We are navigating a clear, decisive line through tough conditions, taking effective action **today** while creating strong foundations for growth **tomorrow.**

Annual Report 2009

LandSecurities

to day

We have experienced 12 months of difficult and unpredictable conditions. Few businesses have been untouched by wider economic and financial issues, and the property sector has certainly been in the teeth of a very sharp downturn.

The essential read

Performance overview
> p08–09
From business and share performance charts to key performance indicators.

Chairman's message
> p10–11
Alison Carnwath on the Company's resilient response to an extraordinary market.

Chief Executive's report
> p12–14
Francis Salway assesses the results of the Company's clear and decisive actions.

Report of the Directors

Covering the most significant strategic, financial and operational developments during the year.

Financial statements

Including the independent auditors' report, the income statement, balance sheets and the notes to the financial statements.

Key analysis

Business analysis
> p132–137
Clear, detailed information on operational performance, including portfolio analysis.

Investor analysis
> p138–139
An overview of our institutional investors, together with a five year summary.

Investor resource

Helpful analysis, summaries and information on business performance and shareholdings.

Report of the Directors p01–80
Financial statements p81–130
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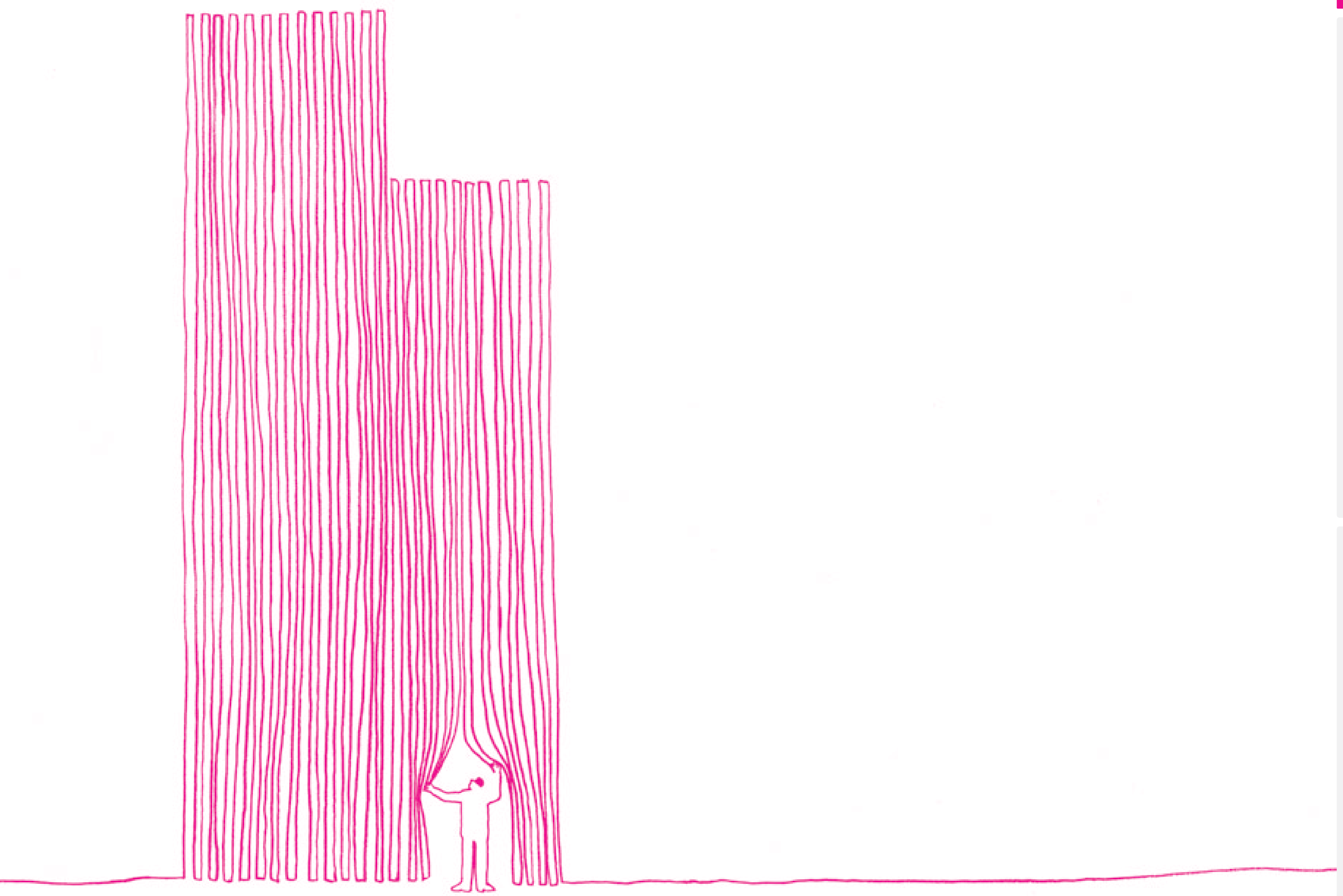
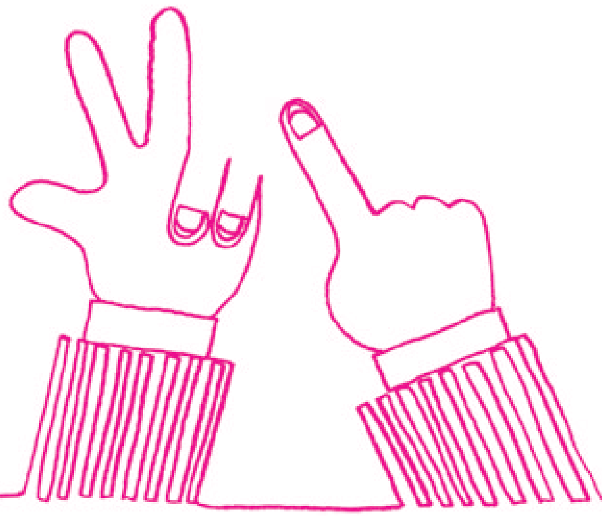
Over many years, we have succeeded by being strong in managing day-to-day operations while maintaining a long-term perspective on value generation.

This approach continued to guide our actions through a demanding 2008/09. In particular, we kept a tight focus on three priorities – the need to act decisively and protect value today, while planning well ahead for tomorrow.



to do

This annual report outlines our three priorities in more detail. And it discusses the actions we are taking to ensure the Group can compete hard today while preparing for growth tomorrow.



Act decisively

1. We are completing sales to strengthen our balance sheet

2. We are taking tough, pragmatic decisions early

3. We are responding quickly to changing conditions

The sale of Trillium enhanced our position at a critical point. > p15

The Trinity Quarter scheme, Leeds, will be started later, aiming to open for Christmas 2012. > p16

We are pioneering new forms of collaboration to generate income. > p17

Protect value

4. We are maximising revenue through asset management

5. We are developing even stronger customer relationships

6. We are creating high quality products that meet people's needs and aspirations

Innovative thinking at Piccadilly Lights, W1, has enhanced income. > p24

Across our portfolio, customers are benefiting from a closer working relationship with our teams. > p25

The new Cabot Circus shopping centre, Bristol, provides a powerful sense of place. > p26

Plan well ahead

7. We are managing risk in a changing market

8. We are continuing to lead on sustainability

9. We are creating excellent opportunities for future development

Our mixed-use approach has widened the appeal of One New Change, EC4. > p33

The Elements, Livingston, exemplifies sustainable design at its best. > p34

Our transformation of Victoria, SW1, is entering an exciting new phase. > p35

All you need to know

Land Securities Group

Our strategy

Our strategy is simple: we manage our Retail Portfolio and London Portfolio businesses through the property market's cycles, adjusting key investment and development activities ahead of changing conditions to maximise return and minimise risk. In property investment, we add value through active management of assets and the timing of acquisitions and disposals. In development, we create the right product at the right point in the cycle while keeping a tight focus on cost and timing.

The Group's Board of Directors directs strategy. It also monitors the balance sheet and financial performance to ensure capital is allocated appropriately – both across the two businesses and between investment and development activity. Each business benefits from the Group's ability to provide operating efficiencies, debt and other shared resources.

Retail Portfolio

Our strategy

Using our ability to unlock the potential within properties and places, we provide new and better ways for retailers to connect with customers. The environments we create and manage aim to enable occupiers to increase footfall, grow sales and offer a great leisure experience.

We work to spot, unlock and maximise the potential of shopping centres and retail parks throughout the UK. We look for opportunities to move assets up the retail hierarchy through proactive asset management improvements such as refurbishment and reconfiguration. And we look for opportunities to develop new retail locations and urban regeneration projects, with a focus on mixed-use destinations with the potential to perform well over the long term.

Our aim is to be the provider and partner of choice for retailers and local authorities. We want to be recognised as a market leader in terms of customer focus, design and innovation.

London Portfolio

Our strategy

Using our knowledge, understanding and scale, we develop and invest to create high quality space for world-class businesses and brands. The spaces we provide enable organisations to enhance their performance and improve day-to-day life for employees, shoppers and local residents.

We focus on developing and managing prime London assets, creating a balanced portfolio that blends strong investment assets with medium- and long-term development opportunities. To meet demand and mitigate risk, we put emphasis on mixed-use schemes providing office, retail and leisure accommodation.

We operate in a cyclical market and take early, decisive action on the timing and scope of key portfolio decisions. We increase the return on our development activities by clustering assets in key areas, so our work to create or enhance a new asset increases the attraction and value of our other assets nearby.

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About the Group

Who we are

Land Securities is a FTSE 100 company and the largest Real Estate Investment Trust (REIT) in the UK on the basis of equity market capitalisation. We were founded by Harold Samuel in 1944 when he acquired Land Securities Investment Trust Limited, which at the time owned three houses in Kensington, London together with some government stock. By 1969 Land Securities had established itself as the country's leading property business. In 2007 we converted to REIT status. We now own and manage more than 2.7 million m^2 of commercial property, from London offices to major shopping centres and out-of-town retail parks. In January 2009 we sold our Trillium property outsourcing business and now focus our activities on the London and Retail businesses.

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.

We judge our progress towards this vision by measuring returns generated for shareholders, customer retention and satisfaction levels, employee satisfaction and third party recognition of our achievements.

Our values

Certain core values form the foundation of Land Securities. These embody the way in which we work together to deliver effective customer relationships. By putting these values into action we strengthen our ability to deliver high levels of customer service and business performance over the long term.

Our values:

Customer Service
Respect
Integrity
Excellence
Innovation

Our landmark properties

We own more than 200 properties across the UK. These include many well-known buildings and places, such as:

—Piccadilly Lights, London
—New Street Square, London
—Bankside 2&3, London
—Cardinal Place, London
—Queen Anne's Gate (Ministry of Justice), London
—Portland House, London
—White Rose, Leeds
—Cabot Circus, Bristol
—St David's Centre, Cardiff
—Princesshay, Exeter
—Gunwharf Quays, Portsmouth
—Bullring, Birmingham
—Retail World Retail Park, Gateshead

Performance overview

Revenue profit is our measure of the underlying pre-tax profit of the Group. This is one of the measures we use within the Company to assess our performance. You'll find a full definition of revenue profit in the glossary. > p142

Our performance at a glance

Pre-tax loss

£4,773.2m

This reflects the impact of economic conditions on the property market, and the unprecedented fall in values in our sector over 12 months.

Total dividend

56.5p

We reset the fourth quarter's dividend payment in line with the current economic and market environment, rebasing it at a robust and sustainable level.

Revenue profit

£314.9m

The increase is a result of the lower interest charges. See page 20 for more information.

Chart 1
Land Securities performance versus IPD – ungeared total property return (%)

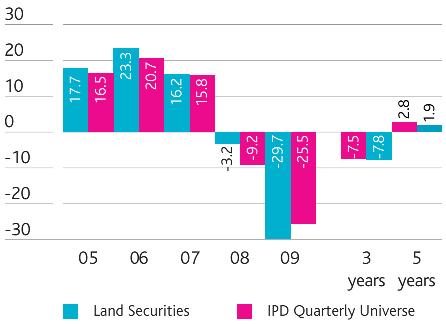


Chart 2
Dividends and adjusted diluted earnings per share (p)

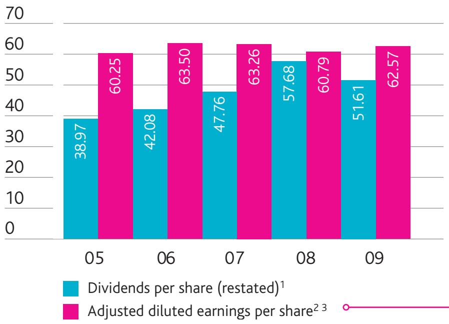


Chart 3
Revenue profit (£m)

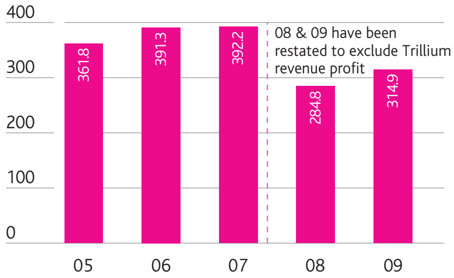


Chart 4
Combined portfolio value (£bn)

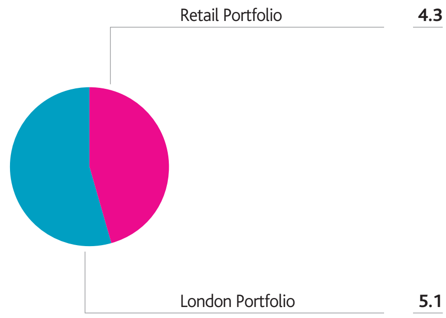
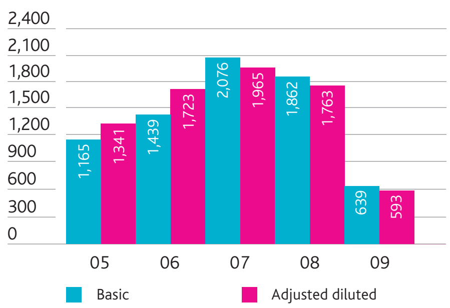


Chart 5
Five year cumulative valuation surplus/deficit (£m)

Chart 6
Net assets per share (p)[1]



To put this fall in property values in perspective, during the downturn period between 1990 and 1993 values fell 27% over three years; in 2008/09 values fell 34.2% in 12 months.

Notes:

1. The restated total dividend payable represents the theoretical dividend per share that would have been paid had the bonus shares inherent in the Rights Issue been in existence at the relevant dividend dates.
2. The earnings per share for the years ended 31 March 2008, 31 March 2007, 31 March 2006 and 31 March 2005 have been adjusted for the bonus element inherent in the Rights Issue that was approved on 9 March 2009.
3. The earnings per share for 2005 to 2007 includes the operating results of Trillium. 2008 and 2009 exclude the operating results of Trillium as these have been reclassified as discontinued operations.

Note:

1. The net assets per share for the years ended 31 March 2008, 31 March 2007, 31 March 2006 and 31 March 2005 have been adjusted for the bonus element inherent in the Rights Issue that was approved on 9 March 2009.

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Key performance indicators

Objective	Metric	Progress
To create sustainable long-term earnings growth 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 2009 exceeded RPI by 7.0% per annum ▪ Annual revenue profit for continuing operations up 10.6% on prior year, and within 0.1% of budget target
To maximise the returns from the investment portfolio	▪ IPD outperformance in each core sector	▪ Outperformed IPD sector benchmarks by 2.0% for our London Portfolio, but underperformed by 4.7% on our Retail Portfolio
To manage our balance sheet effectively	▪ Sell £1.16bn of assets	▪ Achieved £1.125bn of disposals including sale of Trillium
To complete and let our development programme	▪ £31m of development lettings and £11m of pre-construction lettings to be completed ▪ Developments to be completed on budget and on time	▪ Developments completed in the year were, on average, 72% let by year end ▪ £11m of development lettings achieved ▪ All major construction schemes completed within budget and on time, subject to a 10 day delay on one project. Projects at 10 Eastbourne Terrace, W2; Dashwood House, EC2; Cabot Circus, Bristol; and The Elements, Livingston
Ensure high levels of customer satisfaction	▪ Overall customer satisfaction in Retail and London businesses to exceed targets	▪ Exceeded targets for shopping centres (score of 4.2 out of 5.0, compared to target of 4.0), and on target for London offices (score of 3.8 out of 5.0, compared to a target of 3.8)
Attract, develop, retain and motivate high-performance teams and individuals	▪ Employee engagement to exceed ETS industry benchmark	▪ Exceeded with grand mean score of 3.06 (classified as excellent by our external survey provider) compared to 3.03 in prior year ▪ On a benchmark basis our score was 2.98 against 2.90

This represents a good relative performance, with a substantial level of sales achieved despite fewer buyers and difficult credit markets.

