Portsmouth going to landfill.

Performance during 2007/08

	Status
Customers	
Host Energy and Environmental Efficiency workshops for customers at 12 managed properties across the Group's London Office and Retail portfolios to enable these customers to improve recycling and reduce their energy and water commitments	▪ Achieved
Achieve customer satisfaction targets ▪ Shopping Centres: 3.8 ▪ Retail Parks: 3.4 ▪ London: 3.7	 ▪ Achieved ▪ Not audited ▪ Achieved
Maintain 90% overall customer satisfaction rating on the DWP contract	▪ Achieved
Employees	
Ensure out-performance across the Group of the Expert Training Systems (ETS) benchmark on employee engagement	▪ Achieved
Contribute actively to local communities by enabling 20% of the Group's staff to volunteer time and expertise through the Land Securities Foundation	▪ Achieved
Provide professional support to the Board of the British Volleyball Federation in the development of its Business Plan and host, in Land Securities premises, two community based Volleyball events	▪ Work in progress
Enable 2.5% of staff to participate in charitable giving through the payroll	▪ Achieved
Implement a system for monitoring the effectiveness of the equal opportunities and diversity policies, and respond to all issues raised	▪ Achieved
Environment	
Reduce CO_2 emissions by 5% against the baseline (average for the three years 2004-07) in managed offices and retail premises	▪ Mostly achieved
Reuse or recycle 80% (measured by weight) of non-hazardous demolition and construction waste on all projects undertaken during the year	▪ Mostly achieved
Implement a trial strategy on the DWP contract aimed at procuring 90% of timber used on the DWP estate from FSC-certified sources	▪ Not auditable
Design all new developments to be 20% below the prevailing Building Regulation requirements for CO_2 emissions	▪ Achieved

Our new developments produce 20% less CO_2 than regulation requires

2008/09 Targets

- Achieve 90% overall customer satisfaction rating on the DWP Contract
- As part of our partnership with DWP ensure the joint 'Invest to Save' initiative achieves in 2008/09 a 6% reduction in energy consumption against the baseline agreed with DWP
- Develop a customer service improvement plan for each Public Private Partnership (PPP) project managed by LST
- Increase to 3.8 the customer satisfaction ratings across the five key performance areas identified by the London Portfolio in its 2007 surveys
- Achieve an overall customer satisfaction rating of 3.85 in annual shopping surveys undertaken by Retail
- In response to customer requests develop and pilot a Sustainability Guide for retailers

- Ensure out-performance across the Group of the Expert Training Systems (ETS) benchmark on employee engagement
- Contribute actively to local communities by encouraging 30% of the Group's staff to volunteer time and expertise through the Land Securities Foundation
- Encourage 8% of staff to participate in charitable giving through the payroll
- Ensure that at least 60% of staff, as measured by the Employee Engagement Survey believe that Land Securities' Learning and Development platform meets their individual needs and enables them to develop their careers.
- In support of our commitment to diversity, through the Employee Engagement Survey measure staff perception of the statement 'our employee profile reflects the communities in which we work'

We aim for at least 8% of staff to make charitable donations through the payroll – this year it was 8.5%

Climate Change
- Design all new Group developments to be 20% below the prevailing Building Regulation requirements for CO_2 emissions
- Achieve a 5% reduction in the CO_2 emissions associated with energy use in managed office and retail premises, thereby reducing the cost of our commitment to offset emissions arising from energy use in our own occupied offices, and common parts of shopping centres
- Produce a case study analysis of energy and CO_2 performance for the six properties audited in 2007/08 which account for 30% of energy usage across the London portfolio

Biodiversity
- Evaluate existing biodiversity conditions before commencing development and demonstrate that the completed scheme improves the quality of the habitat and the number of species of flora present

Resource Use and Waste Management
- Achieve a minimum level of 20% recycled content by weight or value in every new development
- Monitor the performance at all occupied premises of grey-water recycling and rain water harvesting
- Benchmark water usage across the London portfolio and survey 50% of these sites for opportunities to reduce water consumption
- Undertake a trial of the Forestry Stewardship Council ('FSC') project-specific registration scheme at LST's Falkirk development to ensure the timber comes from sustainably managed sources
- Reuse or recycle 85% of demolition and construction waste for projects covered by Site Waste Management Plans
- Reuse or recycle 85% of office waste generated at our own Head Office premises
- Increase the rate of recycling by an average of 5% across all managed shopping centres, with no centre falling below its 2007/08 recycling rate

Management
- Submit all new major office, retail warehouse premises and retail shopping centre developments for Breeam assessment with a minimum target of 'very good'
- Ensure that every shopping centre develops and implements a site-specific Environmental Management Programme
- Ensure that LST's managed PPP projects are certified to ISO14001 within the scope of its Environmental Management System
- Refine the environmental benchmarking process for managed offices and shopping centres to facilitate meaningful comparisons

Performance during 2007/08 continued

	Status
Community	
Consult with 33% of schools in the current LST portfolio, and identify Group expertise to develop the appropriate 'support programmes' (work experience, training modules, mentoring etc)	▪ Achieved
Implement, based on the London Benchmarking Group Model, a system of recording and sharing the range of community-based activities undertaken across the Group	▪ Achieved
Commit £150,000 through the London Capital Commitment programme, ensuring payments are made to five organisations which are new to the programme	▪ Achieved
Investors	
Implement all the recommendations included in the Makinson Cowell Investor Relations Survey, and identify one alternative method of benchmarking the quality of the Group's investor relations	▪ Achieved
Identify a suitable Socially Responsible Investor (SRI), and hold a 'pilot' visit/presentation on one aspect of the Group's CR programme	▪ Achieved
Increase from 7% to 10% the number of investors subscribing to e-communications	▪ Achieved
Health and safety	
Certify one additional Group workstream or business activity to the international standard OHSAS 18001 for health & safety management systems	▪ Achieved
Ensure that 70% of Group contractors achieve the Construction Skills Certification Scheme (CSCS) accreditation, providing advice where requested	▪ Achieved
Develop and launch a Wellbeing Policy covering the entire Group, and deliver training on its implementation to 25% of management staff	▪ Achieved
Design the content for a web-based learning programme for community based safety awareness training, and identify potential participating junior schools in the communities in which the Group operates	▪ Work in progress
Suppliers	
Identify agencies to facilitate the recruitment of disabled and disadvantaged people, and recruit in this way 5% of all new cleaning staff in the LST supply chain	▪ Achieved
Document current staff volunteering initiatives in the top 10 Group Service Partners (selected by total contract value), and map against LS Foundation activities	▪ Achieved
Identify the criteria defining 'Category One' suppliers, and determine the companies in this category	▪ Achieved

2008/09 Targets

- Exceed the value of community investment achieved in 2007/08 as measured by the Community Investment Reporting system, and ensure the system is used across the Group to record the full range of community-based activities
- Supplement the Capital Commitment Fund of £150,000 by securing additional sources of external funding
- Pilot a web-based learning system to deliver community-based safety awareness training to schools in communities in which the Group operates
- Develop a structured Work Experience programme in LST which can be made available to schools in the LST portfolio
- Introduce to a minimum of ten Shopping Centres a Childsafe Awareness Scheme giving assurance as to the safety and welfare of children in retail centres
- Establish formal Community Link programmes at three retail development sites to support a range of training and skills development initiatives aimed at promoting local employment

- Conduct separate surveys of investors and analysts in order to benchmark the quality of the Group's investor relations and to establish comparative data for future surveys
- Hold five one-to-one tailored meetings with Socially Responsible Investors (SRIs) focusing on the aspects of the Group's CR programme which are of particular interest
- Increase from 10% to 15% the number of investors subscribing to e-communications

- Certify one further workstream or business activity to the international standard OHSAS 18001 for Health and Safety Management Systems
- Benchmark against the Health & Safety Executive's Corporate Health and Safety Performance Index (CHaSPI), and achieve a top decile rating against its peers
- Report monthly on contractor performance across all construction projects, collating information on fatalities, RIDDOR and non-RIDDOR reportable injuries, near misses and lost days
- Create an environment in which 50% of employees believe their health & wellbeing is supported

- Recruit 10% of all new catering and cleaning staff into the LST supply chain through agencies which support disabled and disadvantaged people
- Engage in regular meetings with the Top 10 Service Partners (measured by contract value) to agree a Joint Programme of community investment and volunteering
- Benchmark the Top 20 category 2 suppliers (measured by contract value) to determine the extent of their compliance with the CR criteria in the Group supplier evaluation questionnaire

We want 10% of new catering and cleaning staff to come from agencies who support disabled and disadvantaged people

Corporate governance

The Board is responsible for providing leadership for the Group. It ensures that the right strategy and controls, together with appropriate financial and human resources, are in place in order to deliver value – to shareholders and to the wider community. It also sets standards for ethical behaviour and for monitoring environmental and health and safety performance.

Introduction

The Directors consider that the Company has complied with the provisions set out in Section 1 of the Combined Code on Corporate Governance (the Code) as updated in June 2006 throughout the year ended 31 March 2008, with the exception of the provisions relating to independence of Non-executive Directors and membership of the Nominations Committee. As explained in this report, these departures from the Code have now been addressed and the Board considers that the Company is now fully compliant with the Code. Further details of how Land Securities complies with the Code can be found in this report and in the Corporate Governance section of the Company's website, which also contains the terms of reference of the Audit, Nominations and Remuneration Committees.

The role of the Board

The Board formulates strategy and monitors the operating and financial performance of the Group. It operates in accordance with a written schedule of matters reserved to the Board, a copy of which is available on the Company's website. This schedule is backed by clearly defined written limits of delegated authority across the Group.

Key matters reserved to the Board include:

- authorisation of significant transactions in excess of £250m
- dividend policy
- internal controls and risk management (via the Audit Committee)
- remuneration policy (via the Remuneration Committee)
- shareholder circulars and listing particulars
- matters relating to share capital such as share buy backs
- treasury policy and significant fundraising
- appointment/removal of Directors and Company Secretary

The Board uses an annual process timetable to ensure that relevant matters are given due consideration.

The Board held nine principal Board meetings at which the following subjects were discussed:

- *Strategy* – the Board held an annual off-site meeting at which the Company strategy was reviewed in the context of the macro- and micro-economic environment, potential legislative changes, competitor strategies and the need for the Company to create and exploit competitive advantage.
- *Business plans* – the Board reviewed at six-monthly intervals the five-year forecasts, the annual budget and business plan and the balanced scorecard, all of which are designed to support the Company's strategy.
- *Progress reporting* – a detailed monthly Board report was circulated to the Board and at each regular Board meeting the heads of business units provided an update on progress within their areas of responsibility. In addition, the interim and final results, together with a comparison of investment property performance to IPD indices on a six-monthly basis, were reviewed in detail.
- *Compliance and external relationships* – the Board reviewed Investor Relations, HR and Pensions, Corporate Governance, Health and Safety (with quarterly updates), Environmental performance, Board performance evaluation and Corporate and Social Responsibility matters.

During 2007/08, in addition to the matters outlined above, the Board considered and agreed plans to demerge the Group into three separate businesses. Following recommendations from the Nominations Committee, the Board also reviewed its composition, taking into account the requirement to create effective Boards and Board Committees for three separate quoted entities.

Board balance and independence

The roles of the Chairman and Chief Executive are split, with clear written guidance to support the division of responsibility. The Chairman is primarily responsible for the effective working of the Board, ensuring that all Directors are able to play a full part in its activities. He is also responsible for ensuring effective communication with shareholders and making sure that all Board members are aware of the views of major investors.

Francis Salway, as Group Chief Executive, is responsible for all aspects of the operation and management of the Group and its business. His role includes developing, for Board approval, an appropriate business strategy and ensuring that the agreed strategy is implemented in a timely and effective manner.

There exists a strong Non-executive element on the Board which currently consists of the Chairman, five Executive Directors and seven Non-executive Directors. David Rough is the Senior Independent Director. The Board regards each of the seven Non-executive Directors as being independent and the Chairman was independent at the time of his appointment to that position. During the year under review, Sir Winfried Bischoff served as a Non-executive Director, retiring from the Board on 1 April 2008. His principal employer was Citigroup, for whom he served in a number of roles including acting Chief Executive and Chairman of Citigroup Inc. Citigroup provides investment banking services to the Group and, as a consequence, he did not fully meet the independence criteria set out in the Code. However, the unanimous view of his colleagues on the Board was that, by virtue of his character and experience, he was robustly independent.

The Board is satisfied that no individual or group of Directors has unfettered powers of discretion and that an appropriate balance exists between the Executive and Non-executive members of the Board, while not being so large as to be unwieldy.

Details of the roles, backgrounds and other commitments of the Directors are shown in the Directors' biographies on pages 52 and 53.

The Chairman holds at least two meetings a year with the Non-executive Directors without Executive Directors being present.

The Company Secretary, through the Chairman, is responsible for advising the Board on governance matters and for ensuring good information flows within the Board. All Directors have access to the advice and services of the Company Secretary, as well as access to external advice, if required, at the expense of the Group (the procedure for Directors wishing to seek such external advice is published on the Group's website). No such external advice was sought by any Director during the year.

Information and professional development

The Board is supplied with information in a form and quality to enable it to take informed decisions and to discharge its duties. All Directors are encouraged to make further enquiries as they consider appropriate of the Executive Directors or management. Directors are provided with detailed briefings on the Group's businesses, the markets in which they operate and the overall economic and competitive environment. Other areas addressed include legal issues and responsibilities of directors, the Group's governance arrangements and its investor relations programme.

In the case of newly appointed Directors, an induction programme, which includes training on the responsibilities of a Director, occurred prior to or immediately following their appointment to the Board, if that appointment was the first occasion that they have been appointed to the Board of a listed company. A tailored induction programme is provided for Non-executive Directors on appointment, co-ordinated by the Company Secretary in accordance with guidelines issued by the Institute of Chartered Secretaries and Administrators. Non-executive Directors are encouraged to visit the Group's major properties to enable them to gain a greater understanding of the Group's activities. In addition, one Board meeting each year is held at an 'off-site' location which incorporates a visit to one of the Group's principal properties or developments.

The Board supports Executive Directors taking up Non-executive Directorships as part of their continuing development which will ultimately benefit the Company. As a matter of policy such appointments are normally limited to one Non-executive Directorship.

Board performance evaluation

The formal annual evaluation of the performance of the Board, its Committees and individual Directors was undertaken in early 2008. This consisted of an internally run exercise led by the Chairman with the assistance of the Company Secretary, although the Board will consider using external facilitation from time to time in the future. The appraisal questionnaire was wide-ranging and based on the process and questions outlined in the Code, covering Board and Committee performance.

The appraisal output is used to highlight strengths and weaknesses and revealed that the Board and its Committees were judged to be operating effectively. It identified a number of opportunities to develop Board processes in the future. In addition, individual performance as Board Directors is appraised each year, based on one-to-one interviews with the Chairman, or in the case of the Chairman, with the Senior Independent Director.

Nominations Committee

The Nominations Committee, which, until 30 April 2008, comprised the Chairman, David Rough and Bo Lerenius, met twice during the year under review to consider Board structure, size, composition and succession needs, keeping under review the balance of membership and the required blend of skills, knowledge and experience of the Board.

While the membership of the Nominations Committee was until May 2007 non-compliant with the Code, all key outputs and decisions relating to appointments and membership of Board Committees were relayed to and considered by the full Board which includes a strong representation of experienced independent Non-executive Directors. In May 2007 Bo Lerenius was appointed to this Committee and Francis Salway stood down from the Committee so that its membership satisfied the requirements of the Code. The Committee reviewed the time required from Non-executive Directors and the annual performance evaluation was used to assess whether Non-executive Directors were spending sufficient time to fulfil their duties.

Table 46

Attendance at Board and Committee meetings

The number of principal Board and Committee meetings attended by each Director during the financial year was as follows:

	Board (9 meetings)	Audit Committee (5 meetings)	Nominations Committee (2 meetings)	Remuneration Committee (3 meetings)
Paul Myners (Chairman)	9/9	–	2/2	3/3
Francis Salway (Group Chief Executive)	9/9	–	–	–
Martin Greenslade	9/9	–	–	–
Ian Ellis	9/9	–	–	–
Mike Hussey	9/9	–	–	–
Richard Akers	9/9	–	–	–
David Rough (Senior Independent Director)	9/9	5/5	2/2	3/3
Sir Winfried Bischoff	7/9	2/5	–	2/3
Sir Stuart Rose	8/9	4/5	–	2/3
Bo Lerenius	9/9	5/5	2/2	3/3
Alison Carnwath	8/9	3/5	–	3/3

*Actual attendance/maximum number of meetings a Director could attend as a Board/Committee member

The Committee reviewed succession plans for Executive Directors and senior managers. It also made recommendations to the Board on the reappointment of Non-executive Directors at the conclusion of their specified terms of office, after first considering the effectiveness and commitment of those Non-executive Directors. Where Non-executive Directors are proposed for reappointment after having served on the Board for more than six years, a particularly rigorous review is undertaken by the Committee.

During the year under review the Committee initiated a process to identify additional Non-executive Directors. A firm of executive search consultants was used to identify and help assess potential external candidates for these positions. As a result of this process, Sir Christopher Bland, Rick Haythornthwaite and Kevin O'Byrne were appointed to the Board on 1 April 2008.

When considering candidates the Committee uses objective criteria and all appointments are made on merit.

On 30 April 2008, the Board agreed that Sir Christopher Bland, Rick Haythornthwaite and Sir Stuart Rose should join the Committee and that David Rough should step down from the Committee. Paul Myners continues to chair this Committee, with Bo Lerenius remaining as a member of the Committee.

Remuneration Committee

While the Board is ultimately responsible for Directors' remuneration, the Remuneration Committee, which comprised solely of Non-executive Directors, determined the remuneration and conditions of employment of the Executive Directors and senior employees. The Committee's activity is described in detail in the Directors' remuneration report on pages 66 to 76.

Investor Relations

Land Securities has a comprehensive Investor Relations programme which aims to provide existing and potential equity and bond investors with a means of developing their understanding of the Company and raising any concerns or issues they may have. Further detail on the Group's Investor relations activity is provided in the Corporate responsibility section of this Report.

The Senior Independent Director normally attends the preliminary and interim results meetings to which investors were invited and his attendance is notified to investors in advance. The Senior Independent Director was available to shareholders should they have had any concerns which could not be resolved through the normal channels of communication with the Chairman or Chief Executive. No such concerns were raised by shareholders during the year ended 31 March 2008.

In relation to private shareholders, we actively encourage feedback and communication, both on the Annual Report (page 132), at the Annual General Meeting and through regular meetings with the United Kingdom Shareholders' Association.

The Annual General Meeting provided all shareholders with an opportunity to question the Company on matters put to the meeting including the Annual Report. Shareholders attending the Annual General Meeting were given a detailed presentation by the Chief Executive on the activities and performance of the Group over the preceding year. From the 2007 Annual General Meeting onwards, voting has been conducted by poll instead of by show of hands, since the result is more democratic because all shares represented at the meeting are voted and added to the proxy vote lodged in advance of the meeting. The results of proxy voting at general meetings were published on the Company's website as required by the Code.

Audit Committee

The Audit Committee was chaired by David Rough with the other members of the Committee being Sir Winfried Bischoff, Sir Stuart Rose, Bo Lerenuis and Alison Carnwath. Although all of the Committee members are considered to be appropriately experienced to fulfil their role, Alison Carnwath is considered as having significant, recent and relevant financial experience in line with the Code. Further details of each of the independent Directors are set out on pages 52 and 53. On 30 April 2008, the Board agreed that Kevin O'Byrne and Rick Haythornthwaite should join and that Sir Stuart Rose should step down from this Committee. The Audit Committee's written terms of reference are available on the Company's website. Its principal oversight responsibilities cover:

- internal control and risk management
- internal audit
- external audit (including auditor independence)
- financial reporting

The Committee met five times during the year. The Audit Committee Chairman invited all other Group Board Directors to attend every meeting and from time to time other senior management. In addition, the Director of Risk Management and Internal Audit and representatives from the external auditors, PricewaterhouseCoopers LLP (PwC), were also present at each meeting. The Committee also met separately with the external and internal auditors.

The Committee undertook the following activities at these meetings:

- reviewed the interim and annual results and considered any matters raised by management and the external auditors
- reviewed and approved the audit plans for the external and internal auditors
- monitored the scope, effectiveness, independence and objectivity of the external audit
- discussed the results of internal audit reviews, significant findings, management action plans and the timeliness of resolution
- reviewed the Group's 'Turnbull Report' to support the Board's sign-off on the system of internal control (see page 65 for more details)
- reviewed reports on the Group's risk management measures and actions
- in conjunction with the Board appraisal detailed on page 63, the Committee reviewed its own effectiveness and concluded that it had continued to operate as an effective Audit Committee.

External auditors

The Audit Committee appraised the effectiveness of the external auditors and the external audit process. The evaluation process included feedback from relevant members of management and the results were reported to the Board and Audit Committee.

The Company had a policy and procedures in place to monitor and maintain the objectivity and independence of the external auditors, PwC. The policy requires prior approval by the Audit Committee of non-audit work above a de minimis threshold level. On a six monthly basis, the Audit Committee reviewed a summary of all non-audit work. In addition to the audit related services, PwC provided the following services during the year:

- taxation advice, including planning and compliance
- advice on IFRS accounting
- pension fund audit
- advice on a number of Trillium bids
- due diligence and related advice in relation to the proposed demerger
- due diligence work in relation to the disposal of the Trillium Investment Partners fund

PwC were appointed to work on the demerger process after a tender process with another accountancy firm. This appointment was approved by the Audit Committee.

Details of the amounts paid to PwC are set out in note 7 to the financial statements.

The external auditors reported to the Committee that they remained independent and had maintained internal safeguards to ensure their objectivity.

Valuers

The Committee had a policy in place to monitor the objectivity of the external valuers, Knight Frank. The Group gives the valuers and external auditors access to each other. These advisers have a dialogue and exchange of information which is entirely independent of the Group. The Audit Committee Chairman attends key valuation meetings (as do the external auditors) to be assured of the independence of the process. In addition, Knight Frank presented to the Audit Committee following completion of their 2007/08 valuation process.

In line with the Carsberg Committee report we have a fixed fee arrangement with our Valuers, Knight Frank LLP. The proportion of total fees paid by the Company to the total fee income of Knight Frank LLP was less than 5%. The Audit Committee regularly reviews the total fees which the Company pays to Knight Frank as a proportion of the total fees paid to all its property advisers. The Committee is satisfied it represents only a small proportion of the total.

Financial reporting

The Board seeks to present a balanced and understandable assessment of the Group's position and prospects, and details are given in the Report of the Directors.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Internal control

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to meet business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board confirms that this system is designed to be in accordance with the 2005 version of the Turnbull guidance and has been in place for the year under review and up to the date of approval of the Report and Financial statements.

The key features of our system of internal control include:

- Strategic and business planning: the Group and each business unit produce and agree a business plan each year, against which the performance of the business is regularly monitored. Balanced scorecards are prepared that set out targets for a wide variety of key performance indicators, including risk management and internal audit actions.
- Investment appraisal: capital projects, major contracts and business and property acquisitions are reviewed in detail and approved by the Investment Committee and/or the Board where appropriate, in accordance with delegated authority limits.
- Financial monitoring: profitability, cash flow and capital expenditure are closely monitored and key financial information is reported to the Board on a monthly basis, including explanations of variances between actual and budgeted performance.
- Systems of control procedures and delegated authorities: there are clearly defined guidelines and approval limits for capital and operating expenditure and other key business transactions and decisions. Operational and financial procedures and controls are maintained on the Group's intranet.
- Risk management: we have an ongoing process to identify, evaluate and manage the risks faced by the Group. The risk management process is set out in *Chart 47*. We rate each risk in terms of probability of occurrence and potential impact on performance, and we identify mitigating actions, control effectiveness and management responsibility. Our approach is supported by an oversight structure. This includes the Audit Committee, which reviews on behalf of the Board the effectiveness of our risk management process.

Risk management process

Six monthly assessments: a compliance questionnaire is completed twice a year (before external reports are issued), which is signed off by senior managers, providing assurances that controls are both embedded and effective within the business (a similar questionnaire is completed annually in respect of joint ventures).

Internal audit: responsible for reviewing and testing key business processes and controls, including following up the implementation of management actions and reporting any overdue actions to the Audit Committee.

Chart 47
Risk management process

The Director of Internal Audit and Risk Management reports to the Group Chief Executive and has direct access to the Audit Committee Chairman. The internal audit function operates a risk-based audit approach and provides a summary report on the operation of the system of risk management and internal control to support the Board's annual statement.

The Company has established a whistleblowing policy and hotline to enable employees to raise public interest issues on a confidential basis.

The Audit Committee reviews the effectiveness of internal audit activities including the scope of work, authority and resources of the internal audit function.

The Audit Committee on behalf of the Board has reviewed the effectiveness of the systems of internal control and risk management. The review covered all material areas of the business including financial, operational and compliance controls and risk management and no significant failings in control were found. In performing its review of effectiveness, the Audit Committee took into account the following reports and activities:

- Internal audit reports on reviews of business processes and activities, including action plans to address any identified control weaknesses.
- Management's own assessments of the strengths and weaknesses of the overall control environment in their area, with action plans to address the weaknesses.
- External auditors report on any issues identified in the course of their work, including internal control reports on control weaknesses, which were provided to the Audit Committee as well as executive management.
- Risk management reporting, including the status of actions to mitigate major risks and the quantification of selected risks.

The Board confirms that no significant failings or weaknesses have been identified from that review.

Directors' remuneration report

Dear fellow shareholder,

I would like to introduce our Directors' remuneration report for 2008. Over the following pages we set out the principles and practice for Director remuneration, with information on what has been paid to whom and why. Throughout the report you will see a clear alignment between the rewards for Directors and the relative performance of the Company against a set of independent industry benchmarks. As a Board we are committed to operating with transparency; in line with this commitment we have provided a question and answer section with concise responses to some of the most common queries.

Alison Carnwath

Alison Carnwath
Chair, Remuneration Committee

What are the Company's pay principles in terms of remuneration for Directors?

Our pay and rewards should attract the best people to the business and incentivise them to produce superior returns for our shareholders. Therefore we believe we should reward people for achieving and exceeding Company targets. This is why a substantial part of our Executive Directors' reward is performance-related pay, with incentives to exceed industry benchmarks.

There are three key elements to the remuneration we provide:

Salaries reflect an individual's consistent performance and contribution to the business, as defined and decided by the Remuneration Committee. We aim to pay salaries at a mid-market level. Please see page 68 for more details on basic salaries.

Annual bonuses reward performance according to a set of key performance indicators, aimed at ensuring the Company delivers on its key priorities for the year. There is a bonus opportunity of up to 100% of basic salary and, at the Remuneration Committee's discretion, this can be increased to 130%. There is also an additional bonus opportunity of up to 200% of basic salary for exceptional performance. However, no Director may earn a bonus of more than 300% of basic salary in total. *Tables 51 and 52* on page 69 set out the criteria for each type of bonus.

Long-term incentive plan rewards for Directors are aligned with our long-term business objectives and the level of value created for shareholders. Please see page 70 for more on long-term incentives.

Why do you pay salaries in the mid-range for the industry?

With salary levels in the mid-range for our industry there is very strong motivation for Directors to achieve outperformance – and so secure a bonus. We believe this medium salary/high bonus approach creates greater value for shareholders.

What were the Executive Directors paid this year?

This table details the salaries and benefits, annual bonuses and long-term incentives – excluding pensions – given to our Executive Directors this year.

Table 48
What was the Executive Directors' remuneration for 2007/08? (£'000)

	Salary and benefits	Annual bonuses	Long-term incentives*
F W Salway	641	1,326	916
I D Ellis	431	538	626
M R Hussey	432	1,195	572
R J Akers	374	991	420
M F Greenslade	402	841	652

*Based on value of shares at 31 March 2008

Profits were down; why isn't this reflected in pay levels for Directors?

Salary levels are set according to market salary levels and the specific role of each Executive Director. They do not vary in line with the Company's profits in the year.

Annual bonuses are calculated according to specific criteria for each individual. These criteria relate to aspects of performance Directors can influence directly, such as performance against an independent industry benchmark. Directors who received a bonus this year did so because they met or exceeded their targets, and so helped the Company achieve relative outperformance.

This is a sound basis for setting bonus levels as it incentivises Directors to prioritise long-term value creation. It also means that in a strong growth market the Company must still outperform the market if Directors are to earn a bonus – they do not benefit simply because the market has grown. The Company must also outperform in poor market conditions if Directors are to receive a bonus.

The independent industry sector benchmarks we use are provided by the Investment Property Databank (IPD).

Directors who received a bonus this year did so because they met or exceeded their targets, and so helped the Company achieve relative outperformance.

How is share price performance factored into the Directors' remuneration?

It is factored in through the long-term incentive plan and also through awarding part of the annual bonuses in the form of deferred shares which vest after three years. However, it is not considered best practice to make share price performance a major incentive. This could encourage Directors to make decisions that bolster the share price in the short-term rather than decisions that benefit the Company and its shareholders in the long term.

However, all Executive Directors must, within five years of joining the Board, own shares with a value of at least 1.5 x basic salary – and for the Group Chief Executive 2.0 x basic salary – to ensure their interests are aligned with those of shareholders.

How have the discretionary bonus pool and the additional bonus opportunity been reflected in Directors' remuneration this year?

Ian Ellis was awarded a bonus from the discretionary bonus pool amounting to 45% of basic salary in recognition of the successful launch of the £1.1bn Trillium Investment Partners Fund in challenging market conditions. As a consequence of the significant relative outperformance in comparison with IPD benchmarks, which represented some £800 million of value preservation for shareholders, Richard Akers and Mike Hussey were awarded bonuses under the additional bonus opportunity of 200% of basic salary, with Francis Salway and Martin Greenslade being awarded bonuses of 130% of basic salary.

How much do you pay Non-executive Directors?

We pay a base fee and in 2007 this was set at £55,000 and set for two years. Non-executive Directors are paid further amounts for specific duties and responsibilities, such as chairing a committee, but are not paid more for attending Board Committee meetings. Please see *Table 56a* for more information on what we paid our Non-executive Directors this year.

Compliance

This report has been prepared by the Remuneration Committee (the Committee) in accordance with Section 1 of the Combined Code on Corporate Governance, the Companies Act 1985, as amended by the Director's Remuneration Report Regulations 2002 (the Regulations), and the Listing Rules of the Financial Services Authority. In accordance with the Regulations, this report has been approved by the Board and will be submitted to shareholders for approval at the Annual General Meeting to be held on 17 July 2008.

PricewaterhouseCoopers LLP has audited *Tables 54, 55, 56a, 56b, 57,* and *59* and associated footnotes.

The Committee

Members of the Committee

The Committee was chaired by Sir Winfried Bischoff throughout the period under review. The other members of the Committee are Paul Myners (Chairman of the Board who was an independent Director at the time of his appointment as Chairman), and independent Non-Executive Directors David Rough, Sir Stuart Rose, Bo Lerenius and Alison Carnwath.

On 1 April 2008, Sir Winfried Bischoff retired from the Board and on that date Alison Carnwath assumed the chair of the Committee.

Sir Winfried Bischoff is the Chairman of Citigroup Inc., the parent company of one of the Group's principal relationship banks. However, by virtue of his character and experience the Board did not consider this relationship to compromise his independence.

Responsibilities of the Committee

The key responsibilities of the Committee take full account of the recommendations contained within the Combined Code and include the following:

- To determine and recommend to the Board an overall strategy for the remuneration of the Chairman, Executive Directors and senior managers
- To determine and recommend to the Board the individual remuneration packages for the Chairman (who is not present when his own remuneration is discussed), Executive Directors and senior managers
- To oversee any significant changes to employee benefits, including pensions
- To approve the design of and targets for performance-related incentive schemes
- To oversee the operation of all incentive schemes, including the award of incentives, and to determine whether performance criteria have been met.

You can see the Committee's terms of reference at www.landsecurities.com

Advisors to the Committee

The Group Human Resources Director, Angela Williams, provides information and advice to the Committee. The Committee has appointed and receives advice from Hewitt New Bridge Street (HNBS) and also makes use of various published surveys to help determine appropriate remuneration levels. HNBS has no other connection with the Group.

The Group Chief Executive and Group Human Resources Director are invited to attend meetings of the Committee but no Director is involved in any decisions relating to their own remuneration.

As detailed in the Corporate Governance report on page 63, the Committee's performance is reviewed annually by the Chairman with the assistance of the Company Secretary.