For more on our belief that it is the quality and commitment of our people that sets us apart, see our Group business review. >p28-29

Read more about our focus on customer satisfaction and this year's customer survey results in our CR section. >p54-63

Our Chairman's message

Resilient response to an extraordinary market
—A letter from Alison Carnwath

Alison Carnwath
Chairman

"This Company is not fixed to conventional ways of doing things and we will take all necessary measures to deliver exceptional value for investors over time."
Alison Carnwath

We have seen 12 months of high drama in the global economy, the financial markets and the UK business environment. Property asset values suffered steep falls and this trend has continued into the new financial year. As a shareholder you have seen the tangible effects of these straitened conditions – a rapid decline in the share price and a reduced dividend.

Demanding and unpredictable circumstances reveal character. Some in our industry have fallen prey to gloom and passivity. Others conduct a feverish search for green shoots. Land Securities has taken a different approach, responding with decisive, pragmatic actions today while positioning the business for growth tomorrow. We believe the current period of transformation will generate attractive opportunities and we will be ready to take advantage.

The very positive support shown for our recent Rights Issue speaks volumes for the inherent strength of the Company and its relationship with investors. Our last Rights Issue was 29 years ago, and shareholders recognised this year's initiative as a common sense response to exceptional times.

Before, during and since the Rights Issue the Company has continued to do everything necessary to create a resilient balance sheet, minimise costs and maximise income. From the sale of Trillium to the pause in development at Ebbsfleet, we have seized every opportunity to strengthen our position. We also cancelled plans to separate the Retail and London Portfolios. Land Securities is, and will remain, a diversified property company. We will use the flexibility of our funding structure and broad portfolio of prime assets to ensure we emerge from this downturn in excellent shape.

While the Company's long-established qualities of stability and integrity remain widely recognised, I also welcome the openness and creativity I have found. Ultimately, our strengths flow from two sources – first, our clear understanding of how to manage our business mix and skills to add value for shareholders; and second, our truly excellent people. Life has been demanding, and I am very disappointed that market dynamics required us to make redundancies, but the robust spirit within this Company is inspiring. I thank our employees for their positive attitude and commitment this year.

Table 7
Total shareholder returns*

	Over one year to 31/03/09	Over five years to 31/03/09
Land Securities	32.84	53.00
FTSE 100	69.00	103.22
FTSE 350 Real Estate	37.60	57.84
FTSE All Share Real Estate	34.11	47.00

*Historical TSR performance in the value of a hypothetical £100.
Source: Datastream

In difficult times the rationale for extensive investment in corporate responsibility comes under sharp scrutiny. The value of our approach is clear. By developing a leadership position in areas such as sustainability, community relations and employee development, we ensure we are the sort of company people prefer to work with and for. Put simply, our investment in corporate responsibility makes us a more successful and sustainable business, and it will continue.

During the year our previous Chairman, Paul Myners, left the Board, as did Rick Haythornthwaite and Trillium Chief Executive, Ian Ellis. I thank them for their contribution to the Board and the business as a whole. The Board is now smaller and well balanced. The Non-executives are playing an active role in all aspects of strategy, performance and oversight. The Executive team, led by Francis Salway, has shown its mettle in the face of the formidable challenges affecting the Company and our industry. However, their dedication and hard work has not been reflected in the results and therefore as a Board we decided not to pay bonuses or grant salary increases for the Executive Directors this year.

The next 12 months will continue to make great demands on us all. The economic outlook remains murky. While there is little we can do about the wider environment, there is an enormous amount we can and will do to strengthen our own position. We will continue to focus on income and lettings to protect asset values. We will sell assets to reposition the portfolio ready for the resumption of economic growth. We will time our developments with precision. And we will be alive to opportunities where we can use our cash, banking support and terrific industry relationships to make astute acquisitions.

This Company is not fixed to conventional ways of doing things and we will take all necessary measures to deliver exceptional value for investors over time. I thank shareholders, customers, suppliers and colleagues for their tremendous support during a tumultuous year, and I look forward to reporting back to you in 12 months' time.

Alison Carnwath

Alison Carnwath
Chairman

For a comprehensive review of our performance this year, please read our Chief Executive's report > p12-14 and the Financial review. > p18-23

Chief Executive's report

A clear and decisive line
—Francis Salway, Chief Executive, reports

Francis Salway
Chief Executive

Watch Francis's overview at:
www.landsecurities.com/annualreport2009

"Our response to the downturn was guided by two clear priorities – to protect shareholder value today while ensuring we are well positioned to compete and thrive tomorrow. Our actions were decisive and pragmatic."
Francis Salway

This year the UK commercial property sector saw the sharpest fall in capital values on record. Occupiers and property investors were affected by wider economic, financial and commercial dynamics, and this impacted property values profoundly. We have not been immune to these exceptional conditions, experiencing a write-down on the valuation of our investment properties of 34.2% which created a very substantial pre-tax loss.

The reduction in property values was driven largely by yield repricing. However, as the economy moved into recession in the second half of the year, we also saw weaker demand from occupiers and pressure on rental values. Rental values were down 9.3% across our portfolio, ranging from a reduction of 3.8% on our retail assets to 19.8% on our London offices.

Our portfolio underperformed our benchmark, the IPD Quarterly Universe, in terms of ungeared total property returns (-29.7% versus -25.5%) Table 8. However, some four-fifths of this underperformance was attributable to our portfolio mix, as shopping centres, retail warehouses and London offices have been the weakest performing segments of the UK market. Our relative performance was also affected by our development projects and pre-development sites which have been hardest hit by the downturn.

Our response to the downturn was guided by two clear priorities – to protect shareholder value today while ensuring we are well positioned to compete and thrive tomorrow. Our actions were decisive and pragmatic. We made an early decision to defer key developments. We continued to make disposals, achieving over £500m of property sales in a deteriorating market. And we moved quickly to reduce the Company's administrative cost base by some 10%. We were not afraid to stop our proposed demerger and we made the tough but correct decision to sell Trillium. At the same time, we used our exceptional asset management skills to maintain revenue, we successfully opened two major retail developments and we laid the foundations for future opportunities as the economy recovers.

The tough decisions that we have taken over the year have strengthened our balance sheet and created resilience in a difficult and deteriorating environment. As in previous downturns, the Company sought to navigate a clear and decisive line through the turbulence and we are in sound shape as a result.

Rapidly evolving market

We had anticipated some degree of slowdown in the commercial property market in spring 2007 and, in response, sold £1.56bn of assets in the year to March 2008. These sales assisted us as conditions weakened further in 2008. In September 2008 we saw an extraordinary acceleration of the decline in the property market and in the economy, and this brought our earlier actions into sharp focus. We recognised that we needed to respond further and we did.

First, we continued to make sales despite fewer buyers and anxiety around pricing. These disposals helped to strengthen our balance sheet. Long-term success in our market requires a steady nerve through all points of the cycle, but particularly when selling in a downturn. We will continue to make disposals and recycle our capital effectively, both to maintain balance sheet strength and to ensure that our portfolio is positioned for growth as the market turns and recovers.

In January we also sold Trillium for a cash consideration of £444m, to generate total income and capital receipts from this business since April 2008 of £750m (including the buyer's assumption of Trillium's debt). Trillium has played a tremendous role in the evolution of Land Securities over recent years, but it was clear that the capital we could realise from the disposal of this specialist business would prove invaluable in current conditions. Relatively few disposals of property businesses went through during the year, so this successful transaction again underlines our ability to complete sales in a challenging environment. Under our management Trillium produced a return on capital materially better than conventional investment property, and I would like to thank the employees of Trillium for their dedication and contribution.

Successful Rights Issue

Early in 2009 we made the decision to strengthen our financial position further through a Rights Issue. Our effective actions during the year meant we were able to minimise our call on shareholders' resources, and the issue closed on 24 March 2009 having raised the targeted £756m. This fresh capital has helped to restore the balance of our equity and debt capital, and it will help mitigate the effect on shareholders' funds of any further falls in property values. It will also ensure we are ready and able to react quickly when we identify opportunities beneficial to shareholders.

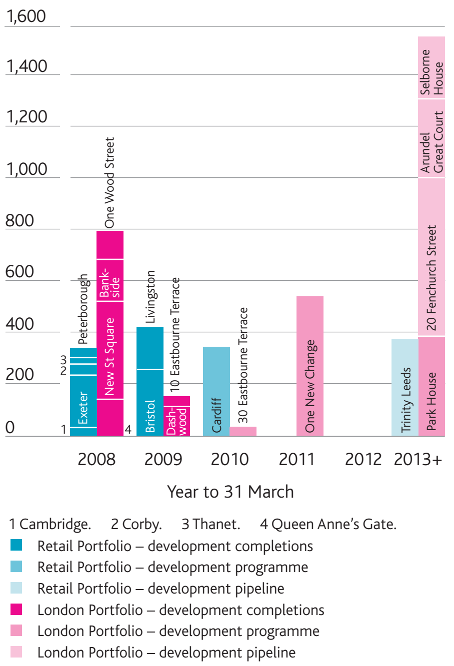
Given the Rights Issue, the sale of Trillium and the challenging market conditions facing the Group, the Board took the decision to reset the dividend and the final quarterly dividend has been proposed at 7.0p per share. This was done to ensure that our dividend remains realistic and sustainable in light of the factors which will affect our future earnings. We believe the new level will provide a secure platform from which we can work to deliver future growth in dividends over time.

Table 8
Total property returns (%)

	Land Securities	IPD
2008	-3.2	-9.1
2009	**-29.7**	**-25.5**

Source: IPD

Chart 9
Timing of completion of development programme (total development cost £m)



Spreading risk through a diverse tenant mix

The long-term nature of our contracts with customers provides us with resilience of income even at a time when rental values are falling. This is reflected in our revenue profit for the year of £314.9m, which is up 10.6% with broadly stable income and lower interest payments.

It is always regrettable when retailers go out of business and this year proved extremely demanding for many. Like other property owners, we have suffered from retailer insolvencies but, across the Group as a whole, only 3.8% of our total income is in administration. We have been proactive in response, working hard to support our tenants and protect our own position. We have continuing income from approximately 15% of the units currently in administration.

For some time we have mitigated risk by developing a diverse mix of customers. Our largest retail customer, Arcadia Group, represents just 1.7% of our total investment portfolio income. Our only substantial exposure to a single occupier is to the counterparty of choice, Central Government, who account for 9.5% of our total portfolio income. By maintaining close relationships with this diverse mix of tenants we kept the increase in underlying voids across our like-for-like investment portfolio to just 1.1% (from 3.5% to 4.6%) – another strong relative performance.

Pragmatic timing on development

In line with our medium-term planning, we entered the year with a significantly lower level of developments due for completion than at the peak of the market cycle in 2007. However, it was vital to achieve lettings success on the two principal developments completed in the year – the shopping centres in Bristol and Livingston. Here we achieved occupancy levels of 91% and 80% respectively at year-end, which confirms the attractive qualities of the two schemes. Quality was again recognised when Cabot Circus won The British Council of Shopping Centres' Supreme Gold Award and was named Best Shopping Centre of the Year in the MAPIC EG Retail Awards.

Leasing prospects for the developments coming through now – Dashwood House in the City and our St David's 2 joint venture with Liberty International in Cardiff – have proved more challenging. These were respectively 9% and 47% let or in solicitors' hands at year-end. It is helpful to put this in context. The projected income on unlet space at Dashwood House represents just 2.1% of our total London office portfolio income. And our share of the projected income on the remaining vacant space at St David's 2 represents 2.3% of the Retail Portfolio's total income. The pace of lettings at St David's 2 is increasing as we move towards opening in the autumn.

Our history shows that we are not afraid to take tough development decisions. In summer 2002, for example, we deferred New Street Square by 12 to 18 months and this proved enormously beneficial in terms of the total returns on the project. This year we again took bold decisions on timing, opting to defer the start dates for our schemes such as 20 Fenchurch Street, EC3, Trinity Quarter, Leeds and Ebbsfleet Valley in Kent. We remain ready to take further similar decisions as appropriate, despite their potential impact on earnings in the short term.

While we are cautious on timing today, we continue to create excellent opportunities for tomorrow Chart 9. This year we secured planning consent for substantial schemes in the West End, including the landmark Victoria Transport Interchange plan (VTI2), together with Selborne House and Wellington House in Victoria, SW1. The short-term outlook for the London office market remains challenging, but we expect tight development supply constraints in the West End to drive a resumption of growth in the medium term. The success of our office and retail development at Cardinal Place, SW1 confirms our ability to understand and lead the Victoria office market transformation.

Adding value for customers

Throughout the year we worked proactively to support our tenants and ensure our products are designed to meet the changing needs of businesses. To assist this, we moved our property management teams into the London and Retail Portfolios so they could work in closer partnership with customers and colleagues.

In London, we helped existing and prospective tenants respond to tough market conditions by offering flexible lease terms, addressing service charge costs, engaging in discussions on rate levels and offering some short-term cost-effective space opportunities. In Retail, we were one of the first organisations to propose a basis for switching to monthly rents for retailers and we worked in partnership with tenants to reduce service charges.

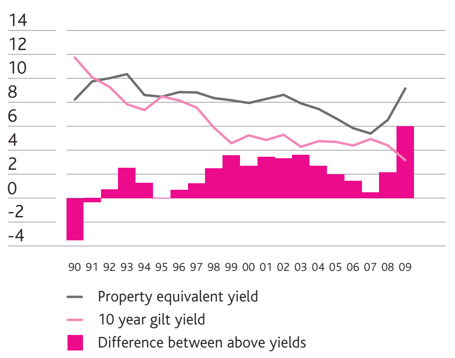
Of course, we want to do even more, and we continue to focus on removing unnecessary cost for tenants to help them in the current climate. I am pleased that all our efforts on customer service were recognised when we were named Retail Landlord of the Year 2008 in the Property Managers Association awards. Recent independent customer satisfaction surveys have confirmed our standing, with one measure recording a 97% 'willingness to recommend' Land Securities as a shopping centre landlord[1].

Sustainability remains a priority

We see no conflict between sustainability and profitability. Quite the reverse. Good practice makes us a stronger business. By combining a long-term view with innovative action today we are able to meet the changing needs and expectations of tenants, local authorities, our employees and the general public. This approach produces clear commercial benefits; helping us gain permission for new developments, reducing property running costs, attracting new tenants and mitigating risks around future environmental legislation.

Our work has earned widespread recognition. We have been included in the Dow Jones Sustainability Index each year since its launch in 2000 and are now the global leader for sustainability in the Real Estate sector. This year Cabot Circus became the first major shopping centre to be awarded an 'Excellent' rating in the BREEAM environmental assessment scheme, and The Elements in Livingston was the first enclosed shopping centre in the UK to achieve this accolade. We believe the groundbreaking work on energy generation and distribution planned for our new developments, such as the Victoria Transport Interchange plan, will underline our position as a leader on sustainability.

Chart 10
Property yield pricing relative to gilt yields (%)



Outlook

We expect property market conditions to remain challenging, with vacancy rates rising as businesses fail or contract and, as a result, rental values weaken. These trends will put downward pressure on our rental income. Occupational markets will display the full impact of economic conditions relatively late in the cycle, so we expect the period of recovery in our sector to be extended. Investment property pricing may reach a turning point ahead of the rental markets, and the yield gap between property yields Chart 10 and gilts or cash on deposit can be expected to stimulate some buying interest. Indeed, this is just beginning to become apparent for well-let prime properties. Whether the market cycle changes quickly or slowly, we will remain patient, making well-timed transactions that fit with our strategy, skills and strengths.

In the meantime, we will continue to take a positive and pragmatic approach to managing through the downturn – acting decisively, protecting value and planning for the future. We will respond to changing conditions quickly. We will take difficult decisions as and when required. And we will use our strengthened balance sheet to address future growth opportunities at the right point in the cycle.

This has been an exceptionally turbulent period in our market, but our experience tells us that out of adversity comes opportunity, and that the companies who manage successfully through the downturn emerge even stronger in the upturn. I believe Land Securities' ability to react to the challenges of today while maintaining a long-term perspective on value generation for tomorrow stands us in good stead.

Francis Salway
Chief Executive

[1]Kingsley Lipsey Morgan Retailer Satisfaction Study 2008. The 2008 figure represents an increase of 3% on 2007.

Act decisively

1. We are completing sales to strengthen our balance sheet

Corporate transaction, City of London

We have not been afraid to sell key assets to protect our long-term financial position. Take the sale of Trillium. We acquired the business in 2000 and it prospered as part of Land Securities, generating value for shareholders. We concluded that Trillium would not be part of the Group in the long term and the sale proceeds strengthened our balance sheet at a critical point in the cycle.

Trillium sale

- Completed on 12 January 2009
- We retained Accor hotel portfolio
- Trillium produced a stronger return on capital under our ownership than conventional investment property

Act decisively

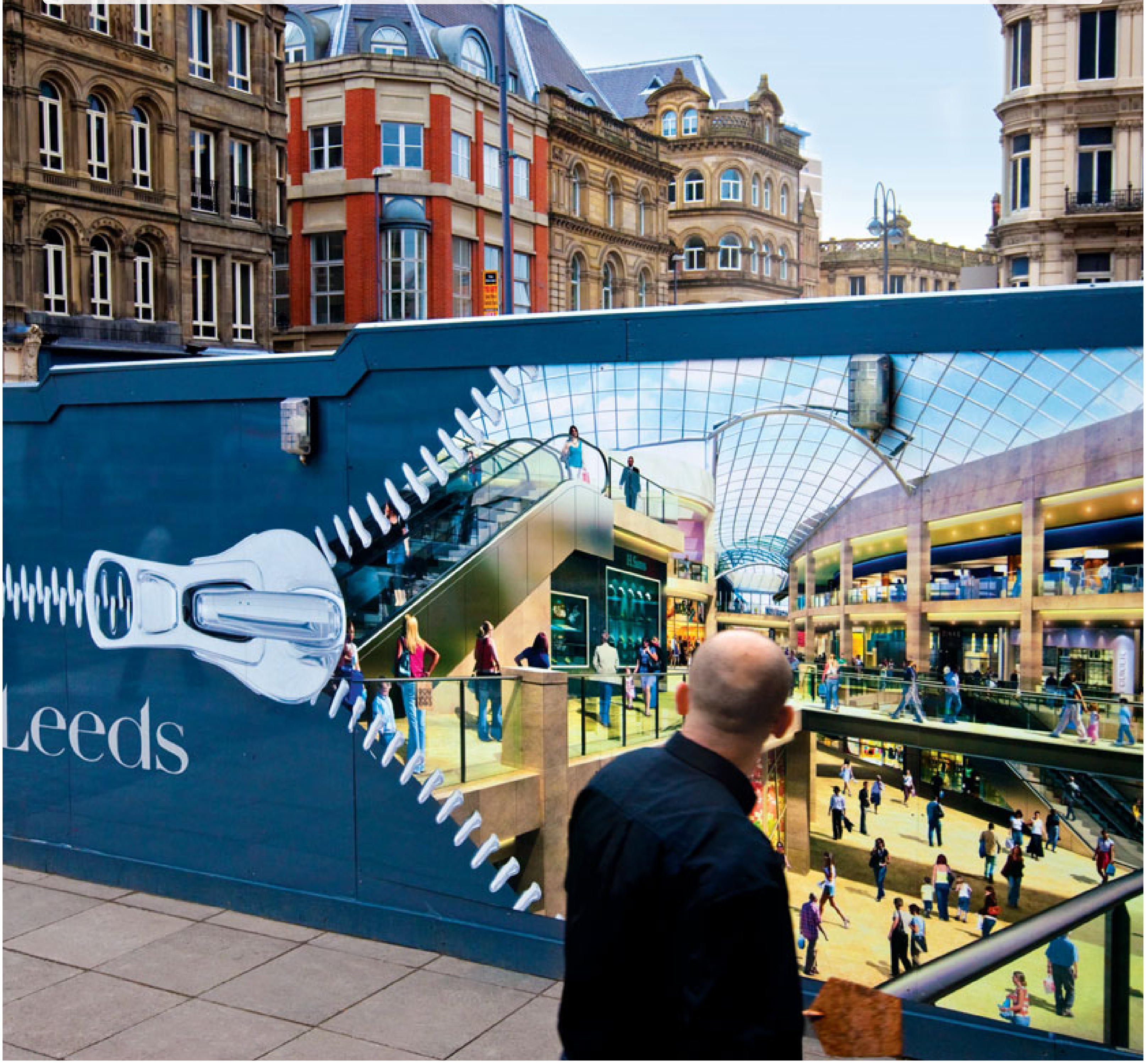
2. We are taking tough, pragmatic decisions early

Trinity Quarter scheme, Leeds

Timing the delivery of a major new scheme is challenging at the best of times. In a volatile market it's even tougher. But that hasn't stopped us taking a pragmatic approach to pipeline developments, including Trinity Quarter in Leeds. Originally planned for 2011, we now aim to open this retail development for Christmas 2012. That means we can take advantage of a competitive construction market while preparing to open in better economic conditions with an exciting mix of retailers. To mitigate risk we are seeking to secure lettings before we start construction.

Trinity Quarter will:

- Address strong demand in one of the UK's largest cities
- Create a premier shopping centre in Leeds
- Integrate with remodelled Leeds Shopping Plaza in the heart of Leeds' city centre
- Rejuvenate historic thoroughfares



Act decisively

3. We are responding quickly to changing conditions

Gunwharf Quays, Portsmouth

The toughest market conditions on record have inspired us to pioneer new forms of collaboration. In Retail this helped us deliver just under 300 new lettings. We also improved tenant satisfaction levels this year, despite the impact of recession. Our approach meant we were one of the first organisations to introduce a basis for monthly rent options. We've worked closely with retailers to reduce service charges and simplify lease agreements. And our teams have helped tenants maximise performance through innovative marketing, promotions and flexible formats.

Customer Satisfaction

Communication
+17%

Understanding retailers' needs
+5%

Overall performance
+18%

Source: Retail Property Directors' Customer Satisfaction Study 2009. Independent survey by Real Service. Comparison with 2006 results.

Financial review

Overview
—Martin Greenslade discusses this year's results

Martin Greenslade
Finance Director

As we all know, this has been an exceptionally turbulent year for the global economy and the business environment as a whole. The UK commercial property market has certainly endured its share of very tough conditions and our financial results have been impacted significantly as a result, with a loss after tax of £5.2bn largely due to a revaluation deficit of £4.7bn. With property values suffering sharp falls, we saw our adjusted net assets decline and our gearing rise. We ended the year with adjusted diluted net assets (NAV) per share of 593p, down 66.4%.

While our numbers demonstrate the challenging year we have had, they also reflect a strong and decisive response from management. Rapidly deteriorating market conditions required us to take tough decisions, and by acting quickly we mitigated the very worst effects of the current market. These actions included: the drawing down of our bank facilities, which ensured that funds remained available to us even if property values continued to fall; the disposal of Trillium, which, although at a loss, raised additional cash at a critical time; and the rebasing of our quarterly dividend from 14.9p per share (restated) to a final proposed dividend of 7.0p per share, reflecting a realistic view of the pressure on income ahead.

Through these and other actions we have achieved a substantial reduction in net debt, down 27% over the year.

The numbers also reflect the support provided by our shareholders, with the £755.7m of cash generated from the Rights Issue helping to strengthen our balance sheet.

Despite very difficult operating conditions, we increased revenue profit by 10.6% in the year. This is a positive achievement, but it is unlikely to be maintained. This year's figure was driven, in part, by lower interest rates on our floating rate debt. Interest rates will not remain at current levels indefinitely and margins will rise as and when we renew our banking facilities. Rental income is also likely to come under downward pressure from falling rental values and voids from tenant insolvencies, lease expiries, partially let developments and pre-development properties. And some of our actions to maintain liquidity and a sound capital base may also have a negative impact on our income statement. An example of this might be the sale of properties to fund our existing committed capital expenditure. Nevertheless, ensuring we have sufficient capital and liquidity will enable us to capitalise on opportunities which will undoubtedly arise in the coming years.

The pages that follow provide you with a detailed review of our figures. Given the scale of events during the year, I hope this overview helps put the results in context and conveys a clear picture of current financial dynamics.

Martin Greenslade
Finance Director

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We completed the sale of Trillium, our outsourcing business, on 12 January 2009. The transaction included all of Trillium's operations with the exception of the Accor hotel portfolio, which is now included within our Retail Portfolio. As Trillium represented a separate major line of business for the Group, it has been treated as a discontinued operation for the year ended 31 March 2009. The income statement and the relevant notes for the prior period have been restated to assist comparison.

Additionally, all financial information on a 'per share' basis including last year's comparatives has been adjusted to reflect the Rights Issue which completed in March 2009. Further details are given below.

Headline results

The Group's loss before tax from continuing activities was £4,773.2m, compared to a loss of £988.0m for the year ended 31 March 2008. Revenue profit, our measure of underlying profit before tax, increased by 10.6% from £284.8m to £314.9m.

Table 11

Reconciliation of loss before tax to revenue profit

	Year ended 31/03/09 £m	Year ended 31/03/08 £m
Loss before tax	**(4,773.2)**	(988.0)
Valuation deficit – Group	**4,113.4**	1,158.4
– joint ventures	**630.3**	134.2
Losses/(profits) on non-current property disposals – Group	**130.8**	(57.3)
– joint ventures	**(2.9)**	7.1
Joint venture net liabilities adjustment	**(17.7)**	–
Mark-to-market adjustment on interest rate swaps	**102.1**	21.9
Mark-to-market adjustment on interest rate swaps – joint ventures	**15.4**	–
Eliminate effect of bond exchange derecognition	**11.7**	7.6
Debt restructuring charges	**0.7**	1.1
Joint venture tax adjustment	**1.3**	3.1
Demerger costs	**10.2**	9.8
Profit on sale of trading properties – Group	**(2.5)**	(2.8)
– joint ventures	**(5.5)**	(8.3)
Long-term development contract profits	**(3.8)**	(2.0)
Write-down of trading properties	**104.6**	–
Revenue profit	**314.9**	284.8

The basic loss per share from continuing activities increased from a loss of 188.43p last year restated for the Rights Issue and the reclassification of Trillium to discontinued operations to a loss per share of 918.04p, with adjusted diluted earnings per share showing a 2.9% increase on the comparable period to 62.57p (2008: 60.79p).

The loss from discontinued operations for the year all relates to Trillium and amounted to £420.9m, which reflects the loss for the current year of £87.3m and a loss on disposal of £333.6m. The loss for the current year included a goodwill impairment charge of £148.6m and a deficit on revaluation of investment properties of £10.0m, partially offset by underlying profit from the Trillium business.

The combined investment portfolio (including joint ventures) decreased in value from £14.1bn to £9.4bn on the back of a valuation deficit of £4,743.7m or 34.2%. Net assets per share decreased by 1223p from 1862p at the end of March 2008 (restated for the Rights Issue) to 639p in March 2009, with adjusted diluted net assets per share decreasing from 1763p at March 2008 to 593p at March 2009.

Loss before tax

The main drivers of our loss before tax from continuing activities were the change in value of our investment portfolio (including any profits or losses on disposal of properties), impairment of our trading properties and the impact of interest rate swaps. The degree to which movement on these and other items led to the increase in our loss before tax from £988.0m last year to a loss of £4,773.2m this year, is explained in Table 12 below.

Table 12

Principal changes in loss before tax from continuing activities and revenue profit

	Loss before tax £m	**Revenue profit £m**
Year ended 31 March 2008	(988.0)	284.8
Valuation deficit	(3,451.1)	–
Impairment of trading properties	(104.6)	–
Loss on disposal of non-current properties	(178.1)	–
Interest rate swaps	(95.6)	–
Indirect costs	0.8	0.8
Interest on debt and bank borrowings	28.8	32.6
Joint venture net liabilities adjustments	17.7	–
Other	(3.1)	(3.3)
Year ended 31 March 2009	(4,773.2)	314.9

Valuation deficit
The largest driver behind the increase in the year-on-year loss before tax was the revaluation deficit on our combined investment portfolio (including joint ventures) of £4,743.7m (2008: £1,292.6m). The 34.2% reduction in the market values of our properties is driven by a number of external factors including the overall economic environment and investor demand.

Impairment of trading properties
Our trading properties are carried at the lower of cost and net realisable value. In accordance with our normal practice, a valuation exercise was undertaken by Knight Frank LLP at 31 March 2009 to review the net realisable values of our trading properties and this resulted in a £92.3m impairment (£104.6m including joint ventures). The impairment primarily applied to development land and infrastructure programmes, mainly at Ebbsfleet Valley in Kent.

Interest rate swaps
We use interest rate swaps to manage our interest rate exposure as described in the paragraph on hedging below. The significant fall in interest rates this year has resulted in a charge to the income statement of £102.1m, representing the change in market value of these swaps over the year (£117.5m including joint ventures).

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. Table 13 shows the composition of our revenue profit including the contributions from London and Retail.

Table 13
Revenue profit

	Retail Portfolio £m	London Portfolio £m	31/03/09 £m	Retail Portfolio £m	London Portfolio £m	31/03/08 £m
Gross rental income[1]	**374.6**	**352.8**	**727.4**	370.6	342.5	713.1
Ground rents	**(12.1)**	**(4.6)**	**(16.7)**	(11.3)	(5.3)	(16.6)
Net service charge and property costs	**(44.0)**	**(18.6)**	**(62.6)**	(25.3)	(19.8)	(45.1)
Indirect costs	**(38.9)**	**(35.8)**	**(74.7)**	(40.7)	(36.0)	(76.7)
Combined segment profit	**279.6**	**293.8**	**573.4**	293.3	281.4	574.7
Unallocated expenses			**(14.2)**			(13.0)
Net interest – Group			**(217.9)**			(255.9)
– joint ventures			**(26.4)**			(21.0)
Revenue profit			**314.9**			284.8

1. Includes finance lease interest.

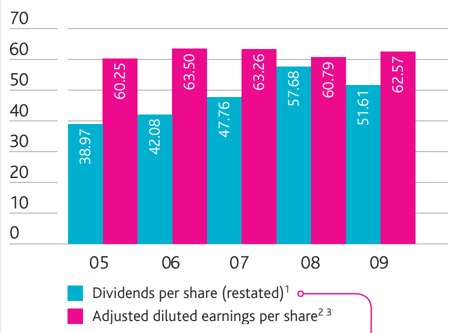
Gross rental income increased by £14.3m over last year, which was mainly due to purchases since 1 April 2007 and development properties, such as our schemes at Exeter, Bristol, Bankside and New Street Square. This was partially offset by a reduction in rental income from the net sales of investment properties. The increase in net service charge and property costs of £17.5m reflected the tougher climate facing our retail customers, with higher void costs and empty rates as well as an increase in our bad debt provisions and write off of pre-development costs.

Net interest expense was £32.6m lower than last year, reflecting lower average net debt over the period following disposals and lower interest rates particularly in the second half of the year.

(Loss)/earnings per share
The basic loss per share from continuing activities was 918.0p, compared to a loss per share of 188.4p last year, the change being predominantly due to the revaluation deficit on the investment property portfolio (791.7p 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. Adjusted diluted earnings per share from continuing activities increased by 2.9% from 60.8p per share for the year ended 31 March 2008 to 62.6p per share in the current period Chart 14. This increase was largely attributable to reduced interest on borrowings but was lower than the increase in revenue profit due to a prior year tax benefit in last year's results.

Chart 14
Dividends and adjusted diluted earnings per share (p)



Notes:
1. The restated total dividend payable represents the theoretical dividend per share that would have been paid had the bonus shares inherent in the Rights Issue been in existence at the relevant dividend dates.
2. The earnings per share for the years ended 31 March 2008, 31 March 2007, 31 March 2006 and 31 March 2005 have been adjusted for the bonus element inherent in the Rights Issue that was approved on 9 March 2009.
3. The earnings per share for 2005 to 2007 includes the operating results of Trillium. 2008 and 2009 exclude the operating results of Trillium as these have been reclassified as discontinued operations.

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.

For further explanation of Property Income Distributions and Dividend Reinvestment Plan. > p140-141

Total dividend

We are recommending a final dividend payment of 7.0p per share. Taken together with the three quarterly dividends of 14.9p, our full year dividend will be 51.6p per share (2008: 57.8p) which represents a 10.5% reduction. These amounts have been restated to include the bonus factor inherent in the Rights Issue. Table 15 shows the dividend per share at the time of payment as well as the restated amount.

Our final proposed dividend of 7.0p is the amount we indicated at the time of our Rights Issue, when we explained that we were resetting our dividend to a lower base. It is also the amount we anticipate paying as our quarterly dividend throughout the next financial year. On an annualised basis, this will reduce our dividend from around £307m to £212m.