Remuneration policy and philosophy

The Group's remuneration policy seeks to provide remuneration in a form and amount to attract, retain and motivate high-quality management, recognising that the Group operates in a competitive market for talent. Emphasis is placed on delivering superior reward for achieving and exceeding the Group's business plan. A substantial proportion of the Executive Directors' remuneration is delivered through performance related pay. Executive Directors have substantial incentives to out-perform industry performance benchmarks.

A summary of the principal components of Executive Directors' remuneration is set out below. *Chart 49* illustrates the balance between fixed and variable pay at the target and maximum performance levels, assuming maximum participation in the Long Term Incentive Plan (LTIP). This information reflects the policy that operated during the year under review and there was no change in the balance between fixed and variable pay during that period.

The Group's remuneration policy is reviewed regularly, along with the balance between fixed and variable pay, to ensure that it remains appropriate and recognises developments in corporate governance best practice. Performance targets are set to align with Group strategic objectives and key performance indicators (KPIs) as outlined on page 7. *Tables 51and 52* show how these elements are aligned.

During 2007/08, the Committee reviewed and made changes to two areas of remuneration for Executive Directors – the discretionary bonus pool and the additional bonus opportunity for exceptional performance. Further details of these changes are given below. The Committee also gave extensive consideration to remuneration matters associated with the proposed demerger of the Group. Details of these arrangements will be contained in the documentation to be sent to shareholders in connection with this transaction.

2007/08 Directors' remuneration

Executive Directors' remuneration comprises:

- Fixed pay, including basic salary, together with pension payments/contributions and benefits in kind; and
- Variable pay, comprising:
  – annual bonus
  – long-term incentives

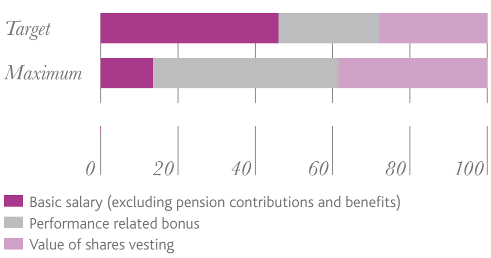
Basic salary

Executive Directors receive a salary which reflects their responsibilities, experience and performance. Salaries are reviewed annually with any changes taking place in July. The review process includes the use of comparator information and reports from the Group's remuneration consultants.

The Group's policy is to set salary around the mid-market rate, but the Committee is mindful of the need to treat pay comparisons with caution to avoid an upward ratchet of remuneration levels with no corresponding improvement in performance. The Committee also takes account of pay and employment conditions across the Group, especially when determining annual salary increases.

The current salaries of the Executive Directors (and in brackets, revised salaries to take effect from July 2008) are as shown in *Table 50*.

Chart 49
What was the balance of fixed versus variable pay? (%)



Source: Organisation

Annual bonus

During the year under review, the Executive Directors had individually tailored annual bonus performance targets that provided the potential to earn up to 300% of base salary.

The annual bonus opportunity was structured in two distinct parts:

- Bonus Opportunity: up to 100% of salary

The performance targets that applied to this part of the Executive Directors' annual bonus opportunity are set out in *Table 51*.

Table 50

What are the Executive Directors salaries?

	Current	From 1 July 2008
F W Salway	£625,000	£645,000
M F Greenslade	£400,000	£414,000
I D Ellis	£420,000	£434,700
M R Hussey	£420,000	£434,700
R J Akers	£360,000	£372,600

Table 51

What were the criteria for the Directors' 2007/08 bonuses?

F W Salway	Total returns in excess of WACC	Group profit	Performance of all business units	Strategic Review
M F Greenslade	Total returns in excess of WACC	Group profit	Performance of Group support functions	Strategic Review
I D Ellis	Total returns in excess of WACC	Group profit	Trillium profit	New business wins/opportunities
M R Hussey	Total returns in excess of WACC	Group profit	Investment performance	Business unit revenue profit
R J Akers	Total returns in excess of WACC	Group profit	Investment performance	Business unit revenue profit

Table 52

What were the targets for the Directors' additional bonus opportunities?

Executive Directors	Performance Measures and Range	Additional Bonus
Managing Director of the Retail Portfolio	2%–4% outperformance of the relevant Retail business total property return (TPR) Benchmark[1]	0%–200%
Managing Director of the London Portfolio	2%–4% outperformance of the relevant London business total property return (TPR) Benchmark[1]. Delivery of major office lettings at Ebbsfleet Valley, Kent[2]	0%–200%
Chief Executive of Land Securities Trillium	4%–6% annual return on total capital employed above Weighted Average Cost of Capital (8%–13% above WACC for geared equity)	0%–200%
Chief Executive and Finance Director	Aggregated performance of London and Retail Businesses and Trillium relative to the above measures	0%–200%

1. The relevant sector benchmarks are provided by IPD and relate to ungeared total property return (reflecting the increase in the value of all assets plus income streams arising from those assets in the year). IPD benchmarks are generally acknowledged as the industry standard.
2. Applies only to major office lettings in excess of 50,000 sq. ft. at Ebbsfleet Valley, Kent, subject to profitability criteria.

Table 53

What annual bonus was each Director awarded?

Executive Directors	% of year end salary	
	Total Bonus earned 2007/08	Total Bonus earned 2006/07
Chief Executive	212	109
Group Finance Director	210	104
Managing Director of the Retail Portfolio	275	71
Managing Director of the London Portfolio	285	106
Chief Executive of Land Securities Trillium	128	295

The Committee calibrated the bonus targets so that the achievement of a maximum payout under this part of the bonus arrangements would represent performance in excess of the Group budget and individual targets. 25% of any bonus award is compulsorily deferred into the Company's shares for a period of three years and receives a Matching Award under the terms of the LTIP (see below).

- Additional Bonus Opportunity: up to 200% of salary

This part of Executive Directors' annual bonus opportunity is intended to reward exceptional performance and value creation for shareholders. The performance targets that applied during 2007/08 are set out in *Table 52*.

Total Property Return (TPR) was chosen as a performance measure for the investment portfolio element of the business because it is used both internally and externally within the property sector for measurement of relative performance. For the Chief Executive of Land Securities Trillium, the excess total return above the weighted average cost of capital (WACC) was employed because it remains a key measure of Land Securities Trillium's underlying financial performance.

The Committee calibrated the bonus targets that applied to this part of the Executive Directors' bonus opportunity so that the performance required was above that required for bonuses of up to 100% of salary. To provide some context as to the challenging nature of the performance targets, the TPR conditions are based on more than 10 years of historic data and require TPR performance to fall broadly within the top 30th percentile of each relevant Investment Property Databank (IPD) performance benchmark if any additional bonus is to be earned. The Committee considered the performance targets set for the Chief Executive, Land Securities Trillium to be as challenging as these TPR targets.

This year, to reflect Mike Hussey assuming responsibility for the Ebbsfleet Valley project in Kent, an additional similarly challenging criterion was introduced relating to the securing of major office lettings at that project, but this will not result in the additional bonus opportunity exceeding 200% in a single year.

During 2007/08 the Committee decided to adjust the requirement to carry forward both under- and over-performance against the relevant benchmarks into the next financial year. Now a payout for beating the IPD benchmark by more than 2% is conditional upon the relative performance in that year and the prior year exceeding the IPD benchmark. For example:

- In year 1 performance is 1% below the IPD benchmark
- In year 2 performance is 3% above the IPD benchmark
- Payout for year 2 is based on performance in that year as the aggregate performance over the two years is at least equal to the benchmark.

The Committee considers this approach provides a greater individual incentive than targets recalibrated annually based on historic performance. The Committee's objective in introducing the additional bonus was to encourage a striving for material outperformance every year.

Half of any bonus earned between 100% and 300% of salary during 2007/08 was compulsorily deferred into the Company's shares for a period of three years which is considered highly retentive. Any deferral under this part of the annual bonus arrangements is not the subject of a matching award under the LTIP.

In recognition of the strategic importance of delivering the demerger of Land Securities Group into three separate trading entities, the Remuneration Committee is to apply alternative stretching performance criteria to both the Group Finance Director and Chief Executive's additional bonus opportunities in 2008/09.

These performance criteria are measurable and include:

- Achievement in relation to the budgeted costs of the demergers
- Achievement in relation to ongoing operational costs of all three business areas
- Delivery of process milestones to agreed timescales
- Other relevant criteria.

The Finance Director's entire additional bonus opportunity will be based on these revised criteria with the Chief Executive retaining half his additional bonus opportunity on the same conditions as for 2007/08 and half on the revised criteria above.

Alternative performance criteria, which are demerger-related, will also apply for the Chief Executive of Trillium in 2008/09. The criteria relate to the value ascribed to Trillium as a separate company and the conduct of the demerger of Trillium.

Other Executive Directors will remain on the 2007/08 targets, however, the Remuneration Committee will retain discretion to apply more appropriate targets related to the demerger if it considers it appropriate to do so.

Following a successful demerger, the bonus payouts will be up to 60% in cash with the balance paid in shares over up to a further two years. This is considered to provide a focused incentive over the critical timeline to the anticipated demergers.

Any bonus payouts related to the revised targets set out above or amendments to the 2007/08 targets for the other Executive Directors would be fully disclosed and explained in the relevant Prospectus or subsequent Directors' Remuneration Report.

Executive Directors have also been eligible to participate in a discretionary bonus pool for all employees which, if applicable, is normally in the range of 5-30% of salary. During 2007/08, the Committee agreed that discretionary bonus awards of up to 50% of salary may be granted in exceptional circumstances within the maximum of 130% of base salary for total annual bonus (excluding the additional bonus for exceptional performance). Such discretionary bonus payments are subject to an overall cap of £750,000 for payments to all Executive Directors in any one year. It remains the Committee's intention not to pay aggregate annual bonuses in excess of 300% of salary.

The actual total bonus payouts, inclusive of the additional bonus opportunity described above, that were earned in respect of the two financial years ended 31 March 2007 and 2008 are set out in *Table 53*.

Long-term incentives

Executive Directors participate in the Long-Term Incentive Plan (LTIP) approved by Shareholders in 2005. The LTIP replaced the share option scheme approved in 2002 and also replaced, from 2006/07, the performance share matching plan, also approved in 2002. No changes were made to the operation of the LTIP in 2007/08. There is no retesting in relation to long-term incentives for Executive Directors.

The LTIP consists of the facility to make annual awards of Performance Shares and Matching Shares.

LTIP Performance Shares

In the year under review, Executive Directors were eligible to receive conditional awards of shares of up to 100% of salary (*Table 55*).

LTIP Matching Shares

Matching share awards are linked to co-investment by participants in shares (*Table 55*).

A Director's investment can be made through the deferral of an annual bonus award (with the maximum permitted investment by this means of 25% of base salary). Investment can also be made through the pledging of shares purchased in the

Table 54
What Performance Shares vested this year? (audited)

	Cycle ending	Award date	Market price at award date (p)	Shares awarded	Shares vested	Vesting date
F W Salway	2008	04/07/05	1405	21,234	21,234	04/07/08
I D Ellis	2008	04/07/05	1405	17,536	17,536	04/07/08
M R Hussey	2008	04/07/05	1405	14,600	14,600	04/07/08
R J Akers	2008	04/07/05	1405	8,228	8,228	04/07/08

*See Note 7 on page 72

Table 55
What LTIP and Matching Shares were awarded and vested this year?* (audited)

	Cycle ending	Award date	Market price at award date (p)	Shares awarded	Shares vested	Vesting date
F W Salway						
LTIP shares	2008	29/07/05	1393	40,464	40,464	29/07/08
	2009	29/06/06	1767	29,793	–	29/06/09
	2010	29/06/07	1731	36,106	–	29/06/10
Matching shares	2009	31/07/06	1973	30,302	–	31/07/09
	2010	31/07/07	1695	30,960	–	31/07/10
I D Ellis						
LTIP shares	2008	29/07/05	1393	24,631	24,631	29/07/08
	2009	29/06/06	1767	20,150	–	29/06/09
	2010	29/06/07	1731	24,263	–	29/06/10
Matching shares	2009	31/07/06	1973	17,564	–	31/07/09
	2010	31/07/07	1695	20,652	–	31/07/10
M R Hussey						
LTIP shares	2008	29/07/05	1393	23,927	23,927	29/07/08
	2009	29/06/06	1767	19,574	–	29/06/09
	2010	29/06/07	1731	24,263	–	29/06/10
Matching shares	2009	31/07/06	1973	18,144	–	31/07/09
	2010	31/07/07	1695	24,462	–	31/07/10
R J Akers						
LTIP shares	2008	29/07/05	1393	20,056	20,056	29/07/08
	2009	29/06/06	1767	12,306	–	29/06/09
	2010	29/06/07	1731	20,797	–	29/06/10
Matching shares	2009	31/07/06	1973	14,914	–	31/07/09
	2010	31/07/07	1695	19,004	–	31/07/10
M F Greenslade						
LTIP shares	2008	28/09/05	1471	22,679	22,679	28/09/08
	2009	29/06/06	1767	18,710	–	29/06/09
	2010	29/06/07	1731	23,108	–	29/06/10
Matching shares	2008	30/09/05	1479	16,666	16,666	30/09/08
	2008	01/06/06	1799	4,557	4,557	01/06/09
	2009	31/07/06	1973	16,844	–	31/07/09
	2010	31/07/07	1695	20,726	–	31/07/10

*Subject to performance tests (see page 73).

Table 56a

What emoluments did Directors receive? (£'000) (audited)

	Basic salary and fees	Benefits[1]	Bonuses		Deferred bonus shares[2]		Total emoluments excluding pensions	
	2007/08	2007/08	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07
Executive:								
F W Salway	619	22	791	536	535	119	1,967	1,268
A M Collins (resigned 19 October 2006)	–	–	–	146	–	49	–	457
I D Ellis[3]	413	18	451	669	87	483	969	1,546
M R Hussey	413	19	686	338	509	74	1,627	803
R J Akers	355	19	563	190	428	52	1,365	582
M F Greenslade	385	17	501	282	340	71	1,243	702
	2,185	95	2,992	2,161	1,899	848	7,171	5,358
Non-Executive:								
P G Birch (Chairman to 1 January 2007)	–	–	–	–	–	–	–	194
D Rough	77	–	–	–	–	–	77	69
Sir Winfried Bischoff	65	–	–	–	–	–	65	58
Sir Stuart Rose	55	–	–	–	–	–	55	50
B A Lerenius	55	–	–	–	–	–	55	50
A J Carnwath	55	–	–	–	–	–	55	50
P Myners (appointed a Director on 1 September 2006 and Chairman on 1 January 2007)[9]	250	110	–	–	–	–	360	80
Total	2,742	205	2,992	2,161	1,899	848	7,838	5,909

Table 56b

What emoluments did Directors receive? (£'000) (audited)

	Pensions		Performance shares vested[6]		LTIP and matching shares vested		Gain on exercise of share options	
	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07
Executive:								
F W Salway	155	148	315	271	601	–	–	465
A M Collins (resigned 19 October 2006)	–	95	–	–	–	190	–	–
I D Ellis	103	95	260	599	366	–	–	–
M R Hussey[4]	103	131	217	398	355	–	–	542
R J Akers[4]	97	136	122	53	298	–	–	105
M F Greenslade[4]	96	131	–	–	652	–	–	–
	554	736	914	1,321	2,272	190	–	1,112
Non-Executive:								
P G Birch (Chairman to 1 January 2007)	–	–	–	–	–	–	–	–
D Rough	–	–	–	–	–	–	–	–
Sir Winfried Bischoff	–	–	–	–	–	–	–	–
Sir Stuart Rose	–	–	–	–	–	–	–	–
B A Lerenius	–	–	–	–	–	–	–	–
A J Carnwath	–	–	–	–	–	–	–	–
P Myners (appointed a Director on 1 September 2006 and Chairman on 1 January 2007)	–	–	–	–	–	–	–	–
Total	554	736	914	1,321	2,272	190	–	1,112

Notes:
1. Benefits consist of the provision of a company car or car allowance, private medical insurance and life assurance premiums.
2. Deferred bonus shares represent the value ascribed to shares awarded under the Deferred Bonus Plan. This therefore includes the deferred bonus shares to be awarded in July 2008 but vesting in July 2011.
3. I D Ellis received fees of £36,875 from Rok plc in respect of his Non-executive Directorship of that company.
4. The pension contributions for M R Hussey, R J Akers and M F Greenslade for 2006/07 contained additional contributions to correct a shortfall in respect of prior years.
5. Pensions of **£61,902** (2007: £61,708) resulting from unfunded historic benefit obligations were paid to former Directors or their dependants.
6. The Performance Share award for 2007/08 represents the value of shares that will vest as a result of performance targets satisfied during the year to 31 March 2008.
7. For awards made under the Performance Share Matching Plan, vesting of awards is equally dependent on the growth in EPS (defined to be normalised adjusted diluted EPS (NADEPS) and TPR measured over a three year period. 25% of the total award vests for NADEPS growth of 2.5% p.a. rising on a straight-line basis to 50% of the total award vesting for achieving NADEPS of 4% p.a. The remaining half of an award vests, dependent on the Company's TPR equalling, or exceeding, the IPD All Fund Universe Index over a rolling three year period.
8. The Committee determined that the long-term incentive awards made under the Performance Share Matching Plan in 2005, vested in full.
9. From 1 April 2007, the Company agreed to assume, from Marks & Spencer Group plc, the cost of supplying a driver (including all employment costs) and fleet vehicle for Paul Myners. For 2007/08, the cost of this arrangement to the Company was £110,081.

market. Such additional investment is permitted to bring the Director's total investment to 50% of base salary (for this purpose the value of pledged shares is taken as the amount of gross salary that would have been required to fund the purchase of the shares). Accordingly, Executive Directors are eligible to receive a matching award of shares under the LTIP which is made at a ratio of up to 2 for 1 on a gross to net tax basis (up to 100 shares for every 30 purchased out of net income). The maximum Matching Share award is over shares with a value of 100% of salary.

Awards of LTIP Performance Shares and Matching Shares are subject to the same performance conditions measured over three years. Half of any award will vest based on achieving increases in Normalised Adjusted Diluted Earnings Per Share (NADEPS). The other half will vest dependent on the Group's TPR equalling, or exceeding, IPD weighted indices that reflect the sector mix of Land Securities' investment portfolio. The targets:

- NADEPS Target
  - Growth of RPI + 3% per annum – 12.5% of the award vests;
  - Growth of RPI + 5% per annum – 50% of the award vests; and
  - Straight-line vesting occurs between these points.
- TPR target
  - Performance equal to the sector weighted IPD index – 12.5% of the award vests
  - Performance equal to the sector weighted IPD index plus 1% per annum – 50% of the initial award vests
  - Straight line vesting occurs between these points.

An overview example of the vesting range is shown in *Chart 60*.

The Committee considers NADEPS and TPR to be key long-term measures of the Group's performance.

Table 57

What options over ordinary shares do Directors have? (audited)

			Granted during year		Exercised during year					
	Note	No of options at 01/04/07	No	Grant price (pence)	No	Exercise price (pence)	Market price on exercise (pence)	No of options at 31/03/08	Exercise price (pence)	Exercisable dates
F W Salway	(2)	43,065	–	–	–	–	–	43,065	1,159	07/2007-07/2014
I D Ellis	(2)	34,375	–	–	–	–	–	34,375	788	07/2006-07/2013
	(2)	41,759	–	–	–	–	–	41,759	1,159	07/2007-07/2014
	(3)	2,546	657	1,460	2,546	650	1,690	657	1,460	10/2010-04/2011
M R Hussey	(2)	23,727	–	–	–	–	–	23,727	1,159	07/2007-07/2014
	(3)	1,726	–	–	–	–	–	1,726	957	10/2009-04/2010
R J Akers	(1)	10,500	–	–	–	–	–	10,500	869	07/2004-07/2011
	(2)	7,750	–	–	–	–	–	7,750	788	07/2006-07/2013
	(2)	11,500	–	–	–	–	–	11,500	1,159	07/2007-07/2014
	(3)	1,392	–	–	–	–	–	747	957	10/2009-04/2010
			–	–	–	–	–	645	1,523	09/2011-03/2012
M F Greenslade	(3)	1,075	–	–	–	–	–	1,075	1,523	09/2011-03/2012

Notes:

1. 2000 Executive Share Option Scheme. Vesting of awards is dependent on the Company's growth in normalised adjusted EPS exceeding the growth in RPI by 2.5% per year.
2. 2002 Executive Share Option Scheme. Vesting of awards is dependent on the Company's growth in normalised adjusted EPS exceeding the growth in RPI by at least 2.5% per year.
3. 2003 Savings Related Share Option Scheme. Not subject to performance conditions because it is available to all staff and HM Revenue & Customs' rules do not permit performance conditions to be set out for this type of scheme.

The total number of options over ordinary shares held by F W Salway, I D Ellis, M R Hussey, R J Akers and M F Greenslade at 31 March 2008 was 43,065, 76,791, 25,453, 31,142 and 1,075 respectively. The total number of options over ordinary shares held by all Directors at 31 March 2008 was 177,526.

The range of the closing middle market prices for Land Securities' shares during the year was 1377p to 2198p. The middle market price on 31 March 2008 was 1485p.

Table 58

What interests in shares do Directors have?

	Ordinary Shares		Deferred shares		LTIP performance shares**		Matching Shares**	
	2008	2007	2008	2007	2008	2007	2008	2007
F W Salway	85,310	66,948	26,016	25,076	106,363	70,257	61,262	30,302
I D Ellis	59,849	26,407	63,672	48,122	69,044	44,781	38,216	17,564
M R Hussey	34,957	21,957	28,780	23,638	67,764	43,501	42,606	18,144
D Rough	11,400	7,675	–	–	–	–	–	–
Sir Winfried Bischoff	8,750	8,750	–	–	–	–	–	–
S A Rose	10,000	10,000	–	–	–	–	–	–
B A Lerenius	18,000	12,000	–	–	–	–	–	–
A J Carnwath	68,620	6,514	–	–	–	–	–	–
R J Akers	23,058	9,322	10,989	8,773	53,159	32,362	33,918	14,914
M F Greenslade	14,045	6,345	6,546	2,199	64,497	41,389	58,793	38,067
P Myners (appointed 1.09.07)*	20,000	10,000	–	–	–	–	–	–

* At date of appointment
** Subject to performance conditions (see page 73)

Table 59
Defined benefit pension scheme (audited)

	Accrued benefit at 31 March 2008 £	Increase in accrued benefits excluding inflation £	Increase in accrued benefits including inflation £	Transfer value of increase in accrued benefit excluding inflation £	Transfer value of accrued benefits at 1 April 2007 £	Transfer value of accrued benefits at 31 March 2008 £	Increase in transfer value net of directors' contributions £
R J Akers	24,918	1,879	2,754	26,723	224,387	352,679	124,940

The 'Increase in transfer value net of Directors' contributions' differs from the 'Transfer value of increase in accrued benefit' in that it reflects changes in the transfer value assumptions and market conditions over the year less the Directors' own contributions to the pension scheme.

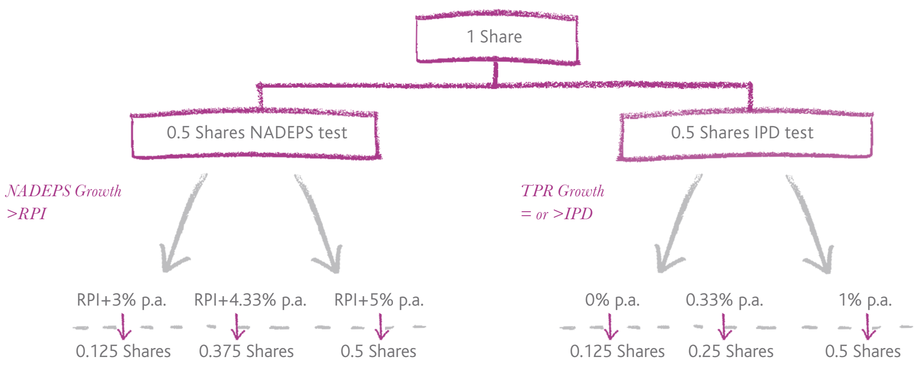
The transfer values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11. The transfer values of the accrued entitlement in respect of qualifying service represents the value of assets that the pension scheme would need to transfer to another pension provider on transferring the liability in respect of the Directors' pension benefits that they earned in respect of qualifying service. They do not represent sums payable to individual Directors and, therefore, cannot be added meaningfully to annual remuneration.

The maximum number of shares which could potentially vest as a result of historic long-term incentive awards and the number of shares which vested in the financial year are shown in *Table 55*. The Group's policy is to use market-purchased shares to satisfy the vesting of LTIP Performance and Matching Shares and for Deferred Share Awards. Future awards are partially hedged through on-market share purchases by an Employee benefit Trust which held 1,336, 275 shares at 31 March 2008.

Share options
Land Securities has historically operated share option arrangements for Executive Directors. Vesting of share options was subject to performance tests and was dependent on growth in NADEPS exceeding RPI by at least 2.5% per annum. Following the adoption of the LTIP in 2005/06, no further awards of share options have been made to the Executive Directors.

For grants made over the period 2000 to 2004, the Committee determined that the required level of increase in NADEPS was achieved and as a result the executive share options granted during that period are exercisable in full. Directors' options over ordinary shares are shown in *Table 57*.

Chart 60
What is the vesting range for LTIP Performance and Matching Shares?



Directors' emoluments
Table 56a and *56b* set out Directors' emoluments for the year under review and the financial year ended 31 March 2008. The basis of disclosure is on an 'accruals' basis, that is the annual bonus and Deferred Bonus Shares columns include the amount that will be paid and awarded respectively for performance achieved in the financial year under review. The Performance Shares 2007/08 column includes the value of Performance Shares which will vest in July 2008 as a result of performance measured over a three year period ended 31 March 2008.

Pensions
The Company operates a contributory money purchase pension scheme which was introduced for all staff joining the Group from 1 January 1999. Prior to the introduction of the contributory money purchase arrangement the Company provided pension benefits on a defined benefit basis. Following a review of pension provision in light of the tax changes that came into effect from 1 April 2006, it was decided that Executive Directors would continue to be entitled to a pension benefit that is equivalent to 25% of their base salary. Executive Directors have the flexibility to determine how this 25% of salary benefit is used, as follows:

- Pension contributions may be made into the Land Securities contributory money purchase scheme up to the personal level that is advised plus a cash contribution on the balance
- 25% cash payment on base salary to invest outside Land Securities pension arrangements

Richard Akers participates in a defined benefit pension scheme (*Table 59*) which was open to property management and administration staff until 31 December 1998. This scheme is designed to provide, at normal retirement age, a pension of 1/60th of Pensionable Salary for each year of pensionable service. The scheme also provides lump sum death-in-service benefits on death before normal retirement age of four times Pensionable Salary and pension provision for dependants of members. Only basic salary is treated as Pensionable Salary. The benefits provided to Richard Akers are based on a Pensionable Salary which is subject to the statutory earnings cap. With effect from 1 April 2006 the defined benefit pension scheme has moved to future accrual on a 'CARE' (Career Average Revalued Earnings) basis on either a 1/80th accrual or 1/60th accrual subject to employee contributions. Richard Akers chose to accrue benefits on a 1/60th basis with employee contributions of 1% of basic salary in 2006, 3% of basic salary in 2007 and 5% of basic salary thereafter.

The balance of Richard Akers' pension allowance is paid to him to invest outside Land Securities pension arrangements.

As disclosed in last year's Directors' remuneration report, the changes made to pension provision in 2006/07 did not provide a tax advantage to Executives and the changes made were cost neutral to the Company.

Non-executive Directors
The annual fees of the Chairman of the Board are determined by the Committee having regard to independent advice. The other Non-executive

Directors each receive a fee agreed by the Board following a review of fees paid by comparable organisations. The Board also takes into account the time commitments of the Non-executive Directors, which are reviewed annually as part of the Board appraisal process.

No increases in Non-Executive Directors' fees were awarded during the year under review since as part of a review of such fees in 2006/07 it was agreed to maintain the level of fees for a period of two years. The base Non-executive Directors' fee remained at £55,000. No additional fees are payable for attendance at Board or Committee meetings or for membership of Board Committees, but the additional fees outlined below are payable in respect of specific responsibilities:

Chair of Audit Committee	£15,000
Chair of Remuneration Committee	£10,000
Senior Independent Director	£7,500

Sir Christopher Bland serves as Non-executive Chairman of Trillium and receives additional fees of £100,000 per annum in respect of this role. Neither the Chairman nor the other Non-executive Directors receive any pension benefits from the Company, nor do they participate in any bonus or incentive schemes. Non-executive Directors are appointed under letters of appointment which provide for an initial term of service of three years. A specimen letter of appointment is available on the Company's website at www.landsecurities.com The dates of the current letters of appointment of the Non-executive Directors are shown in *Table 61*.

The appointment of the Non-executive Directors can be terminated upon one month's notice while the appointment of the Chairman can be terminated upon three months' notice.

Table 61

When were the Non-executive Directors appointed?

Name	Date of appointment*	Date of current letter of appointment
D Rough	2 April 2002	29 April 2004
Sir Stuart Rose	21 May 2003	29 April 2004
B A Lerenius	1 June 2004	6 May 2004
A J Carnwath	1 September 2004	7 June 2004
P Myners	1 September 2006	20 Sept 2006
Sir Christopher Bland	1 April 2008	9 April 2008
R N Haythornthwaite	1 April 2008	24 April 2008
K O'Byrne	1 April 2008	9 April 2008

*Date of appointment to the Board of Land Securities Group PLC or its predecessor company, Land Securities PLC.

Sir Winfried Bischoff was appointed to the Board on 1 November 1999 and retired from the Board on 1 April 2008.

Service agreements

The Committee's policy on service agreements for Executive Directors is that they should provide for 12 months' rolling notice of termination by the Company. As a result, the unexpired term and the notice periods (both from the Company and from the Executive Director) are 12 months and there are no service contracts with provisions for predetermined compensation on termination which exceeds 12 months' salary and benefits in kind. Any proposals for the early termination of the service agreements of Directors or senior executives are considered by the Committee.

The dates of appointment and the dates of the service agreements of the Executive Directors are in *Table 62*.

Table 62

When were the Executive Directors appointed?

Name	Date of appointment*	Date of contract
F W Salway	2 April 2001	31 May 2005
M F Greenslade	1 September 2005	1 September 2005
I D Ellis	20 November 2002	28 January 2003
M R Hussey	30 September 2004	1 January 2006
R J Akers	17 May 2005	17 May 2005

*Date of appointment to the Board of Land Securities Group PLC or its predecessor company, Land Securities PLC.

The service agreements of the Executive Directors provide for phased payments of amounts payable on termination, in order to mitigate amounts potentially payable by the Company. Bonus, LTIP, redundancy and outplacement payments are considered by the Committee and are dependent on the circumstances of leaving and the rules of the relevant bonus and incentive schemes.

The Chairman and the other Non-executive Directors do not have service agreements with the Company.

Board approval is required before any external appointment may be accepted by an Executive Director. Any fees earned in relation to outside appointments are retained by the Executive Director.

Directors' shareholdings

The interests of the Directors in the shares of the Company as at 31 March are shown in *Table 58*.

There have been no changes in the shareholdings of the Directors between the end of the financial year and 13 May 2008, save that on 1 May 2008 Alison Carnwath acquired 59 shares under the Company's Dividend Reinvestment Plan. No Director had any other interests in contracts or securities of Land Securities Group PLC or any of its subsidiary undertakings during the year.

Shareholding guidelines

The Committee believes that it is important for a significant part of the compensation of each Executive Director to be tied to ownership of the Company's shares so that each Executive Director's interest in the growth and performance of the Company is closely aligned with the interests of our shareholders. The Committee has, therefore, established share ownership guidelines for the Company's Executive Directors. These guidelines require the Chief Executive to own shares with a value equal to twice his base salary and for other Executive Directors to own shares with a value equal to 1.5 times their base salary. An Executive Director must normally satisfy the guidelines within five years of his date of appointment or the date of introduction of this requirement in order to qualify for future awards of long-term incentives.

Chart 63

What is the total shareholder return produced by the Company?

Source: Thomson Financial

In May 2007, the Committee determined that Francis Salway and Ian Ellis had met the revised share ownership guidelines and in May 2008 the Committee agreed that Mike Hussey had met the revised guidelines. The Committee continues to monitor the other Executive Directors' progress against the guidelines on an annual basis.

In addition, Non-executive Directors are required to own shares with a value equal to their annual fees within three years of the date of their appointment.

Information regarding senior managers below Board level

The Group currently employs 34 senior managers in positions below Board level. None of these senior managers is paid at a rate higher than the Executive Directors and the structure of their remuneration package, including bonuses, is broadly consistent with that of Executive Directors. The senior managers are not eligible to participate in the additional bonus opportunity (that is above 100% of salary) for the delivery of exceptional financial returns described in this report but they are eligible to participate in the discretionary bonus pool of up to 50% of salary. During the year under review, bonuses for this group of employees ranged from 51% to 106% of salary, with an average bonus of 72% of salary.

Performance graphs

As required by legislation covering the Directors' remuneration report, *Chart 63* illustrates the performance of the Company measured by total shareholder return (share price growth plus dividends paid) against a 'broad equity market index' over a period of five years. As the Company is a constituent of the FTSE All Share Real Estate sector this index is considered to be the most appropriate benchmark for the purposes of the graph.

The Committee also considered that it would be helpful to provide an additional line to illustrate performance compared with the FTSE 100 index over the previous five years of the Company (*Chart 63*).

Signed for and on behalf of the Board by

Alison Carnwath

Alison Carnwath

Report of the Directors – Additional disclosures

Share capital

The company was authorised at the Annual General Meeting held on 17 July 2007 to repurchase in the market ordinary shares representing up to approximately 10% of the issued share capital at that time with such authority to expire at the 2007 Annual General Meeting. 4,671,000 shares were repurchased in the year to 31 March 2008. A resolution to renew this authority in respect of up to approximately 10% of the issued share capital will be proposed at the 2008 Annual General Meeting.

Substantial shareholders

At 13 May 2008 the interests in issued share capital which had been notified to the Company under Part VI of the Companies Act 1985 are shown in *Table 64*.

Table 64
Which shareholders own over 3% of the Company's shares?

	Number of shares	%
Barclays plc/Barclays Global Investors	27,835,730	5.99
Legal and General Investment Management Limited	20,764,132	4.47
M&G Investment Management Limited	16,943,210	3.64
ABP Investments	16,697,313	3.59

Directors' indemnities

On 5 May 2006 the Company agreed in writing to indemnify each of the Directors against any liability incurred by the Director in respect of acts or omissions arising in the course of their office. The indemnity only applies to the extent permitted by law. A copy of the deed of indemnity is available for inspection at the registered office and at the Annual General Meeting.

Auditors and disclosure of information to auditors

So far as the Directors are aware, there is no relevant audit information of which the auditors are unaware and each Director has taken all reasonable steps to make himself or herself aware of any relevant audit information and to establish that the auditors are aware of that information.

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the Annual General Meeting.

Provisions on change of control

There are a number of agreements which take effect, alter or terminate upon a change of control; none of these are considered significant in relation to the Company. The Company's share schemes contain provisions which take effect in the event of a change of control. The provisions in relation to share schemes do not entitle participants to a greater interest in the shares of the Company than that created by the initial grant or award under the relevant scheme.

Payment policy

The Group is a registered supporter of the CBI's Better Payment Practice Code to which it subscribes when dealing with all of its suppliers. The Code requires a clear and consistent policy that payments are made in accordance with contract or as required by law; that payment terms are agreed at the outset of a transaction and adhered to; that no amendments to payment terms are made without the prior agreement of suppliers; and that there is a system which deals quickly with complaints and disputes to ensure that suppliers are advised accordingly without delay when invoices or parts are contested. The effect of the Group's payment policy is that its trade creditors at the financial year end represented seven days' purchases.

Annual General Meeting

Accompanying this report is the Notice of the Annual General Meeting which sets out the resolutions for the meeting. These are explained in a letter which accompanies the Notice.

By order of the Board

P M Dudgeon
Secretary
13 May 2008

Report of the Directors

Report from the Directors on the key strategic, financial and operational developments during the year.

Financial Statements

Statements presenting the essential numbers, including the independent auditors' report.

Investor Information

Summaries, analysis and information on properties, contracts and related subjects for shareholders.

Directors' statements of responsibilities

in respect of the Annual Report, the Directors' remuneration report and the financial statements

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

The Directors are required by company law to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of their profit or loss for that period.

In preparing those financial statements, the Directors are required to: select suitable accounting policies and then apply them consistently; make judgements and estimates that are reasonable and prudent; and state that the financial statements comply with IFRS as adopted by the European Union.

It is also the responsibility of the Directors to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Land Securities Group PLC website, and legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

P M Dudgeon
Secretary
13 May 2008

Independent auditors' report

to the members of Land Securities Group PLC

We have audited the Group and Parent Company financial statements (the financial statements) of Land Securities Group PLC for the year ended 31 March 2008 which comprise the Group Income Statement, the Group and Parent Company balance sheets, the Group and Parent Company Cash Flow Statements, the Group Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' remuneration report that is described as having been audited.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report, the Directors' remuneration report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Directors' statements of responsibilities on page 78.

Our responsibility is to audit the financial statements and the part of the Directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any person to whom this report is shown or into whose hands it may come, other than the Company and the Company's members as a body, save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985, and as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether, in our opinion, the information given in the Report of the Directors is consistent with the financial statements.

The information given in the Directors' Report comprises the items listed under the heading 'Report of the Directors' on pages 4 to 76.

In addition we also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate governance statement reflects the Company's compliance with the nine provisions of the Combined Code (2006) specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the 'Report of the Directors' and the items listed under the heading 'Investor Information' on page 129. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' remuneration report to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2008 and of its loss and cash flows for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 31 March 2008 and of its cash flows for the year then ended;
- the financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and as regards the Group financial statements, Article 4 of the IAS Regulation; and
- the information given in the 'Report of the Directors' is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
13 May 2008

Income statement
for the year ended 31 March 2008

Group		2008			2007		
	Notes	Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items £m	Exceptional items £m	Total £m
Group revenue*	4	1,561.2	–	1,561.2	1,641.1	–	1,641.1
Costs	4	(958.6)	–	(958.6)	(1,046.2)	–	(1,046.2)
		602.6	–	602.6	594.9	–	594.9
Profit on disposal of non-current properties	4	75.4	–	75.4	118.2	–	118.2
Net (deficit)/surplus on revaluation of investment properties	4	(1,170.3)	–	(1,170.3)	1,307.6	–	1,307.6
Operating (loss)/profit		(492.3)	–	(492.3)	2,020.7	–	2,020.7
Interest expense	6	(324.4)	–	(324.4)	(257.3)	–	(257.3)
Interest income	6	29.4	–	29.4	36.4	–	36.4
		(787.3)	–	(787.3)	1,799.8	–	1,799.8
Share of the loss of an associate undertaking (post-tax)	18	(0.5)	–	(0.5)	–	–	–
Share of the (loss)/profit of joint ventures (post-tax)	19	(101.0)	–	(101.0)	81.3	98.0	179.3
(Loss)/profit before tax	4	(888.8)	–	(888.8)	1,881.1	98.0	1,979.1
Income tax credit/(expense)	9	10.5	–	10.5	(445.0)	1,994.2	1,549.2
(Loss)/profit for the financial year from continuing activities		(878.3)	–	(878.3)	1,436.1	2,092.2	3,528.3
Discontinued operations	23	47.5	–	47.5	–	–	–
(Loss)/profit for the financial year attributable to equity shareholders	33	(830.8)	–	(830.8)	1,436.1	2,092.2	3,528.3
(Loss)/earnings per share							
Basic (loss)/earnings per share**	11			(188.80p)			753.59p
Diluted (loss)/earnings per share**	11			(188.80p)			750.54p

*Group revenue excludes the share of joint ventures' income of **£111.6m** (2007: £81.6m) (see note 19).
**adjusted earnings per share is given in note 11.

Statement of recognised income and expense
for the year ended 31 March 2008

Group	2008 £m	2007 £m
Actuarial gains/(losses) on defined benefit pension schemes	15.8	(1.3)
Deferred tax (charge)/credit on actuarial (gains)/losses on defined benefit pension schemes	(0.9)	1.0
Fair value movement on cashflow hedges taken to equity – Group	(3.2)	6.7
– joint ventures	(3.5)	11.8
Deferred tax on fair value movement on cashflow hedges taken to equity – Group	–	(1.6)
– joint ventures	–	(2.3)
Net income recognised directly in equity	8.2	14.3
(Loss)/profit for the financial year	(830.8)	3,528.3
Total recognised income and expense attributable to equity shareholders	(822.6)	3,542.6

Company
The Company has no recognised income or expense other than that recognised in the income statement (see note 33).

Balance sheets
at 31 March 2008

	Notes	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 (restated) £m
Non-current assets					
Investment properties	13	12,296.7	13,319.3	–	–
Operating properties	13	544.8	551.5	–	–
Other property, plant and equipment	13	73.6	78.2	–	–
	13	12,915.1	13,949.0	–	–
Net investment in finance leases	14	333.7	262.4	–	–
Goodwill	15	148.6	129.6	–	–
Investments in subsidiary undertakings	16	–	–	5,054.6	5,049.6
Investments in Public Private Partnerships	17	25.4	–	–	–
Investment in an associate undertaking	18	42.9	–	–	–
Investments in joint ventures	19	1,410.6	1,338.8	–	–
Net pension benefit assets	28	11.0	–	–	–
Total non-current assets		14,887.3	15,679.8	5,054.6	5,049.6
Current assets					
Trading properties and long-term development contracts	20	173.0	148.3	–	–
Derivative financial instruments	27	4.3	14.6	–	–
Trade and other receivables	21	838.0	641.8	386.2	5.5
Cash and cash equivalents	22	48.4	52.7	69.5	5.0
Total current assets (excluding non-current assets classified as held for sale)		1,063.7	857.4	455.7	10.5
Non-current assets classified as held for sale	23	664.1	2,420.3	–	–
Total current assets		1,727.8	3,277.7	455.7	10.5
Total assets		16,615.1	18,957.5	5,510.3	5,060.1
Current liabilities					
Short-term borrowings and overdrafts	24	(794.0)	(1,683.2)	–	(61.9)
Derivative financial instruments	27	(10.7)	–	–	–
Trade and other payables	25	(927.2)	(783.9)	(874.7)	(50.8)
Provisions	26	(40.9)	(19.5)	–	–
Current tax liabilities		(161.0)	(535.8)	(2.4)	(0.7)
Total current liabilities (excluding liabilities directly associated with non-current assets classified as held for sale)		(1,933.8)	(3,022.4)	(877.1)	(113.4)
Liabilities directly associated with non-current assets classified as held for sale	23	(427.7)	(1,601.0)	–	–
Total current liabilities		(2,361.5)	(4,623.4)	(877.1)	(113.4)
Non-current liabilities					
Provisions	26	(36.7)	(61.2)	–	–
Borrowings	27	(4,632.5)	(3,472.0)	–	–
Net pension benefit obligations	28	–	(5.6)	–	–
Deferred tax liabilities	29	(1.5)	(4.0)	–	–
Total non-current liabilities		(4,670.7)	(3,542.8)	–	–
Total liabilities		(7,032.2)	(8,166.2)	(877.1)	(113.4)
Net assets		9,582.9	10,791.3	4,633.2	4,946.7
Equity					
Ordinary shares	31, 33	47.1	47.0	47.1	47.0
Own shares	33	(22.3)	(14.5)	–	–
Share-based payments	33	11.3	7.9	17.5	12.5
Share premium	33	56.6	51.5	56.6	51.5
Capital redemption reserve	33	30.5	30.5	30.5	30.5
Merger reserve	33	–	–	373.6	373.6
Retained earnings	33	9,459.7	10,668.9	4,107.9	4,431.6
Total shareholders' equity		9,582.9	10,791.3	4,633.2	4,946.7

The financial statements on pages 80 to 118 were approved by the Board of Directors on 13 May 2008 and were signed on its behalf by:

F W Salway *M F Greenslade*
Directors

Cashflow statements
for the year ended 31 March 2008

Group	Notes	2008 £m	2008 £m	2007 £m	2007 £m
Net cash generated from operations					
Cash generated from operations	34		696.5		682.4
Interest paid			(338.3)		(237.5)
Interest received			10.7		12.4
Employer contributions to pension scheme			(2.0)		(3.9)
Taxation (corporation tax paid)			(367.7)		(91.9)
Net cash (outflow)/inflow from operations			(0.8)		361.5
Cashflows from investing activities					
Investment property development expenditure		(415.3)		(429.4)	
Acquisition of investment properties		(722.6)		(523.7)	
Other investment property related expenditure		(80.0)		(77.2)	
Acquisition of properties by Trillium		(158.3)		(416.5)	
Capital expenditure by Trillium		(35.0)		(26.0)	
Capital expenditure on properties		(1,411.2)		(1,472.8)	
Disposal of non-current investment properties		1,047.0		841.0	
Disposal of non-current operating properties		33.7		28.8	
Net expenditure on properties		(330.5)		(603.0)	
Net expenditure on non-property related non-current assets		(15.4)		(18.8)	
Net cash outflow from capital expenditure		(345.9)		(621.8)	
Receivable finance leases acquired		(82.1)		(43.3)	
Receipts in respect of receivable finance leases		0.8		3.8	
Receipts from the disposal of discontinued activities		424.9		–	
Net loans (to)/from joint ventures and cash contributed		(75.3)		10.8	
Distributions from joint ventures		75.1		39.2	
Acquisition of PPP investments		(8.2)		–	
Net cash received from/(advanced to) disposal group		296.5		(372.6)	
Acquisitions of Group undertakings (net of cash acquired)	37	(158.5)		(521.4)	
Net cash received from/(used in) investing activities			127.3		(1,505.3)
Cashflows from financing activities					
Issue of shares		5.2		8.4	
Purchase of own share capital		(87.6)		(36.2)	
Increase in debt		260.6		1,433.9	
Decrease in finance leases payable		(2.0)		(2.2)	
Dividends paid to ordinary shareholders	10	(308.4)		(223.0)	
Net cash (outflow)/inflow from financing activities			(132.2)		1,180.9
(Decrease)/increase in cash and cash equivalents for the year			(5.7)		37.1

Company	Notes	2008 £m	2008 £m	2007 £m	2007 £m
Net cash generated from operations					
Cash generated from operations	34		433.2		184.4
Interest paid			(26.6)		(3.4)
Interest received			14.7		5.7
Taxation (corporation tax received)			8.3		–
Net cash inflow from operations			429.6		186.7
Cashflows from financing activities					
Issue of shares		5.2		8.4	
Dividends paid to ordinary shareholders	10	(308.4)		(223.0)	
Net cash used in financing activities			(303.2)		(214.6)
Increase/(decrease) in cash and cash equivalents for the year			126.4		(27.9)

Notes to the financial statements
for the year ended 31 March 2008

1. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted by the European Union (EU) and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The financial statements have been prepared in Sterling (rounded to the nearest hundred thousand), which is the presentation currency of the Group, and under the historical cost convention as modified by the revaluation of land and buildings, available for sale investments, derivative financial instruments and financial assets and liabilities held for trading. A summary of the more important Group accounting policies which have been applied consistently across the Group is set out in note 2 below.

The accounting policies are consistent with those applied in the year ended 31 March 2007, as amended to reflect the adoption of the new Standards, Amendments to Standards and Interpretations which are mandatory for the year ended 31 March 2008. In most cases, these new requirements are not relevant for the Group. This is the case for, IFRIC 7 'Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies', IFRIC 8 'Scope of IFRS 2', IFRIC 9 'Reassessment of Embedded Derivatives', and IFRIC 10 'Interim Financial Reporting and Impairment'. However, the effect of adopting IFRS 7 'Financial Instruments: Disclosures' and the complementary amendment to IAS 1 'Presentation of financial statements – capital disclosures' was to introduce additional disclosures in respect of financial instruments. Adoption of the standard has not had any impact on the classification and valuation of the Group's or Company's financial instruments. Although there has been no effect on the Group's results, adoption of IFRIC 11 'IFRS 2 – Group and Treasury Share Transactions' has resulted in a prior year adjustment, the effect of which has been to increase the net assets of the Company at 1 April 2006 by £6.9m.

The following new Standards and Interpretations have been issued but are not effective for the year ended 31 March 2008, and have not been adopted early, IFRS 8 'Operating Segments', IFRS 3 (revised) 'Business Combinations', IFRIC 12 'Service Concession Arrangements' and IFRIC 14 'IAS 19 The limit on a defined benefit asset, minimum funding requirements and their interaction'. It is anticipated that the adoption of these new Standards and Interpretations in future periods will not have a material impact on the measurement of assets and liabilities included in the financial statements or the Group's income and expenses.

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

2. Significant accounting policies

(a) Basis of consolidation

The consolidated financial statements for the year ended 31 March 2008 incorporate the financial statements of Land Securities Group PLC (the Company) and all its subsidiary undertakings (the Group). Subsidiary undertakings are those entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences and until the date control ceases.

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. Associates are those entities over which the Group has significant influence, but which are neither subsidiaries nor joint ventures. Interests in joint ventures are accounted for using the equity method of accounting as permitted by IAS 31 'Interests in joint ventures' and following the procedures for this method set out in IAS 28 'Investments in associates'. Associates are also accounted for using the equity method. The equity method requires the Group's share of the joint ventures' and associate's post-tax profit or loss for the period to be presented separately in the income statement and the Group's share of the joint ventures' and associates' net assets to be presented separately in the balance sheet.

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

(b) Acquisitions and business combinations

Where properties are acquired through corporate acquisitions and there are no significant assets or liabilities other than property, the acquisition is treated as an asset acquisition. In all other cases the acquisition is accounted for as a business combination, in which case, the assets and liabilities of a subsidiary or joint venture are measured at their estimated fair value at the date of acquisition or, in the case of non-current assets and disposal groups acquired with a view to resale, at the lower of cost and fair value less costs to sell (see (k) below). The cost of acquisition is measured at the fair value of the consideration given together with any liabilities incurred or assumed at the date of acquisition, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. The Group is organised into business segments.

Unallocated expenses are costs incurred centrally which are neither directly attributable nor reasonably allocatable to individual segments. Unallocated assets are cash and cash equivalents. Unallocated liabilities include short-term borrowings and overdrafts, and certain non-current liabilities (borrowings, net pension benefit obligations and deferred tax liabilities).

(d) Investment properties

Investment properties are those properties, either owned by the Group or where the Group is a lessee under a finance lease, that are held either to earn rental income or for capital appreciation or both. In addition, properties held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases.

Investment properties are measured initially at cost, including related transaction costs. After initial recognition at cost, investment properties are carried at their fair values based on market value determined by professional external valuers at each reporting date. Properties are treated as acquired at the point when the Group assumes the significant risks and returns of ownership and as disposed when these are transferred to the buyer. Additions to investment properties consist of costs of a capital nature and, in the case of investment properties under development, capitalised interest. Certain internal staff and associated costs directly attributable to the management of major schemes during the construction phase are also capitalised.

The difference between the fair value of an investment property at the reporting date and its carrying amount prior to remeasurement is included in the income statement as a valuation gain or loss. When the Group begins to redevelop an existing investment property for continued future use as an investment property, the property remains an investment property and is accounted for as such.

When the Group begins to redevelop an existing investment property with a view to sell, the property is transferred to trading properties and held as a current asset. The property is remeasured to fair value as at the date of the transfer with any gain or loss being taken to the income statement. The remeasured amount becomes the deemed cost at which the property is then carried in trading properties.

Property that is being constructed or developed for future use as an investment property, but which has not previously been classified as such, is classified as investment property under development within property, plant and equipment. This is recognised initially at cost but is subsequently remeasured to fair value at each reporting date. Any gain or loss on remeasurement is taken direct to equity unless any loss in the period exceeds any net cumulative gain previously recognised in equity. In the latter case, the amount by which the loss in the period exceeds the net cumulative gain previously recognised is taken to the income statement. On completion, the property is transferred to investment property with any final difference on remeasurement accounted for in accordance with the foregoing policy.

2. Significant accounting policies continued

(d) Investment properties continued

Gross borrowing costs associated with direct expenditure on properties under development or undergoing major refurbishment are capitalised. The interest capitalised is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amount capitalised is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalised as from the commencement of the development work until the date of practical completion. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalised on the purchase cost of a site or property acquired specifically for redevelopment in the short-term but only where activities necessary to prepare the asset for redevelopment are in progress.

(e) Property, plant and equipment

Operating properties

These are properties owned and managed by Trillium, and which do not satisfy the definition of an investment property. Operating properties are stated at cost less accumulated depreciation. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the properties concerned.

The estimated useful lives are as follows:

Freehold land	–	Not depreciated
Freehold buildings	–	Up to 50 years
Leasehold properties	–	Shorter of the unexpired lease term and 50 years

Other property, plant and equipment

This category comprises computers, motor vehicles, furniture, fixtures and fittings and improvements to Group offices. These assets are stated at cost less accumulated depreciation and are depreciated to their residual value on a straight-line basis over their estimated useful lives of between two and five years.

The residual values and useful lives of all property, plant and equipment are reviewed, and adjusted if appropriate, at least at each financial year end.

(f) Goodwill

Goodwill arising on acquisition of businesses is capitalised as an asset, and represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the acquired entity at the date of the acquisition.

At the date of the Group's transition to IFRS, 1 April 2004, the goodwill in the Group balance sheet represented that arising on the acquisition of Trillium less amortisation to that date. In accordance with IFRS 1 'First-time adoption of IFRS', this amount has been adopted as the carrying amount of the goodwill for IFRS accounting purposes. In accordance with IFRS 3 'Business Combinations', the goodwill is not amortised but is reviewed for impairment at each reporting date. The Group's policy on impairment is set out in (u) below.

(g) Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost in the Company's balance sheet less any provision for permanent impairment in value.

(h) Trading properties and long-term development contracts

Trading properties are those properties held for sale and are shown at the lower of cost and net realisable value.

Revenue on long-term development contracts is recognised according to the stage reached in the contract by reference to the value of work completed using the percentage of completion method. An appropriate estimate of the profit attributable to work completed is recognised once the outcome of the contract can be estimated reliably. The gross amount due from customers for contract work is shown as a receivable. The gross amount due comprises costs incurred plus recognised profits less the sum of recognised losses and progress billings. Where the sum of recognised losses and progress billings exceeds costs incurred plus recognised profits, the amount is shown as a liability.

(i) Trade and finance lease receivables

Trade and finance lease receivables are recognised initially at fair value. A provision for impairment is established where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables concerned.

(j) Cash and cash equivalents

Cash and cash equivalents comprises cash balances, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are deducted from cash and cash equivalents for the purpose of the statement of cashflows.

(k) Non-current assets held for sale

Non-current assets and groups of assets and liabilities which comprise disposal groups are categorised as non-current assets held for sale where the asset or disposal group is available for sale in its present condition, and the sale is highly probable. For this purpose, a sale is highly probable if management are committed to a plan to achieve the sale; there is an active programme to find a buyer; the non-current asset or disposal group is being actively marketed at a reasonable price; the sale is anticipated to be completed within one year from the date of classification, and; it is unlikely there will be changes to the plan. Non-current assets held for sale are valued at the lower of their carrying value and fair value less costs to sell.

Where an asset or disposal group is acquired with a view to resale, it is classified as a non-current asset held for sale if the disposal is expected to take place within one year of the acquisition, and it is highly likely that the other conditions referred to above will be met within a short period of the acquisition. The profit or loss arising on sale of a disposal group will be recognised as discontinued operations.

(l) Trade and other payables

Trade and other payables are stated at fair value.

(m) Provisions

A provision is recognised in the balance sheet when the Group has a constructive or legal obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cashflows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Provision is made for dilapidations that will crystallise in the future where, on the basis of the present condition of the property, an obligation exists at the reporting date and can be reliably measured. The estimate is revised over the remaining period of the lease to reflect changes in the condition of the building or other changes in circumstances. The estimate of the obligation takes account of relevant external advice.

(n) Borrowings

Borrowings other than bank overdrafts are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the income statement over the period of the borrowings, using the effective interest method.

Where existing borrowings are exchanged for new borrowings and the terms of the existing and new borrowings are not substantially different (as defined by IAS 39), the new borrowings are recognised initially at the carrying amount of the existing borrowings. The difference between the amount initially recognised and the redemption value of the new borrowings is recognised in the income statement over the period of the new borrowings, using the effective interest method.

(o) Pension benefits

The Group accounts for pensions under IAS 19 'Employee Benefits'. In respect of defined benefit pension schemes, obligations are measured at discounted present value while scheme assets are measured at their fair value except annuities, which are valued to match the liability or benefit value. The operating and financing costs of such plans are recognised separately in the income statement. Service costs are spread using the projected unit method. Financing costs are recognised in the periods in which they arise and are included in interest expense. Actuarial gains and losses arising from either experience differing from previous actuarial assumptions or changes to those assumptions are recognised immediately in the statement of recognised income and expense.

Contributions to defined contribution schemes are expensed as incurred.

(p) Share capital

Ordinary shares are classed as equity. External costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2. Significant accounting policies continued

(p) Share capital continued

The consideration paid, including any directly attributable incremental costs, by any Group entity to acquire the Company's equity share capital, is deducted from equity until the shares are cancelled, reissued or disposed of. Where own shares are sold or reissued, the net consideration received is included in equity. Shares acquired by the Employee Share Ownership Plan (ESOP) are presented on the balance sheet as 'own shares'. Purchases of treasury shares are deducted from retained earnings.

(q) Share-based payments

The cost of granting share options and other share-based remuneration to employees and directors is recognised through the income statement. These are equity-settled and therefore the fair value is measured at the grant date. The Group has used the Black-Scholes option valuation model to establish the relevant fair values. The resulting values are amortised through the income statement over the vesting period of the options and other grants. The charge is reversed if it appears probable that applicable performance criteria will not be met although the performance criteria are not market related.

(r) Revenue

The Group recognises revenue on an accruals basis, and when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Group. Revenue comprises rental income, service charges and other recoveries from tenants of the Group's investment and trading properties, property services income earned by Trillium, proceeds of sales of its trading properties and income arising on long-term contracts. Rental income includes the income from managed operations such as car parks, food courts, serviced offices and flats. Service charges and other recoveries include income in relation to service charges and directly recoverable expenditure together with any chargeable management fees. Property services income represents unitary charges and the recovery of other direct property or contract expenditure reimbursable by customers. Where revenue is obtained from the rendering of services, it is recognised by reference to the stage of completion of the relevant transactions at the reporting date.

Rental income from investment property leased out under an operating lease is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the net consideration for the use of the property and are therefore recognised on the same, straight-line basis.

When property is let out under a finance lease, the Group recognises a receivable at an amount equal to the net investment in the lease at inception of the lease. Rentals received are accounted for as repayments of principal and finance income as appropriate. Finance income is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining net investment in the finance lease. Contingent rents, being those lease payments that are not fixed at the inception of a lease, for example turnover rents, are recorded as income in the periods in which they are earned.

Where revenue is obtained by the sale of assets, it is recognised when the significant risks and returns have been transferred to the buyer. In the case of sales of properties, this is generally on unconditional exchange except where payment or completion is expected to occur significantly after exchange. For conditional exchanges, sales are recognised when the conditions are satisfied. Sales of investment and other non-current properties, which are not included in revenue, are recognised on the same basis.

(s) Expenses

Property and contract expenditure, including bid costs incurred prior to the exchange of a contract, is expensed as incurred with the exception of expenditure on long-term development contracts (see (h) above).

Rental payments made under an operating lease are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the net consideration for the use of the property and also recognised on a straight-line basis.

Minimum lease payments payable on finance leases and operating leases accounted for as finance leases under IAS 40 are apportioned between finance expense and reduction of the outstanding liability. Finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining liability. Contingent rents (as defined in (r) above) are charged as an expense in the periods in which they are incurred.

(t) Exceptional items

Items which are sufficiently material by either their size or nature to require separate disclosure are disclosed as exceptional items within the relevant income statement category. Items that management consider fall into this category are presented separately in the income statement in the column headed 'Exceptional items'. Events that may give rise to exceptional items include gains or losses on the disposal of joint ventures or other investments, impairment of assets including goodwill arising as a result of recognising deferred tax on a business combination, financial restructurings and significant changes in the tax regime.

(u) Impairment

The carrying amounts of the Group's non-financial assets, other than investment properties (see (d) above), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see below). An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

Goodwill is tested for impairment at each reporting date, or more frequently if there are indicators of impairment. For this purpose goodwill is allocated to units or groups of units which represent the lowest level at which the goodwill is monitored for internal management purposes.

The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. The value in use is determined as the net present value of the future cashflows expected to be derived from the asset, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount after the reversal does not exceed the amount that would have been determined, net of applicable depreciation, if no impairment loss had been recognised.

(v) Derivative financial instruments (derivatives) and hedge accounting

The Group uses interest rate swaps to help manage its interest rate risk, and cross-currency swaps to manage its currency risk. In accordance with its treasury policy, the Group does not hold or issue derivatives for trading purposes.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair value or cashflows of hedged items.

All derivatives are initially recognised at fair value at the date the derivative is entered into and are subsequently remeasured at fair value. The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cashflows based on the terms and maturity of each contract and using market interest rates for similar instruments at the measurement date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument.

- Fair value hedges: Where a derivative is designated and qualifies as a hedge of the exposures to fair value of a recognised asset or liability that is attributable to a particular risk and could affect the income statement, changes in the fair value of the derivative are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.
- Cashflow hedges: Where a derivative is designated as a hedge of the variability of a highly probable forecast transaction i.e. an interest payment, the element of the gain or loss on the derivative that is an effective hedge is recognised directly in equity. When the forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised directly in equity are reclassified into the income statement in the same period or periods during which the asset acquired or liability assumed affects the income statement i.e. when interest income or expense is recognised.
- Derivatives that do not qualify for hedge accounting: The gain or loss on derivatives that do not qualify for hedge accounting, and the non-qualifying element of derivatives that do qualify for hedge accounting, are recognised in the income statement immediately.

2. Significant accounting policies continued

(w) Income tax

Income tax on the profit for the year comprises current and deferred tax. Current tax is the tax payable on the taxable income for the year and any adjustment in respect of previous years. Deferred tax is provided in full using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is determined using tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the asset is realised or the liability is settled.

Prior to REIT conversion, deferred tax was provided on the full difference between the original cost of investment properties and their carrying amounts at the reporting date without taking into account deductions and allowances which would only apply if the properties concerned were to be sold, except where such properties are classified as held for disposal (see note 9).

No provision is made for temporary differences (i) arising on the initial recognition of assets or liabilities, other than on a business combination, that affect neither accounting nor taxable profit and (ii) relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future.

(x) Leases

A Group company is the lessee

i) Operating lease – leases in which substantially all risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

ii) Finance lease – leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The finance charges are charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The investment properties acquired under finance leases are subsequently carried at their fair value.

A Group company is the lessor

i) Operating lease – properties leased out to tenants under operating leases are included in investment properties in the balance sheet.

ii) Finance lease – when assets are leased out under a finance lease, the present value of the minimum lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method before tax, which reflects a constant periodic rate of return. Where only the buildings element of a property lease is classified as a finance lease, the land element is shown within operating leases.

(y) Dividends

Final dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim and quarterly dividends are recognised when paid.

(z) Foreign currency translation

Foreign currency transactions are translated into Sterling using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except where deferred in equity as qualifying cashflow hedges and qualifying net investment hedges.

3. Significant judgements, key assumptions and estimates

The Group's significant accounting policies are stated in note 2 above. Not all of these significant accounting policies require management to make difficult, subjective or complex judgements or estimates. The following is intended to provide an understanding of the policies that management consider critical because of the level of complexity, judgement or estimation involved in their application and their impact on the consolidated financial statements. These judgements involve assumptions or estimates in respect of future events. Actual results may differ from these estimates.

(a) Goodwill

The goodwill that arises from the difference between how deferred tax is calculated for accounting purposes and the value ascribed to it in negotiations is sometimes judged not to be an asset, and is accordingly impaired on completion of the relevant acquisition. Otherwise goodwill is tested annually for impairment on the basis set out in note 15.

(b) Distinction between operating properties and investment properties

A property is classified as an operating property rather than an investment property where the degree of ancillary services supplied is judged to be significant in the context of the arrangements between the landlord and tenant.

(c) Finance lease calculations

In apportioning rentals on finance lease properties, the Group is required to estimate the split of the fair values of the properties concerned between land and buildings. The inception of many of the Group's leases took place many years ago and therefore reliable estimates are very difficult to obtain. Accordingly, the Group has had to apply its judgement in estimating the split at inception of certain finance lease properties.

(d) Trading properties

Trading properties are carried at the lower of cost and net realisable value. The latter is assessed by the Group having regard to suitable external advice and knowledge of recent comparable transactions.

(e) Trade receivables

The Group is required to judge when there is sufficient objective evidence to require the impairment of individual trade receivables. It does this on the basis of the age of the relevant receivables, external evidence of the credit status of the counterparty and the status of any disputed amounts.

(f) Exceptional items

Exceptional items are defined as those items which are sufficiently material by either their size or nature as to require separate disclosure. Deciding which items meet this definition is judgemental.