The table below sets out the percentage of dividends paid and payable which comprise Property Income Distributions (PID) from REIT qualifying activities. The PID element is subject to 20% withholding tax for relevant shareholders. Taking into account the proposed final dividend, the Group is expected to have satisfied its minimum PID requirement for 2008/09.

The Company offers shareholders the option to participate in a Dividend Reinvestment Plan (DRIP). For further details, please refer to the Shareholder centre within the Investor section of our corporate website www.landsecurities.com.

Table 15
Dividends

	Property Income Distribution (PID) pence	Non-property Income Distribution pence	Total pence	Total pence (restated)
First quarterly dividend (paid on 24 October 2008)	14.85	1.65	16.50	14.87
Second quarterly dividend (paid on 12 January 2009)	16.50	–	16.50	14.87
Third quarterly dividend (paid on 24 April 2009)	16.50	–	16.50	14.87
Final dividend (payable on 24 July 2009)	7.00	–	7.00	7.00
Total dividend for the year	54.85	1.65	56.50	51.61

Net assets

At 31 March 2009, net assets per share was 639p, a decrease of 1223p compared to the year ended 31 March 2008. The reduction in our net assets was primarily driven by the lower value of our investment property portfolio, the impairment of trading properties and the loss on disposal of Trillium.

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. Our adjusted net assets are lower than our reported net assets primarily due to an adjustment to our debt. Under IFRS 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 31 March 2009, adjusted diluted net assets per share were 593p per share, a decrease of 1170p or 66.4% from 31 March 2008.

Table 16 summarises the main differences between net assets and our adjusted measure together with the key movements over the year.

Table 16
Net assets attributable to equity holders of the Company

	2009 £m	2008 £m
Net assets at the beginning of the year	**9,582.9**	10,791.3
Adjusted earnings	**325.0**	314.6
Revaluation deficits on investment properties	**(4,743.7)**	(1,292.6)
Impairment of development land and infrastructure	**(104.3)**	–
(Losses)/profits on non-current asset disposals	**(127.9)**	50.2
Other	**(119.5)**	(45.1)
Loss after tax attributable to equity holders of the Company	**(4,770.4)**	(972.9)
(Loss)/profit on discontinued operations	**(420.9)**	142.1
Dividends paid	**(302.4)**	(308.4)
Rights Issue	**755.7**	–
Other reserve movements	**(21.4)**	(69.2)
Net assets at the end of the year	**4,823.5**	9,582.9
Mark-to-market on interest rate swaps	**150.2**	12.7
Debt adjusted to nominal value	**(499.8)**	(511.5)
Adjusted net assets at the end of the year	**4,473.9**	9,084.1

Note: To the extent tax is payable, all items are shown post-tax.

Net pension surplus
The Group operates a defined benefit pension scheme which is closed to new members. At 31 March 2009 the net surplus was £3.0m. This was £8.0m lower than the surplus recognised at 31 March 2008, primarily due to lower than expected returns on scheme assets.

The key assumptions behind this surplus are shown in note 33 to the accounts, together with related sensitivities.

Cash flow, net debt and gearing
During the year, net debt decreased by £1,460.9m to £3,923.6m. This was primarily driven by proceeds from the disposal of investment properties (£823.0m), the disposal of Trillium (£492.6m) and proceeds of £755.7m from the Rights Issue. Capital expenditure in the year was £515.9m, which was £895.9m below last year, reflecting a decrease in expenditure on developments and very few investment property acquisitions following the slowdown in the commercial property market.

We invested a net £117.0m in our joint ventures, mainly on shopping centre developments in Bristol and Cardiff. The development in Bristol was completed and opened in September 2008. The Cardiff development is scheduled to complete in October 2009.

Table 17
Cash flow and net debt

	Year ended 31/03/09 £m	Year ended 31/03/08 £m
Operating cash inflow after interest and tax (excluding REIT conversion charge)	**367.2**	315.4
REIT conversion charge	**–**	(316.2)
Dividends paid	**(302.4)**	(308.4)
Non-current assets:		
Acquisitions	**(86.1)**	(1,192.1)
Disposals	**823.0**	1,080.7
Investment in finance leases	**–**	(82.1)
Capital expenditure	**(429.8)**	(545.7)
	307.1	(739.2)
Trillium disposal:		
Gross proceeds	**444.0**	–
Net debt divested	**48.6**	–
	492.6	–
Loans advanced to third parties	**(50.0)**	–
Receipts from discontinued activities	**–**	424.9
Receipts from the disposal group (part of Trillium's PPP activities)	**113.5**	441.0
Joint ventures and associates	**(117.0)**	(0.2)
Purchase of own share capital	**–**	(87.6)
Proceeds from the Rights Issue	**755.7**	–
Fair value of interest rate swaps	**(105.6)**	(21.0)
Other movements	**(0.2)**	(5.3)
Decrease/(increase) in net debt	**1,460.9**	(296.6)
Opening net debt	**(5,384.5)**	(5,087.9)
Closing net debt	**(3,923.6)**	(5,384.5)

Our interest cover, excluding our share of joint ventures, has increased from 1.65 times in 2008 to 1.91 times in 2009. Under the rules of the REIT regime, we need to maintain an interest cover in the exempt business of at least 1.25 times to avoid paying tax. As calculated under the REIT regulations, our interest cover of the exempt business for the year to 31 March 2009 was 1.62 times.

Although net debt has decreased, gearing has increased, principally due to the impact of falling property values on our equity. Details of the Group's gearing are set out in Table 18, which also shows the impact of joint venture debt, although the lenders to our joint ventures have no recourse to the Group for repayment.

Adjusted gearing, which recognises the nominal value of our debt, increased from 64.9% at 31 March 2008 to 96.4% at 31 March 2009. Adjusted gearing including our share of joint ventures increased from 67.6% to 105.9% over the same period. In common with other property companies, we also show our Group LTV ratio.

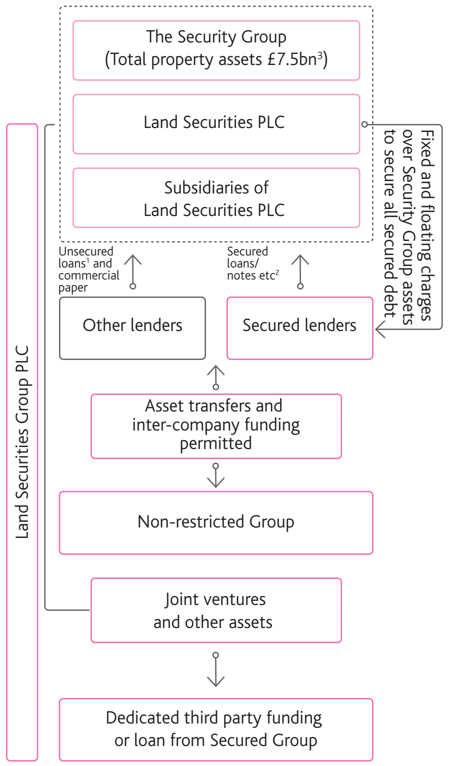
Financing strategy
The Group monitors and adjusts its capital structure with a view to promoting the long-term success of the business and maintaining sustainable returns for shareholders. A key element of the Group's capital structure is that the majority of its borrowings are secured against a large pool of our assets (the Security Group) Chart 19. Our secured debt structure provides for different operating environments which apply in 'tiers' determined by levels of LTV and Interest Cover Ratios (ICR), although it is LTV which is the more likely determinant of which operating environment applies. These ratios do not trigger an event of default until LTV exceeds 100% or historic or projected ICR is less than 1.0 times. However, our operating environment becomes more restrictive at higher levels of LTV/lower levels of ICR. There are minimal operational restrictions on the Group in Tier 1 (LTV below 55%) and Tier 2 (LTV: 55% to 65%). The main additional operating restriction in Tier 2 is the requirement to maintain a level of prescribed liquidity or pre-pay debt by amortisation (includes actual repayment and collateralisation), calculated on a 25-year mortgage annuity basis. In Initial Tier 3 (LTV: 65% to 80%), our operating environment would be more restrictive with provisions designed to encourage a reduction

Table 18
Gearing

	31/03/09 %	31/03/08 %
Gearing – on book value of balance sheet debt	**81.4**	56.2
Adjusted gearing*	**96.4**	64.9
Adjusted gearing* – as above plus notional share of joint venture debt	**105.9**	67.6
Group LTV	**52.0**	42.6

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

Chart 19
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 2009.

in gearing including mandatory debt amortisation. Furthermore, none of the Group's credit facilities permit the drawing of additional funds if the Group is in Initial Tier 3. As there was a risk of our moving into Initial Tier 3 if property values continued to decline rapidly, we took the decision to draw down our available facilities in early 2009 as outlined in more detail below.

The last two years have seen an unprecedented period of instability in the financial markets which has severely impacted investor confidence, the availability and pricing of credit, and the pricing of property investments. During the last quarter of 2008, the pace of valuation decline exceeded the pace at which assets could be sold to counteract the impact of falling values on the Group's balance sheet position. This deterioration had an adverse effect on the Group's LTV ratios and lay behind the decision to raise £755.7m through a Rights Issue.

Rights Issue

On 19 February 2009, the Group announced its intention to raise £755.7m (net of expenses) by way of a Rights Issue of 290,773,925 new ordinary shares at 270 pence per share on the basis of five new ordinary shares for every eight existing ordinary shares.

Read more about the Rights Issue. > p27

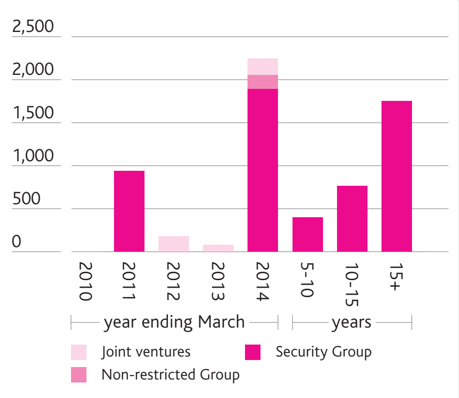
The Rights Issue was approved by shareholders in a General Meeting on 9 March 2009, nil-paid rights began trading the following day and proceeds were received shortly before the year end.

As the Land Securities closing share price on 9 March (380p) exceeded the subscription price of 270p, the Rights Issue is deemed to include a bonus element of 11.0%. As a result, all 'per share' information which pre-dates the Rights Issue is reduced by 9.0% (ignoring the restatement of the 2008 results due to the disposal of Trillium).

Financing and capital

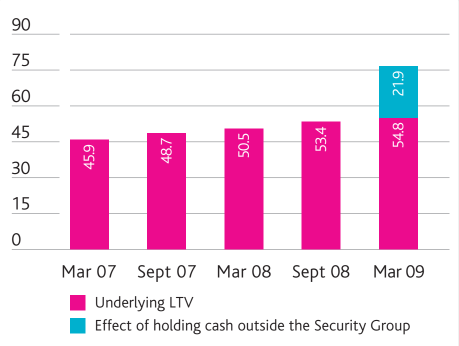
Over the last 12 months, we continued to focus on our cash flows, the level of available bank credit facilities and the maturity of our debt Chart 20. During the year, we refinanced and extended our three existing committed bilateral facilities totalling £825m and established three new committed bilateral facilities totalling £115m. All the bilateral facilities, with the exception of a £40m facility, mature in the period from July to December 2010, with an option to extend the maturity for a further year. The ability to refinance existing facilities and negotiate new facilities against the current financial and economic backdrop, owes much to the quality and level of assets within the Security Group against which these facilities and Group bonds are secured, as well as the importance we place on our bank relationships. The average duration of the Group's debt is 9.7 years with a weighted average cost of debt of 4.1%.

Chart 20
Expected debt maturities (nominal) (£m)



In January 2009 the Group drew down £1.1bn of available credit facilities to ensure liquidity and provide operational flexibility by holding the funds outside the Security Group. At 31 March 2009 our net borrowings (including joint ventures) amounted to £4,732.6m, of which £2,298.6m was drawn under our syndicated and bilateral bank facilities and £57.8m related to finance leases. Committed but undrawn facilities amounted to £489.2m of which £300m cannot be drawn if we are operating in Initial Tier 3. In the Security Group, £5,720m of debt was secured against £7,453.3m of assets, giving a Security Group LTV ratio of 76.7%, up from 50.5% at 31 March 2008 Chart 21. As a result, we will enter Initial Tier 3 when the Security Group valuation report for 31 March 2009 is submitted.

Chart 21
Security Group LTV history (%)



Although the March valuation report shows a sharp decline in property values, it was the decision to draw down existing bank facilities and to hold high levels of cash outside the Security Group for liquidity reasons, which will result in this tier change. At 31 March 2009, the Group had cash and short-term instruments of £1,596.5m outside the Security Group. This cash is available to be injected into the Security Group to maintain its LTV at less than 80% to prevent it entering Final Tier 3. Our current cash holding provides the Group with protection against further valuation declines and the option to deploy capital should suitable opportunities arise. If all our cash and cash equivalents at 31 March 2009 had been injected into the Security Group, the Security Group LTV would have been 55.3% (Tier 2 regime). It is our intention to migrate back to a Tier 1 or 2 covenant regime in the medium term.

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 developments or joint ventures to fix the interest exposure on limited-recourse debt. At 31 March 2009, we had £2,672.0m of hedges in place. Our debt (net of cash and cash equivalents and including joint ventures) was 107% fixed. The slightly over-hedged position at the year end arose due to the receipt in March 2009 of the Rights Issue proceeds of £755.7m. Without the Rights Issue proceeds, we would have been 93.0% hedged.

Taxation

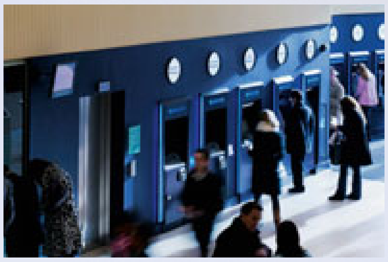
As a consequence of the Group's conversion to REIT status, income and capital gains from our qualifying property rental business are now exempt from UK corporation tax. The tax charge for the year of £0.5m (2008: £15.1m credit) comprises a prior year corporation tax charge of £0.3m and a net deferred tax charge of £0.2m. The tax loss arising on the write-down of trading properties below cost has eliminated taxable profits on all residual taxable activities in the period. No tax charge arose in respect of the disposal of Trillium.

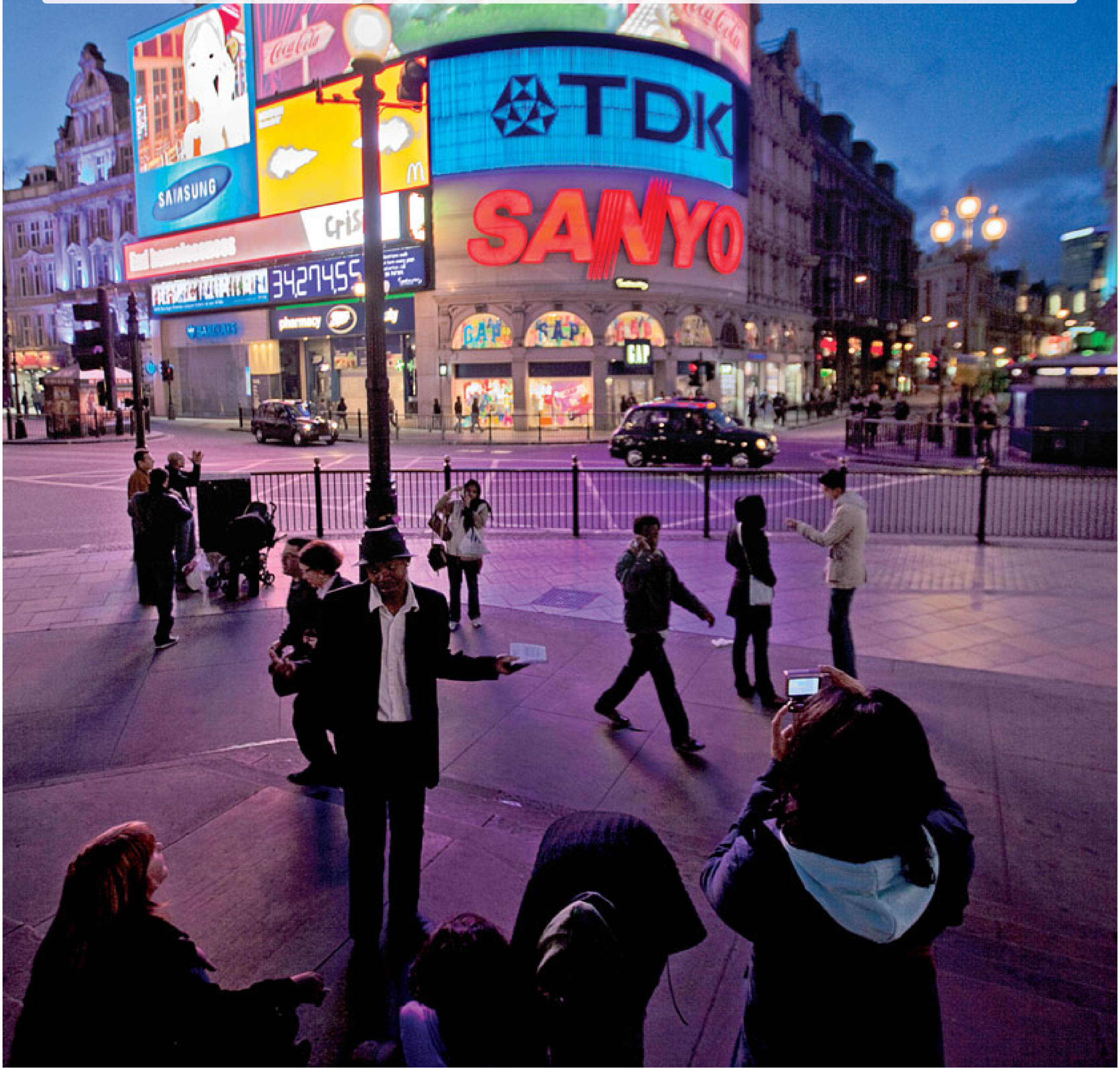
Protect value

4. We are maximising revenue through asset management

Piccadilly Lights, London

We are getting more from existing assets by combining experience with innovation. Take Piccadilly Lights. This year we've enhanced income by enabling Barclays Bank to open a new flagship branch and upgrading conventional neon signage to flexible LED displays. We're also pioneering trials of Bluetooth technology to help retailers connect with the one million people who visit the site each week. We expect to gain significant rent increases as more global brands recognise the unique value of this iconic London asset.





Protect value

5. We are developing even stronger customer relationships

New Street Square, London

We have streamlined property management across the Company, so local teams now work directly with customers. This means we can respond faster and provide support services based on a deeper understanding of our tenants' business needs. Value for money remains critical, and we're working with customers to ensure we maintain high levels of service while minimising cost. We're also introducing cost-effective space options, increasing investment in retail promotions and providing guidance on sustainability issues.

Customer satisfaction

- London Portfolio achieved an overall customer satisfaction rating of 3.8
- Retail Portfolio achieved an overall customer satisfaction rating of 3.85

The team at New Street Square make a final check before opening the doors to the public.

Protect value

6. We are creating high quality products that meet people's needs and aspirations

Cabot Circus, Bristol

Cabot Circus was 91% occupied on opening this year, a remarkable feat in the current economic climate that highlights our ability to identify and satisfy demand for great new retail destinations. The centre inspires a powerful sense of place, with a gigantic glass roof connecting seven distinctive sites, and a wonderful open-air piazza integrating with the historic buildings of Quakers Friars. The development has become the beating heart of the city – a vibrant, welcoming environment that provides people with opportunities to shop, eat, relax and socialise.

The new Cabot Circus shopping centre

- Developed by the Bristol Alliance, our 50:50 joint venture with Hammerson
- Created 92,000m² of city centre retail and leisure space
- Won BREEAM Award for Sustainability
- Won British Council of Shopping Centres' Supreme Gold Award
- Won 'Best Shopping Centre of the Year', MAPIC EG Retail Awards

Why conduct a Rights Issue?

In February 2009 we announced a Rights Issue to raise fresh capital to support the Company. Here we examine the reasons for the issue and assess its results.

In short, the Rights Issue has:

- Strengthened our balance sheet
- Helped protect against downside risk
- Positioned us to be able to respond quickly to opportunities

The Rights Issue offered shareholders the right to acquire five shares for every eight shares that they held, for an issue price of 270p.

As the issue price was below the market price of the ordinary shares, a bonus share element of 11% was inherent in the Rights Issue. In order to allow comparability to prior years, the EPS and NAV per share figures for the year ended 31 March 2008 have been restated as if these bonus shares had always existed.

Why we needed to raise fresh capital

The current economic and financial environment has resulted in an unprecedented downward repricing of commercial property assets in the UK. We have taken decisive action in response. Since April 2007 we have sold more than £3.4bn of assets, including the disposal of Trillium, and we have repositioned our development programme. However, the pace of decline has exceeded the pace at which assets could be sold to counteract the impact of falling values on the Group's balance sheet position. This represented an ongoing risk to the Company's ability to operate flexibly in today's market, and its ability to take advantage of any opportunities that may arise during current and future market conditions. In response, we announced the Rights Issue in February 2009 and shareholders approved the measure at a General Meeting on 9 March 2009.

The key benefits of the additional capital

The additional capital has improved our ability to preserve and create shareholder value through the downturn and into the next cycle. It helps protect us against the downside and gives us flexibility ahead of the next upturn. In particular, the capital raised has strengthened the Group's balance sheet and enabled us to minimise the impact of the risk of prolonged falls in property values. It has reduced refinancing risks for debt facilities maturing in our 2010/11 financial year, putting us in a much stronger position to refinance as and when we need to. And it has ensured that we are able to respond quickly to the turning point in the cycle, particularly in relation to the acquisition of assets and the start of development opportunities.

The positive effect on debt

As our gearing increases our financial and operational flexibility is reduced, particularly our freedom to make acquisitions and disposals – and progress development – at the right time. This can impact our ability to protect and create shareholder value. By raising additional capital through the Rights Issue we have been able to reduce gearing and so maintain flexibility. This freedom to take action is invaluable as we navigate our way through the current downturn and market volatility, and prepare to act on new opportunities.

Size of Rights Issue

We calculated the total figure with great care. We wanted to minimise our call on shareholders' funds during such difficult economic conditions. On the other hand, we had to ensure we gained the right level of capital to ensure we could meet our commitments fully, over a reasonable period of time, and through an unpredictable business environment. Management took action to strengthen the Company's finances before the Rights Issue, including the execution of asset sales, such as the disposal of Trillium. We continue to prioritise these measures.

How the Rights Issue affects the numbers

You will see two particularly significant changes. First, our balance sheet reflects the fact that we are holding a substantial amount of cash. This includes both the capital raised by the Rights Issue and the credit facilities we drew down during the year. Second, the Rights Issue has required us to restate previous years' figures, and you will see that this has affected both earnings per share (EPS) and net asset value (NAV) per share. You will find further explanation of these effects on page 23 of the Financial review.

Successful issue underlines investor confidence

The five shares for every eight owned Rights Issue attracted 94.81% acceptances for the £755.7m placing, with 290.8m shares issued at 270p a share. The fundraising was fully underwritten. Given very difficult market conditions, economic uncertainty and the announcement of Rights Issues by a number of other companies in the Real Estate sector, this represents a strong indicator of investors' confidence in Land Securities.

Group business review

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

Our business model
We are the ninth largest Real Estate Investment Trust (REIT) in the world and the largest in the UK Table 22. We own, develop and manage commercial property through two business divisions – the Retail Portfolio and the London Portfolio.

Our customers
Our business divisions work with a wide range of organisations and you will find more coverage of key customers and current market trends in the two business review sections that follow. Across the Group, Central Government remains our largest customer. In London, Government represents a total of 21% of the portfolio rent roll. In Retail, our largest retail customer, Arcadia, accounts for just over 3% of our portfolio rent roll.

In response to the economic environment, we have worked very closely with customers to find new and better ways to mitigate the effects of tough commercial conditions. This has included pioneering work on service charges, lease arrangements, marketing and promotions, and flexible space planning. We have also worked proactively with key customers to ensure we understand their immediate business issues and provide support wherever possible.

We provide office space for many types of businesses and organisations Chart 23. Every day thousands of people work in a building owned or managed by us, and thousands visit our shopping centres, retail parks and other properties.

Table 22
Top 10 global REITs

Rank	Company	Mkt cap £m
1	Westfield Group	11,006
2	Unibail-Rodamco	8,044
3	Public Storage	6,532
4	Simon Property Group	5,590
5	Annaly Capital Management	5,267
6	Vornado Realty Trust	3,605
7	Equity Residential Trust Properties SHBI	3,492
8	Plum Creek Timber	3,343
9	Land Securities Group	3,306
10	Nippon Building Fund	3,239

Source: Datastream, as at 31 March 2009

Chart 23
Floorspace under management ('000m²)

Table 24
Group development activity

	Number of projects	Floorspace m²	TDC[1] £m	ERV[2] £m
Retail Portfolio				
Programme	4	252,940	812	44
Proposed development	1	92,000	375	28
Total Retail Portfolio pipeline	5	344,940	1,187	72
London Portfolio				
Programme	5	164,300	1,457	95
Proposed development	4	157,070	1,165	98
Total London Portfolio pipeline	9	321,370	2,622	193

1. TDC: Total Development Cost – land, capital expenditure and capitalised interest.
2. The net ERV represents headline annual rent payable on let units plus Estimated Rental Value (ERV) at 31 March 2009 on unlet units.

Our people
The quality and commitment of our people helps to set Land Securities apart and provides us with an invaluable competitive advantage. Our objective is 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 our employees and their resilient response to current difficult market conditions.

This year, key areas of employee development included:

- Communication and engagement
  Each year we carry out an employee engagement survey and the responses to this provide a clear indicator of engagement levels within the Company. Despite an uncertain economy and substantial changes within the Company, this year saw a very positive overall response rate of 82%, while more than 88% of employees who responded were in agreement with the statement 'Overall I am satisfied working for the Land Securities Group'.

The improvement in engagement levels reflects additional investment in learning and development, culture and communication throughout the year.

We continue to encourage and enable excellent communication throughout the Company. Our Business Exchange programme has created a new way for employees to provide input and raise questions, while our popular 'Ask Francis' and Board question time sessions have enabled employees to ask questions directly to our Chief Executive and Board directors.

- Reward and recognition

Our challenge is to ensure our packages remain competitive against a range of comparable organisations and professions while reflecting the financial performance of the Company. We believe current levels of reward and recognition have achieved that balance and will continue to serve us well in terms of recruiting and retaining excellent employees.

This year the Board and Remuneration Committee took a proactive approach to bonuses by announcing there would be no bonus payments to Executive Directors. Across the Company we did pay bonuses, focusing on rewarding employees for their individual contribution against agreed personal targets. This is a fair approach that ensured we rewarded exceptional contributions by individuals.

For further information on pay and rewards please see pages 68-79.

- Employment policies

We work with a diverse range of communities, organisations and individuals, and we are committed to ensuring that Land Securities is a diverse and vibrant place where everyone is respected, valued, encouraged and treated fairly. Our policy is to ensure there is equal opportunities access for all and 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. Full consideration is given to application for employment from disabled persons, having regard to their particular aptitudes and abilities. The Group has continued the employment wherever possible of any person who becomes disabled during their employment. Opportunities for training, career development and promotion do not operate to the detriment of disabled employees.

In line with economic conditions, we have had to reduce employee numbers this year – a difficult but necessary commercial measure. We supported every individual, providing full outplacement support and as much notice as we could. We also successfully managed the complex task of transferring around 1,000 Trillium employees to the acquiring company, and communicated promptly and clearly during the hand-over – something many Trillium employees greatly appreciated.

Our approach to corporate responsibility

Responsibility is at the heart of the way we work. Our aim is to maintain a leadership position across areas such as sustainability, community relations and employee development so we continue to be recognised as a great company to work with and for. Given the physical and social effect of our work, particularly development, it is important that we take into consideration the views of the communities affected by our actions. Keeping good and open relationships with all stakeholders remains a central principle behind our approach Table 25.

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 further coverage of our approach to corporate responsibility on pages 54-63 of this annual Report and in our Corporate Responsibility Reports, which are available at www.landsecurities.com. Given the sale of the Trillium business, we are redefining our corporate responsibility strategy to ensure it fully reflects the needs, commitments and ambitions of the London and Retail Portfolios. Our new strategy will be published during 2009.

Table 25
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

We achieved over £500m of property sales in a deteriorating market.

Financial risks

Risk description	Impact	Mitigation
Capital structure ▪ Pace of valuation decline continues to exceed the pace at which assets can be sold.	▪ Unable to counteract the impact of falling values on the Group's balance sheet. ▪ Unable to progress investment opportunities.	▪ The Rights Issue strengthened the Group's balance sheet and will reduce the potential impact of prolonged falls in property values and position the Group to respond quickly to the turning point in the cycle. ▪ Rights Issue strengthened the Group's position in refinancing its debt facilities. ▪ Liquidity and gearing kept under constant review. ▪ Wide variety of assets and knowledge of investor appetite ensure best possibility of achieving disposals. ▪ Development commitments matched to sales.
Credit risk Investment counterparty risk ▪ Failure of bank and financial institution counterparties.	▪ Loss of cash and deposits.	▪ Only use independently-rated banks and financial institutions with a minimum rating of A. ▪ Weekly review of credit ratings of all financial institution counterparties. ▪ Group Treasury ensures that funds deposited with a single financial institution remain within the Group's policy limits.
Liquidity risk ▪ Restrictive covenant regime.	▪ Inability to fund operations and capital expenditure programme.	▪ As at 31 March 2009, £1.6bn of cash and short-term deposits were held outside the Security Group. This balance is available to be injected into the Security Group to maintain its LTV at less than 80% to avoid entering Final Tier 3 with its additional financial and operational restrictions. ▪ No financial covenant default is triggered until the applicable LTV ratio exceeds 100% or the ICR is less than 1.0. ▪ Assets available within the Security Group to sell/raise new debt.
▪ Limited market debt capacity.	▪ Inability to raise sufficient new funding.	▪ Ongoing monitoring and management of the forecast cash position. ▪ Commitments are not taken on if funding is not available.
Market risk ▪ Market risk exposure through interest rates, currency fluctuations and availability of credit.	▪ Increased borrowing costs.	▪ Group Treasury monitors compliance with the Group hedging policy. ▪ Specific hedges used in geared joint ventures to fix the interest exposure on limited recourse debt. ▪ Forward purchases of foreign currency to fix the Sterling value for any construction works not priced in Sterling.
Tax risk ▪ Compliance with the Real Estate Investment Trust (REIT) taxation regime.	▪ Increased tax payable.	▪ Ongoing monitoring and management of the criteria to meet REIT status.

Read how we have mitigated risk by widening the appeal of One New Change, EC4. > p33

Property investment risks

Risk description	Impact	Mitigation
Occupier market conditions		
▪ Prolonged downturn in tenant demand.	▪ Threat of voids in the portfolio.	▪ Committed development exposure limited to remaining space in St David's 2 in Cardiff together with One New Change (due to complete in 2010) and Dashwood House in London. Other proposed developments are not committed and will only commence when market conditions are favourable or a pre-let of part is in place. ▪ Void management through temporary lettings and void mitigation strategies. Large portfolio allows portfolio leasing deals and flexibility to further reduce voids.
▪ Reduced consumer spending leading to lower retail sales.	▪ Cutbacks in retailer opening programme.	▪ Pre-letting of key units before committing to development. Limited Retail development pipeline concentrated primarily in Cardiff; most other schemes completed and substantially let already. ▪ Ongoing sales programme to divest schemes and locations most likely to suffer adverse impact.
Market cycles		
▪ Property markets are cyclical.	▪ Risks of negative interaction between falling property values and balance sheet gearing.	▪ Target ranges for balance sheet gearing. ▪ Secure income flows under UK lease structure.
Property risk		
▪ Asset value concentration.	▪ Poor performance of a single asset having material impact on overall performance.	▪ Large multi-asset portfolio. ▪ Largest property (Cardinal Place) represents only 5.8% of combined portfolio. ▪ Average investment property lot size of £44.6m. ▪ Retail assets combine a range of highly diversified income streams in all major sub-sectors of retail property.
▪ Increased cost exposure on voids.	▪ Increase in void costs.	▪ Void management and empty rates mitigation.
Tenant risk		
▪ Tenant concentration and failures.	▪ Impact on revenue if a major occupier fails or does not renew leases.	▪ Diversified tenant base. ▪ Strong established locations and relationships with occupiers. ▪ The Government is our largest single customer, representing 9.5% of gross rents; the next largest represents 4.2%. ▪ Of our income, 72% is derived from tenants who make less than a 1% contribution to rent roll. ▪ Regular credi t review of major tenants.
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 environmental programme addressing key areas of impact (energy and waste).