(g) Investment property valuation

The Group normally uses the valuation performed by its external valuers as the fair value of its investment properties. The valuation is based upon assumptions including future rental income, anticipated maintenance costs, future development costs and the appropriate discount rate. The valuers also make reference to market evidence of transaction prices for similar properties.

(h) Unagreed rent reviews

Where the rent review date has passed, and the revised annual rent has not been agreed, rent is accrued from the date of the rent review based upon an estimation of the revised annual rent. The estimate is derived from knowledge of market rents for comparable properties.

(i) Non-current assets held for sale

Significant judgement has been required in assessing whether non-current assets and groups of assets and liabilities which comprise disposal groups qualify for treatment as a non-current asset held for sale. Judgement is required in determining the fair value less costs to sell, which has been evaluated based on our progress against the plan to sell non-current assets at the balance sheet date. Non-current assets are held at the lower of cost and fair value less costs to sell.

(j) Compliance with the Real Estate Investment Trust (REIT) taxation regime

On 1 January 2007 the Group converted to a group REIT. In order to achieve and retain group REIT status, several entrance tests had to be met and certain ongoing criteria must be maintained. The main criteria are as follows:

- at the start of each accounting period, the assets of the tax exempt business must be at least 75% of the total value of the Group's assets;
- at least 75% of the Group's total profits must arise from the tax exempt business; and
- at least 90% of the profit of the property rental business must be distributed.

The Directors intend that the Group should continue as a group REIT for the foreseeable future, with the result that deferred tax is no longer recognised on temporary differences relating to the property rental business.

(k) Onerous lease and dilapidation provisions

Judgement is required in determining the Group's onerous lease and dilapidation provisions, based on an assessment of the condition of each property and market conditions in the relevant location. External advice is obtained where appropriate.

4. Segmental information

Group	2008					2007				
Income statements	**Retail Portfolio £m**	**London Portfolio £m**	**Other investment portfolio £m**	**Trillium £m**	**Total £m**	Retail Portfolio £m	London Portfolio £m	Other investment portfolio £m	Trillium £m	Total £m
Rental income	271.2	329.1	9.6	–	609.9	279.2	311.6	8.7	–	599.5
Service charge income	47.3	53.3	0.6	–	101.2	46.8	48.6	0.3	–	95.7
Property services income	–	–	–	761.0	761.0	–	–	–	785.9	785.9
Trading property sale proceeds	1.3	40.0	2.3	–	43.6	–	33.1	29.0	1.7	63.8
Long-term development contract income	–	–	26.3	–	26.3	–	28.9	51.8	–	80.7
Finance lease interest	2.9	5.9	–	10.4	19.2	3.5	5.9	–	6.1	15.5
Revenue	322.7	428.3	38.8	771.4	1,561.2	329.5	428.1	89.8	793.7	1,641.1
Rents payable	(11.0)	(5.3)	–	(175.1)	(191.4)	(11.3)	(4.9)	–	(179.9)	(196.1)
Other direct property or contract expenditure	(64.7)	(72.6)	(1.0)	(403.6)	(541.9)	(67.7)	(62.1)	(0.8)	(469.0)	(599.6)
Indirect property or contract expenditure	(32.6)	(29.4)	(4.0)	(13.7)	(79.7)	(31.6)	(30.9)	(5.8)	(16.3)	(84.6)
Long-term development contract expenditure	–	–	(24.3)	–	(24.3)	–	(26.1)	(40.3)	–	(66.4)
Bid costs	–	–	–	(11.9)	(11.9)	–	–	–	(2.8)	(2.8)
Cost of sales of trading properties	(0.9)	(38.9)	(1.0)	–	(40.8)	(0.1)	(28.7)	(20.9)	(0.5)	(50.2)
Depreciation	(2.2)	(5.2)	(0.4)	(38.0)	(45.8)	(1.5)	(4.9)	(0.1)	(26.4)	(32.9)
Underlying operating profit	211.3	276.9	8.1	129.1	625.4	217.3	270.5	21.9	98.8	608.5
Profit on disposal of non-current properties	16.4	40.9	–	18.1	75.4	28.5	81.7	0.5	7.5	118.2
Net (deficit)/surplus on revaluation of investment properties	(671.2)	(464.7)	(9.5)	(24.9)	(1,170.3)	293.6	1,022.0	5.6	(13.6)	1,307.6
Segment result	(443.5)	(146.9)	(1.4)	122.3	(469.5)	539.4	1,374.2	28.0	92.7	2,034.3
Demerger costs					(9.8)					–
Unallocated expenses					(13.0)					(13.6)
Operating (loss)/profit					(492.3)					2,020.7
Net interest expense (note 6)					(295.0)					(220.9)
					(787.3)					1,799.8
Share of the (loss)/profit of joint ventures (post-tax)										
– Retail Portfolio					(92.6)					182.5
– London Portfolio					(14.4)					–
– Other investment portfolio					5.9					–
– Trillium					0.1					(3.2)
					(101.0)					179.3
Share of the loss of an associate undertaking (post-tax)					(0.5)					–
(Loss)/profit before tax from continuing activities					(888.8)					1,979.1

Included within rents payable is finance lease interest payable of **£2.0m** (2007: £1.9m) and **£2.8m** (2007: £3.1m) respectively for Retail Portfolio and London Portfolio.

All of the share of the loss of an associate undertaking is attributable to Trillium.

4. Segmental information continued

Group	2008					2007				
Balance sheets	Retail Portfolio £m	London Portfolio £m	Other investment portfolio £m	Trillium £m	Total £m	Retail Portfolio £m	London Portfolio £m	Other investment portfolio £m	Trillium £m	Total £m
Investment properties	4,615.9	7,069.6	48.8	562.4	12,296.7	5,497.7	7,329.4	64.6	427.6	13,319.3
Operating properties	–	–	–	544.8	544.8	–	–	–	551.5	551.5
Other property, plant and equipment	8.0	7.0	4.7	53.9	73.6	9.3	8.3	5.0	55.6	78.2
Net investment in finance leases	53.2	104.8	–	175.7	333.7	63.0	104.0	–	95.4	262.4
Goodwill	–	–	–	148.6	148.6	–	–	–	129.6	129.6
Investments in Public Private Partnerships	–	–	–	25.4	25.4	–	–	–	–	–
Investment in an equity accounted associate	–	–	–	42.9	42.9	–	–	–	–	–
Investments in equity accounted joint ventures	1,370.2	9.0	26.3	5.1	1,410.6	1,315.9	–	17.9	5.0	1,338.8
Trading properties and long-term development contracts	16.5	24.5	128.0	4.0	173.0	–	41.4	106.2	0.7	148.3
Trade and other receivables	203.1	390.0	23.3	221.3	837.7	185.9	220.3	27.7	207.5	641.4
Non-current assets classified as held for sale	–	–	–	664.1	664.1	–	–	–	2,420.3	2,420.3
Segment assets	6,266.9	7,604.9	231.1	2,448.2	16,551.1	7,071.8	7,703.4	221.4	3,893.2	18,889.8
Unallocated assets					64.0					53.1
Total assets					16,615.1					18,942.9
Trade and other payables	(249.2)	(253.2)	(24.1)	(338.2)	(864.7)	(286.7)	(160.8)	(20.0)	(281.8)	(749.3)
Provisions	–	–	–	(77.6)	(77.6)	–	–	–	(80.7)	(80.7)
Liabilities directly associated with non-current assets classified as held for sale	–	–	–	(427.7)	(427.7)	–	–	–	(1,601.0)	(1,601.0)
Segment liabilities	(249.2)	(253.2)	(24.1)	(843.5)	(1,370.0)	(286.7)	(160.8)	(20.0)	(1,963.5)	(2,431.0)
Unallocated liabilities					(5,662.2)					(5,720.6)
Total liabilities					(7,032.2)					(8,151.6)
Other segment items										
Capital expenditure	220.1	368.3	0.2	51.7	640.3	148.5	357.1	0.3	39.6	545.5

All the Group's operations are in the UK and are organised into four main business segments against which the Group reports its primary segment information. These are Retail Portfolio, London Portfolio, Other investment portfolio and Trillium.

Company
The Company's business is to invest in its subsidiaries, and therefore it operates in a single segment.

5. Employee costs

Group	2008 Number	2007 Number	2008 £m	2007 £m
The average monthly number of employees during the year, excluding Directors, and the corresponding aggregate employee costs were:				
Indirect property or contract and administration	**632**	584	**51.3**	48.6
Direct property or contract services:				
Full-time	**988**	1,041	**54.8**	49.1
Part-time	**69**	23	**1.1**	1.0
	1,689	1,648	**107.2**	98.7
Employee costs				
Salaries			**82.7**	77.5
Social security			**10.7**	10.4
Other pension			**9.2**	9.3
Share-based payments			**4.6**	1.5
			107.2	98.7
Directors				
Aggregate emoluments excluding pensions			**10.9**	8.5
Company contributions to pension schemes			**0.6**	0.7
			11.5	9.2

With the exception of the Directors, who are employed by Land Securities Group PLC, all employees are employed by subsidiaries of the Group.

Five Directors (2007: five) have retirement benefits accruing under money purchase pension schemes. Retirement benefits accrue to **one** Director (2007: one) under the Group's defined benefit pension scheme. Information on Directors' emoluments, share options and interests in the Company's shares is given in the Directors' remuneration report on pages 66 to 76.

6. Net interest (expense)/income

	Group		Company	
	2008 £m	2007 £m	2008 £m	2007 £m
Interest expense				
Bond and debenture debt	**(195.1)**	(173.1)	**–**	–
Bank borrowings	**(136.4)**	(89.6)	**–**	–
Other interest payable	**(2.2)**	(1.2)	**(26.6)**	(3.4)
Fair value losses on interest rate swaps	**(21.9)**	–	**–**	–
Provision discounting (note 26)	**(1.6)**	(1.0)	**–**	–
Amortisation of bond exchange derecognition	**(7.6)**	(17.1)	**–**	–
Interest on pension scheme liabilities	**(8.1)**	(7.6)	**–**	–
	(372.9)	(289.6)	**(26.6)**	(3.4)
Interest capitalised in relation to properties under development	**48.5**	32.3	**–**	–
Total interest expense	**(324.4)**	(257.3)	**(26.6)**	(3.4)
Interest income				
Short-term deposits	**4.1**	1.5	**–**	–
Other interest receivable	**1.3**	2.4	**14.7**	5.7
Interest receivable from joint ventures	**15.0**	8.5	**–**	–
Expected return on pension scheme assets	**9.0**	8.6	**–**	–
Fair value profits on interest rate swaps	**–**	15.4	**–**	–
Total interest income	**29.4**	36.4	**14.7**	5.7
Net interest (expense)/income	**(295.0)**	(220.9)	**(11.9)**	2.3

Included within rents payable (note 4) is finance lease interest payable of **£4.8m** (2007: £5.0m).

7. (Loss)/profit before tax

Group	2008 £m	2007 £m
The following items have been charged or (credited) in arriving at (loss)/profit before taxation:		
Employee costs (note 5)	**107.2**	98.7
Depreciation of property, plant and equipment (note 13):		
Investment properties	**2.9**	3.3
Operating properties	**22.9**	15.4
Other property, plant and equipment	**20.0**	14.2
Profit on disposal of non-current properties	**(75.4)**	(118.2)
Bad debts written off and provision for doubtful debts	**3.6**	3.4
Services provided by the Group's auditor		
During the year the Group obtained the following services from the Group's auditor at costs as detailed below:		
Audit fees in respect of the accounts of the Company	**0.6**	0.6
Audit fees in respect of the audit of subsidiary undertakings and associates	**0.4**	0.4
Fees for services supplied pursuant to legislation	**0.1**	0.1
Services relating to taxation	**0.2**	0.1
Other services in relation to the demerger	**1.1**	–
Other services in relation to the sale of Trillium Investment Partners LP	**0.7**	–
Other services	**–**	0.1
	1.8	0.1
	3.1	1.3

It is the Group's policy to employ PricewaterhouseCoopers LLP on assignments additional to their statutory duties where their expertise and experience with the Group are important. Where appropriate, the Group seeks tenders for services and if fees are expected to be greater than £25,000 they are pre-approved by the Audit Committee.

In addition to the above PricewaterhouseCoopers LLP has also received **£0.6m** (2007: £nil) relating to the audit of various PPP entities within Trillium Investment Partners LP of which the Group now holds 10%.

8. Exceptional items

Group	2008 £m	2007 £m
Deferred taxation released within joint ventures on conversion to a Real Estate Investment Trust	**–**	98.0
Exceptional items before tax	**–**	98.0
Deferred taxation released on conversion to a Real Estate Investment Trust	**–**	2,309.2
Real Estate Investment Trust conversion charge	**–**	(315.0)
	–	2,092.2

The exceptional items arising from the Group's conversion to a Real Estate Investment Trust are explained in note 9 below.

9. Income tax (credit)/expense

	Group		Company	
	2008 £m	2007 £m	**2008 £m**	2007 £m
Current tax				
Corporation tax expense/(credit) for the year	**10.3**	68.8	**(6.6)**	0.7
Adjustment in respect of prior years	**(17.9)**	(0.6)	**–**	–
Corporation tax in respect of property disposals	**0.5**	32.0	**–**	–
Real Estate Investment Trust conversion charge	**–**	315.0	**–**	–
Total current tax (credit)/expense	**(7.1)**	415.2	**(6.6)**	0.7
Deferred tax				
Origination and reversal of timing differences	**(3.4)**	32.9	**–**	–
Released in respect of property disposals	**–**	(18.8)	**–**	–
On valuation surplus	**–**	330.7	**–**	–
Released on conversion to a Real Estate Investment Trust	**–**	(2,309.2)	**–**	–
Total deferred tax credit	**(3.4)**	(1,964.4)	**–**	–
Total income tax (credit)/expense in the income statement	**(10.5)**	(1,549.2)	**(6.6)**	0.7

The tax for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

(Loss)/profit on activities before taxation	**(888.8)**	1,979.1	**(21.9)**	2.3
(Loss)/profit on activities multiplied by the rate of corporation tax in the UK of 30%	**(266.7)**	593.7	**(6.6)**	0.7
Effects of:				
Deferred tax released in respect of property disposals	**–**	(18.8)	**–**	–
Corporation tax on disposal of non-current assets	**6.3**	6.0	**–**	–
Joint venture accounting adjustments	**0.9**	(44.2)	**–**	–
Prior year corporation tax adjustments	**(17.9)**	(0.6)	**–**	–
Prior year deferred tax adjustments	**(2.9)**	1.1	**–**	–
Non-allowable expenses and non-taxable items	**19.8**	7.9	**–**	–
Real Estate Investment Trust conversion charge	**–**	315.0	**–**	–
Deferred tax released on conversion to a Real Estate Investment Trust	**–**	(2,309.2)	**–**	–
Exempt property rental profits in the year ended 31 March 2008	**278.9**	–	**–**	–
Exempt property gains in the year ended 31 March 2008	**(28.9)**	–	**–**	–
Exempt property rental profits in the three months ended 31 March 2007	**–**	(89.8)	**–**	–
Exempt property gains in the three months ended 31 March 2007	**–**	(10.3)	**–**	–
Total income tax (credit)/expense in the income statement (as above)	**(10.5)**	(1,549.2)	**(6.6)**	0.7

Land Securities Group PLC elected for group Real Estate Investment Trust (REIT) status with effect from 1 January 2007. As a result the Group no longer pays UK corporation tax on the profits and gains from qualifying rental business in the UK provided it meets certain conditions. Non-qualifying profits and gains of the Group continue to be subject to corporation tax as normal. On entering the REIT regime an entry charge equal to 2% of the aggregate market value of the properties associated with the qualifying rental business was payable. Deferred tax accrued at the date of conversion in respect of the assets and liabilities of the qualifying rental business was released to the income statement, as the relevant temporary differences are no longer taxable on reversal. An equivalent release of deferred taxation was also made by the joint ventures, of which the Group's share was £98.0m.

The calculation of the Group's tax expense and liability necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until a formal resolution has been reached with the relevant tax authorities. If all such issues are resolved in the Group's favour, provisions established in previous periods of up to £216.0m could be released in the future.

10. Dividends

Group and Company	2008 £m	2007 £m
Ordinary dividends paid		
Final dividend for the year ended 31 March 2007 (34.00p per share)	159.5	–
Final dividend for the year ended 31 March 2006 (28.55p per share)	–	133.8
First quarterly dividend for the year ended 31 March 2008 (16.00p per share)	74.5	–
Second quarterly dividend for the year ended 31 March 2008 (16.00p per share)	74.4	–
Interim dividend for the year ended 31 March 2007 (19.00p per share)	–	89.2
	308.4	223.0

The Board has proposed a final dividend of **16.00p** per share (final dividend for the year ended 31 March 2007: 34.00p) which will result in a further distribution of **£74.4m** (2007: £159.5m). It will be paid on 28 July 2008 to shareholders who are on the Register of Members on 20 June 2008. The final dividend is in addition to the third quarterly dividend of 16.00p paid on 25 April 2008. The total dividend paid and proposed in respect of the year ended 31 March 2008 is **64.00p** (2007: 53.00p).

11. (Loss)/earnings per share

Group	2008 £m	2007 £m
(Loss)/profit for the financial year	(878.3)	3,528.3
Revaluation deficits/(surpluses) net of deferred taxation – Group	1,170.3	(976.9)
– joint ventures	134.2	(54.5)
Profit on non-current property disposals after current and deferred tax	(67.8)	(105.2)
Mark-to-market adjustment on interest rate swaps (net of deferred tax)	22.4	(13.7)
Demerger costs (net of taxation)	6.9	–
Prior year non-revenue tax adjustments	(16.2)	–
Deferred tax arising from capital allowances on investment properties	–	11.7
Deferred tax arising from capitalised interest on investment properties	–	5.8
Real Estate Investment Trust conversion charge	–	315.0
Deferred tax released on conversion to a Real Estate Investment Trust – Group	–	(2,309.2)
– joint ventures	–	(98.0)
EPRA adjusted earnings	371.5	303.3
Eliminate effect of debt restructuring charges (net of taxation)	1.9	13.4
Eliminate effect of bond exchange derecognition (net of deferred tax)	7.6	13.3
Adjusted earnings	381.0	330.0

	Number million	Number million
Weighted average number of ordinary shares	470.6	469.8
Effect of own shares and treasury shares	(5.4)	(1.6)
Weighted average number of ordinary shares after adjusting for own shares	465.2	468.2
Effect of dilutive share options	1.1	1.9
Weighted average number of ordinary shares adjusted for dilutive instruments	466.3	470.1

	Pence	Pence
Basic (loss)/earnings per share	(188.80)	753.59
Diluted (loss)/earnings per share	(188.80)	750.54
Adjusted earnings per share	81.90	70.48
Adjusted diluted earnings per share	81.71	70.20
EPRA adjusted earnings	79.67	64.52

Management have chosen to disclose adjusted earnings per share in order to provide an indication of the Group's underlying business performance. Accordingly, it excludes the effect of all exceptional items, debt and other restructuring charges, and other items of a capital nature (other than trading properties and long-term contract profits) as indicated above. In addition, the corporation tax charge arising from the conversion to a REIT, and the deferred tax released following the conversion to a REIT, have also been excluded due to their size and incidence. Further, prior to the conversion to a REIT, the deferred tax arising on capital allowances in respect of investment properties was eliminated as experience had shown that these allowances are not in practice repayable, and deferred tax on capitalised interest was also added back as this was effectively a permanent difference. An EPRA measure has been included to assist comparison between European property companies. We believe our measure of adjusted diluted earnings per share is more appropriate than the EPRA measure in the context of our business.

12. Net assets per share

Group	2008 £m	2007 £m
Net assets attributable to equity shareholders	**9,582.9**	10,791.3
Cumulative mark-to-market adjustment on interest rate swaps (net of deferred tax) – Group	**10.7**	(14.4)
– joint ventures	**1.5**	(9.2)
– an associate undertaking	**0.5**	–
EPRA adjusted net assets	**9,595.6**	10,767.7
Reverse bond exchange derecognition adjustment	**(511.5)**	(519.1)
Adjusted net assets attributable to equity shareholders	**9,084.1**	10,248.6
Reinstate bond exchange derecognition adjustment	**511.5**	519.1
Cumulative mark-to-market adjustment on interest rate swaps (net of deferred tax) – Group	**(10.7)**	14.4
– joint ventures	**(1.5)**	9.2
– an associate undertaking	**(0.5)**	–
Excess of fair value of debt over book value (note 27)	**(208.7)**	(511.5)
EPRA triple net assets value	**9,374.2**	10,279.8

Group	Number million	Number million
Number of ordinary shares	**470.9**	470.4
Effect of own shares and treasury shares	**(7.2)**	(2.1)
Number of ordinary shares after adjusting for own shares	**463.7**	468.3
Effect of dilutive share options	**0.7**	1.6
Number of ordinary shares adjusted for dilutive instruments	**464.4**	469.9

	Pence	Pence
Net assets per share	**2067**	2304
Diluted net assets per share	**2064**	2297
Adjusted net assets per share	**1959**	2188
Adjusted diluted net assets per share	**1956**	2181
EPRA measure – adjusted diluted net assets per share	**2066**	2291
– triple net assets per share	**2019**	2188

Adjusted net assets per share excludes the deferred tax arising on revaluation surpluses, mark-to-market adjustments on financial instruments used for hedging purposes and the bond exchange derecognition adjustment as management consider that this better represents the expected future cashflows of the Group. EPRA measures have been included to assist comparison between European property companies. We believe our measure of adjusted net assets attributable to equity shareholders is more indicative of underlying performance.

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13. Non-current assets

Group	Portfolio management £m	Development programme £m	Trillium £m	Total investment properties £m	Operating properties £m	Other property, plant and equipment £m	Total £m
Net book value at 1 April 2006	10,211.2	1,229.3	27.1	11,467.6	536.1	73.6	12,077.3
Properties transferred from portfolio management into the development programme during the year (at 1 April 2006 valuation)	(219.0)	219.0	–	–	–	–	–
Developments completed, let and transferred from the development programme into portfolio management during the year	60.8	(60.8)	–	–	–	–	–
Property acquisitions	510.0	13.7	414.1	937.8	26.6	–	964.4
Capital expenditure	77.2	422.1	–	499.3	27.2	19.0	545.5
Capitalised interest	–	29.8	–	29.8	–	–	29.8
Disposals	(643.5)	(5.6)	–	(649.1)	(23.0)	(0.2)	(672.3)
Transfer to joint venture	(266.5)	–	–	(266.5)	–	–	(266.5)
Surrender premiums received	(3.9)	–	–	(3.9)	–	–	(3.9)
Depreciation	(3.3)	–	–	(3.3)	(15.4)	(14.2)	(32.9)
Surplus/(deficit) on revaluation	884.4	436.8	(13.6)	1,307.6	–	–	1,307.6
Net book value at 31 March 2007	**10,607.4**	**2,284.3**	**427.6**	**13,319.3**	**551.5**	**78.2**	**13,949.0**
Properties transferred from portfolio management into the development programme during the year (at 1 April 2007 valuation)	(218.7)	218.7	–	–	–	–	–
Developments completed, let and transferred from the development programme into portfolio management during the year	1,491.5	(1,491.5)	–	–	–	–	–
Property acquisitions	714.2	0.2	149.4	863.8	8.9	–	872.7
Capital expenditure	117.5	467.3	6.8	591.6	32.4	16.1	640.1
Capitalised interest	1.4	43.7	–	45.1	–	–	45.1
Disposals	(1,099.4)	(2.2)	(0.6)	(1,102.2)	(16.9)	(0.7)	(1,119.8)
Transfers to joint ventures	(228.2)	–	–	(228.2)	–	–	(228.2)
Transfers to trading properties	–	(17.4)	–	(17.4)	(4.1)	–	(21.5)
Reclassifications	–	–	4.1	4.1	(4.1)	–	–
Surrender premiums received	(6.2)	–	–	(6.2)	–	–	(6.2)
Depreciation	(2.9)	–	–	(2.9)	(22.9)	(20.0)	(45.8)
Deficit on revaluation	(1,038.3)	(107.1)	(24.9)	(1,170.3)	–	–	(1,170.3)
Net book value at 31 March 2008	**10,338.3**	**1,396.0**	**562.4**	**12,296.7**	**544.8**	**73.6**	**12,915.1**

The following table reconciles the net book value of the investment properties (excluding those within Trillium) to the market value. Trillium's investment properties have been excluded from this reconciliation as the net book value and the market value are not materially different. The components of the reconciliation are included within their relevant balance sheet headings.

	Portfolio management £m	Development programme £m	Total investment properties £m
Net book value at 31 March 2007	10,607.4	2,284.3	12,891.7
Plus: amount included in prepayments in respect of lease incentives	93.6	37.4	131.0
Less: head leases capitalised (note 30)	(61.6)	(9.4)	(71.0)
Plus: properties treated as finance leases	163.1	–	163.1
Market value at 31 March 2007 – Group	10,802.5	2,312.3	13,114.8
– plus: share of joint ventures (note 19)			1,637.7
Market value at 31 March 2007 – Group and share of joint ventures			14,752.5
Net book value at 31 March 2008	10,338.3	1,396.0	11,734.3
Plus: amount included in prepayments in respect of lease incentives	156.3	24.3	180.6
Less: head leases capitalised (note 30)	(65.3)	(2.0)	(67.3)
Plus: properties treated as finance leases	149.2	–	149.2
Market value at 31 March 2008 – Group	10,578.5	1,418.3	11,996.8
– plus: share of joint ventures (note 19)			1,589.9
Market value at 31 March 2008 – Group and share of joint ventures			13,586.7

Included in investment properties are leasehold properties with a net book value of **£1,368.1m** (2007: £1,485.5m).

13. Non-current assets continued

In accordance with IFRS 1 'First time adoption of International Reporting Standards' and IAS 17 'Leases', the Group has reviewed the classification of all leases at the opening balance sheet date of 1 April 2004. In reviewing leases of land and buildings in accordance with IAS 17 the land and buildings elements of the lease need to be considered separately. On this basis, leases on 43 properties entered into between 1923 and 2003 were reclassified as finance leases in these accounts. This resulted in an increase in fixed assets of £77.2m and a finance lease creditor of the same amount at first time adoption on 1 April 2004. At 31 March 2008 leases on **25** properties (2007: 28) entered into between 1960 and 2007 were classified as finance leases. The corresponding increase in fixed assets and finance lease creditor was **£67.3m** (2007: £71.0m). Operating lease expense has reduced by **£6.7m** (2007: £7.2m).

The fair value of the Group's investment properties at 31 March 2008 has been arrived at on the basis of a valuation carried out at that date by Knight Frank LLP, external valuers. The valuation by Knight Frank LLP, which conforms to Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors and with IVA 1 of the International Valuation Standards, and was arrived at by reference to market evidence of transaction prices for similar properties. Fixed asset properties include capitalised interest of **£211.7m** (2007: £145.6m). The average rate of capitalisation is **5.5%** (2007: 5.5%). The historical cost of investment properties is **£7,813.2m** (2007: £7,210.6m).

The current value of investment properties in respect of proposed developments is **£639.6m** (2007: £329.3m). Developments are transferred out of the development programme when physically complete and 95% let. The schemes completed during the year were Christ's Lane, Cambridge, One Wood Street, EC2, Princesshay, Exeter, Maskew Avenue, Peterborough, Poole Road, Poole, Bankside 2&3, SE1, Thanet Leisure, Westwood Cross and Cardinal Place, SW1. The property rental income earned by the Group from its investment properties amounted to **£603.8m** (2007: £594.6m).

Group	2008 £m	2007 £m
Capital commitments	**234.5**	726.6

14. Net investment in finance leases

Group	2008 £m	2007 £m
Non-current		
Finance leases – gross receivables	**692.8**	603.9
Unearned finance income	**(385.6)**	(368.0)
Unguaranteed residual value	**26.5**	26.5
	333.7	262.4
Current		
Finance leases – gross receivables	**27.4**	14.6
Unearned finance income	**(20.3)**	(10.9)
	7.1	3.7
Total net investment in finance leases	**340.8**	266.1
Gross receivables from finance leases:		
Not later than one year	**27.4**	14.6
Later than one year but not more than five years	**129.3**	116.7
More than five years	**563.5**	487.2
	720.2	618.5
Unearned future finance income	**(405.9)**	(378.9)
Unguaranteed residual value	**26.5**	26.5
Net investment in finance leases	**340.8**	266.1

The Group has leased out a number of investment properties under finance leases ranging between 15 and 100 years in duration. These are accounted for as finance lease receivables rather than investment properties. The fair value of the Group's finance lease receivables approximates to the carrying amount.

15. Goodwill

Group	2008 £m	2007 £m
At the beginning of the year	129.6	34.3
Arising on acquisitions during the year (note 37)	13.5	83.2
Arising on acquisitions in the prior year	5.5	–
Transferred on acquisition of a joint venture (note 19)	–	12.1
At the end of the year	148.6	129.6
Represented by:		
Gross goodwill recognised	233.5	214.5
Total accumulated impairment losses	(84.9)	(84.9)
	148.6	129.6

The goodwill carried in the Group balance sheet relates entirely to the acquisition of the Group's Trillium business and subsequent acquisitions.

Impairment has been tested by comparing the carrying amount of the businesses' assets and liabilities with their recoverable amount, being their value in use. The latter has been calculated by reference to the cashflow projections for each business for its major contracts and covering the entire term of the contracts concerned. The main assumptions underlying the forecasts are the relative inflation rates applying to costs and revenues and the amount of expenditure required for the businesses to fulfil their service level commitments and the vacation rate under the DWP contract; and the volume of new business for SMIF management companies and IIC. The cashflows are discounted at a rate reflecting market assessments of the time value of money and the risks specific to each business. The discount rate used for the 2008 test was **7.5%** (2007: 6.5%).

16. Investments in subsidiary undertakings

Company	2008 £m	2007 £m
At the beginning of the year – as previously stated	5,037.1	5,037.1
– prior year adjustment	12.5	6.9
At the beginning of the year – as restated	5,049.6	5,044.0
Capital contributions receivable for options granted over ordinary shares	5.0	5.6
At the end of the year	5,054.6	5,049.6

In accordance with IFRIC 11 'IFRS 2 – Group and Treasury Transactions' the equity settled share-based charge for the employees of the Company's subsidiaries are treated as an increase in the cost of investment in the subsidiaries, and a corresponding increase in the Company's equity.

Certain subsidiaries and joint ventures have non-coterminous year ends. In these circumstances, management accounts prepared to 31 March 2008 are used for the purpose of the Group consolidation.

The Directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. The principal Group undertakings, all of which are wholly owned, either directly by the Company or through a fellow subsidiary undertaking, and its principal joint ventures, which are 50% owned (with the exception of The Bull Ring Limited Partnership which is 33% owned), are:

Wholly owned subsidiary undertakings		Joint ventures
Group operations	*Investment property business*	The Scottish Retail Property Limited Partnership
Land Securities Properties Limited	Land Securities Intermediate Limited	Metro Shopping Fund Limited Partnership
Trillium	Land Securities Property Holdings Limited	Buchanan Partnership
Land Securities Trillium Limited	Ravenseft Properties Limited	The Bull Ring Limited Partnership
	The City of London Real Property Company Limited	Bristol Alliance Limited Partnership
	Ravenside Investments Limited	St. David's Limited Partnership

All principal subsidiary undertakings operate in Great Britain and are registered in England.
A full list of subsidiary undertakings at 31 March 2008 will be appended to the Company's next annual return.

17. Investments in Public Private Partnerships

Group	2008 £m	2007 £m
At the beginning of the year	–	–
Arising on acquisitions during the year (note 37)	17.2	–
Additions	8.2	–
At the end of the year	25.4	–

During the year ended 31 March 2008 a number of Public Private Partnership (PPP) investments were acquired independent from the disposal group. These PPP investments relate to assets currently under construction, they therefore have no revenues or trading expenses.

The Group's share of the assets and liabilities of the PPP investments at 31 March 2008 is as follows:

	£m
Assets	216.4
Liabilities	(191.0)
Group's share of net assets	25.4

18. Investment in an associate undertaking

Group	2008 £m	2007 £m
At the beginning of the year	–	–
Transferred from non-current assets classified as held for sale (note 23)	43.4	–
Share of post-tax results	(0.5)	–
At the end of the year	42.9	–

On 14 March 2008 the Group sold 90% of its investment in Trillium Investment Partners LP. Trillium Investment Partners LP, prior to its partial disposal, had been classified as a non-current asset held for sale (note 23). Although the Group owns less than 20% of the equity, the Group believes that it exercises significant influence over Trillium Investment Partners LP, through representation on the Supervisory Board as well as its capacity as general partner and investment adviser. Consequently the Group's remaining interest in Trillium Investment Partners LP has been accounted for as an associate in accordance with IAS 28 'Investment in Associates'.