Read more about our commitments and performance in this area. > p54-63

Property development risks

Risk description	Impact	Mitigation
Site assembly risk ▪ Third-party interests in part of site cannot be acquired.	▪ Unable to progress development either in time, at all, or in 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 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. ▪ Supplier capacity, capability and financial stability.	▪ Returns are eroded by cost overruns or project completion is delayed. ▪ Different risk profiles and unfamiliar terms and conditions. ▪ Cost in excess of assumptions in appraisal. ▪ Lack of competition in tendering process. ▪ Poor supplier performance.	▪ Transfer of risk to specialist contractors. ▪ Skilled in-house project management teams. ▪ Use of specialist advisers. ▪ Contingency provision in appraisals. ▪ Forward purchase of high inflation risk items. ▪ Closer, more open relationship with the supply chain.
Letting risk ▪ Development remains unlet after completion or fails to meet lettings target. ▪ Tenant requirement for incentive packages, including capital, increasing.	▪ Impact on income and valuation.	▪ Experienced and skilled in-house leasing teams. ▪ Risk evaluation model to assess earnings impact of developments remaining unlet.

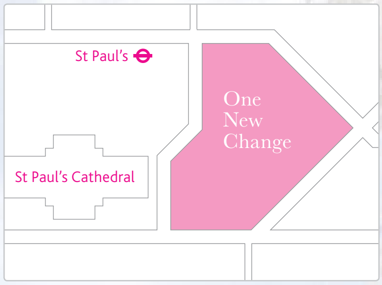
Plan well ahead

7. We are managing risk in a changing market

One New Change, EC4

The City market is tough, but our mixed-use One New Change development was designed to have a wider appeal. It now offers both office and retail tenants flexible space with breathtaking views of St Paul's Cathedral, together with a unique public realm. The shops will address an under-served market of residents, City workers and tourists – seven days a week. No wonder there's already strong interest from retailers, and 38% of the office space is pre-let.

Cheapside



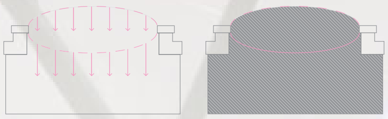
Plan well ahead

8. We are continuing to lead on sustainability

Elements Square, Livingston

Elements Square in Livingston is the first covered retail scheme to receive a BREEAM 'Excellent' rating for environmental performance. Sustainability informs every corner of the scheme, from the super-lightweight roof – designed to achieve the optimum balance between daylight and solar heat gains – to the high proportion of recycled and sustainable timber used in construction. Rainwater is collected and reused and solar panels help heat water. We even employ an ecologist to advise on landscaping.

Variable skins



Open
Solar and temperature sensors cause the upper air chamber to be pressurised allowing light to penetrate through the gestalt graphics.

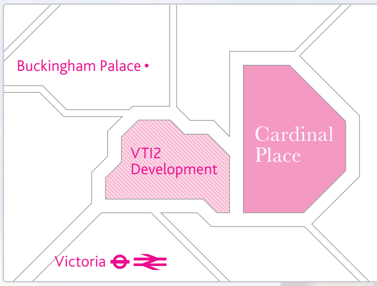
Closed
As internal temperatures and solar gains increase, the lower air chamber is pressurised reducing the level of light and solar gain penetrating the space.

Plan well ahead

9. We are creating excellent opportunities for future development

Victoria, SW1

We have been developing in Victoria for 40 years. Now, with planning permission for our Victoria Transport Interchange plan (VTI2) granted in February 2009, we are set to transform the area around the railway station. Our development will replace outdated pockets of buildings with new offices, shops, restaurants, homes and public space. The scheme builds on the success of our mixed-use Cardinal Place development and provides us with an extraordinary opportunity to rejuvenate one of central London's most valuable sites.



Retail Portfolio

Richard Akers
Managing Director,
Retail Portfolio

Watch Richard's overview at:
www.landsecurities.com/annualreport2009

"The retail environment worsened dramatically over the year and we reacted accordingly, applying all of our experience, skills and relationships to protect income and work with retailers to respond to these very tough conditions."
Richard Akers

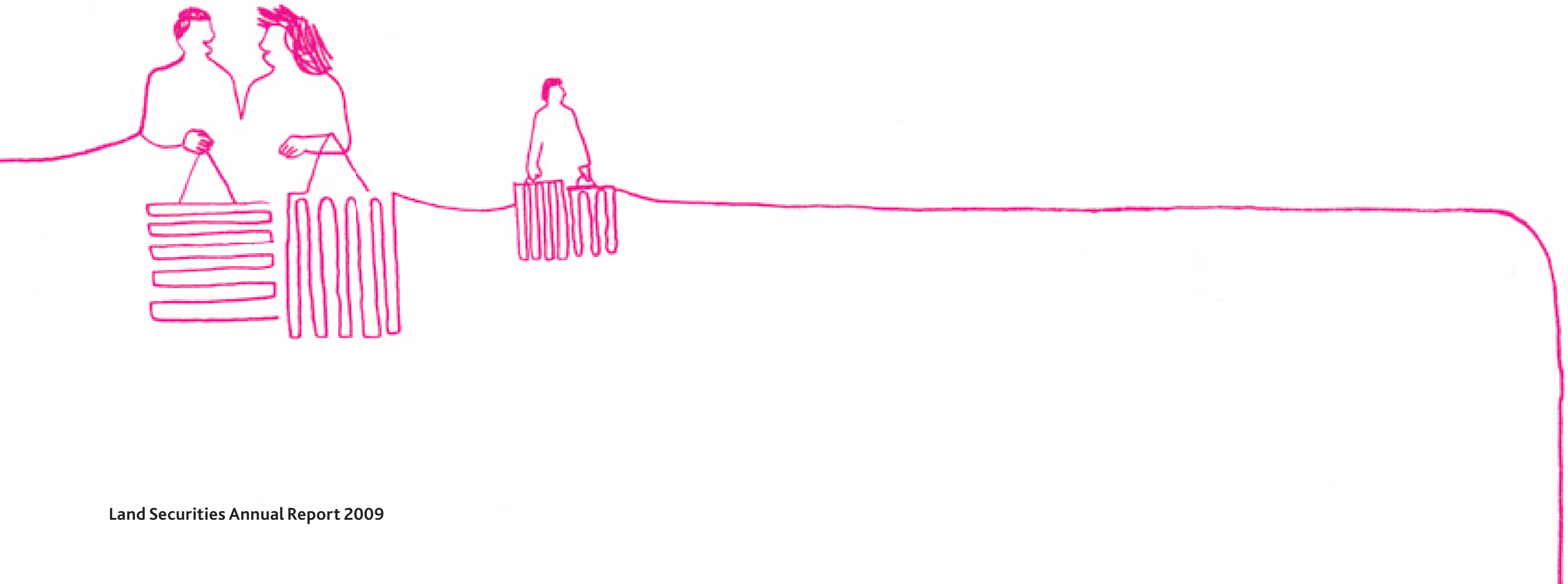
Key objectives for 2008/09

- Apply skills to support retailers and protect revenues
- Use strong customer relationships to fill voids left by insolvencies
- Make sales and recycle capital
- Expand Harvest joint venture with J Sainsbury through acquisition or development
- Open and let Cabot Circus, Bristol and The Elements, Livingston
- Bring forward key development opportunities
- Achieve IPD outperformance

How we create value

We aim to deliver attractive rental income streams, higher investment values and future development opportunities by:

- identifying, acquiring and enhancing shopping centre and retail park assets with growth potential
- using our asset management expertise to make locations more attractive to shoppers and retailers
- developing major new shopping and leisure assets that can transform undervalued areas into thriving destinations
- forming close relationships with retailers and local authorities, so we can respond to people's changing needs and ensure our portfolio fits the market
- recycling our capital and applying our skills to reposition assets higher up the value hierarchy



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Top 6 properties

1. White Rose, Leeds

Award-winning shopping centre with more than 100 stores and a range of cafés and food outlets. Located on the outskirts of Leeds, it serves a large and loyal catchment ensuring a consistently strong performance from retailers.

Principal occupiers
Sainsbury's, Debenhams, Marks & Spencer, Primark.

Ownership interest
100%

Area
63,170m^2

Passing rent[1]
£27m

Let by income[3]
97%

2. Cabot Circus, Bristol

Opened in September 2008, this exceptional new retail, leisure and residential space integrates seamlessly with the city centre. It provides Bristol with the quality and choice of amenities it deserves.

Principal occupiers
House of Fraser, Harvey Nichols, H&M.

Ownership interest
50%

Area
111,480m^2

Passing rent[2]
£12m

Let by income[3]
92%

3. The Centre, Livingston

Unique retail destination in the heart of the town centre, incorporating Elements Square, Wintergarden, The Avenue, Almondvale Walk and Almondvale Place. Each part has its own unique atmosphere, shops, restaurants and cafés.

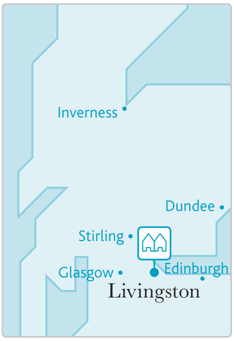
Principal occupiers
Debenhams, Marks & Spencer, Bhs.

Ownership interest
100%

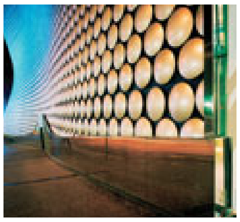
Area
85,940m^2

Passing rent
£14m

Let by income[3]
87%



4. Bullring, Birmingham



An iconic shopping location, this partnership development has led the city's retail renaissance. It provides retail space, with more than 160 shops and 3,100 car parking spaces.

Principal occupiers
Debenhams, Selfridges, Next.

Ownership interest
33%

Area
110,000m^2

Passing rent[2]
£16m

Let by income[3]
94%

5. Gunwharf Quays, Portsmouth

This well known scheme comprises a Designer Outlet with over 80 shops and a wide range of leisure including a cinema, bowlplex, hotel, restaurants and bars. Its historic location on Portsmouth harbour makes it a popular destination.

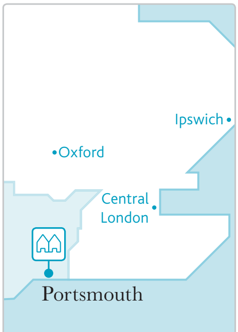
Principal occupiers
Vue Cinema, Marks & Spencer, Nike, Gap.

Ownership interest
100%

Area
41,250m^2

Passing rent
£19m

Let by income[3]
98%



6. Princesshay, Exeter

Award-winning mixed-use development based around a vibrant piazza. An array of great retail brands combines with restaurants and cafés to provide a great shopping experience in the heart of the city.

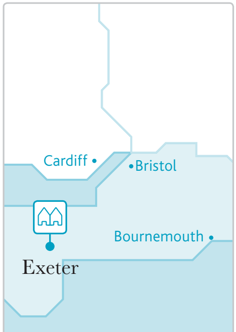
Principal occupiers
Debenhams, Next, Zara, Top Shop.

Ownership interest
100%

Area
37,360m^2

Passing rent
£12m

Let by income[3]
99%



1. A proportion of this income is paid in ground rent.
2. Refers to Land Securities' share of total passing rent.
3. Includes units in administration where lease has not been surrendered.

A significant reduction in sales growth hit both retailers and landlords hard, and impacted values heavily.

Our market

The long-term strength of the retail property market has been based on the historic trend of retail sales growth, together with relatively tight planning controls and the need for retailers to improve store locations to meet changing consumer demand. This year, however, wider economic, financial and commercial pressures hit the retail sector hard. This flowed through to the retail property market, with a particularly rapid decline in values and pressure on income from September 2008 onwards.

The investment market saw a greatly reduced number of transactions. The low level of debt available led to fewer buyers and continuous downward pressure on values. Investors found it easier to raise smaller amounts of debt, so smaller lot sizes attracted the most buying interest.

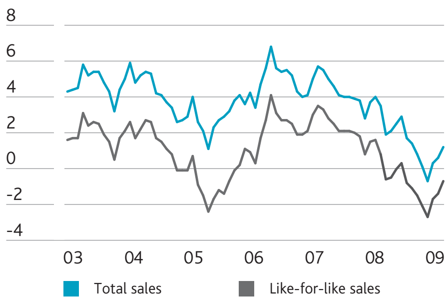
The occupational market was also impacted. While many retailers continued to trade profitably, and shopping centre openings across the UK in 2008 generally let up well, conditions worsened considerably in the second half of the year. Most retailers suffered declining like-for-like sales and trading conditions proved difficult for all retail businesses. As a result, we lost income through insolvencies and tenants not renewing their leases. At year-end we saw higher void levels than in the downturn of the 1990s and potential purchasers began to build in assumptions about occupiers going into administration. These dynamics had a considerable negative effect on values.

Market outlook

We expect to see continuing difficulties for retailers in the occupational markets while the economy is still in recession and the rate of unemployment is rising. In the investment market we have seen early signs that buyers are returning for certain types and sizes of asset.

We believe the present tough market dynamics will produce some cushioning effects. For example, it is natural that the viability of a retailer is improved when a competitor goes into administration. As we lose names from the high street, some retailers will benefit. Our recent reviews of sales data also revealed that many value and discount retailers have been able to maintain or increase levels of trade as more customers have become value conscious. This trend also applies to our factory outlet centres and looks set to continue, as the discount proposition will remain compelling for consumers.

Chart 26
UK retail sales growth to 31 March (%)



Source: BRC/KPMG Survey (3 month average)

Table 27
Retail property – floorspace

Type of retail property	Market million m²	Land Securities million m²	% market share
Shopping centres	16.3	1.1	6.7
Retail parks	15.9	0.4	2.5
Total core markets	32.2	1.5	4.7
Other retail markets	87.1	0.1	0.1
Total	**119.3**	**1.6**	**1.3**

Source: Property Market Analysis

Increasing attraction of value and discount offers create opportunities for us.

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We have sold more than £1bn of retail assets since April 2007, as we anticipated more challenging conditions.