The Group's share of the revenue and expenses of Trillium Investment Partners LP for the period 15 March 2008 to 31 March 2008 is as follows:

	£m
Revenue	1.1
Expenses	(1.6)
Share of losses before tax	(0.5)
Tax	–
Group's share of post-tax result	(0.5)

The Group's share of the assets and liabilities of Trillium Investment Partners LP at 31 March 2008 is as follows:

	£m
Assets	257.7
Liabilities	(214.8)
Group's share of net assets	42.9

19. Investments in joint ventures

Year ended 31 March 2008 and at 31 March 2008

Summary financial information of Group's share of joint ventures	The Scottish Retail Property Limited Partnership £m	Metro Shopping Fund Limited Partnership £m	Buchanan Partnership £m	St. David's Limited Partnership £m	The Bull Ring Limited Partnership £m	Bristol Alliance Limited Partnership £m	The Harvest Limited Partnership £m	The Oriana Limited Partnership £m	Other[1] £m	Total £m
Income statement										
Rental income	12.5	14.0	9.9	5.4	14.7	3.4	1.4	1.4	3.4	66.1
Service charge income	2.5	3.0	0.7	0.7	2.7	–	–	–	0.7	10.3
Property services income	–	–	–	–	–	–	–	–	0.1	0.1
Trading property sale proceeds	–	–	–	–	–	–	–	–	35.1	35.1
Revenue	15.0	17.0	10.6	6.1	17.4	3.4	1.4	1.4	39.3	111.6
Rents payable	(0.2)	–	–	–	–	–	–	–	(0.1)	(0.3)
Other direct property expenditure	(4.6)	(3.8)	(1.9)	(1.2)	(4.1)	(0.2)	–	–	(1.4)	(17.2)
Indirect property expenditure	(0.6)	(1.1)	(0.1)	(0.3)	(0.2)	(0.2)	(0.1)	(0.2)	(0.1)	(2.9)
Cost of sales of trading properties	–	–	–	–	–	–	–	–	(26.8)	(26.8)
	9.6	12.1	8.6	4.6	13.1	3.0	1.3	1.2	10.9	64.4
(Loss)/profit on disposal of non-current properties	(7.6)	0.6	–	–	–	–	–	–	(0.1)	(7.1)
Net (deficit)/surplus on revaluation of investment properties	(28.4)	(12.1)	(11.5)	(21.8)	(31.5)	6.3	(9.7)	(15.6)	(9.9)	(134.2)
Operating (loss)/profit	(26.4)	0.6	(2.9)	(17.2)	(18.4)	9.3	(8.4)	(14.4)	0.9	(76.9)
Net interest (expense)/income	(5.6)	(12.5)	(3.5)	0.4	0.1	0.4	–	–	(0.3)	(21.0)
(Loss)/profit before tax	(32.0)	(11.9)	(6.4)	(16.8)	(18.3)	9.7	(8.4)	(14.4)	0.6	(97.9)
Income tax expense	(0.1)	(0.6)	–	–	–	–	–	–	(2.4)	(3.1)
Share of (losses)/profits of joint ventures after tax	**(32.1)**	**(12.5)**	**(6.4)**	**(16.8)**	**(18.3)**	**9.7**	**(8.4)**	**(14.4)**	**(1.8)**	**(101.0)**
Balance sheet										
Investment properties[2]	126.7	246.4	176.0	244.1	288.4	291.5	62.7	87.3	55.9	1,579.0
Current assets	11.2	38.3	6.1	118.7	9.1	12.4	2.3	1.5	73.7	273.3
	137.9	284.7	182.1	362.8	297.5	303.9	65.0	88.8	129.6	1,852.3
Current liabilities	(2.9)	(4.9)	(2.5)	(15.7)	(8.2)	(17.2)	(0.5)	(79.7)	(10.7)	(142.3)
Non-current liabilities	(62.0)	(209.9)	–	(0.4)	–	(2.3)	–	(0.1)	(24.7)	(299.4)
	(64.9)	(214.8)	(2.5)	(16.1)	(8.2)	(19.5)	(0.5)	(79.8)	(35.4)	(441.7)
Net assets	**73.0**	**69.9**	**179.6**	**346.7**	**289.3**	**284.4**	**64.5**	**9.0**	**94.2**	**1,410.6**
Capital commitments	**2.9**	**0.6**	**2.9**	**127.4**	**–**	**27.7**	**–**	**–**	**8.3**	**169.8**
Market value of investment properties[2]	**125.9**	**246.6**	**180.0**	**244.0**	**293.3**	**294.5**	**62.8**	**87.3**	**55.5**	**1,589.9**
Net investment										
At 1 April 2007	145.8	95.3	188.6	308.1	321.1	198.6	–	–	81.3	1,338.8
Properties contributed	–	–	–	–	–	–	39.7	205.8	–	245.5
Cash contributed	–	6.6	3.4	–	–	–	33.2	–	26.3	69.5
Share of post-tax results	(32.1)	(12.5)	(6.4)	(16.8)	(18.3)	9.7	(8.4)	(14.4)	(1.8)	(101.0)
Distributions	(42.5)	(14.2)	(6.0)	–	–	–	–	(0.8)	(11.6)	(75.1)
Fair value movement on cashflow hedges taken to equity	1.8	(5.3)	–	–	–	–	–	–	–	(3.5)
Loan advances	–	–	–	55.4	–	79.5	–	–	–	134.9
Loan repayments	–	–	–	–	(13.5)	(3.4)	–	(181.6)	–	(198.5)
At 31 March 2008	**73.0**	**69.9**	**179.6**	**346.7**	**289.3**	**284.4**	**64.5**	**9.0**	**94.2**	**1,410.6**

1. Other principally includes the Martineau Galleries Limited Partnership, Fen Farm Developments Limited, the Ebbsfleet Limited Partnership, the A2 Limited Partnership and Investors in the Community (IIC).
2. The difference between the book value and the market value is the amount included in prepayments in respect of lease incentives, head leases capitalised and properties treated as finance leases.

19. Investments in joint ventures continued

Year ended 31 March 2007 and at 31 March 2007

Summary financial information of Group's share of joint ventures	The Scottish Retail Property Limited Partnership £m	Metro Shopping Fund Limited Partnership £m	Buchanan Partnership £m	St. David's Limited Partnership £m	The Bull Ring Limited Partnership £m	Bristol Alliance Limited Partnership £m	The Harvest Limited Partnership £m	The Oriana Limited Partnership £m	Other[1] £m	Total £m
Income statement										
Rental income	20.6	13.3	10.2	2.0	15.1	3.3	–	–	3.1	67.6
Service charge income	4.5	3.2	1.4	0.2	2.6	–	–	–	0.5	12.4
Property services income	–	–	–	–	–	–	–	–	1.6	1.6
Revenue	25.1	16.5	11.6	2.2	17.7	3.3	–	–	5.2	81.6
Rents payable	(0.2)	–	–	–	–	–	–	–	(0.1)	(0.3)
Other direct property expenditure	(8.4)	(4.3)	(2.4)	(0.4)	(4.5)	(0.2)	–	–	(4.6)	(24.8)
Indirect property expenditure	(1.4)	(1.0)	(0.1)	–	(0.2)	(0.1)	–	–	(0.9)	(3.7)
Depreciation	–	–	–	–	–	–	–	–	(0.1)	(0.1)
	15.1	11.2	9.1	1.8	13.0	3.0	–	–	(0.5)	52.7
Profit on disposal of non-current properties	–	–	–	–	–	–	–	–	0.2	0.2
Net surplus on revaluation of investment properties	6.3	23.0	10.2	2.6	23.8	6.9	–	–	2.3	75.1
Operating profit	21.4	34.2	19.3	4.4	36.8	9.9	–	–	2.0	128.0
Net interest (expense)/income	(11.7)	(10.9)	(3.4)	0.2	0.1	0.4	–	–	(0.2)	(25.5)
Profit before tax	9.7	23.3	15.9	4.6	36.9	10.3	–	–	1.8	102.5
Income tax (expense)/credit										
– ordinary	(2.7)	(6.2)	(3.5)	(1.2)	(5.6)	(1.1)	–	–	(0.9)	(21.2)
– exceptional	17.7	16.9	6.9	1.2	44.9	8.1	–	–	2.3	98.0
Share of profits of joint ventures after tax	**24.7**	**34.0**	**19.3**	**4.6**	**76.2**	**17.3**	**–**	**–**	**3.2**	**179.3**
Balance sheet										
Investment properties[2]	357.2	301.0	185.1	213.2	319.6	197.3	–	–	57.9	1,631.3
Current assets	15.2	9.8	7.5	116.3	10.7	15.5	–	–	30.1	205.1
	372.4	310.8	192.6	329.5	330.3	212.8	–	–	88.0	1,836.4
Current liabilities	(4.5)	(5.2)	(4.0)	(21.2)	(9.2)	(11.8)	–	–	(5.9)	(61.8)
Non-current liabilities	(222.1)	(210.3)	–	(0.2)	–	(2.4)	–	–	(0.8)	(435.8)
	(226.6)	(215.5)	(4.0)	(21.4)	(9.2)	(14.2)	–	–	(6.7)	(497.6)
Net assets	**145.8**	**95.3**	**188.6**	**308.1**	**321.1**	**198.6**	**–**	**–**	**81.3**	**1,338.8**
Capital commitments	**0.6**	**1.1**	**1.3**	**1.9**	**–**	**129.3**	**–**	**–**	**–**	**134.2**
Market value of investment properties[2]	**351.4**	**299.3**	**189.3**	**213.3**	**325.0**	**200.5**	**–**	**–**	**58.9**	**1,637.7**
Net investment										
At 1 April 2006	105.2	81.0	173.0	0.8	259.3	118.5	–	–	91.7	829.5
Properties contributed	–	–	–	267.6	–	–	–	–	–	267.6
Cash contributed	9.5	6.8	1.4	35.1	0.3	–	–	–	2.5	55.6
Cost of acquisition	–	–	–	–	–	–	–	–	0.5	0.5
Share of post-tax results	24.7	34.0	19.3	4.6	76.2	17.3	–	–	3.2	179.3
Distributions	–	(29.6)	(5.1)	–	–	–	–	–	(4.5)	(39.2)
Fair value movement on cashflow hedges taken to equity	6.4	3.1	–	–	–	–	–	–	–	9.5
Transferred to goodwill	–	–	–	–	–	–	–	–	(12.1)	(12.1)
Loan advances	–	–	–	–	–	67.0	–	–	–	67.0
Loan repayments	–	–	–	–	(14.7)	(4.2)	–	–	–	(18.9)
At 31 March 2007	**145.8**	**95.3**	**188.6**	**308.1**	**321.1**	**198.6**	**–**	**–**	**81.3**	**1,338.8**

1. Other principally includes the Martineau Galleries Limited Partnership, the Ebbsfleet Limited Partnership, the A2 Limited Partnership and Investors in the Community (IIC).
2. The difference between the book value and the market value is the amount included in prepayments in respect of lease incentives, head leases capitalised and properties treated as finance leases.

20. Trading properties and long-term development contracts

Group	2008 £m	2007 £m
Trading properties	173.0	148.3
The amounts for contracts in progress at the balance sheet date are as follows:		
Contract revenue recognised as revenue in the year	26.3	80.7
Contract costs incurred and recognised profits (less recognised losses) to date	332.8	494.8
Advances received	(346.0)	(504.1)
	(13.2)	(9.3)
Plus: gross amount due to customers for contract work (included in accruals and deferred income)	13.2	9.3
Gross amount due from customers for contract work	–	–

21. Trade and other receivables

	Group		Company	
	2008 £m	2007 £m	2008 £m	2007 £m
Trade receivables – Property investment	34.0	26.1	–	–
– Trillium	112.1	96.2	–	–
Property sales receivables	205.2	78.6	–	–
Other receivables	53.9	81.6	–	–
Prepayments and accrued income	314.6	329.9	0.3	–
Finance leases receivable within one year (note 14)	7.1	3.7	–	–
Loans to joint ventures	111.1	25.7	–	–
Loans to Group undertakings	–	–	385.9	5.5
	838.0	641.8	386.2	5.5

Trade receivables are net of provisions for doubtful debts of **£15.0m** (2007: £15.2m). Financial assets which are past due but not impaired are **£54.2m** (2007: £29.4m).

22. Cash and cash equivalents

	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
Cash at bank and in hand	**25.7**	32.4	**69.5**	5.0
Short-term deposits	**22.7**	20.3	**–**	–
	48.4	52.7	**69.5**	5.0

For the purposes of the cashflow statement, cash and cash equivalents comprise the following:

	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
Cash at bank and in hand	**25.7**	32.4	**69.5**	5.0
Short-term deposits	**22.7**	20.3	**–**	–
Bank overdraft (note 24)	**(1.4)**	–	**–**	–
	47.0	52.7	**69.5**	5.0

The effective interest rate on short-term deposits was **5.1%** (2007: 8.0%) and the deposits have an average maturity of **one** day (2007: 30 days).

23. Non-current assets classified as held for sale

Group	2008 £m	2007 £m
Non-current assets classified as held for sale	**664.1**	2,420.3
Liabilities directly associated with non-current assets classified as held for sale	**(427.7)**	(1,601.0)
	236.4	819.3

Non-current assets and liabilities held for sale at 31 March 2007 represent PPP investments acquired as part of the SMIF acquisition. SMIF was acquired on 5 February 2007 for £517.0m (excluding external debt repaid of £397.6m). SMIF included a number of PPP investments which the Group acquired exclusively with a view to being resold to third party investors, while maintaining a minority share. The Group transferred the majority of the PPP investments acquired with SMIF, together with a number of projects subsequently acquired, into a specifically created vehicle, Trillium Investment Partners LP, for the purpose of introducing third party investors. During the year Trillium Investment Partners LP was refinanced resulting in a repayment of £414.8m of debt. On 14 March 2008, 90% of the equity of Trillium Investment Partners LP was sold to third party investors and the remaining 10%, which is to be retained, was transferred to an investment in an associate undertaking. On disposal £23.9m was recognised as the income of Trillium Investment Partners LP as a discontinued operation, being the operational profits of the business from acquisition to 14 March.

The remaining balance represents a number of PPP investments which will be sold to Trillium Investment Partners LP or to third parties. The net carrying value of the disposal group is based on its fair value less costs to sell at the date of acquisition, as adjusted to reflect cash advanced and cash returned from the disposal group. The disposal group represents a discontinued operation, and the Group has not recognised any profits or losses in respect of this discontinued operation (other than disclosed above) for the period from acquisition to 31 March 2008. The disposal group is held in the Trillium segment.

23. Non-current assets classified as held for sale continued

Set out below is an analysis of the movements within the disposal group for the year ended 31 March 2008:

	Trillium Investment Partners LP £m	Other £m	Total £m
Book value at 1 April 2007	761.2	58.1	819.3
Projects acquired from AMEC (note 37)	–	134.4	134.4
Other projects acquired	67.0	77.5	144.5
Cash received on refinancing of Trillium Investment Partners LP	(414.8)	–	(414.8)
Cash received from the disposal group	(7.9)	(18.3)	(26.2)
Cash received on disposal of Meterfit	–	(25.3)	(25.3)
Trillium Investment Partners LP transferred to an associate undertaking (note 18)	(43.4)	–	(43.4)
Cash received on disposal of Trillium Investment Partners LP	(399.6)	–	(399.6)
Profit within Trillium Investment Partners LP from acquisition to 14 March 2008	23.9	–	23.9
Profit on disposal of Trillium Investment Partners LP	13.6	–	13.6
Profit on disposal of Meterfit	–	10.0	10.0
Profit from discontinued operations	37.5	10.0	47.5
Book value at 31 March 2008	**–**	**236.4**	**236.4**

The Group has retained a 10% interest in Trillium Investment Partners LP and consequently its share of the profit recognised from acquisition to 14 March 2008 is £2.4m.

24. Short-term borrowings and overdrafts

	Group		Company	
	2008 £m	2007 £m	**2008 £m**	2007 £m
Borrowings falling due within one year (note 27)	**802.1**	1,687.4	**–**	–
Overdrafts (note 27)	**1.4**	–	**–**	61.9
Bond exchange derecognition adjustment falling due within one year (note 27)	**(11.7)**	(6.3)	**–**	–
Amounts payable under finance leases falling due within one year (notes 27 and 30)	**2.2**	2.1	**–**	–
	794.0	1,683.2	**–**	61.9

Where the Group operates a notional cash pooling arrangement the cash and overdraft balances are netted off.

25. Trade and other payables

	Group		Company	
	2008 £m	2007 £m	**2008 £m**	2007 £m
Trade payables	**28.5**	26.7	**–**	–
Capital payables	**116.8**	77.9	**–**	–
Other payables	**73.3**	28.1	**–**	–
Accruals and deferred income	**574.4**	526.6	**0.2**	–
Amounts owed to joint ventures	**134.2**	124.6	**–**	–
Loans from Group undertakings	**–**	–	**874.5**	50.8
	927.2	783.9	**874.7**	50.8

Capital payables represent amounts due under contracts to purchase properties, which were unconditionally exchanged at the year end, and for work completed on investment properties but not paid for at the financial year end. Deferred income principally relates to rents received in advance.

26. Provisions

Group	Dilapidations £m	Onerous leases £m	Other £m	Total £m
At 1 April 2006	23.1	19.8	15.3	58.2
Net charge/(credit) to income statement for the year	5.9	(0.5)	7.1	12.5
Release of discount charged to net interest expense (note 6)	–	1.0	–	1.0
Utilised in the year	(8.1)	(4.7)	(2.4)	(15.2)
On acquisition of Royal Mail property portfolio	–	24.2	–	24.2
At 31 March 2007	**20.9**	**39.8**	**20.0**	**80.7**
Net charge to income statement for the year	7.2	0.4	7.2	14.8
Release of discount charged to net interest expense (note 6)	–	1.6	–	1.6
Utilised in the year	(7.9)	(11.6)	–	(19.5)
At 31 March 2008	**20.2**	**30.2**	**27.2**	**77.6**
Included in the balance above the following amounts are anticipated to be utilised within one year:				
At 31 March 2007	**7.9**	**11.6**	**–**	**19.5**
At 31 March 2008	**14.8**	**10.6**	**15.5**	**40.9**

Dilapidations
Provision for dilapidations is made in respect of certain leasehold properties where the Group anticipates incurring future expenditure at the end of the lease. The amounts provided are based on the current estimate of the future costs determined on the basis of the present condition of the relevant properties. Settlement of the amounts provided occurs once agreement is reached with the parties to the lease.

Onerous leases
An onerous lease provision is established in respect of leasehold properties that are unoccupied or the expected future rental income is not expected to meet the Group's rental obligations. The provisions are based on assumptions about expected future rentals and voids. This provision will be settled as the net rental obligations develop. The provision may vary based on reassessment of the relevant assumptions as circumstances change and new obligations are established.

Other
Other provisions include liabilities arising from the contractual arrangements with clients that include specific performance measurement targets and life cycle capital expenditure requirements. Settlement of the amounts provided follows agreement with the clients. It is expected that most of the other provisions will be utilised within the next three years.

27. Borrowings

Group 2008

	Nominal/ notional value[7] £m	Book value Secured £m	Book value Unsecured £m	Book value Total £m	Fixed/ floating[9]	Effective interest rate %	Weighted average time for which interest rate is fixed Years	Fair value[10] £m	Surplus/ (deficit) of fair value over book value £m
Sterling									
4.625 per cent Notes due 2013[1]	300.0	299.7	–	299.7	Fixed	4.7	2.8	292.9	(6.8)
5.292 per cent Notes due 2015[1]	391.5	390.9	–	390.9	Fixed	5.3	5.7	384.0	(6.9)
4.875 per cent Notes due 2019[1]	400.0	396.1	–	396.1	Fixed	5.0	9.6	369.9	(26.2)
5.425 per cent Notes due 2022[1]	255.3	254.5	–	254.5	Fixed	5.5	12.0	240.0	(14.5)
4.875 per cent Notes due 2025[1]	300.0	297.0	–	297.0	Fixed	4.9	15.5	257.2	(39.8)
5.391 per cent Notes due 2026[1]	210.7	209.8	–	209.8	Fixed	5.4	15.9	190.5	(19.3)
5.391 per cent Notes due 2027[1]	611.2	608.5	–	608.5	Fixed	5.4	17.0	547.6	(60.9)
5.376 per cent Notes due 2029[1]	317.9	316.3	–	316.3	Fixed	5.4	19.5	283.4	(32.9)
5.396 per cent Notes due 2032[1]	322.9	321.0	–	321.0	Fixed	5.4	22.3	285.2	(35.8)
5.125 per cent Notes due 2036[1]	500.0	498.5	–	498.5	Fixed	5.1	25.9	426.6	(71.9)
Bank facility due 2010	15.5	15.5	–	15.5	Floating	6.4	0.1	15.5	–
Euro Commercial Paper[2]	19.8	–	19.8	19.8	Floating	5.8	0.1	19.8	–
DWP term loan[3]	124.4	124.4	–	124.4	Floating	6.4	0.3	124.4	–
Syndicated bank debt[4]	865.0	865.0	–	865.0	Floating	5.8	–	865.0	–
Bilateral facilities[5]	1,065.4	1,065.4	–	1,065.4	Floating	5.9	–	1,065.4	–
Acquisition loan notes[6]	106.4	–	106.4	106.4	Floating	5.4	0.5	106.4	–
Bank overdraft	1.4	–	1.4	1.4	Floating	–	–	1.4	–
Money market borrowings	45.0	–	45.0	45.0	Floating	5.7	0.1	45.0	–
	5,852.4	5,662.6	172.6	5,835.2				5,520.2	(315.0)
Euro									
Euro Commercial Paper[2]	35.5	–	35.5	35.5	Floating	4.7	0.1	35.5	–
Amounts payable under finance leases (note 30)	67.3	67.3	–	67.3	Fixed	5.5	88.5	79.5	12.2
	5,955.2	5,729.9	208.1	5,938.0				5,635.2	(302.8)
Fair value of derivative instruments									
Interest rate swaps – qualifying hedges	145.7	–	0.8	0.8		5.1	6.3	0.8	–
– non-qualifying hedges	1,880.0	–	9.9	9.9		5.2	1.7	9.9	–
Foreign currency swaps – qualifying hedges	35.5	–	(4.3)	(4.3)		4.7	0.1	(4.3)	–
	2,061.2	–	6.4	6.4				6.4	–
Bond exchange derecognition adjustment[8]		(511.5)	–	(511.5)				–	511.5
Total borrowings		5,218.4	214.5	5,432.9				5,641.6	208.7
Less: bank overdraft (note 24)				(1.4)					
Less: borrowings falling due within one year (note 24)				(802.1)					
Less: derivative financial instruments – liabilities				(10.7)					
Plus: derivative financial instruments – assets				4.3					
Plus: bond exchange derecognition falling due within one year (note 24)				11.7					
Less: amounts payable under finance leases falling due within one year (notes 24 and 30)				(2.2)					
				4,632.5					

1. The Notes and the committed bank facilities are secured on a fixed and floating pool of assets (The Security Group). The debt investors benefit from security over a pool of investment properties valued at **£11.0bn** at 31 March 2008 (2007: £11.6bn). The nominal value borrowed against these assets was **£5,595.2m** (2007: £5,126.9m). The secured debt structure has a tiered covenant regime which gives the Group substantial operational flexibility when the loan to value and interest rate cover in The Security Group are less than 65% and more than 1.45 times respectively. If these limits are exceeded, operational restrictions increase significantly and could act as an incentive to reduce gearing.
2. Euro Commercial Paper is unsecured. However, the amount drawn is required to be supported by an unutilised committed bank facility, which is a secured facility.
3. The DWP term loan was refinanced in December 2006 and expires in December 2017. It is secured on the freehold and long leasehold properties acquired from the Department for Work and Pensions. The carrying amount of the properties concerned was **£364.0m** at 31 March 2008 (2007: £380.4m).
4. At 31 March 2008, the Group had a £1.5bn syndicated bank facility with a maturity of August 2013. The facility is committed and secured on the assets of The Security Group. The maturity profile is calculated on the basis that it is the Group's intention to retain the existing loans or that the existing loans will be refinanced or rescheduled with the same financial institutions under the terms of the facility.
5. During the year, the Group entered into three committed bilateral facilities all of which are secured on the assets of The Security Group. In June 2007 the Group entered into a £150.0m facility, which has been extended in December 2007, as a £175.0m facility with an expiry in February 2010. In July 2007 the Group entered into a £500.0m facility which was due to expire in July 2008, but a commitment has been obtained to replace it in July 2008 with a £350.0m facility with an expiry in July 2009. In December 2007, the £1.0bn SMIF acquisition facility was repaid. Another £350.0m facility was established in December 2007 which expires in October 2008. The Group has an option to extend each of these bilateral facilities by a further year. In December 2007, the Group acquired a share of Leeds Trinity Quarter which included a facility which has been refinanced post year end with a five year £352m committed facility secured on these assets. The maturity profile is calculated on the basis that it is the Group's intention to retain the existing loans or that the loans will be refinanced or rescheduled with the same financial institutions under the terms of the facility.
6. The acquisition loan notes were issued by Retail Property Holdings Trust Limited, a subsidiary of the Group, as partial consideration for the purchase of Tops Estates PLC and the LxB portfolio. The notes are unsecured, however, they have the benefit of a commercial bank guarantee. Interest is calculated with reference to six month LIBOR. The notes are due to be redeemed in 2015, however, the holders of the notes can request redemption in full at the next interest payment date with at least 30 days notice. Accordingly, the notes have been classified as current liabilities.
7. For foreign currency amounts, the nominal/notional value is the Sterling equivalent of the principal amount at 31 March.
8. On 3 November 2004, a debt refinancing was completed resulting in the Group exchanging all of its outstanding bond and debenture debt for new Notes. The new Notes did not meet the IAS 39 requirement to be substantially different from the debt that it replaced. Consequently the book value of the new Notes is reduced to the book value of the original debt (the bond exchange derecognition adjustment). The adjustment is amortised to zero over the life of the new Notes.
9. Before the effect of derivative instruments.
10. The Group's Notes are listed on the Irish Stock Exchange and their fair values are based on their respective market prices. The fair value of interest rate swaps is based on the market price of comparable instruments at the balance sheet date. The fair values of short-term deposits, loans and overdrafts are assumed to approximate to their book values, as are the values of longer-term, floating rate bank loans.

27. Borrowings continued

Group — 2007

	Nominal/ notional value[7] £m	Book value Secured £m	Book value Unsecured £m	Book value Total £m	Fixed/ floating[9]	Effective interest rate %	Weighted average time for which interest rate is fixed Years	Fair value[10] £m	Surplus/ (deficit) of fair value over book value £m
Sterling									
5.016 per cent Notes due 2007[1]	181.7	181.7	–	181.7	Fixed	5.0	0.1	181.6	(0.1)
4.625 per cent Notes due 2013[1]	300.0	299.6	–	299.6	Fixed	4.7	3.8	288.5	(11.1)
5.292 per cent Notes due 2015[1]	391.5	390.7	–	390.7	Fixed	5.3	6.7	384.3	(6.4)
4.875 per cent Notes due 2019[1]	400.0	395.7	–	395.7	Fixed	5.0	10.6	379.1	(16.6)
5.425 per cent Notes due 2022[1]	255.3	254.4	–	254.4	Fixed	5.5	13.0	255.4	1.0
4.875 per cent Notes due 2025[1]	300.0	296.9	–	296.9	Fixed	4.9	16.5	286.2	(10.7)
5.391 per cent Notes due 2026[1]	210.7	209.8	–	209.8	Fixed	5.4	16.9	213.2	3.4
5.391 per cent Notes due 2027[1]	611.3	608.3	–	608.3	Fixed	5.4	18.0	614.8	6.5
5.376 per cent Notes due 2029[1]	317.9	316.2	–	316.2	Fixed	5.4	20.5	324.5	8.3
5.396 per cent Notes due 2032[1]	322.9	321.0	–	321.0	Fixed	5.4	23.3	331.3	10.3
5.125 per cent Notes due 2036[1]	500.0	498.4	–	498.4	Fixed	5.1	26.9	498.0	(0.4)
Bank facility due 2010	15.5	15.5	–	15.5	Floating	5.7	0.1	15.5	–
Euro Commercial Paper[2]	139.2	–	139.2	139.2	Floating	5.4	–	139.2	–
DWP term loan[3]	173.1	173.1	–	173.1	Floating	5.7	0.5	173.1	–
Syndicated bank debt[4]	183.0	183.0	–	183.0	Floating	5.5	–	183.0	–
Bilateral facility[5]	885.6	885.6	–	885.6	Floating	5.9	0.4	885.6	–
Acquisition loan notes[6]	114.4	–	114.4	114.4	Floating	4.4	0.5	114.4	–
Money market borrowings	192.0	–	192.0	192.0	Floating	5.5	0.1	192.0	–
	5,494.1	5,029.9	445.6	5,475.5				5,459.7	(15.8)
Euro									
Bilateral facility	26.9	26.9	–	26.9	Floating	4.0	0.2	26.9	–
Euro Commercial Paper[2]	41.1	–	41.1	41.1	Floating	5.6	0.3	41.1	–
	68.0	26.9	41.1	68.0				68.0	–
Swiss Francs									
Euro Commercial Paper[2]	21.0	–	21.0	21.0	Floating	5.5	–	21.0	–
Yen									
Euro Commercial Paper[2]	38.8	–	38.8	38.8	Floating	5.4	–	38.8	–
Amounts payable under finance leases (note 30)	71.0	71.0	–	71.0	Fixed	5.5	86.9	79.2	8.2
	5,692.9	5,127.8	546.5	5,674.3				5,666.7	(7.6)
Fair value of derivative instruments									
Interest rate swaps – qualifying hedges	195.6	–	(2.4)	(2.4)		5.1	5.7	(2.4)	–
– non-qualifying hedges	1,205.0	–	(12.0)	(12.0)		4.9	2.0	(12.0)	–
Foreign currency swaps – qualifying hedges	100.9	–	(0.2)	(0.2)		5.5	0.1	(0.2)	–
	1,501.5	–	(14.6)	(14.6)				(14.6)	–
Bond exchange derecognition adjustment[8]		(519.1)	–	(519.1)				–	519.1
Total borrowings		4,608.7	531.9	5,140.6				5,652.1	511.5
Less: borrowings falling due within one year (note 24)				(1,687.4)					
Plus: bond exchange derecognition falling due within one year (note 24)				6.3					
Plus: derivative financial instruments – assets				14.6					
Less: amounts payable under finance leases falling due within one year (notes 24 and 30)				(2.1)					
				3,472.0					

Financial risk management

Capital structure

The Group monitors and adjusts its capital structure (defined as equity shareholders' funds and net borrowings) with a view to promoting the long-term success of the business and maintaining sustainable returns for shareholders. This is achieved through a combination of controlling solvency, minimising financing costs, managing risk, a rigorous investment appraisal framework and maintaining high standards of business conduct. The key financial measures that are subject to review include cashflow projections and the ability to meet contracted commitments, projected gearing levels, interest covenants and dividend cover, although no absolute targets are set for these. At 31 March 2008, including our joint ventures, our loan to value ratio was **47.9%** (2007: 42.1%) and interest cover was **1.93x** (2007: 2.43x).

The Group monitors its cost of debt and its weighted average cost of capital (WACC) on a regular basis. At 31 March 2008, the weighted average cost of debt was **5.4%** (2007: 5.3%) and the WACC was **7.25%** (2007: 6.75%). Investment and development opportunities are evaluated against the WACC in order to ensure that long-term shareholder value is created.

The Group is not subject to any externally imposed capital requirements.

27. Borrowings continued

Financial risk factors

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

The Group's operations and debt financing expose it to a variety of financial risks. The main risks arising include credit risk, liquidity risk and market risk, the latter in respect of both interest rates and foreign exchange.

The exposure to each risk, how it arises and policies for managing each risk for the year are summarised below:

Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables, finance lease receivables and short-term investments. The Group's credit risk is primarily attributable to its trade and finance lease receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables concerned. The balance is low relative to the scale of the balance sheet and therefore the credit risk of trade receivables is considered to be low.

Property sales receivables primarily relate to the sale of six properties, for which all payments to date have been received when due, and as the purchasers are of reputable financial standing the credit risk is considered low.

Finance lease receivables relate to amounts receivable from tenants in respect of tenant finance leases. This is not considered a significant credit risk as the tenants are generally of good financial standing.

The credit risk on liquid funds and derivative financial instruments is limited due to the Group's policy of monitoring counterparty exposures. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties.

Liquidity risk

The Group actively maintains a mixture of long-term and short-term committed facilities that are designed to ensure that the Group has sufficient available funds for operations and committed investments. The Group's undrawn committed borrowing facilities are monitored against projected cash flows.

The expiry periods of the Group's undrawn committed borrowing facilities are:

Group	2008 £m	2007 £m
More than one year but not more than two years	**25.0**	–
More than two years but not more than five years	**2.0**	2.0
More than five years	**584.0**	1,077.1
	611.0	1,079.1

The undrawn committed borrowing facilities are net of amounts drawn under both the syndicated bank facility and the Euro Commercial Paper.

Market risk

The Group is exposed to market risk through interest rates, currency fluctuations and availability of credit.

Interest rates

The Group uses interest rate swaps and similar instruments (forward rate agreements, forward starting swaps and gilt locks) to manage its interest rate exposure. With property and interest rate cycles typically of four to seven years duration, the Group's target is to have a minimum of 80% of anticipated debt at fixed rates of interest and a maximum of 20% floating over this timeframe. Due to a combination of factors, principally the high level of certainty required under IAS 39 'Financial Instruments: Recognition and Measurement', hedging instruments used in this context do not qualify for hedge accounting. Specific hedges are also used in geared joint ventures to fix the interest exposure on limited recourse debt.

At 31 March 2008 the Group (including joint ventures) had £2.3bn of hedges in place, and its debt was 80% fixed. Consequently, based on year end debt levels, a 1% change in interest rates would decrease or increase the Group's annual profit before tax by **£12.4m** (2007: £8.6m). The sensitivity has been calculated by applying the interest rate change to the variable rate borrowings, net of interest rate swaps, at the year end.

Foreign exchange

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Group's functional currency.

The Group does not normally enter into any foreign currency transactions as it is UK based. However, the Group is able to raise debt in currencies other than Sterling, and where this occurs it is the Group's policy to hedge 100% of the exposure by entering into currency swaps to fix the Sterling value of debt. Therefore the Group's foreign exchange risk is low.

Financial maturity analysis

The interest rate and currency profiles of the Group's undiscounted borrowings, after taking into account the effect of the foreign currency swaps and interest rate swaps, are set out below:

Group			2008			2007
	Fixed rate £m	Floating rate £m	Total £m	Fixed rate £m	Floating rate £m	Total £m
Sterling	**4,402.5**	**1,552.7**	**5,955.2**	5,458.4	207.6	5,666.0
Euro	–	–	–	–	26.9	26.9
	4,402.5	**1,552.7**	**5,955.2**	5,458.4	234.5	5,692.9

27. Borrowings continued

The maturity profiles of the Group's borrowings are as follows:

Group	2008 Fixed rate £m	2008 Floating rate £m	2008 Total £m	2007 Fixed rate £m	2007 Floating rate £m	2007 Total £m
One year or less, or on demand	172.2	633.5	805.7	1,457.2	234.5	1,691.7
More than one year but not more than two years	464.4	38.0	502.4	2.3	–	2.3
More than two years but not more than five years	321.9	–	321.9	22.0	–	22.0
More than five years	3,444.0	881.2	4,325.2	3,976.9	–	3,976.9
	4,402.5	1,552.7	5,955.2	5,458.4	234.5	5,692.9

The maturity profiles of the Group's derivative instruments are as follows:

Group	2008 Interest rate swaps £m	2008 Foreign currency swaps £m	2008 Total £m	2007 Interest rate swaps £m	2007 Foreign currency swaps £m	2007 Total £m
One year or less, or on demand	178.9	35.5	214.4	274.9	100.9	375.8
More than one year but not more than two years	46.7	–	46.7	178.9	–	178.9
More than two years but not more than five years	1,721.9	–	1,721.9	867.3	–	867.3
More than five years	78.2	–	78.2	79.5	–	79.5
	2,025.7	35.5	2,061.2	1,400.6	100.9	1,501.5

28. Net pension benefit assets/(obligations)

Defined benefit schemes

Land Securities Scheme

The Pension & Assurance Scheme of the Land Securities Group of Companies (the Scheme) is the most significant defined benefit pension scheme of the Group. The Scheme is a wholly funded scheme, and the assets of the Scheme are held in a self-administered trust fund which is separate from the Group's assets.

Contributions to the Scheme are determined by a qualified independent actuary on the basis of triennial valuations using the projected unit method. As the Scheme is closed to new members, the current service cost will be expected to increase as a percentage of salary, under the projected unit method, as members approach retirement.

A full actuarial valuation of the Land Securities Scheme was undertaken on 1 July 2006 by the independent actuaries, Hymans Robertson Consultants & Actuaries. This valuation, and the latest formal valuation of the Land Securities Trillium Plan, was updated to 31 March 2008.

As a result of the valuation performed on 1 July 2006, the Trustees and the Group have agreed that the employer contributions of 30% of pensionable salary will be paid together with additional employer contributions to address the deficit at that time.

Contributory money purchase scheme

A contributory money purchase scheme was introduced on 1 January 1999 for all new administrative and senior property based employees, subject to eligibility, together with a separate similar scheme, effective 1 April 1998, for other property based employees. A further separate similar scheme, previously set up by Trillium, is also in operation for their employees.

Pension costs for defined contribution schemes are as follows:

Group	2008 £m	2007 £m
Defined contribution schemes	2.0	1.8

All death-in-service and benefits for incapacity arising during employment are wholly insured. No post retirement benefits other than pensions are made available to employees of the Group.

The major assumptions used in the valuation, were (in nominal terms):

Group	2008 %	2007 %
Rate of increase in pensionable salaries	3.60#	3.25#
Rate of increase in pensions in payment	3.60	3.25
Discount rate	6.90	5.40
Inflation	3.60	3.25
Expected return on plan assets	6.44	6.14

#plus an allowance of 1.25% per annum for promotional salary increases in respect of employee members of the Trillium Plan.

The expected return on plan assets is based on expectations for bonds and equities. At the year end, the expected return on bonds is based on market yields of long dated bonds at that date. The estimated expected return on equities includes an additional equity risk premium.

28. Net pension benefit assets/(obligations) continued

The mortality assumptions used in this valuation were:

Group	2008 Years	2007 Years
Life expectancy at age 60 for current pensioners – Men	**28.4**	28.4
– Women	**31.5**	31.5
Life expectancy at age 60 for future pensioners (current age 40) – Men	**29.6**	29.6
– Women	**32.6**	32.6

The fair value of the assets in the schemes (including annuities purchased to provide certain pensions in payment) and the expected rate of return (net of investment management expenses) were:

	2008 %	2007 %	2006 %	2008 £m	2007 £m	2006 £m
Equities	**7.50**	7.50	7.50	**70.5**	70.8	64.1
Bonds and insurance contracts	**5.35**	4.80	4.60	**68.0**	71.6	82.9
Other	**5.25**	5.25	4.50	**0.5**	2.0	3.0
Fair value of schemes' assets				**139.0**	144.4	150.0
Present value of schemes' liabilities				**(123.9)**	(150.0)	(156.5)
Non-permissible surplus				**(4.1)**	–	–
Surplus/(deficit) in the schemes				**11.0**	(5.6)	(6.5)
Related deferred tax (liability)/asset				**(0.8)**	0.4	2.0
Net pension asset/(liability)				**10.2**	(5.2)	(4.5)

The major categories of plan assets as a percentage of total plan assets are as follows:

Group	2008 %	2007 %
Equities	**51**	49
Bonds and insurance contracts	**49**	49
Other	**–**	2

The plan assets do not include any directly owned financial instruments issued by Land Securities Group PLC. Indirectly owned financial instruments had a fair value of less than **£0.2m** (2007: £0.2m).

Group Analysis of the amounts charged to the income statement	2008 £m	2007 £m
Analysis of the amount charged to operating profit		
Current service cost	**2.1**	2.7
Charge to operating profit	**2.1**	2.7
Analysis of amount (credited)/charged to interest expense		
Expected return on plan assets	**(9.0)**	(8.6)
Interest on schemes' liabilities	**8.1**	7.6
Net return	**(0.9)**	(1.0)

During the year ended 31 March 2006, the Group introduced amendments to the main scheme, which were adopted by the Trustees for active members who had given their consent. As a result, the accrued entitlement of the active members at 31 March 2006 has been linked to inflation, with future benefits accrued according to annual earnings. The effect of this change was a reduction of £8.3m in the Group's pension liability associated with funding future anticipated salary increases.

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.1%	Decrease/increase by 2% or £2.2m
Rate of mortality	Increase by 1 year	Increase by 2.5% or £2.8m

28. Net pension benefit assets/(obligations) continued

Group Changes in the present value of the defined benefit obligation	2008 £m	2007 £m
At the beginning of the year	150.0	156.5
Current service cost	2.1	2.7
Interest cost	8.1	7.6
Actuarial gains	(32.0)	(1.3)
Benefits paid	(4.5)	(15.6)
Contributions by plan participants	0.2	0.1
At the end of the year	123.9	150.0

Group Changes in the fair value of plan assets	2008 £m	2007 £m
At the beginning of the year	144.4	150.0
Expected return on plan assets	9.0	8.6
Employer contributions	2.0	3.9
Actual return less expected return on schemes' assets	(12.1)	(2.6)
Benefits paid	(4.5)	(15.6)
Contributions by plan participants	0.2	0.1
At the end of the year	139.0	144.4

Group Analysis of the movement in the balance sheet (surplus)/deficit	2008 £m	2007 £m
At the beginning of the year	5.6	6.5
Charge to operating profit	2.1	2.7
Expected return on plan assets	(9.0)	(8.6)
Interest on schemes' liabilities	8.1	7.6
Employer contributions	(2.0)	(3.9)
Actuarial (gains)/losses	(15.8)	1.3
At the end of the year	(11.0)	5.6

Group Analysis of the amounts recognised in the statement of recognised income and expense	2008 £m	2007 £m
Analysis of gains and losses		
Actual return less expected return on schemes' assets	(12.1)	(2.6)
Experience gains and losses arising on schemes' liabilities	32.0	1.3
Non-permissible surplus	(4.1)	–
Actuarial gains/(losses)	15.8	(1.3)

Actuarial gains and losses are recognised immediately through the statement of recognised income and expense.

Group History of experience gains and losses	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
Experience adjustments arising on schemes' assets					
Amount	(12.1)	(2.6)	15.5	3.1	13.7
Percentage of schemes' assets	(8.7%)	(1.8%)	10.3%	2.5%	13.1%
Experience adjustments arising on schemes' liabilities					
Amount	(32.0)	(1.3)	20.5	7.8	0.2
Percentage of the present value of funded obligations	(25.8%)	(0.9%)	13.1%	5.7%	0.1%
Present value of schemes' liabilities	(123.9)	(150.0)	(156.5)	(136.6)	(121.8)
Fair value of schemes' assets	139.0	144.4	150.0	125.7	104.6
Non-permissible surplus	(4.1)	–	–	–	–
Surplus/(deficit)	11.0	(5.6)	(6.5)	(10.9)	(17.2)

The contributions expected to be paid in respect of the defined benefit schemes during the financial year ending 31 March 2009 amount to £5.0m. The Company did not operate any defined contribution schemes or defined benefit schemes during the financial year ended 31 March 2008 or in the previous financial year.

29. Deferred taxation

Group Deferred tax liabilities	Accelerated tax depreciation £m	Capitalised interest £m	Revaluation surplus £m	Other £m	Total £m
At 1 April 2006	(147.9)	(26.5)	(1,664.2)	(154.7)	(1,993.3)
Net (charge)/credit to income statement for the year	(17.7)	(6.1)	(330.7)	0.8	(353.7)
Released in respect of property disposals during the year	1.1	–	32.5	–	33.6
Released on conversion to a Real Estate Investment Trust	160.1	31.7	1,962.4	154.8	2,309.0
At 31 March 2007	**(4.4)**	**(0.9)**	**–**	**0.9**	**(4.4)**
Transferred to deferred tax assets	–	–	–	(0.9)	(0.9)
Net credit to income statement for the year	3.7	–	–	–	3.7
At 31 March 2008	**(0.7)**	**(0.9)**	**–**	**–**	**(1.6)**

Group Deferred tax assets	Tax losses £m	Hedges £m	Pension deficit/(asset) £m	Other £m	Total £m
At 1 April 2006	12.2	2.3	2.0	9.0	25.5
Net charge to income statement for the year	(6.4)	(3.1)	(0.4)	–	(9.9)
Released in respect of property disposals during the year	(5.8)	–	–	(9.0)	(14.8)
Released on conversion to a Real Estate Investment Trust	–	2.4	(2.2)	–	0.2
(Credited)/charged to equity	–	(1.6)	1.0	–	(0.6)
At 31 March 2007	**–**	**–**	**0.4**	**–**	**0.4**
Transferred from deferred tax liabilities	–	–	–	0.9	0.9
Net credit to income statement for the year	–	–	(0.3)	–	(0.3)
Credited to equity	–	–	(0.9)	–	(0.9)
At 31 March 2008	**–**	**–**	**(0.8)**	**0.9**	**0.1**

Group	2008 £m	2007 £m
Deferred tax is provided as follows:		
Excess of capital allowances over depreciation – operating properties	**0.7**	4.4
Capitalised interest – operating properties	**0.9**	0.9
Other temporary differences	**(0.1)**	(1.3)
Total deferred tax	**1.5**	4.0

30. Obligations under finance leases

Group	2008 £m	2007 £m
The minimum lease payments under finance leases fall due as follows:		
Not later than one year	**6.6**	6.9
Later than one year but not more than five years	**24.8**	26.7
More than five years	**393.3**	425.9
	424.7	459.5
Future finance charges on finance leases	**(357.4)**	(388.5)
Present value of finance lease liabilities (notes 13 and 27)	**67.3**	71.0
The present value of finance lease liabilities is as follows:		
Not later than one year (notes 24 and 27)	**2.2**	2.1
Later than one year but not more than five years	**8.8**	8.8
More than five years	**56.3**	60.1
	67.3	71.0

The fair value of the Group's lease obligations, using a discount rate of **5.5%** (2007: 5.5%), is **£79.5m** (2007: £79.2m).

31. Called up share capital

Group and Company	Authorised		Allotted and fully paid	
	2008 Number m	2007 Number m	2008 £m	2007 £m
Ordinary shares of 10p each	600.0	600.0	47.1	47.0
Non-equity B shares of £1.02 each	38.9	38.9	–	–
Redeemable preference shares of £1.00 each	0.1	0.1	–	–
			47.1	47.0

	Number of shares	
	2008	2007
Movements in the share capital were:		
At the beginning of the year	470,356,546	469,283,782
Issued on the exercise of options under:		
1993 Savings Related Share Option Scheme	111,548	85,658
2003 Savings Related Share Option Scheme	75,748	113,606
2000 Executive Share Option Scheme	8,660	63,371
2002 Executive Share Option Scheme	348,832	810,129
2005 Executive Share Option Scheme	144	–
At the end of the year	470,901,478	470,356,546

The number of ordinary shares that would be issued if all options were exercised at 31 March 2008 is **3,330,114** (2007: 3,423,934).

32. Share-based payments

The Group's share-based payments are all equity-settled and comprise the Savings Related Share Option Schemes (Sharesave), various Executive Share Option Schemes (ESOS), Performance and Deferred Bonus share schemes related to the annual bonus scheme, and the Long-Term Incentive Plan. In accordance with IFRS 2 'Share-based Payment' the fair value of equity-settled share-based payments to employees is determined at the date of grant and is expensed on a straight-line basis over the vesting period based on the Group's estimate of shares or options that will eventually vest. Fair value is calculated using a Black-Scholes option pricing model.

Savings Related Share Option Scheme

Under the 1993 and 2003 Savings Related Share Option Scheme all staff who have been with the Group for a continuous period of not less than six months are eligible to make regular monthly contributions into a Sharesave scheme operated by Lloyds TSB Bank Plc. On completion of the three, five or seven year contract period, ordinary shares in Land Securities Group PLC may be purchased at a price based upon the current market price at date of invitation less 20% discount. Options are satisfied by the issue of new shares. Options are normally forfeited if the employee leaves the scheme before the options vest or lapse if options are not exercised within six months of the bonus date. In certain circumstances leavers may exercise their options early based upon current savings. Alternatively, they may continue saving to receive the tax-free bonus at the end of the contract or withdraw their cash immediately. Fair value calculations, which relate to the 2003 Scheme only, assume a lapse rate, based upon historic values, of approximately 20% for employees leaving the Group before vesting.

1993 Savings Related Share Option Scheme

Details of the share options outstanding during the year are as follows:

	Number of options		Weighted average exercise price	
	2008	2007	2008 Pence	2007 Pence
At the beginning of the year	147,433	237,713	656	663
Exercised	(111,548)	(85,658)	649	682
Forfeited	(293)	(8,169)	650	651
Lapsed	(305)	3,547	650	692
At the end of the year	35,287	147,433	677	656
Exercisable at the end of the year	3,312	–	650	–

	Years	Years
Weighted average remaining contractual life	0.87	0.85

The options outstanding under the scheme are exercisable at prices between 650p and 713p after three, five or seven years from the date of grant during the period 2008 to 2009.

The weighted average share price at the date of exercise during the year was **1647p** (2007: 2023p).

No expense was recognised by the Group during the year, or during the corresponding year as the grants preceded the date relevant for IFRS 2 'Share-based Payment'.

32. Share-based payments continued

2003 Savings Related Share Option Scheme

Details of the share options outstanding during the year are as follows:

	Number of options		Weighted average exercise price	
	2008	2007	2008 Pence	2007 Pence
At the beginning of the year	462,116	510,104	1121	914
Granted	175,605	128,173	1460	1523
Exercised	(75,748)	(113,606)	937	709
Forfeited	(21,979)	(42,202)	1173	941
Lapsed	(32,522)	(20,353)	1376	1129
At the end of the year	507,472	462,116	1248	1121
Exercisable at the end of the year	14,919	–	957	–

	Years	Years
Weighted average remaining contractual life	2.33	2.42

The options outstanding under the scheme are exercisable at prices between 677p and 1523p after three, five or seven years from the date of grant. 61,072 of the options outstanding are exercisable at 677p, 55,309 are exercisable at 957p, 122,892 at 1146p, 166,540 at 1460p, and 101,659 at 1523p during the periods 2008 to 2010, 2008 to 2012, 2010 to 2014 and 2009 to 2013, respectively.

The weighted average share price at the date of exercise during the year was **1559p** (2007: 2132p). During the year, options were granted on **1 October 2007** (2007: 29 September 2006). The estimated fair value of the options granted on that date was **£0.9m** (2007: £0.5m).

During the year, the Group recognised total expenses of **£0.3m** (2007: £0.3m) relating to the 2003 Savings Related Share Option Scheme.

2000 Executive Share Option Scheme

No new grants to Directors and senior management of the Group have been made under this scheme since 19 July 2002. These options have fully vested as the growth in the Group's normalised adjusted diluted earnings per share exceeded the growth in the Retail Prices Index by 2.5% per annum over the vesting period. Options are satisfied by the issue of new shares. Options are forfeited, in most circumstances, when an employee leaves the Group before vesting or lapse if they are not exercised within 10 years of the date of grant.

Details of the share options outstanding during the year are as follows:

	Number of options		Weighted average exercise price	
	2008	2007	2008 Pence	2007 Pence
At the beginning of the year	247,400	312,600	839	836
Exercised	(8,660)	(63,371)	835	824
Forfeited	(1,048)	(1,829)	869	820
At the end of the year	237,692	247,400	839	839
Exercisable at the end of the year	237,692	247,400	839	839

	Years	Years
Weighted average remaining contractual life	3.70	4.69

The options outstanding under the scheme are exercisable at prices between 812p and 869p up to 2012. The weighted average share price at the date of exercise for share options exercised during the year was **1650p** (2007: 1996p).

No expense was recognised by the Group during the year, or during the corresponding year as the grants preceded the date relevant for IFRS 2 'Share-based Payment'.

32. Share-based payments continued

2002 Executive Share Option Scheme

The final grants to Directors and senior management of the Group under this scheme were made on 12 July 2004. Vesting is subject to growth in the Group's normalised adjusted diluted earnings per share exceeding the growth in the Retail Prices Index by 2.5% per annum over the three year vesting period. For options granted in the year ended 31 March 2004 there are a maximum of two retests for performance criteria in years four and five. For options granted in the year ended 31 March 2005 there is no retesting of performance criteria. Options are satisfied by the issue of new shares.

Options are normally forfeited if the employee leaves the scheme before the options vest or lapse if options are not exercised within 10 years of the date of grant. Fair value calculations assume a lapse rate, based upon historic values, of between 2% and 5% per annum for employees leaving the Group before vesting.

Details of the share options outstanding during the year are as follows:

	Number of options		Weighted average exercise price	
	2008	2007	**2008 Pence**	2007 Pence
At the beginning of the year	**1,977,946**	2,818,574	**1036**	970
Exercised	**(348,832)**	(810,129)	**1047**	805
Forfeited	**(47,242)**	(30,499)	**964**	1037
At the end of the year	**1,581,872**	1,977,946	**1036**	1036
Exercisable at the end of the year	**1,581,872**	652,018	**1036**	787

	Years	Years
Weighted average remaining contractual life	**5.94**	6.94

18,500, 503,292 and 1,060,080 of the options outstanding under the 2002 Executive Share Option Scheme are exercisable at 756p, 788p and 1159p respectively up to 2014, provided the associated performance conditions are met.

The weighted average share price at the date of exercise for share options exercised during the year was **1658p** (2007: 2018p).

During the year, the Group recognised an expense of **£0.2m** (2007: £1.2m) relating to the 2002 Executive Share Option Scheme.

2005 Executive Share Option Scheme

The 2005 Executive Share Option Scheme is open to executives and management staff not eligible to participate in the Land Securities 2005 Long-Term Incentive Plan for senior executives. Options are granted in the ordinary shares of Land Securities Group PLC at the middle market price on the three dealing days immediately preceding the date of grant. The three year vesting period is not subject to performance conditions. Options are satisfied by the transfer of shares.

Options are normally forfeited if the employee leaves the scheme before the options vest or lapse if options are not exercised within 10 years of the date of grant. Fair value calculations assume a lapse rate, based upon historic values, of 2% per annum for employees leaving the Group before vesting.

Details of the share options outstanding during the year are as follows:

	Number of options		Weighted average exercise price	
	2008	2007	**2008 Pence**	2007 Pence
At the beginning of the year	**589,039**	338,868	**1569**	1421
Granted	**450,656**	287,375	**1731**	1737
Exercised	**(4,478)**	(12,486)	**1500**	1481
Forfeited	**(67,426)**	(24,718)	**1636**	1548
At the end of the year	**967,791**	589,039	**1640**	1569
Exercisable at the end of the year	–	–	–	–

	Years	Years
Weighted average remaining contractual life	**8.41**	8.76

The options outstanding under the scheme are exercisable at 1421p, 1731p and 1737p during the periods 2008 to 2015, 2010 to 2017 and 2009 to 2016, respectively.

The weighted average share price at the date of exercise for share options exercised during the year was **1870p** (2007: 2018p). During the year, options were granted on **29 June 2007** (2007: 29 June 2006). The estimated fair value of the options granted on that date was **£1.2m** (2007: £0.6m).

During the year, the Group recognised an expense of **£0.7m** (2007: £0.4m) relating to the 2005 Executive Share Option Scheme.

32. Share-based payments continued

Performance Shares

Under the Performance Shares plan approved by shareholders in 2002, senior executives of the Group receive up to two shares for each deferred share received under the separate management bonus scheme depending on the extent to which performance criteria are satisfied. Half of these Performance Shares are dependent on the real increase in the Group's normalised adjusted diluted earnings per share over three financial years. The other half of the Performance Shares are subject to the Group's total property return equalling or exceeding the Investment Property Databank All Fund Universe Index over a three year rolling period. The final grant under the scheme was made in July 2005. Awards under the plan are satisfied by transfer of existing shares. Fair value calculations have been adjusted for participants who have left the Group but no adjustment has been made for future anticipated lapses.

Details of the rights over shares outstanding during the year are as follows:

	Number of shares	
	2008	2007
At the beginning of the year	**244,710**	411,646
Exercised	**(102,562)**	(104,918)
Forfeited	**–**	(30,162)
Lapsed	**(4,814)**	(31,856)
At the end of the year	**137,334**	244,710
Exercisable at the end of the year	**–**	–

	Years	Years
Weighted average remaining contractual life	**0.26**	0.84

The Performance Shares outstanding under the scheme are to be issued at £nil consideration provided that performance conditions are met.

The weighted average share price at the date of exercise for Performance Shares exercised during the year was **1745p** (2007: 1875p). The final grant of Performance Shares was made on 4 July 2005. The estimated fair value of the shares granted on that date was £1.1m.

During the year, the Group recognised a credit of **£0.1m** (2007: expense of £0.8m) relating to Performance Shares.

Deferred Bonus Shares Scheme

Under the Executive Directors' and senior managements' bonus plan, participants are eligible for awards in cash and deferred shares. The underlying performance criteria are earnings per share and increase in net asset value over the previous year. In previous years Executive Directors have had the opportunity to earn a bonus of up to 20% of salary in cash and 20% of salary in shares for meeting rigorous targets and up to a maximum of 40% of salary in cash and 40% of salary in shares for superior results. Following a review of the reward structure by the Remuneration Committee, Executive Directors are in future eligible for awards of up to 100% of salary, 25% of which must be taken in deferred shares. Other management grades must now take their entire bonus in cash. Awards under the plan are satisfied by transfers of existing shares held by the ESOP trust.

The shares are deferred for three years and normally forfeited if the executive leaves employment during the period. Fair value has been adjusted for participants who have left the Group, but no adjustment has been made for future anticipated lapses.

Details of the rights over shares outstanding during the year are as follows:

	Number of shares	
	2008	2007
At the beginning of the year	**221,064**	270,627
Granted	**46,386**	54,787
Capitalisation of dividends	**7,565**	5,734
Exercised	**(73,468)**	(103,729)
Forfeited	**(3,441)**	(6,355)
At the end of the year	**198,106**	221,064
Exercisable at the end of the year	**–**	–

	Years	Years
Weighted average remaining contractual life	**1.05**	1.17

The deferred shares outstanding under the scheme are to be issued at £nil consideration subject to vesting conditions being met.

The weighted average share price at the date of exercise for shares exercised during the year was **1741p** (2007: 1925p). During the year, rights over **46,386** deferred shares were granted on **29 June 2007** (2007: 24,987 deferred shares were granted on 29 June 2006). The estimated fair value of the rights over shares granted on that date was **£0.7m** (2007: £0.9m).

During the year, the Group recognised an expense of **£0.7m** (2007: £0.9m) relating to Deferred Bonus Shares.

32. Share-based payments continued

2005 Long-Term Incentive Plan

The new Long-Term Incentive Plan (LTIP) for Executive Directors and senior executives authorises the Remuneration Committee to make grants of LTIP shares with a face value of up to 100% of salary for Executive Directors and up to 75% of salary for senior executives. In addition, an award of matching shares can be made, linked to co-investment in shares by participants. The participant's investment can be made through deferral of an annual bonus award and/or through optional pledging of shares purchased in the market. The maximum level of matching is shares with a face value of 50% of salary for Executive Directors and 25% of salary for senior executives. Performance conditions are similarly structured to those applying to the Performance Share Plan except that the EPS targets are increased and the IPD index measure is more closely targeted to the Group's asset classes. Awards may be satisfied by the issue of new shares and/or transfer of treasury shares and/or transfer of shares other than treasury shares.

Fair value calculations include the assumption that LTIP and matching shares will be awarded at 50% of the maximum possible under the scheme and have been adjusted for participants who have left the scheme but no adjustment has been made for future anticipated lapses.

Details of the rights over shares outstanding during the year are as follows:

	Number of shares	
	2008	2007
At the beginning of the year	**756,629**	351,425
Granted	**517,103**	468,274
Exercised	**–**	(13,819)
Forfeited	**(10,206)**	(49,251)
At the end of the year	**1,263,526**	756,629
Exercisable at the end of the year	**–**	–

	Years	Years
Weighted average remaining contractual life	**1.46**	1.89

The shares outstanding under the scheme are to be issued at £nil consideration provided performance conditions are met.

The weighted average share price at the date of exercise for shares exercised during the previous year was 2117p. Rights to receive **288,121** Performance Shares were granted on **29 June 2007** (2007: 258,987 Performance Shares were granted on 29 June 2006). Rights to receive **228,982** Matching Shares were granted on **31 July 2007** (2007: 4,557 Matching Shares were granted on 1 June 2006 and 204,730 Matching Shares were granted on 31 July 2006). The estimated fair value of the rights over the shares granted on those dates was **£4.1m** (2007: £4.0m).

During the year, the Group recognised an expense of **£3.2m** (2007: £2.0m) relating to the 2005 Long-Term Incentive Plan.

Fair values are calculated using the Black-Scholes option pricing model. Inputs into this model for each scheme are as follows:

	2003 Savings Related Share Option Scheme	2002 Executive Share Option Scheme	2005 Executive Share Option Scheme	Performance Shares	Deferred Bonus Shares	2005 Long-Term Incentive Plan
Range of share prices at grant date	846p to 1903p	756p to 1159p	1421p to 1737p	787p to 1405p	787p to 1737p	1421p to 1737p
Range of exercise prices	677p to 1523p	756p to 1159p	1421p to 1737p	nil p	nil p	nil p
Expected volatility	19%	19%	19%	19%	19%	19%
Expected life	3 to 7 years	3 to 5 years	3 to 5 years	3 years	3 to 5 years	3 to 5 years
Risk free rate	4.19% to 5.67%	3.60% to 5.10%	4.17% to 5.67%	4.17% to 5.03%	4.08% to 5.67%	4.17% to 5.67%
Expected dividend yield	3.02% to 4.16%	4.11% to 4.34%	3.02% to 3.81%	3.81% to 4.23%	3.02% to 4.23%	3.02% to 3.81%

Expected volatility was determined by calculating the historic volatility of the Group's share price over the previous 10 years. The expected life used in the model has been determined, based upon management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Risk free rate is the yield, at the date of the grant of an option, on a gilt-edged stock with a redemption date equal to the anticipated exercise of that option.

33. Total shareholders' equity

Group	Ordinary shares £m	Own shares £m	Share-based payments £m	Share premium £m	Capital redemption reserve £m	Retained earnings* £m	Total £m
At 1 April 2006	46.9	(3.4)	6.3	43.2	30.5	7,370.4	7,493.9
Exercise of options	0.1	–	–	8.3	–	–	8.4
Fair value movement on cashflow hedges – Group	–	–	–	–	–	5.1	5.1
– joint ventures	–	–	–	–	–	9.5	9.5
Fair value of share-based payments	–	–	5.6	–	–	–	5.6
Own shares acquired	–	(15.1)	–	–	–	(21.1)	(36.2)
Cost of shares awarded to employees	–	4.0	(4.0)	–	–	–	–
Actuarial losses on defined benefit pension schemes	–	–	–	–	–	(0.3)	(0.3)
Dividends paid (note 10)	–	–	–	–	–	(223.0)	(223.0)
Profit for the financial year	–	–	–	–	–	3,528.3	3,528.3
At 31 March 2007	**47.0**	**(14.5)**	**7.9**	**51.5**	**30.5**	**10,668.9**	**10,791.3**
Exercise of options	0.1	–	–	5.1	–	–	5.2
Fair value movement on cashflow hedges – Group	–	–	–	–	–	(3.2)	(3.2)
– joint ventures	–	–	–	–	–	(3.5)	(3.5)
Fair value of share-based payments	–	–	5.0	–	–	–	5.0
Own shares acquired	–	(9.4)	–	–	–	(78.2)	(87.6)
Cost of shares awarded to employees	–	1.6	(1.6)	–	–	–	–
Actuarial gains on defined benefit pension schemes	–	–	–	–	–	14.9	14.9
Dividends paid (note 10)	–	–	–	–	–	(308.4)	(308.4)
Loss for the financial year	–	–	–	–	–	(830.8)	(830.8)
At 31 March 2008	**47.1**	**(22.3)**	**11.3**	**56.6**	**30.5**	**9,459.7**	**9,582.9**

*Included within retained earnings are cumulative gains in respect of cashflow hedges (interest rate swaps) of **£4.4m** (2007: £11.1m).

Own shares represent the cost of shares purchased in Land Securities Group PLC by the Employee Share Ownership Plan (ESOP) which is operated by the Group in respect of its commitment to the Deferred Bonus Shares Scheme (note 32). The number of shares held by the ESOP at 31 March 2008 was **1,336,275** (2007: 895,771).