Our performance at a glance

- Gross rental income up £4.0m (1.1%)
- Voids across the like-for-like portfolio at 5.2% (4.2% at March 2008)
- Cabot Circus, Bristol and The Elements, Livingston open and 91% and 80% let respectively
- Outlet centres seeing rise in customer numbers as value proposition drives footfall

Chart 28
Retail Portfolio by capital value £4.32bn (%)

Table 29
Retail Portfolio valuation and performance summary

	31/03/09 £m	31/03/08 £m
Combined portfolio valuation	**4,317.6**	6,673.2
Like-for-like		
Investment portfolio valuation	**3,149.8**	4,849.5
Rental income	**284.5**	281.2
Gross estimated rental value	**302.5**	316.4
Voids by estimated rental value	**15.6**	13.4
Gross income yield	**8.54%**	5.54%

Chart 30
Retail Portfolio valuations at 31 March 2009 (£bn)

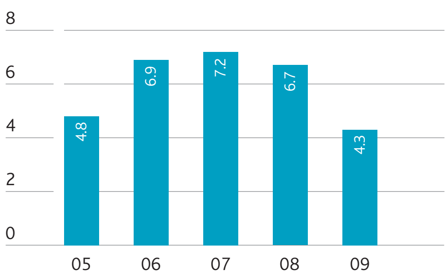


Table 31
Top 10 retail tenants (% of total income)

	%
Arcadia Group	1.7
DSG	1.4
Boots	1.4
J Sainsbury	1.2
Marks & Spencer	1.2
Next	1.1
New Look	0.9
Home Group	0.9
Tesco	0.8
H&M	0.7
	11.3
Retail other (excluding Accor)	47.3
Total (all Retail tenants)	**58.6**

Chart 32
Tenant diversification (% of total income)

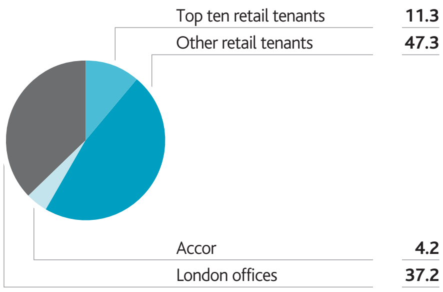
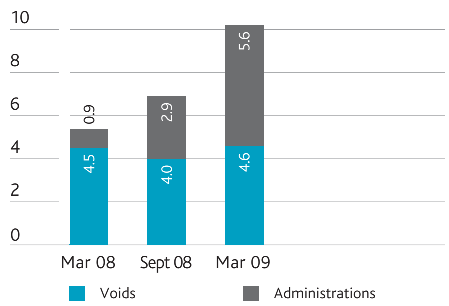


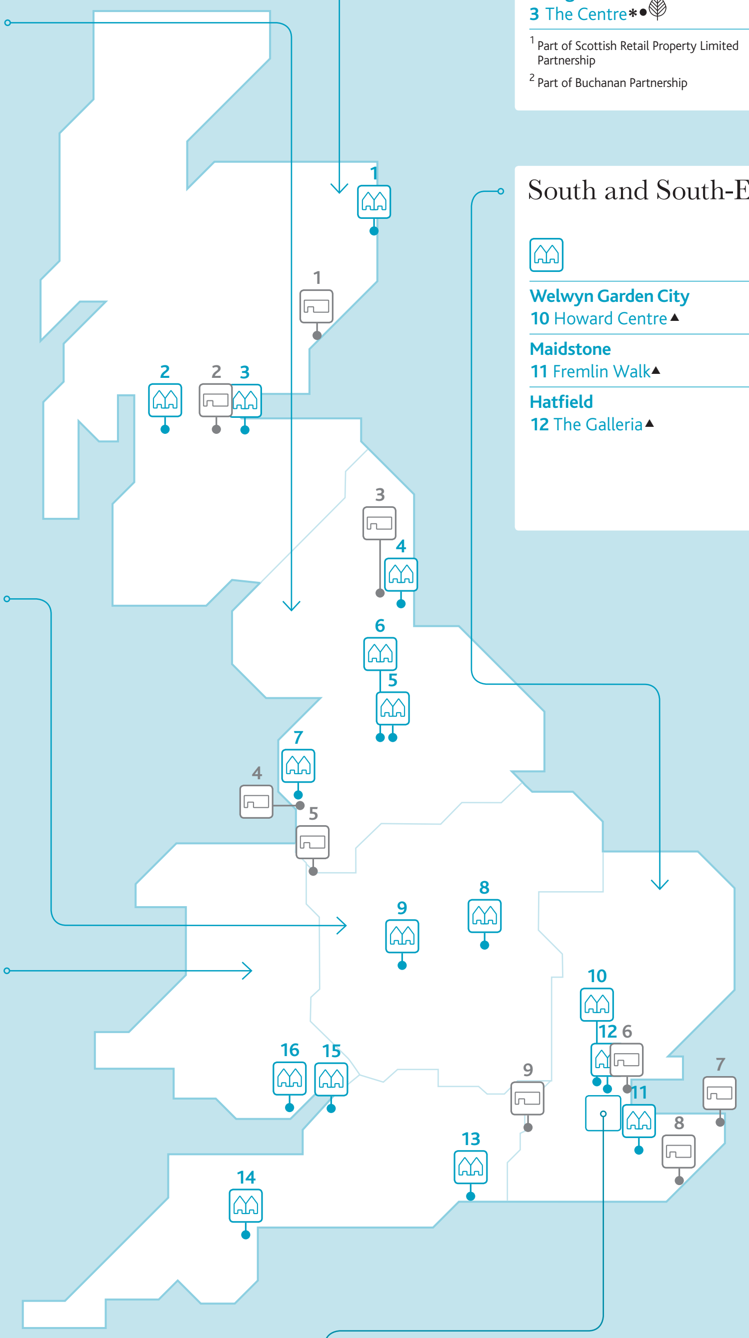
Chart 33
Voids and units in administration – Retail* (% of ERV)

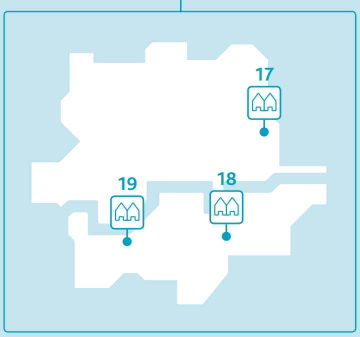


* includes London Retail

Despite tenant insolvencies, we mitigated voids and achieved an increase in income by moving quickly to support retailers.

Top Retail Portfolio properties
—over £50m by location





Scotland

Shopping centres

Aberdeen
1 Bon Accord Centre[1]▲
St Nicholas Centre[1]

Glasgow
2 Buchanan Galleries[2]*

Livingston
3 The Centre*●

[1] Part of Scottish Retail Property Limited Partnership
[2] Part of Buchanan Partnership

Retail warehouses

Dundee
1 Kingsway West Retail Park▲

Livingston
2 Almondvale West
Almondvale Retail Park
Almondvale South

North, North-West, Yorkshire and Humberside

Shopping centres

Sunderland
4 The Bridges*

Leeds
5 Leeds Plaza and Albion St▲●
6 White Rose Centre*☆

Liverpool
7 St John's Centre, Williamson Sq and Clayton Sq*

Retail warehouses

Gateshead
3 Team Valley Retail Park*

Liverpool
4 Aintree Retail Park▲

Chester
5 Chester and Greyhound Retail Parks▲

South and South-East

Shopping centres

Welwyn Garden City
10 Howard Centre▲

Maidstone
11 Fremlin Walk▲

Hatfield
12 The Galleria▲

Retail warehouses

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▲

Midlands

Shopping centres

Corby
8 Corby Town Centre●▲

Birmingham
9 Bullring[3]*

[3] Part of Birmingham Alliance

Wales and South-West

Shopping centres

Exeter
14 Princesshay*

Bristol
15 Cabot Circus[5]*●

Cardiff
16 St. David's Shopping Centre[4]*●

Portsmouth
13 Gunwharf Quays*

[4] Part of St. David's 2 Partnership
[5] Part of the Bristol Alliance

London

Shopping centres

17 Stratford Centre, Stratford*
18 Lewisham Centre▲☆
19 Southside, Wandsworth[6]▲

[6] Part of Metro Shopping Fund LP

Key

- Shopping centres
- Retail warehouses
- ☆ Best retail space awards
- BREEAM Excellent rating
- * £100m or above
- ▲ £50–£100m
- ● In development pipeline/programme

Business commentary

Overview
We recognised the early indications of a slowdown in our market some time ago and adjusted our portfolio and development pipeline in response. In our 2007/08 financial year, for example, we sold £835m of assets at 3.1% above valuation. We also achieved 97% occupancy on our three developments opened in 2007 – Exeter, Corby and Cambridge.

This meant we went into the year focused on two clear priorities: first, applying our asset management expertise and customer relationships to support retailers and protect revenue; second, opening and letting our two new developments completing in 2008 – Cabot Circus in Bristol and The Elements in Livingston.

At year-end, occupation levels at Cabot Circus and The Elements were 91% and 80% respectively – a respectable performance in a challenging climate. However, difficult market conditions impacted occupiers across the portfolio. Although we were hit by insolvencies, we moved quickly to support occupiers and mitigate voids, and saw a 1.1% increase in income from the portfolio. Valuations were hit hard, and our Retail Portfolio recorded a 37.3% valuation deficit for the year. The valuation deficit for shopping centres was 4.1% greater than for retail warehousing, reversing the trend of the previous year. In terms of rental values, we saw a 4.6% decline for shopping centres and shops, and 4.9% for retail warehouses.

Our Retail Portfolio underperformed its IPD Quarterly Universe sector benchmark in relative terms by 4.7% overall. For shopping centres most of this was attributable to our development and pre-development sites in Cardiff and Leeds, and for retail warehouses to some retail parks where occupancy is restricted to bulky goods users. This was offset in part by the stronger relative performance of the Accor hotel portfolio.

Sales and acquisitions
We continued to sell assets during the year. Our strategy is to manage assets proactively, so we looked to sell assets and partnership interests where we were not responsible for asset management or where we saw limited potential for long-term growth.

Although a lack of available credit for buyers restricted sales activity in the market, we once again met our objective of being a net seller with total disposals of £177.9m at an average of 21.9% below March 2008 valuations. This means that since April 2007, when we anticipated more challenging conditions, we have sold over £1bn of assets from the Retail Portfolio.

At just £82.7m, acquisitions have been limited to properties with key strategic relevance. These included a parade of shops in Exeter, which may form the basis of another phase of development, and a Sainsbury's store in Lincoln, which we have added to The Harvest Limited Partnership with J Sainsbury. We have raised debt to fund further potential acquisitions for Harvest, and we are looking for additional ways to extend our convenience retail activity.

Asset management
This year we concentrated on addressing voids and supporting retailers in difficult market conditions. We listened carefully to suggestions from tenants and took the lead on responding to their concerns. We were one of the first landlords to offer a monthly rent proposal for retailers. We introduced greater flexibility in a number of agreements, and wherever possible, we reduced service charges. At the White Rose shopping centre in Leeds we achieved a 13% reduction on the charges – on top of a reduction last year – and we know this has helped our occupiers significantly.

Our efforts were recognised in December 2008 when we won the Property Managers Association Retail Landlord of the Year 2008 Award. The judges praised us for our approachability, willingness to listen to retailers' needs and overall efforts to collaborate in current difficult trading conditions. We believe landlords and retailers must continue to be open-minded and realistic, responding to each other's position and working together for mutual benefit.

Looking at specific asset management initiatives, we executed major change at the Bon Accord centre in Aberdeen, our joint venture with British Land. The Woolworths unit was taken back and re-let to Topshop/Topman and River Island. Simultaneously, four units have been let to the Mosaic brands Karen Millen, Oasis, Coast and Warehouse, a commitment that the new parent company, Aurora, has agreed to honour. These new fashion stores will open in 2009, along with a 5,000m^2 Next and a refurbished central atrium. We also saw further advances in Corby this year, with Primark opening a 4,460m^2 store within the Willow Place shopping centre in April 2008 and a new rail connection with London opened in February 2009.

In retail warehousing, we made good progress at Edmonton, where we let the last of five redeveloped units. At Bracknell we completed a 4,000m^2 letting to Tesco Home, which is the first stage of a very substantial improvement to the park. We did see significant problems in the established furniture sector, with both MFI and Land of Leather going into administration, but by acting quickly we were able to re-let a number of MFI's units. We also negotiated a substantial payment from Galiform releasing it from guarantees related to MFI. Through our good relationships with retailers we have been able to offset much of the negative news in this sector and, since the year end, have let a major unit at the Commerce Centre, Poole to John Lewis for the first of their new concept of out-of-town stores.

Development
Given deteriorating market conditions it was critical that we opened our two new developments on time, achieved good levels of lettings at both, and made progress on our future pipeline projects. In overview:

- Cabot Circus, Bristol
  Created as part of our 50:50 Bristol Alliance joint venture with Hammerson, this innovative, mixed-use, large-scale development opened on 25 September 2008 and quickly established a dominant position in one of the UK's most important cities. It was 91% let or in solicitors' hands on opening and, even with the outward yield movement prior to opening, it delivered a profit on cost of approximately 14% at that date.

  Integrated seamlessly with the surrounding streets and buildings – many of which are also owned by the Bristol Alliance – the centre boasts retail, leisure, restaurants, offices, car parking, student accommodation and a hotel. With a wide range of brands represented in the House of Fraser and Harvey Nichols anchor stores, and more than 100 other shops now open, this is the greatest range of fashion retailing we have yet developed. The quality of the scheme was recognised in its BCSC Supreme Gold Award and MAPIC EG's Best Shopping Centre of the Year award.

- The Elements, Livingston
  This high quality extension to the existing centre opened on 16 October 2008 and is now 80% let. It has increased Livingston's catchment area in the central belt and moved the town up the retail hierarchy to the benefit of our other substantial holdings at this location. The new centre provides stunning new Marks & Spencer and Debenhams department stores and 46 other shops, leisure facilities and restaurants, all with good parking and easy access to the motorway. The attractive food and drink offer is proving popular with shoppers and encourages longer stays at the centre.

- St David's 2, Cardiff
  St David's 2 is a development project being undertaken by St David's Limited Partnership – our joint venture with Liberty International. The scheme will create a John Lewis department store – the largest outside London's West End – together with more than 100 new shops, 25 new cafés and restaurants, and luxury apartments, all in the heart of Cardiff. Initial letting progress on this scheme has been slow, reflecting both the tough environment for the retail sector and the substantial amount of space taken up by retailers in other schemes that opened in 2008. At year-end, however, the scheme was 46% let or in solicitors' hands and we expect the pace of lettings to quicken as we move towards opening in autumn 2009. The scheme will open during a very difficult time for the retail market but we believe St David's 2 has excellent prospects over the long term.

We also have a number of proposed developments which are affected by weaker occupier demand. Our response has been to reschedule the programme for our Trinity Quarter development in Leeds, deferring the aimed completion of this 92,000m^2 scheme, depending on letting progress, to autumn 2012.

In October, The Buchanan Partnership – our joint venture with Henderson Global Investors – received permission to increase the size of the Buchanan Galleries shopping centre in Glasgow. And in June we secured planning permission for a refurbishment and partial reconstruction of the St John's centre in Liverpool. These and other developments provide us with a strong foundation for when the economy turns. As ever, our priority is to time our activity in line with the market cycle to maximise returns.

Looking ahead

With market conditions expected to be difficult for some time, we will focus on applying our proven strengths and capabilities. We will continue to strengthen our well-established relationships with occupiers. We will look to acquire and transform distressed assets. And we will work to enhance our reputation for creating excellent and successful developments. The value of our reputation was confirmed in February 2009 when Chester City Council and ING Real Estate selected us to become their preferred development partner on the potential future regeneration of Chester city centre.

We expect to see further insolvencies amongst retailers, so it is important to recognise the quality and diversity of our tenants. Our largest single customer, Arcadia Group, represents just 3.4% of the Retail Portfolio rent roll, and our top ten tenants are well-known retail brands. We intend to maintain the breadth, depth and quality of our tenant base and work hard to support our occupiers.

Internet retailing accounted for the entire growth in UK retail sales in 2008 and looks set to perform relatively well over time. However, we believe people will continue to see going to the shops as an attractive leisure activity and a convenient way to buy goods, as this year's successful openings in Bristol and Livingston are now demonstrating. For this reason we will pursue our strategy of investing in mixed-use urban regeneration schemes and convenience-based schemes with good access. However, as the market evolves over the next 12 months, we will continue taking the tough tactical decisions required in a fast-changing environment while positioning the business to take advantage of long-term opportunities.

Key objectives for 2009/10

- Protect income through proactive asset management
- Continue to make sales as appropriate
- Identify acquisition and uplift opportunities
- Maintain position as best-in-class for development and customer service
- Complete and maximise lettings at current developments

Retail development pipeline

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 →
St David's 2, Cardiff

Major mixed-use development incorporating urban regeneration.

2012 →
Trinity Quarter, Leeds

Busy city shopping centre to be integrated with The Plaza.

Retail development pipeline at 31 March 2009

Property	Description of use	Ownership interest %	Size m²	Planning status	Letting status %	Net income/ ERV £m	Estimated/ actual completion date	Total development cost to date £m	Forecast total development cost £m
Shopping centres and shops Developments completed Willow Place, Corby	Retail	100	16,260		83	2	Oct 2007	42	42
Cabot Circus, Bristol – The Bristol Alliance – a limited partnership with Hammerson	Retail Leisure Residential	50	83,610 9,000 18,740		91	17	Sept 2008	257	257
The Elements, Livingston	Retail Leisure	100	32,000 5,670		80	8	Oct 2008	166	166
Developments approved and those in progress St David's, Cardiff – St David's Partnership – a limited partnership with Liberty International	Retail/Leisure Residential	50	89,900 16,500		28	17	Oct 2009	240	347
Proposed development Trinity Quarter, Leeds	Retail	75	92,000	PR	n/a	n/a	2012	n/a	n/a
Retail warehouses Developments, let and transferred or sold Angel Road Retail Park, Edmonton	Retail	100	3,480		100	1	Mar 2009	19	19

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 2009. 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.

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.

Net income/ERV
Net income/ERV represents headline annual rent payable on let units plus ERV at 31 March 2009 on unlet units.