In July 2006 and 2007 the shareholders at the Annual General Meeting authorised the acquisition of shares issued by the Company representing up to 10% of its share capital to be held as treasury shares. At 31 March 2008 the Group owned **5,896,000** ordinary shares (2007: 1,225,000 ordinary shares) with a market value of **£87.6m** (2007: £25.9m).

Company	Ordinary shares £m	Share-based payments £m	Share premium £m	Capital redemption reserve £m	Merger reserve £m	Retained earnings* £m	Total £m
At 1 April 2006 – as previously stated	46.9	–	43.2	30.5	373.6	4,653.0	5,147.2
– prior year adjustment	–	6.9	–	–	–	–	6.9
At 1 April 2006 – as restated	46.9	6.9	43.2	30.5	373.6	4,653.0	5,154.1
Exercise of options	0.1	–	8.3	–	–	–	8.4
Dividends paid (note 10)	–	–	–	–	–	(223.0)	(223.0)
Fair value of share-based payments	–	5.6	–	–	–	–	5.6
Profit for the financial year	–	–	–	–	–	1.6	1.6
At 31 March 2007	**47.0**	**12.5**	**51.5**	**30.5**	**373.6**	**4,431.6**	**4,946.7**
Exercise of options	0.1	–	5.1	–	–	–	5.2
Dividends paid (note 10)	–	–	–	–	–	(308.4)	(308.4)
Fair value of share-based payments	–	5.0	–	–	–	–	5.0
Loss for the financial year	–	–	–	–	–	(15.3)	(15.3)
At 31 March 2008	**47.1**	**17.5**	**56.6**	**30.5**	**373.6**	**4,107.9**	**4,633.2**

*Available for distribution.

Land Securities Group PLC has not presented its own income statement, as permitted by Section 230 (1)(b) Companies Act 1985. The loss for the year of the Company, dealt with in its financial statements, was **£15.3m** (2007: profit of £1.6m).

The merger reserve arose on 6 September 2002 when the Company acquired 100% of the issued share capital of Land Securities PLC. The merger reserve represents the excess of the cost of acquisition over the nominal value of the shares issued by the Company to acquire Land Securities PLC. The merger reserve does not represent a realised or distributable profit.

34. Cashflow from operating activities

Reconciliation of operating profit to net cash inflow from operating activities:

	Group		Company	
	2008 £m	2007 £m	2008 £m	2007 £m
Cash generated from operations				
(Loss)/profit for the financial year	(878.3)	3,528.3	(15.3)	1.6
Income tax (credit)/expense	(10.5)	(1,549.2)	(6.6)	0.7
(Loss)/profit before tax	(888.8)	1,979.1	(21.9)	2.3
Share of losses/(profits) of joint ventures (post-tax)	101.0	(179.3)	–	–
Share of loss of an associate undertaking (post-tax)	0.5	–	–	–
	(787.3)	1,799.8	(21.9)	2.3
Interest income	(29.4)	(36.4)	(14.7)	(5.7)
Interest expense	324.4	257.3	26.6	3.4
Operating (loss)/profit	(492.3)	2,020.7	(10.0)	–
Adjustments for:				
Depreciation	45.8	32.9	–	–
Profit on disposal of non-current properties	(75.4)	(118.2)	–	–
Net deficit/(surplus) on revaluation of investment properties	1,170.3	(1,307.6)	–	–
Share-based payment charge	5.0	5.6	–	–
Pension scheme charge	2.1	2.7	–	–
Changes in working capital:				
Decrease in trading properties and long-term development contracts	0.2	110.1	–	–
(Increase)/decrease in receivables	(26.3)	(127.2)	(0.3)	137.2
Increase in payables and provisions	67.1	63.4	443.5	47.2
Net cash generated from operations	696.5	682.4	433.2	184.4

35. Related party transactions

Subsidiaries

In accordance with IAS 27 'Consolidated and Separate Financial Statements', transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Joint ventures

As disclosed in note 19, the Group has investments in a number of joint ventures. Details of transactions and balances between the Group and its joint ventures are disclosed as follows:

	Year ended 31 March 2008 and at 31 March 2008				Year ended 31 March 2007 and at 31 March 2007			
	Revenues £m	Net investments into joint ventures £m	Loans to joint ventures £m	Amounts owed to joint ventures £m	Revenues £m	Net investments into joint ventures £m	Loans to joint ventures £m	Amounts owed to joint ventures £m
The Scottish Retail Property Limited Partnership	0.6	(42.5)	0.9	(3.9)	1.5	9.5	0.4	(7.6)
Metro Shopping Fund Limited Partnership	0.9	(7.6)	0.7	(2.0)	0.5	(22.8)	–	(0.1)
Buchanan Partnership	3.7	(2.6)	0.5	–	3.6	(3.7)	0.3	–
St. David's Limited Partnership	5.4	55.4	4.3	(116.9)	1.9	302.7	20.4	(115.0)
Martineau Galleries Limited Partnership	0.2	3.1	0.3	–	0.2	–	0.1	–
The Bull Ring Limited Partnership	–	(13.5)	–	–	–	(14.4)	–	–
Bristol Alliance Limited Partnership	9.0	76.1	11.7	–	5.1	62.8	4.3	(1.9)
Martineau Limited Partnership	–	–	–	(0.1)	–	(0.5)	–	–
A2 Limited Partnership	–	(2.8)	–	–	–	–	–	–
Parc Tawe 1 Unit Trust	–	(1.4)	–	–	–	(4.0)	–	–
Hungate (York) Regeneration Limited	–	1.7	–	–	–	1.6	–	–
Countryside Land Securities (Springhead) Limited	–	5.5	–	–	–	0.9	–	–
Investors in the Community	–	–	–	–	–	0.5	–	–
Ebbsfleet Limited Partnership	–	–	0.2	–	–	–	0.2	–
The Harvest Limited Partnership	0.1	72.9	0.1	(0.2)	–	–	–	–
The Oriana Limited Partnership	–	23.4	78.7	(0.3)	–	–	–	–
Millshaw Property Co. Limited	–	14.2	–	(10.8)	–	–	–	–
Fen Farm Developments Limited	0.1	(5.6)	13.7	–	–	–	–	–
	20.0	176.3	111.1	(134.2)	12.8	332.6	25.7	(124.6)

Further detail of the above transactions and balances can be seen in note 19.

Financial Statements

35. Related party transactions continued

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the applicable categories specified in IAS 24 'Related Party Disclosures'. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' remuneration report on pages 66 to 76.

	2008 £m	2007 £m
Short-term employee benefits	7.7	6.1
Post-employment benefits	0.6	0.9
Share-based payments	3.2	2.4
Compensation for loss of office	–	0.7
	11.5	10.1

The amount shown as compensation for loss of office represents the maximum potential amount assuming no mitigation.

36. Operating lease arrangements

The Group earns rental income by leasing its investment and operating properties to tenants under non-cancellable operating leases.

At the balance sheet date, the Group had contracted with tenants to receive the following future minimum lease payments:

	2008 £m	2007 £m
Not later than one year	547.6	516.8
Later than one year but not more than five years	2,123.0	2,055.6
More than five years	4,284.4	4,078.7
	6,955.0	6,651.1

The total of contingent rents recognised as income during the year was **£10.9m** (2007: £11.6m).

37. Business combinations

AMEC's Project Investments business

The Group acquired 100% of the voting rights of AMEC's Project Investments business (AMEC) on 12 November 2007 for a consideration of £203.8m, including costs. This has been accounted for as a business combination.

	£m
Provisional fair value of net assets acquired	
Assets of the disposal group	138.2
Liabilities directly associated with the assets of the disposal group	(3.8)
Disposal group (note 23)	134.4
PPP investments (note 17)	17.2
Cash and cash equivalents	45.3
Current liabilities	(6.6)
Net assets acquired	**190.3**
Fair value of consideration	
Cash	202.1
Costs	1.7
	203.8
Goodwill (note 15)	(13.5)
	190.3

The disposal group comprises a number of PPPs which were acquired exclusively with a view to being resold to Trillium Investment Partners LP. The net amount attributed to the disposal group at the date of acquisition represents fair value less costs to sell. The separate PPP investments represent investments in associates which are currently constructing PPP assets. These assets are not treated as assets held for sale. The remaining assets and liabilities relate to the management companies within AMEC that are being retained. The fair values reported above in respect of these assets and liabilities equate to their book values. The goodwill acquired is attributable to the knowledge and market expertise of the management team of the retained portion of the business.

Set out below are the results of AMEC's Project Investments business, excluding the disposal group, from the date of acquisition 12 November 2007 to 31 March 2008 and for the period from 1 April 2007 to the date of acquisition:

	Results for AMEC from 12 November 2007 to 31 March 2008 £m	Results for the Group excluding AMEC for the year ended 31 March 2008 £m	Results for the Group for the year ended 31 March 2008 £m	Results for AMEC from 1 April 2007 to 12 November 2007 £m	Results for the Group as if AMEC had been acquired on 1 April 2007 £m
Revenue	–	1,561.2	1,561.2	13.4	1,574.6
(Loss)/profit before tax	(5.5)	(883.3)	(888.8)	9.1	(879.7)
Taxation credit/(charge)	1.5	9.0	10.5	(2.5)	8.0
(Loss)/profit after tax	(4.0)	(874.3)	(878.3)	6.6	(871.7)

There were no recognised gains or losses in the year other than the profit attributable to shareholders.

Report of the Directors

Report from the Directors on the key strategic, financial and operational developments during the year.

Financial Statements

Statements presenting the essential numbers, including the independent auditors' report.

Investor Information

Summaries, analysis and information on properties, contracts and related subjects for shareholders.

Five year summary

	2008 IFRS £m	2007 IFRS £m	2006 IFRS £m	2005 IFRS £m	2004 UK GAAP £m
Income statement					
Before exceptional items					
Group revenue	**1,561.2**	1,641.1	1,828.7	1,627.1	1,285.8
Costs	**(958.6)**	(1,046.2)	(1,267.8)	(1,134.7)	(821.1)
	602.6	594.9	560.9	492.4	464.7
Profit on disposal of non-current asset properties	**75.4**	118.2	74.5	112.0	52.0
Net (deficit)/surplus on revaluation of investment properties	**(1,170.3)**	1,307.6	1,579.5	827.9	–
Operating (loss)/profit	**(492.3)**	2,020.7	2,214.9	1,432.3	516.7
Net interest expense	**(295.0)**	(220.9)	(194.5)	(189.0)	(174.4)
	(787.3)	1,799.8	2,020.4	1,243.3	342.3
Share of the (loss)/profit of joint ventures and associates (post-tax)	**(101.5)**	81.3	110.3	141.5	17.7
(Loss)/profit before tax	**(888.8)**	1,881.1	2,130.7	1,384.8	360.0
Income tax credit/(expense)	**10.5**	(445.0)	(593.3)	(265.8)	(71.7)
(Loss)/profit after tax	**(878.3)**	1,436.1	1,537.4	1,119.0	288.3
Exceptional items					
Goodwill impairment	**–**	–	(64.5)	(12.7)	–
Profit on disposal of joint venture (Telereal)	**–**	–	293.0	–	–
Debt restructuring costs	**–**	–	–	(64.6)	–
Exceptional tax in joint ventures	**–**	98.0	–	–	–
Total exceptional items	**–**	98.0	228.5	(77.3)	–
Tax on exceptional items	**–**	1,994.2	(90.0)	19.2	–
Exceptional items post tax	**–**	2,092.2	138.5	(58.1)	–
(Loss)/profit for the financial year	**(878.3)**	3,528.3	1,675.9	1,060.9	288.3
Revaluation (deficit)/surplus for the year					
Group	**(1,170.3)**	1,307.6	1,579.5	827.9	400.7
Joint ventures	**(134.2)**	75.1	105.5	69.5	6.2
Total	**(1,304.5)**	1,382.7	1,685.0	897.4	406.9
Revenue profit (old definition)	**392.2**	420.1	434.9	401.3	309.2
Less: trading properties	**(11.1)**	(13.6)	(21.7)	(27.9)	(7.3)
Less: long-term contracts	**(2.0)**	(14.3)	(21.9)	(11.6)	–
Revenue profit (new definition)	**379.1**	392.2	391.3	361.8	301.9
Balance sheet					
Investment properties	**12,296.7**	13,319.3	11,467.6	8,240.1	7,880.9
Operating properties	**544.8**	551.5	536.1	546.3	769.2
Net investment in finance leases	**333.7**	262.4	233.9	163.4	–
Goodwill	**148.6**	129.6	34.3	34.3	34.3
Investment in joint ventures, associates and Public Private Partnerships	**1,478.9**	1,338.8	829.5	854.9	204.2
Other property, plant and equipment	**73.6**	78.2	73.6	57.9	51.0
Total non-current assets	**14,876.3**	15,679.8	13,175.0	9,896.9	8,939.6
Trading properties and long-term development contracts	**173.0**	148.3	255.9	164.0	85.0
Cash and cash equivalents less short-term borrowings, overdrafts and derivative financial instruments	**(752.0)**	(1,615.9)	(148.0)	(45.8)	(439.9)
Other current assets and liabilities	**(250.2)**	(677.9)	(218.6)	(101.6)	(365.3)
Non-current assets classified as held for sale (net)	**236.4**	819.3	–	–	–
Total current assets and liabilities	**(592.8)**	(1,326.2)	(110.7)	16.6	(720.2)
Provisions	**(77.6)**	(80.7)	(58.2)	(42.0)	(11.7)
Borrowings	**(4,632.5)**	(3,472.0)	(3,537.9)	(2,392.3)	(1,995.9)
Pension benefits assets/(liabilities)	**11.0**	(5.6)	(6.5)	(10.9)	–
Deferred tax liabilities	**(1.5)**	(4.0)	(1,967.8)	(1,418.0)	(173.3)
Total non-current liabilities	**(4,700.6)**	(3,562.3)	(5,570.4)	(3,863.2)	(2,180.9)
Net assets	**9,582.9**	10,791.3	7,493.9	6,050.3	6,038.5
Net debt	**(5,384.5)**	(5,087.9)	(3,685.9)	(2,438.1)	(2,435.8)
Results per share					
Total dividend per share (all amounts represent the interim dividend paid and final proposed dividend)	**64.00p**	53.00p	46.70p	43.25p	37.10p
Basic (loss)/earnings per share	**(188.80p)**	753.59p	357.95p	227.32p	61.84p
Diluted (loss)/earnings per share	**(188.80p)**	750.54p	356.50p	226.45p	61.76p
Adjusted earnings per share	**81.90p**	70.48p	70.76p	67.13p	47.86p
Adjusted diluted earnings per share	**81.71p**	70.20p	70.47p	66.87p	47.80p
Net assets per share	**2067p**	2304p	1597p	1293p	1294p
Diluted net assets per share	**2064p**	2297p	1590p	1289p	1293p
Adjusted net assets per share	**1959p**	2188p	1920p	1493p	1333p
Adjusted diluted net assets per share	**1956p**	2181p	1912p	1488p	1331p

Business analysis

In this section we provide information about our major investment properties, development programme and property outsourcing contracts to help you understand more about our business activities. A detailed list of our major property holdings can be found on our website.

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Investment Portfolio

The investment properties in our Retail Portfolio and London Portfolio business units make up the majority of our Investment Portfolio. The Investment Portfolio includes a pro-rata share of our property joint ventures, but excludes investment properties within our property outsourcing business, Trillium.

The market value of the investment property interests in the Investment Porftolio totalled £13,586.7m at 31 March 2008 (31 March 2007: £14,752.5m). The aggregate of the market values of those investment properties held by the Group, excluding joint ventures and Trillium, as at 31 March 2008 was £11,996.8m (31 March 2007: £13,114.8m).

The valuation of the freehold and leasehold investment properties in the Investment Portfolio at 31 March 2008 was undertaken by Knight Frank LLP as External Valuer. The valuations were in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Standards and the International Valuation Standards. The valuation of each property was on the basis of market value, subject to the assumptions that investment properties would be sold subject to any existing leases and that properties held for development would be sold with vacant possession in existing condition. The External Valuer's opinion of market value was primarily derived using recent comparable market transactions on arm's length terms.

There follows a number of tables which give further detail of the underlying performance of the combined portfolio:

£13,586.7m

Market value of investment property interests in the Investment Portfolio

Table 65

Long-term performance relative to IPD. Ungeared total returns – periods to 31 March 2008

	Land Securities % pa	IPD % pa
5 years	13.0	10.7
10 years	11.2	10.5

Source: IPD Quarterly Universe

Table 66

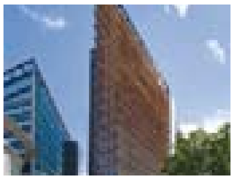
One year performance relative to IPD. Ungeared total returns – year to 31 March 2008

	Land Securities % pa	IPD % pa
Retail – Shopping centres	(3.7)	(8.0)
Retail warehouses	(10.6)	(15.3)
Central London offices*	(1.4)	(5.4)
Total portfolio	(3.2)	(9.1)

Source: IPD Quarterly Universe
*Central London defined as West End, City, Mid-town and Inner London regions.

Top 12 properties

Cardinal Place, SW1
Landmark offices, with ground floor retail anchored by Marks & Spencer.



New Street Square, EC4
Innovative offices around a public square, with retail and restaurants.

50 Queen Anne's Gate, SW1
Refurbished former Home Office building now occupied by Ministry of Justice.

White Rose, Leeds
Award-winning shopping centre with more than 100 stores.

Almondvale Centre, Livingston
Unique retail destination in the heart of the town centre.

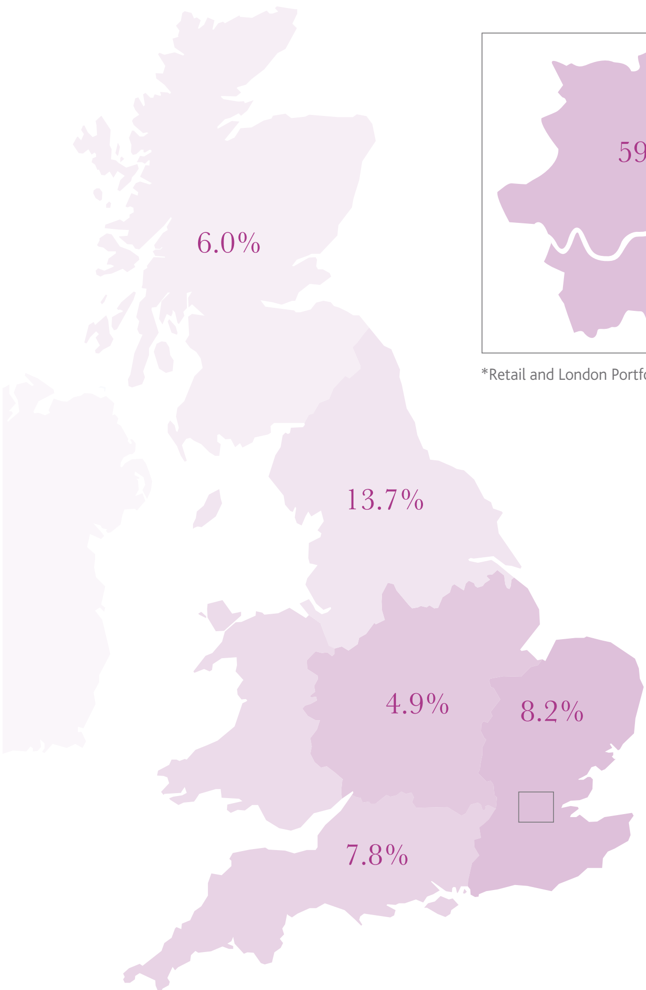
Cabot Circus, Bristol
High quality retail development due for full completion autumn 2008.

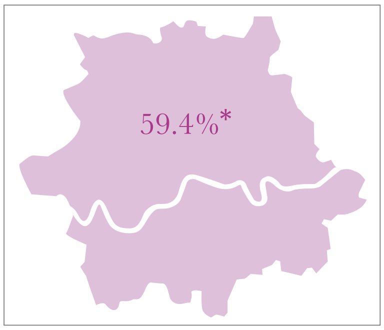
Table 67
Combined portfolio value by location

	Shopping centres and shops %	Retail warehouses %	Offices %	Other %	Total %
Central, inner and outer London	9.0	0.8	48.0	1.6	59.4
South East and Eastern	4.6	2.9	–	0.7	8.2
Midlands	3.5	1.4	–	–	4.9
Wales and South West	6.3	1.4	0.1	–	7.8
North, North West, Yorkshire and Humberside	7.8	5.4	0.2	0.3	13.7
Scotland and Northern Ireland	3.9	1.5	–	0.6	6.0
Total	35.1	13.4	48.3	3.2	100.0

% figure calculated by reference to the combined portfolio value of £13.6bn

Combined portfolio value by location





*Retail and London Portfolios combined.

£6.2bn

Total Retail Portfolio

£7.3bn

Total London Portfolio

Table 68
% Portfolio by value and number of property holdings at 31 March 2008

£m	Value %	Number of properties
0 – 9.99	1.5	56
10 – 24.99	2.7	24
25 – 49.99	9.3	34
50 – 99.99	17.8	34
100 – 149.99	11.8	13
150 – 199.99	11.2	9
200 +	45.7	20
Total	100.0	190

Includes share of joint venture properties

Table 69
Average rents at 31 March 2008

	Average rent £/m²	Average ERV £/m²
Retail		
Shopping centres and shops	n/a	n/a
Retail warehouses (including supermarkets)	193	212
Offices		
London office portfolio	338	405

Average rent and estimated rental value have not been provided where it is considered that the figures would be potentially misleading (i.e. where there is a combination of analysis on rents on an overall and Zone A basis in the retail sector or where there is a combination of uses, or small sample sizes). This is not a like-for-like analysis with the previous year.
Excludes properties in the development programme and voids.

Bullring, Birmingham
An iconic shopping location, this partnership development has led the city's retail renaissance (one-third ownership).

Princesshay, Exeter
Award-winning mixed-use development based around a vibrant piazza.

Portland House, SW1
Offices in Victoria let to American Express, Government and others.

Bankside 2&3, SE1
Contemporary office space in thriving Southbank.

Gunwharf Quays, Portsmouth
Historic harbour hosts designer outlets, bars, restaurants, cinema and Bowlplex.

Times Square, EC4
We now hold a 95% interest in this substantial City office asset.

Table 70
Valuation and rental income summary

	Open market value at 31/03/08 £m	Open market value at 31/03/07 £m	Valuation surplus[1] %	Rental income for the year ended 31/03/08 £m	Rental income for the year ended 31/03/07 £m	Rental income change %
Shopping centres and shops	**3,019.2**	3,345.3	(10.8)	**196.8**	187.1	5.2
Retail warehouses	**1,604.3**	1,900.8	(15.9)	**83.2**	78.4	6.1
London retail	**694.1**	673.8	1.5	**31.5**	32.2	(2.2)
London Offices	**3,302.4**	3,512.8	(8.5)	**180.8**	177.9	1.6
Other	**429.2**	443.0	(3.9)	**16.6**	15.9	4.4
Like-for-like investment portfolio[2]	**9,049.2**	9,875.7	(9.8)	**508.9**	491.5	3.5
Completed developments	**1,580.9**	1,463.4	(3.1)	**61.5**	29.8	n/a
Acquisitions	**1,164.8**	636.8	(14.4)	**51.1**	19.1	n/a
Disposals and restructured interests	**–**	1,445.0	–	**44.1**	112.7	n/a
Development programme[3]	**1,791.8**	1,331.6	(4.2)	**21.9**	26.6	(17.7)
Combined portfolio	**13,586.7**	14,752.5	(8.8)	**687.5**	679.7	1.1
Adjustment for finance leases				**(11.5)**	(12.6)	
Combined portfolio as stated in the income statement[4]				**676.0**	667.1	

1. The valuation surplus and rental income value are stated after adjusting for the effect of spreading rents and rent free periods over the duration of leases in accordance with IFRS but before restating for finance leases.
2. Properties that have been in the combined portfolio for the whole of the current and previous financial periods.
3. Development programme comprising projects that have been completed but less than 95% let, developments on site, committed developments (approved projects with the building contract let), and authorised developments (projects approved by the Board but for which the contract has not yet been let).
4. The combined portfolio includes our proportionate share of the assets and rental income of our joint ventures.

Table 71
Top six performing properties over £50m

Retail

Property name	% Valuation surplus/ (deficit)	Description
Princesshay, Exeter	4.9	Completed development
Bristol Alliance	2.2	Reduced development risk as scheme nears completion
Oasis Retail Park, Corby	0.7	Rental value increase offset by adverse yield shift
N1, Islington	(2.0)	Rental value increase offset by adverse yield shift
Howard Centre, Welwyn Garden City	(3.8)	Rental value increase offset by adverse yield shift
The Mall, Stratford	(5.0)	Rental value increase offset by adverse yield shift

London

Property name	% Valuation surplus/ (deficit)	Description
Lakeview Court, SW1	19.6	Yield shift recognising redevelopment potential
Piccadilly Circus Lights, W1	19.6	Rental value improvement
Allington House, SW1	13.9	Yield shift recognising redevelopment potential
Selborne House, SW1	12.1	Potential redevelopment value recognised
New Scotland Yard, SW1	5.9	Rent review concluded
Empress State, SW6	4.6	Profit overage release

Table 72
Top 12 occupiers

	Current gross rent roll %
Central Government	9.7
Deloitte	4.1
Royal Bank of Scotland	3.1
Metropolitan Police Authority	2.9
Arcadia Group	1.8
J Sainsbury	1.6
DSG	1.5
Boots	1.5
Mellon Bank	1.4
Marks & Spencer	1.3
Argos and Homebase	1.2
Eversheds	1.2
Total	31.3

Includes share of joint venture properties

Table 73
Like-for-like reversionary potential at 31 March 2008

Reversionary potential	31/03/08 % of rent roll	31/03/07 % of rent roll
Gross reversions	**16.2**	11.6
Over-rented	**(1.2)**	(1.5)
Net reversionary potential	**15.0**	10.1

The reversion is calculated with reference to the gross secure rent roll after the expiry of rent-free periods on those properties which fall under the like-for-like definition as set out in the notes to the combined portfolio analysis. Reversionary potential excludes additional income from the letting of voids. Of the over-rented income, £4.5m is subject to a lease expiry or break clause in the next five years.

Combined portfolio analysis

The like-for-like portfolio[2]

	Open Market Value[1]		Valuation Surplus[7]		Gross Rental Income		Annual Net Rent[8]		Annual Net Estimated Rental Value[9]	
	31/03/08 £m	31/03/07 £m	Surplus/ (deficit) £m	Surplus/ (deficit) %	31/03/08 £m	31/03/07 £m	31/03/08 £m	31/03/07 £m	31/03/08 £m	31/03/07 £m
Shopping centres and shops										
Shopping centres	2,793.6	3,096.1	(335.2)	(10.8)	183.6	174.5	171.8	170.0	193.2	191.7
Central London shops	694.1	673.8	10.0	1.5	31.5	32.2	30.1	29.1	37.9	33.0
Other in-town shops	225.6	249.2	(24.3)	(9.7)	13.2	12.6	12.0	11.9	14.3	14.2
	3,713.3	4,019.1	(349.5)	(8.7)	228.3	219.3	213.9	211.0	245.4	238.9
Retail warehouses										
Retail parks	1,415.7	1,686.3	(265.6)	(15.9)	73.1	69.2	74.7	71.8	84.2	82.9
Other	188.6	214.5	(30.1)	(15.3)	10.1	9.2	9.3	8.2	11.0	10.5
	1,604.3	1,900.8	(295.7)	(15.9)	83.2	78.4	84.0	80.0	95.2	93.4
Total retail	5,317.6	5,919.9	(645.2)	(11.0)	311.5	297.7	297.9	291.0	340.6	332.3
London offices										
West End	1,730.3	1,799.2	(99.4)	(5.4)	95.5	92.6	92.6	87.1	117.8	99.3
City	600.6	695.9	(148.3)	(19.8)	32.8	33.9	31.4	29.4	35.1	37.4
Mid-town	491.4	530.2	(33.6)	(7.4)	26.6	26.2	27.3	25.5	33.7	28.9
Inner London	480.1	487.5	(13.9)	(3.0)	25.9	25.2	27.5	15.1	32.7	26.7
Total London offices	3,302.4	3,512.8	(295.2)	(8.5)	180.8	177.9	178.8	157.1	219.3	192.3
Rest of UK	68.6	74.9	(2.5)	(3.5)	1.9	1.9	1.8	1.8	2.3	2.4
Total offices	3,371.0	3,587.7	(297.7)	(8.4)	182.7	179.8	180.6	158.9	221.6	194.7
Other	360.6	368.1	(14.9)	(4.0)	14.7	14.0	15.2	14.4	16.8	16.2
Like-for-like portfolio[2]	9,049.2	9,875.7	(957.8)	(9.8)	508.9	491.5	493.7	464.3	579.0	543.2
Completed developments[3]	1,580.9	1,463.4	(49.0)	(3.1)	61.5	29.8	60.9	16.7	97.8	87.5
Total	10,630.1	11,339.1	(1,006.8)	(8.8)	570.4	521.3	554.6	481.0	676.8	630.7
Acquisitions[4]	1,164.8	636.8	(195.2)	(14.4)	51.1	19.1	61.0	28.5	79.7	35.6
Sales and restructured interests[5]	–	1,445.0	–	–	44.1	112.7	–	68.3	–	85.1
Total development programme[6]	1,791.8	1,331.6	(77.6)	(4.2)	21.9	26.6	9.4	6.7	163.8	164.5
Combined portfolio	13,586.7	14,752.5	(1,279.6)	(8.8)	687.5	679.7	625.0	584.5	920.3	915.9
Properties treated as finance leases					(11.5)	(12.6)				
Combined portfolio as stated in the income statement					676.0	667.1				

Total portfolio analysis

	Open Market Value 31/03/08 £m	Open Market Value 31/03/07 £m	Surplus/ (deficit) £m	Surplus/ (deficit) %	Gross Rental Income 31/03/08 £m	Gross Rental Income 31/03/07 £m	Annual Net Rent 31/03/08 £m	Annual Net Rent 31/03/07 £m	Annual Net ERV 31/03/08 £m	Annual Net ERV 31/03/07 £m
Shopping centres and shops										
Shopping centres	3,702.4	4,157.9	(415.9)	(10.2)	211.4	217.7	190.1	200.9	263.6	288.1
Central London shops	1,060.8	1,236.0	(25.2)	(2.3)	48.1	53.3	41.5	48.0	73.8	71.2
Other in-town shops	284.9	359.9	(28.8)	(9.2)	18.0	18.0	15.1	16.5	20.7	22.6
	5,048.1	5,753.8	(469.9)	(8.6)	277.5	289.0	246.7	265.4	358.1	381.9
Retail warehouses										
Retail parks	1,554.9	1,872.7	(285.5)	(15.7)	78.4	82.8	79.2	79.4	91.9	93.5
Other	248.9	434.2	(40.2)	(15.1)	17.8	16.6	15.1	16.8	16.7	21.8
	1,803.8	2,306.9	(325.7)	(15.6)	96.2	99.4	94.3	96.2	108.6	115.3
Total retail	6,851.9	8,060.7	(795.6)	(10.5)	373.7	388.4	341.0	361.6	466.7	497.2
London offices										
West End	2,745.6	2,721.3	(93.2)	(3.3)	128.2	128.7	124.1	97.8	186.4	168.8
City	1,155.5	1,200.4	(239.5)	(17.3)	52.5	60.4	50.9	38.1	86.2	87.0
Mid-town	1,272.0	1,253.3	(76.7)	(6.1)	52.8	37.2	50.4	40.0	88.9	77.4
Inner London	950.9	927.9	(27.1)	(2.9)	51.0	35.5	35.1	24.0	65.5	57.2
Total London offices	6,124.0	6,102.9	(436.5)	(6.9)	284.5	261.8	260.5	199.9	427.0	390.4
Rest of UK	79.6	90.1	(2.0)	(2.3)	2.3	2.7	1.8	3.0	2.3	4.1
Total offices	6,203.6	6,193.0	(438.5)	(6.8)	286.8	264.5	262.3	202.9	429.3	394.5
Other	531.2	498.8	(45.5)	(8.1)	27.0	26.8	21.7	20.0	24.3	24.2
Combined portfolio	13,586.7	14,752.5	(1,279.6)	(8.8)	687.5	679.7	625.0	584.5	920.3	915.9
Properties treated as finance leases					(11.5)	(12.6)				
Combined portfolio as stated in the income statement					676.0	667.1				
Represented by:										
Investment portfolio	11,996.8	13,114.8	(1,145.4)	(8.9)	621.4	612.1	541.7	509.2	781.3	791.0
Share of joint ventures	1,589.9	1,637.7	(134.2)	(7.8)	66.1	67.6	83.3	75.3	139.0	124.9
Combined portfolio	13,586.7	14,752.5	(1,279.6)	(8.8)	687.5	679.7	625.0	584.5	920.3	915.9

Combined portfolio analysis continued

The like-for-like portfolio[2]

	Gross Income Yield[10]		Equivalent Yield[11]		Annual Gross Estimated Rental Value[12]		Voids (by ERV)[13]		Lease Length at 31/03/08[14]	
	31/03/08 %	31/03/07 %	31/03/08 %	31/03/07 %	31/03/08 £m	31/03/07 £m	31/03/08 %	31/03/07 %	Median years(i)	Mean years(ii)
Shopping centres and shops										
Shopping centres	6.2	5.5	5.7	5.1	204.0	199.7	4.6	4.5	7.2	8.5
Central London shops	4.3	4.3	5.0	4.8	38.2	35.6	8.3	3.3	4.4	5.7
Other in-town shops	5.3	4.8	5.6	4.9	15.0	14.9	6.9	3.6	5.7	8.2
	5.8	5.3	5.6	5.0	257.2	250.2	5.3	4.3	6.5	8.0
Retail warehouses										
Retail parks	5.3	4.3	5.5	4.6	85.0	83.6	1.5	1.7	12.5	11.9
Other	5.0	3.8	5.3	4.5	11.0	10.5	7.8	7.8	14.1	18.2
	5.2	4.2	5.5	4.6	96.0	94.1	2.3	2.4	13.0	12.8
Total retail	5.6	4.9	5.5	4.9	353.2	344.3	4.4	3.8	8.2	9.5
London offices										
West End	5.4	4.8	5.9	5.0	118.2	99.8	1.3	2.4	4.0	7.1
City	5.2	4.2	6.4	4.9	37.2	39.3	3.0	20.3	2.8	5.0
Mid-town	5.6	4.8	6.0	5.0	34.2	29.4	3.0	2.6	4.4	7.8
Inner London	5.7	3.1	6.3	5.1	32.7	26.7	0.8	0.4	8.0	8.6
Total London offices	5.4	4.5	6.1	5.0	222.3	195.2	1.8	5.7	4.5	7.0
Rest of UK	2.6	2.4	7.0	6.7	2.4	2.5	19.9	14.7	1.7	3.3
Total offices	5.4	4.4	6.1	5.0	224.7	197.7	2.0	5.9	4.5	7.0
Other	4.2	3.9	5.9	5.7	16.8	16.2	2.2	2.2	11.6	15.4
Like-for-like portfolio[2]	5.5	4.7	5.8	5.0	594.7	558.2	3.4	4.5	6.6	8.6
Completed developments[3]	3.9	1.1	5.6	4.6	98.8	87.9	2.3	30.9	12.9	13.2
Total	5.2	4.2	5.7	4.9	693.5	646.1	3.3	8.1	7.8	9.3
Acquisitions[4]	5.2	4.5	6.0	4.9	80.1	35.7	9.3	9.1	8.9	13.0
Sales and restructured interests[5]	–	–	–	–	n/a	n/a	n/a	n/a	n/a	n/a
Total development programme[6]	0.5	0.5	5.5	–	n/a	n/a	n/a	n/a	n/a	n/a
Combined portfolio	4.6	4.0	5.7	5.0	n/a	n/a	n/a	n/a	n/a	n/a

Total portfolio analysis

Shopping centres and shops				
Shopping centres	5.1	4.8	5.6	5.0
Central London shops	3.9	3.9	5.0	4.8
Other in-town shops	5.3	4.6	5.5	5.0
	4.9	4.6	5.5	5.0
Retail warehouses				
Retail parks	5.1	4.2	5.6	4.6
Other	6.1	3.9	5.4	4.5
	5.2	4.2	5.5	4.6
Total retail	5.0	4.5	5.5	4.9
London offices				
West End	4.5	3.6	5.9	4.9
City	4.4	3.2	6.2	5.0
Mid-town	4.0	3.2	5.8	5.0
Inner London	3.7	2.6	6.0	5.2
Total London offices	4.3	3.3	5.9	5.0
Rest of UK	2.3	3.3	7.0	6.9
Total offices	4.2	3.3	6.0	5.0
Other	4.1	4.0	6.0	5.6
Combined portfolio	4.6	4.0	5.7	5.0
Represented by:				
Investment portfolio	4.5	3.9	5.8	5.0
Share of joint ventures	5.2	4.6	5.4	4.8
Combined portfolio	4.6	4.0	5.7	5.0

Notes:

1. The open market value figures include the Group's share of the various joint ventures but exclude properties owned by Trillium.
2. The like-for-like portfolio includes all properties which have been in the portfolio since 1 April 2006 but excluding those which were acquired, sold or included in the development programme at any time during that period. Capital expenditure on refurbishments, acquisitions of headleases and similar capital expenditure has been allocated to the like-for-like portfolio in preparing this table. Changes in valuation from period-to-period reflect this capital expenditure as well as the disclosed valuation surpluses.
3. Completed developments represent those properties previously included in the development programme, which have been completed, let and removed from the development programme in the period since 1 April 2006.
4. Includes all properties acquired in the period since 1 April 2006.
5. Includes all properties sold (other than directly out of the development programme), or where the ownership interest has been restructured, in the period since 1 April 2006.
6. Ongoing developments are properties in the development programme and Kent Thameside. They exclude completed developments as defined in note 3 above.
7. The valuation surplus and rental income values are stated after adjusting for the effect of SIC 15 under IFRS, but before restating for finance leases.
8. Annual net rent is annual cash rents in payment at 31 March 2008 after deduction of ground rents. It excludes the value of voids and current rent-free periods.
9. Annual net estimated rental value includes vacant space, rent-frees and future estimated rental values for properties in the development programme and is calculated after deducting expected ground rents.
10. The gross income yield represents the annual cash net rent expressed as a percentage of the market value ignoring costs of purchase or sale.
11. The net nominal equivalent yield has been calculated on the gross outlays for a purchase of the property (including purchase costs) and assuming that rent is received annually in arrears.
12. Annual gross estimated rental value is calculated in the same way as net estimated rental value before the deduction of ground rents.
13. Voids represent all unlet space in the properties, including voids where refurbishment work is being carried out and voids in respect of pre-development properties. Voids are calculated based on their gross estimated rental value as defined in note 12 above.
14. The definition for the figures in each column is:
    (i) Median is the number of years until half of income is subject to lease expiry/break clauses.
    (ii) Mean is the rent-weighted average remaining term on leases subject to lease expiry/break clauses.

Combined portfolio reconciliation

	Retail Portfolio £m	London Portfolio £m	Other investment portfolio £m	Total 31/03/08 £m	Retail Portfolio £m	London Portfolio £m	Other investment portfolio £m	Total 31/03/07 £m
Income statement – gross rental income reconciliation								
Combined portfolio	373.7	284.5	29.3	687.5	388.4	261.8	29.5	679.7
Central London shops (excluding Metro Shopping Fund LP)	(45.4)	45.4	–	–	(50.9)	50.9	–	–
Inner London offices in Metro Shopping Fund LP	0.8	(0.8)	–	–	0.8	(0.8)	–	–
Rest of UK offices	2.3	–	(2.3)	–	2.7	–	(2.7)	–
Allocation of other	7.9	9.5	(17.4)	–	10.3	7.8	(18.1)	–
	339.3	338.6	9.6	687.5	351.3	319.7	8.7	679.7
Less: finance lease adjustment	(3.4)	(8.1)	–	(11.5)	(4.5)	(8.1)	–	(12.6)
Per business unit	335.9	330.5	9.6	676.0	346.8	311.6	8.7	667.1
Open market value reconciliation								
Combined portfolio	6,851.9	6,124.0	610.8	13,586.7	8,060.7	6,102.9	588.9	14,752.5
Central London shops (excluding Metro Shopping Fund LP)	(1,009.8)	1,009.8	–	–	(1,182.6)	1,182.6	–	–
Inner London offices in Metro Shopping Fund LP	20.0	(20.0)	–	–	21.0	(21.0)	–	–
Rest of UK offices	79.6	–	(79.6)	–	90.1	–	(90.1)	–
Allocation of other	244.9	237.3	(482.2)	–	237.0	196.8	(433.8)	–
Per business unit	6,186.6	7,351.1	49.0	13,586.7	7,226.2	7,461.3	65.0	14,752.5
Gross estimated rental value reconciliation								
Combined portfolio	480.1	431.2	26.7	938.0	511.9	394.5	28.4	934.8
Central London shops (excluding Metro Shopping Fund LP)	(70.9)	70.9	–	–	(70.8)	70.8	–	–
Inner London offices in Metro Shopping Fund LP	1.0	(1.0)	–	–	1.0	(1.0)	–	–
Rest of UK offices	2.4	–	(2.4)	–	4.2	–	(4.2)	–
Allocation of other	9.4	11.2	(20.6)	–	9.6	10.4	(20.0)	–
Per business unit	422.0	512.3	3.7	938.0	455.9	474.7	4.2	934.8

Development pipeline financial summary

	Cumulative movements on the development programme to 31/03/08						Total scheme details				
	Market value at start of scheme £m	Capital expenditure incurred to date £m	Capitalised interest to date £m	Revaluation surplus/ (deficit) to date[1] £m	Disposals, SIC 15 rent and other adjustments £m	Market value at 31/03/08 £m	Estimated total capital expenditure[4] £m	Estimated total capitalised interest £m	Estimated total cost less proceeds[2] £m	Net income/ ERV[3] £m	Valuation surplus/ (deficit) for year ended 31/03/08[1] £m
Development programme transferred or sold											
Shopping centres and shops	58	186	18	37	(20)	279	190	18	237	15	14
Retail warehouses	31	77	3	(3)	5	113	77	3	111	7	(9)
London Portfolio	137	479	43	437	65	1,161	481	43	661	62	(48)
	226	742	64	471	50	1,553	748	64	1,009	84	(43)
Development programme completed, in progress or approved											
Shopping centres and shops	57	431	22	(29)	1	482	702	48	750	47	(54)
Retail warehouses	12	–	–	(2)	–	10	6	–	18	1	(2)
London Portfolio	458	562	44	213	22	1,299	1,155	117	1,600	119	(22)
	527	993	66	182	23	1,791	1,863	165	2,368	167	(78)
	Movement on proposed developments for the year ended 31/03/08										
Proposed developments											
Shopping centres and shops	157	88	1	(52)	13	207	250	35	492	30	(52)
Retail warehouses	6	–	–	–	–	6	4	–	10	1	–
London Portfolio	471	51	–	(97)	2	427	976	134	1,075	84	(97)
	634	139	1	(149)	15	640	1,230	169	1,577	115	(149)

Notes:

1. Includes profit realised on the disposal of property.
2. Includes the property at the market valuation at the start of the financial year in which the property was added to the development programme together with estimated capitalised interest. For proposed development properties, the market value of the property at 31 March 2008 is included in the estimated total cost. Estimated total cost is stated net of residential and other proceeds for shopping centres and shops of £29m on the 'transferred or sold' schemes and £57m for developments in progress. The London Portfolio developments in progress and proposed developments are stated net of residential proceeds of £130m and £468m respectively. Allowances for rent-free periods are excluded from cost.
3. Net headline annual rental payable on let units plus net ERV at 31 March 2008 on unlet units.
4. For proposed development properties the estimated total capital expenditure represents the outstanding costs required to complete the scheme as at 31 March 2008 together with pre-development costs incurred prior to that date if the benefit of that expenditure has been excluded from the valuation as at 31 March 2008. Such pre-development costs are included in the accounts as prepayments and are not included in the property additions.

Trillium contract analysis

Year ended 31/03/08	Contract									
	DWP	BBC	Norwich Union	DVLA	Barclays[1]	Telereal II	Royal Mail[2]	Accor[3]	Other[4]	Total
Contract length										
Term (years)	20.0	5.0	25.0	20.0	20.0	4.5	15.0	84.0		
Expiry date	Mar 2018	Jun 2006	Jun 2029	Mar 2025	Dec 2024	Mar 2010	Mar 2022	Mar 2091		
Income statement	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Unitary charge	532.5	–	14.0	8.8	0.6	–	3.8	28.2	9.4	597.3
Third party (sublet) income	10.4	–	0.9	–	1.6	–	2.6	–	2.0	17.5
Capital projects	65.7	0.7	0.2	6.9	–	–	–	–	1.1	74.6
Other revenue	19.5	0.9	0.8	1.7	–	44.0	–	–	4.7	71.6
Finance lease income	–	–	7.5	2.9	–	–	–	–	–	10.4
Gross property income	628.1	1.6	23.4	20.3	2.2	44.0	6.4	28.2	17.2	771.4
Rents payable	(169.1)	–	(4.0)	(2.0)	–	–	–	–	–	(175.1)
Service partners (maintenance, facilities etc)	(164.7)	2.7	(3.8)	(4.7)	–	–	(0.1)	–	(1.0)	(171.6)
Life cycle maintenance costs	(22.3)	–	(1.7)	(0.3)	–	–	–	(0.4)	–	(24.7)
Capital projects	(63.2)	–	(0.2)	(6.2)	–	–	–	–	(0.8)	(70.4)
Other costs, including overheads	(79.2)	4.9	(1.8)	(3.4)	(0.3)	(28.5)	(2.2)	(0.7)	(39.4)	(150.6)
Bid costs	–	–	–	–	–	–	–	–	(11.9)	(11.9)
Depreciation	(35.3)	–	(0.8)	–	–	–	–	–	(1.9)	(38.0)
Underlying operating profit/(loss)	94.3	9.2	11.1	3.7	1.9	15.5	4.1	27.1	(37.8)	129.1
Profit on sale of non-current assets	16.0	2.0	–	–	–	–	0.1	–	–	18.1
Net (deficit)/surplus on revaluation of investment properties	–	–	–	–	(5.9)	–	(7.8)	(13.0)	1.8	(24.9)
Segment profit/(loss)	110.3	11.2	11.1	3.7	(4.0)	15.5	(3.6)	14.1	(36.0)	122.3
Capital expenditure										
Life cycle maintenance costs capitalised	(17.0)	–	(0.8)	–	–	–	–	–	–	(17.8)
Estates costs capitalised	(10.3)	–	–	–	–	–	–	–	(0.2)	(10.5)
Book value of assets at 31 March 2008										
Investment in an associate	–	–	–	–	–	–	–	–	73.5	73.5
Investment properties	–	–	–	–	22.0	–	89.8	435.9	14.7	562.4
Net investment in finance leases	–	–	100.0	54.1	–	–	–	–	21.6	175.7
Operating properties	500.6	–	43.7	–	–	–	–	–	0.5	544.8

1. Barclays sale and leaseback terms include a tenant break clause in December 2014, with annual breaks until expiry.
2. Royal Mail sale and leaseback terms include 12 tenancies which have a break clause in March 2012 and a further 164 tenancies with a break clause in March 2017.
3. Accor sale and leaseback terms include a tenant break clause every 12 years with the first in 2019.
4. Other includes new business and corporate overheads, bid costs, SPVs and management income.

Trillium contract analysis at 31 March 2008

Floor space (000m²)	DWP	Norwich Union	DVLA	Barclays	Telereal II	Royal Mail	Accor	Total
Client occupied	1,885.1	107.0	16.2	11.4	–	92.7	230.0	2,342.4
Third party (sublet)	119.2	5.2	–	17.8	–	91.9	–	234.1
Vacant	228.0	1.7	–	6.7	–	56.8	–	293.2
Total	2,232.3	113.9	16.2	35.9	–	241.4	230.0	2,869.7
Freeholds/valuable leaseholds	805.0	38.9	–	11.3	–	128.1	–	983.3
Leaseholds	1,427.3	75.0	16.2	24.6	–	113.3	230.0	1,886.4
Total	2,232.3	113.9	16.2	35.9	–	241.4	230.0	2,869.7
Estate managed but not transferred	64.5	8.7	85.9	–	150.0	–	–	309.1

Trillium vacation allowance and portfolio activity – DWP

Floor space (000m²)	31/03/07	Acquisitions	Vacations*	Lettings	Disposals	31/03/08
Client occupied	1,996.0	51.4	(153.4)	–	(8.9)	1,885.1
Third party (sublet)	81.0	–	(1.8)	48.7	(8.7)	119.2
Vacant	244.2	–	155.2	(48.7)	(122.7)	228.0
Total	2,321.2	51.4	–	–	(140.3)	2,232.3
Freeholds/valuable leaseholds	840.0	12.3	–	–	(47.3)	805.0
Leaseholds	1,481.2	39.1	–	–	(93.0)	1,427.3
Total	2,321.2	51.4	–	–	(140.3)	2,232.3
Estate managed but not transferred	78.7	–	(14.2)	–	–	64.5

*Includes core vacations.

	31/03/07	31/03/08
Vacation allowance used to date	392.7	491.9
Available allowance	130.5	64.9
Future allowance*	164.4	131.6

*The future allowance relates to the period commencing from 1 April following the year end.

Trillium portfolio activity – Barclays

Floor space (000m²)	31/03/07	Acquisitions	Vacations*	Lettings	Disposals	31/03/08
Client occupied	11.4	–	–	–	–	11.4
Third party (sublet)	18.1	–	(1.4)	1.6	(0.5)	17.8
Vacant	7.5	–	1.4	(1.6)	(0.6)	6.7
Total	37.0	–	–	–	(1.1)	35.9
Freeholds/valuable leaseholds	11.3	–	–	–	–	11.3
Leaseholds	25.7	–	–	–	(1.1)	24.6
Total	37.0	–	–	–	(1.1)	35.9

*Includes lease surrenders, lease expiries and disposals.

Trillium portfolio activity – Royal Mail

Floor space (000m²)	31/03/07	Acquisitions	Vacations	Lettings	Disposals	31/03/08
Client occupied	92.7	–	–	–	–	92.7
Third party (sublet)	94.1	–	(11.9)	9.7	–	91.9
Vacant	68.5	–	11.9	(9.7)	(13.9)	56.8
Total	255.3	–	–	–	(13.9)	241.4
Freeholds/valuable leaseholds	128.5	–	–	–	(0.4)	128.1
Leaseholds	126.8	–	–	–	(13.5)	113.3
Total	255.3	–	–	–	(13.9)	241.4

Investor information

The report and financial statements, share price information, company presentations, primary financial statements as Excel downloads, the financial calendar, Corporate Governance, contact details and other debt and equity investor information on the Group are available in the 'Investor' area of our website www.landsecurities.com

Registrar

All general enquiries concerning holdings of ordinary shares in Land Securities Group PLC, should be addressed to:
Equiniti,
Aspect House,
Spencer Road,
Lancing, West Sussex BN99 6DA
Telephone: 0871 384 2248
Textphone: 0871 384 2248
Website: www.shareview.co.uk

An online share management service is available, enabling shareholders to access details of their Land Securities shareholdings electronically. Shareholders wishing to view this information, together with additional information such as indicative share prices and information on recent dividends, should visit the 'Investor' area at www.landsecurities.com or www.shareview.co.uk

e-communication

UK shareholders may elect to receive communications electronically. Shareholders who opt to receive electronic communications can also submit their proxy votes electronically. To register for this service, shareholders should visit the 'Investor' area at www.landsecurities.com or www.shareview.co.uk

Payment of dividends

Shareholders whose dividends are not currently paid to mandated accounts may wish to consider having their dividends paid directly into their bank or building society account. This has a number of advantages, including the crediting of cleared funds into the nominated account on the dividend payment date. If shareholders would like their future dividends to be paid in this way, they should complete a mandate instruction available from the registrars. Under this arrangement tax vouchers are sent to the shareholder's registered address.

Dividends for shareholders resident outside the UK

Instead of waiting for a sterling cheque to arrive by mail, you can ask us to send your dividends direct to your bank account. This is a service our Registrar can arrange in over 30 different countries worldwide and it normally costs less than paying in a sterling cheque. For more information contact the Company's Registrar, Equiniti, on +44 (0)121 415 7047 or download an application form online at www.shareview.co.uk or by writing to our Registrars at the address given.

Dividend reinvestment plan (DRIP)

The Company offers shareholders the option to participate in a DRIP. This enables shareholders to reinvest their cash dividends in Land Securities Group PLC shares.

For further details, contact:
The Share Dividend Team,
Equiniti,
Aspect House,
Spencer Road,
Lancing, West Sussex BN99 6DA
Telephone: 0871 384 2248
International dialling: +44 (0)121 415 7049

For participants in the plan, key dates can be found in the online financial calendar in the 'Investor' area at www.landsecurities.com

REIT dividend payments

A detailed note on the tax consequences for shareholders and forms to enable certain classes of shareholder to claim exemption from withholding tax are available in the 'Investor' area at www.landsecurities.com

Low cost share dealing facilities

Shareview provides both existing and prospective UK shareholders with simple, low cost ways of buying and selling Land Securities Group PLC ordinary shares by telephone, internet or post.

For telephone dealing, call 0871 384 2248 between 8.00am and 4.30pm Monday to Friday. For internet dealing, log on to www.shareview.co.uk/dealing. For postal dealing, call 0871 384 2248 for full details and a form.

Existing shareholders will need to provide the account/shareholder reference number, shown on the share certificate.

ShareGift

Shareholders with a small number of shares, the value of which makes it uneconomic to sell them, may wish to consider donating them to the charity ShareGift, (registered charity 1052686) which specialises in using such holdings for charitable benefit. A ShareGift Donation form can be obtained from:
Equiniti,
Aspect House,
Spencer Road,
Lancing, West Sussex BN99 6DA

Further information about ShareGift is available at www.sharegift.org or by writing to:
ShareGift,
46 Grosvenor Street,
London W1K 3HN
Telephone: 020 7828 1151

Corporate Individual Savings Accounts (ISAs)

The Company has arranged for a Corporate ISA to be managed by Equiniti Financial Services Limited, who can be contacted at:
Aspect House,
Spencer Road,
Lancing, West Sussex BN99 6UY
Telephone: 0871 384 2248

Capital gains tax

For the purpose of capital gains tax, the price of the Company's ordinary shares at 31 March 1982, adjusted for the capitalisation issue in November 1983, was 205p.

The appropriate values to be used as base costs in respect of shares in Land Securities Group PLC issued under the Scheme of Arrangement in September 2002 are:
Ordinary shares – 769p
B shares – 101p
so that the new ordinary shares and the B shares received in respect of the old ordinary shares in Land Securities PLC will attract 86.99% and 13.01% respectively of the base cost of those old ordinary shares.

Unclaimed Assets Register

The Company participates in the Unclaimed Assets Register, which provides a search facility for financial assets which may have been forgotten. For further information, contact:
The Unclaimed Assets Register,
Cardinal Place,
6th Floor, 80 Victoria Street,
London SW1E 5JL
Telephone: 0870 241 1713
Website: www.uar.co.uk

Share price information

The latest information on Land Securities Group PLC share price is available on our website www.landsecurities.com

Registered office

5 Strand, London WC2N 5AF
Registered in England and Wales
No. 4369054

Offices

5 Strand, London WC2N 5AF and at:
140 London Wall, London EC2Y 5DN
1 City Walk, Leeds LS11 9DX
120 Bath Street, Glasgow G2 2EN

Glossary

Adjusted earnings per share (EPS)
Earnings per share based on revenue profit plus profits on trading properties and long-term development contracts all after tax.

Adjusted net asset value (NAV) per share
NAV per share adjusted to add back deferred tax associated with investment properties and capitalised interest, the adjustment arising from the derecognition of the bond exchange, together with cumulative mark-to-market adjustment arising on interest swaps and similar instruments used for hedging purposes. After REIT conversion, the adding back of deferred tax is no longer relevant.

Average unexpired lease term
Excludes short-term lettings such as car parks and advertising hoardings, residential leases and long ground leases.

Balanced scorecard
An approach to strategic management developed in the early 1990s by Drs. Robert Kaplan and David Norton to translate an organisation's vision into a set of performance indicators distributed among four perspectives: Financial, Customer, Internal Business Processes, and Learning and Growth.

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

Breeam
Building Research Establishment Environmental Assessment Method, world's most widely used environmental assessment method for buildings which assesses environmental impact against a set of objective criteria.

CABE
Commission for Architecture and the Built Environment (CABE).

Combined portfolio
The combined portfolio is our wholly-owned investment property portfolio combined with our share of the value of properties held in joint ventures, but excludes any investment properties owned by Trillium. Unless stated these are the pro forma numbers we use when discussing the investment property business.

Development pipeline
The Group's development programme together with any proposed schemes that are not yet included in the development programme but which are more likely to proceed than not.

Development programme
The Group's development programme comprises projects which are completed but less than 95% let; developments on site; committed developments (being projects which are approved and the building contract let); and authorised developments (those projects approved by the Board for which the building contract has not yet been let). For reporting purposes we retain properties in the programme until they are 95% let.

Development surplus
Excess of latest valuation over the total development cost (TDC).

Diluted figures
Reported amount adjusted to include the effects of potential shares issuable under employee share schemes.

Earnings per share (EPS)
Profit after taxation attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year.

EPRA
European Public Real Estate Association.

Equivalent yield
The internal rate of return from an investment property, based on the gross outlays for the purchase of a property (including purchase costs), reflecting reversions to current market rent, and such items as voids and expenditures but disregarding potential changes in market rents and reflecting the actual cashflow rents.

Estimated rental value (ERV)
The estimated market rental value of lettable space as determined biannually by the Group's valuers. This will normally be different to the rent being paid.

Exceptional item
An item of income or expense that is deemed to be sufficiently material, either by its size or nature, to require separate disclosure.

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

Flexible accommodation allowance
Allowance agreed between a property outsourcing client and Trillium, to vacate a given amount of floorspace or to expand over the life of the contract.

Gearing (net)
Total borrowings, including bank overdrafts, less short-term deposits, corporate bonds and cash, at book value, plus non-equity shareholders' funds as a percentage of equity shareholders' funds.

Gross income yield
The annual net rent on investment properties expressed as a percentage of the valuation ignoring costs of purchase or sale.

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

Initial yield
Annualised net rents on investment properties expressed as a percentage of the acquisition cost.

Interest rate swap
A financial instrument where two parties agree to exchange an interest rate obligation for a predetermined amount of time. These are used by the Group to convert floating rate debt to fixed rates.

Investment portfolio
The investment portfolio comprises the Group's wholly-owned investment properties together with the properties held for development but excludes Trillium properties.

Joint venture
An entity in which the Group holds an interest on a long-term basis and is jointly controlled by the Group and one or more venturers under a contractual arrangement whereby decisions on financial and operating policies essential to the operation, performance and financial position of the venture require each venturer's consent.

Landflex
Landflex fits between a conventional office and a serviced office solution by offering flexibility on leases, certainty on costs and a broader range of services.

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

LIBOR
The London Interbank Offered Rate, the interest rate charged by one bank to another for lending money.

Like-for-like portfolio
Properties that have been in the investment or combined portfolio for the whole of the current and previous financial year.

London Portfolio
This business includes all London offices and Central London retail, but excludes those assets held in the Metro Shopping Fund LP.

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

Net asset value (NAV) per share
Total equity divided by the number of ordinary shares in issue at the period end.

Open A1 planning consent
Planning permission for the retail sale of any goods.

Open market value
Open market value is an opinion of the best price at which the sale of an interest in the property would complete unconditionally for cash consideration on the date of valuation (as determined by the Group's external valuers). In accordance with usual practice, the Group's external valuers report valuations net, after the deduction of the prospective purchaser's costs, including stamp duty, agent and legal fees.

Operating properties
Properties acquired and managed by Trillium as part of its property outsourcing contracts with third parties and which do not meet the accounting definition of an investment property.

Other investment portfolio
This comprises all other investment properties not included in the Retail or London Portfolios.

Outline planning consent
This gives consent in principle for a development, and covers matters such as use and building mass. Full details of the development scheme must be provided in an application for full planning consent, including detailed design, external appearance and landscaping before a project can proceed. An outline planning permission will lapse if full planning permission is not granted within three years.

Over-rented
Space that is let at a rent above its ERV.

Passing rent
The annual rental income receivable which may be more or less than the ERV (see over-rented and reversionary).

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

Pre-let
A lease signed with an occupier prior to completion of a development.

Public Private Partnership (PPP)
A partnership that brings together, for mutual benefit, a public body and a private company in a long-term joint venture for the purpose of delivering public projects or services.

Private Finance Initiative (PFI)
A particular form of PPP, that is a government or public authority initiative to acquire private financing for public sector infrastructure.

Qualifying activities/Qualifying assets
The ownership (activity) of property (assets) which is held to earn rental income and qualifies for tax-exempt treatment (income and capital gains) under UK REIT legislation.

Real Estate Investment Trust (REIT)
A REIT must be a publicly quoted company with at least three quarters of its profits and assets derived from a qualifying property rental business. Income and capital gains from the property rental business are exempt from tax but the REIT is required to distribute at least 90% of those profits to shareholders. Corporation tax is payable on non-qualifying activities in the normal way.

Rental value growth
Increase in the current rental value, as determined by the Company's valuers, over the 12 month period on a like-for-like basis.

Retail Portfolio
This business includes our shopping centres, shops, retail warehouse properties and assets held in retail joint ventures but not Central London retail.

Retail park
A scheme of three or more retail warehouse units aggregating over 4,650m^2 with shared parking.

Return on average capital employed
Group profit before interest, plus joint venture profit before tax, divided by the average capital employed.

Return on average equity
Group profit before tax plus joint venture tax divided by the average equity shareholders' funds.

Revenue profit
Profit before tax, excluding profits on the sale of non-current asset and trading properties, profits on long-term development contracts, revaluation surpluses, mark-to-market adjustments on interest rate swaps and similar instruments used for hedging purposes, the adjustment to interest payable resulting from the amortisation of the bond exchange derecognition, debt and other restructuring charges and any exceptional items.

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

Reversionary yield
The anticipated yield to which the initial yield will rise once the rent reaches the ERV.

Total business return
Dividend per share, plus the increase in adjusted diluted net asset value per share, divided by the adjusted diluted net asset value per share at the beginning of the period.

Total development cost (TDC)
All capital expenditure on a project including the opening book value of the property on commencement of development, together with all finance costs less residential proceeds.

Total property return
Valuation surplus, profit/(loss) on property sales and net rental income in respect of investment properties expressed as a percentage of opening book value, together with the time weighted value for capital expenditure incurred during the current period, on the investment property portfolio.

Total shareholder return
The growth in value of a shareholding over a specified period, assuming that dividends are reinvested to purchase additional units of the stock.

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

Turnover rent
Rental income which is related to an occupier's turnover.

Underlying operating profit
Operating profit before profit on disposal of non-current properties, revaluation of investment properties, and exceptional items stated within operating profit.

Unitary charge
The basic payment received by Trillium under a property outsourcing contract.

Voids
The area in a property or portfolio, excluding developments, which is currently available for letting.

Weighted average cost of capital (WACC)
Weighted average of cost of debt and notional cost of equity, used as a benchmark to assess investment returns.

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

Zone A
A means of analysing and comparing the rental value of retail space by dividing it into zones parallel with the main frontage. The most valuable zone, Zone A, is at the front of the unit. Each successive zone is valued at half the rate of the zone in front of it.

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Contact details

If you have any comments in respect to this year's Annual Report please contact:

Investor Relations Department
Land Securities Group PLC
5 Strand
London WC2N 5AF

T: +44 (0)20 7413 9000
E: investor.relations@landsecurities.com
www.landsecurities.com

If you have any other comments or queries on any aspect of our business, please do not hesitate to contact us as above and we will pass your enquiry on to the relevant individual.

LIABILITY LIMITATION STATEMENT

Forward-looking Statements
By their nature, the statements concerning the risks and uncertainties facing the Group in the 2008 Annual Report involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated.
The statements reflect knowledge and information available at the date of preparation of this Annual Report and the Company undertakes no obligation to update these statements. Nothing in this Annual Report should be construed as a profit forecast.

Website
Land Securities' website www.landsecurities.com gives additional information on the Group. Information made available on the website does not constitute part of this Annual Report.

Notice regarding limitations on Director liability under English law
Under the UK Companies Act 2006, a new safe harbour limits the liability of Directors in respect of statements in and omissions from the Report of the Directors contained on pages *4* to *76*. Under English law the Directors would be liable to the Company (but not to any third party) if the Report of the Directors contains errors as a result of recklessness or knowing misstatement or dishonest concealment of a material fact, but would not otherwise be liable.

Report of the Directors
Pages *4* to *76* inclusive consist of a Report of the Directors that has been drawn up and presented in accordance with and in reliance upon English law and the liabilities of the Directors in connection with that report shall be subject to the limitations and restrictions provided by such law.