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London Portfolio

Mike Hussey
Managing Director,
London Portfolio

Watch Mike's overview at:
www.landsecurities.com/annualreport2009

"We anticipated weaker market conditions some time ago and deferred the start dates for a number of our projects. With conditions deteriorating through the year, we have used our expertise and experience to protect income, achieve sales and position the business ready for future opportunities."
Mike Hussey

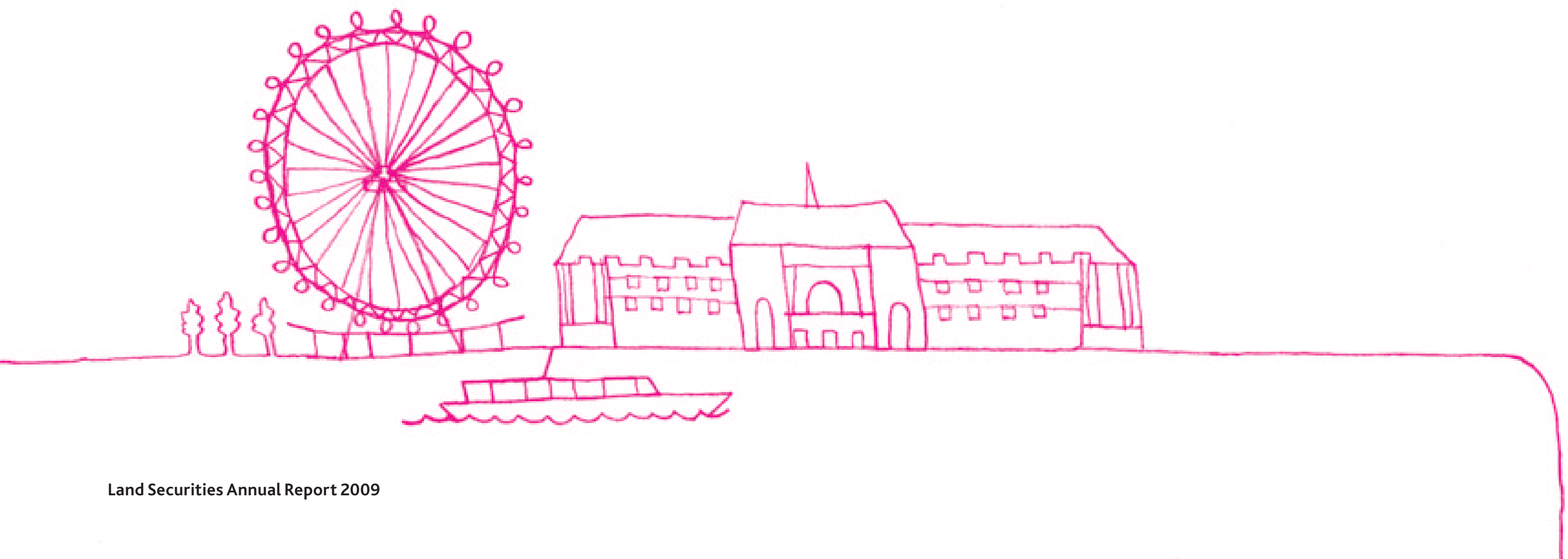
Key objectives for 2008/09

- Preserve income by applying asset management skills
- Complete asset sales and recycle capital
- Adjust development pipeline in line with market
- Achieve planning success, especially around Victoria, SW1
- Spot opportunities to create value through the cycle
- Make progress on development at Ebbsfleet Valley, Kent
- Achieve IPD outperformance

How we create value

We aim to deliver attractive rental income streams, higher investment values and future development opportunities over the long term by:

- investing in and disposing of assets early in the cycle to maximise returns
- ensuring we understand our customers' changing circumstances, so we can adapt and evolve our products to meet their needs
- using a mixed-use, high quality product we mitigate risk, generate strong demand and achieve improved rental performance
- clustering properties so our existing assets gain from our development work on new schemes



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Top 6 properties

1. Cardinal Place, SW1

Stunning trio of buildings encompassing office space and retail accommodation. This landmark site is home to 24 retailers, including a Marks & Spencer anchor store, together with blue-chip businesses.

Principal occupiers
Microsoft, Wellington Management.

Ownership interest
100%

Area
47,500m²

Passing rent
£30m

Let by income
100%

2. New Street Square, EC4

Innovative offices with retail and restaurants. Recreating traditional ground-level routes, including a delightful public square, the property offers office space with attractive retail and leisure facilities.

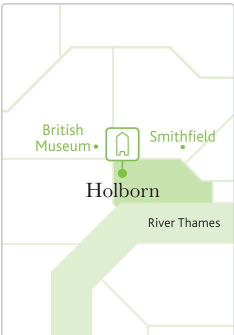
Principal occupiers
Deloitte, Taylor Wessing.

Ownership interest
100%

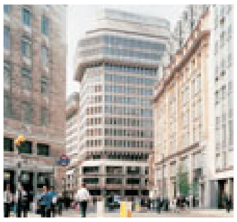
Area
65,300m²

Passing rent
£14m

Let by income
93%



3. Queen Anne's Gate, SW1



This refurbished former Home Office building is now occupied by the Ministry of Justice. It was built by Land Securities in 1977, to designs by Sir Basil Spence.

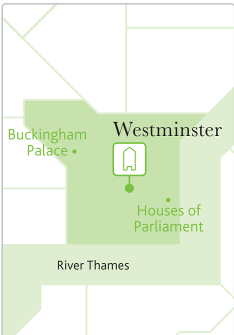
Principal occupiers
Government.

Ownership interest
100%

Area
30,000m²

Passing rent
£26m

Let by income
100%



4. Bankside 2&3, SE1

A contemporary office, retail and leisure space. The two buildings occupy a prime site on the South Bank, opposite the City and close to the West End, served by four major railway termini and several Underground lines.

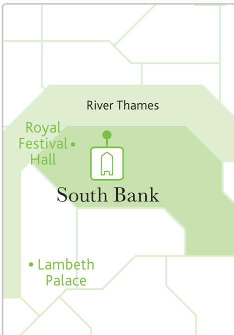
Principal occupiers
Royal Bank of Scotland.

Ownership interest
100%

Area
38,700m²

Passing rent
£1m

Let by income
100%



5. Piccadilly Lights, W1

Offices, retail, leisure and a world famous advertising landmark. This year saw the introduction of enhanced LED screens and a flagship branch of Barclays.

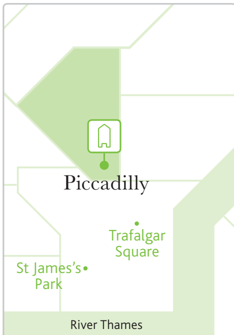
Principal occupiers
Boots, Barclays.

Ownership interest
100%

Area
7,600m²

Passing rent
£11m

Let by income
91%



6. Portland House, SW1

This 29-storey icon of 1960s architecture is a major element in our regeneration of the area. Each of the 26 floors offers around 900m² of open space.

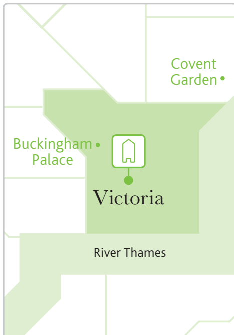
Principal occupiers
Regus, Invensys.

Ownership interest
100%

Area
29,100m²

Passing rent
£10m

Let by income
78%



We have managed development carefully and have limited space available.

Our market

This year the London commercial property market experienced a structural correction driven by a rapid weakening in UK and global debt markets and deteriorating economic conditions.

With low levels of available debt reducing the number of buyers, the investment market declined sharply. Equity buyers bided their time and waited for values to settle. Good transactions could still be made, but prices were unpredictable and weakened over the year. By year-end, values across the sector had reduced dramatically and are now over 40% below the peak in 2007. Assets in the City suffered the greatest falls, and this underlined the value of our strategy to spread the portfolio geographically across the City, Midtown, central West End, Victoria, the South Bank and other key London villages.

Wider market dynamics also impacted the occupier market. Relatively little demand came through around lease expiries and lease events, such as break options, with occupiers reluctant or unable to commit to relocation in such an uncertain environment. London's diverse mix of tenants offered partial mitigation to the widespread downturn, with some law, accountancy and compliance organisations providing potential for counter-cyclical demand.

Retail in London proved relatively robust. Prime West End shopping streets outperformed the UK average significantly. As a result, our strategy of creating mixed-use developments proved well founded. We saw negative pressure on values for London retail properties, but there was a reasonably consistent level of demand from occupiers for prime assets in prime streets.

Market outlook

On the investment side, relatively few buyers will re-enter the market until they feel values have settled, although a degree of stabilisation has begun to feed through at the end of the financial year at the prime end of the market. However, we continue to see opportunities to achieve sales and position ourselves for future acquisitions. In the occupational market, we are matching developments to demand for high quality space in attractive locations. Mitigating voids will remain a priority and we will work closely with occupiers to support each other through these tough conditions. There is a substantial oversupply of office space in London, but, by combining flexibility on terms with good quality product, we are well placed to compete for new tenants for the limited space we have available.

In London, we have always responded early to market cycles and we will continue to do the same, recycling capital to strengthen our position and maximise potential future returns for shareholders. By taking tough decisions early we are able to evolve with the market as it moves into the next phase of the cycle.

Chart 34
West End and City vacancy rates (%)

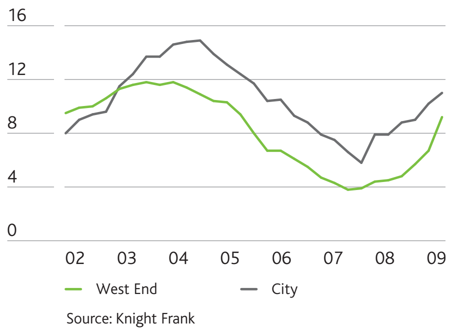
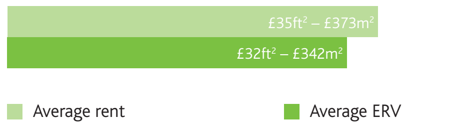


Chart 35
London office portfolio[1]



1. Excluding voids and properties in the current development programme.

Relative strength of prime retail in London underlines the value of our mixed-use strategy.

Our performance at a glance

- Gross rental income up £10.3m (3.0%)
- Property sales of £349.6m at an average of 16.6% below March 2008 valuation (before disposal costs)
- 10 Eastbourne Terrace, W2, completed and 100% let; Dashwood House, EC2, completed and 9% let

Chart 36
London Portfolio by capital value – £5.09bn (%)

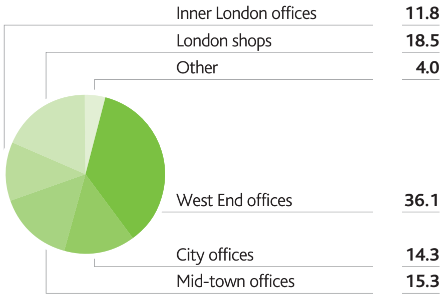


Table 37
London Portfolio valuation and performance summary

	31/03/09 £m	31/03/08 £m
Combined portfolio valuation	**5,089.4**	7,349.3
Like-for-like		
Investment portfolio valuation	**2,558.2**	3,618.2
Rental income	**199.2**	192.6
Gross estimated rental value	**198.8**	236.1
Voids by estimated rental value	**3.6%**	2.5%
Gross income yield	**7.7%**	5.2%

Chart 38
London Portfolio valuations at 31 March 2009 (£bn)

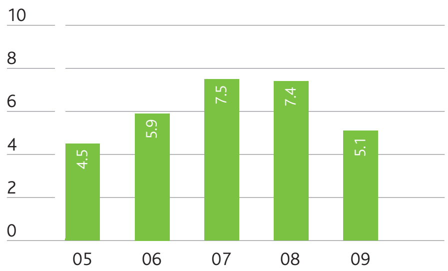


Table 39
Top 10 office tenants (% of total income)

	%
Government	9.3
Deloitte	2.3
RBS	2.3
Mellon Bank	1.3
Eversheds	1.1
Metropolitan Police	0.9
Microsoft	0.7
Lloyds TSB	0.6
Taylor Wessing	0.6
Speechly Bircham	0.6
	19.7
Office other	17.5
Total (all office tenants)	**37.2**

The largest occupier is Central Government, which represents 21% of the London Portfolio rent roll.

Chart 40
Tenant diversification (% of total income)

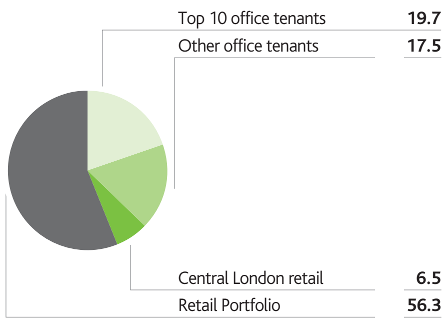
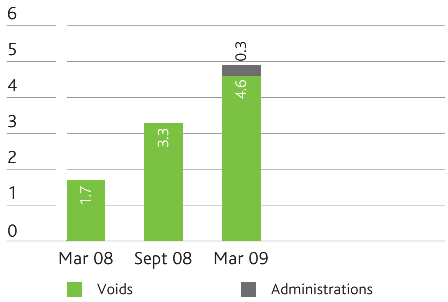


Chart 41
Voids and units in administration – London offices (% of ERV)



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Top London Portfolio properties
—over £100m by location

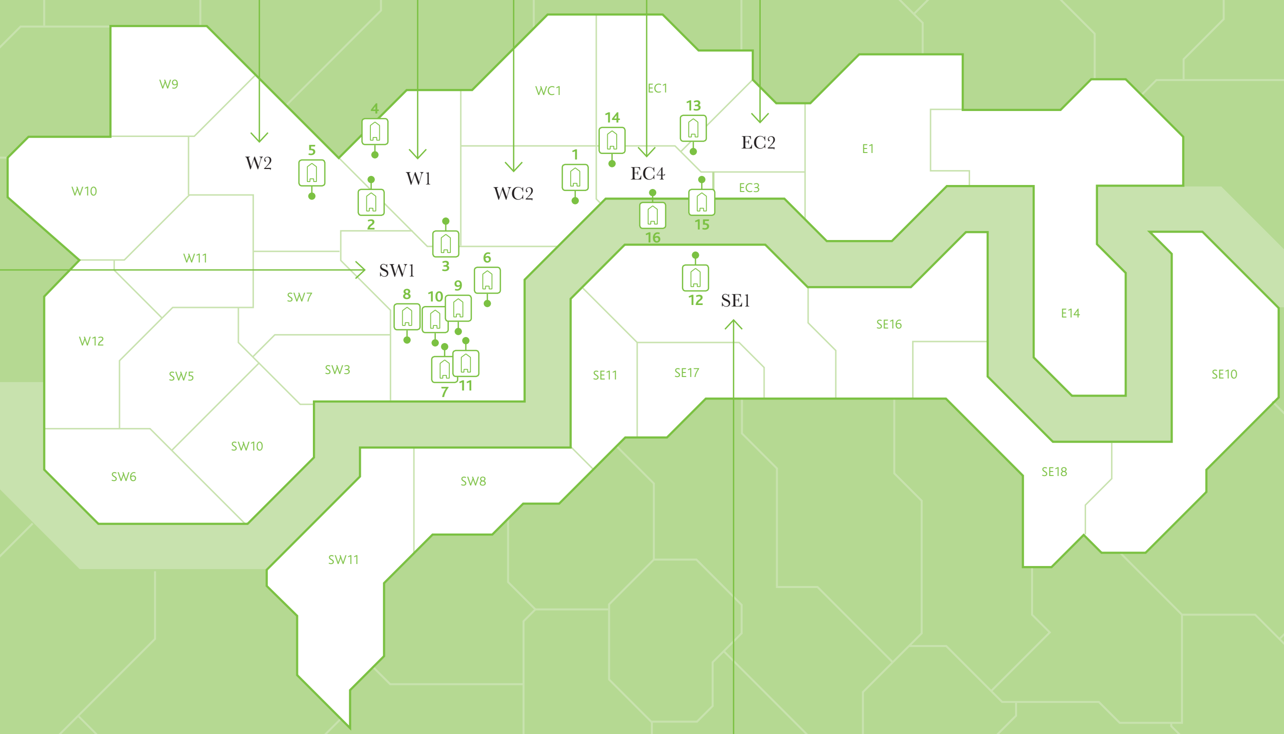
WC2
1 Arundel Great Court and Howard Hotel•

W1
2 455/475 and 475/497 Oxford Street and Park House•
3 Piccadilly Lights
4 Portman House

W2
5 10/20/30/40/50 Eastbourne Terrace•

EC2
13 One Wood Street

EC4
14 New Street Square•
15 One New Change•
16 Times Square



SW1
6 50 Queen Anne's Gate
7 Portland House
8 Eland House
9 Kingsgate House
10 Cardinal Place
11 Ashdown House

SE1
12 Bankside 2&3

Key
•In the development pipeline

Business commentary

Overview
We did not predict the global financial crisis but we did recognise the early signs of a slowdown in the London market some time ago and adjusted our portfolio and development pipeline accordingly. This strengthened our position as we went into more severe conditions from September 2008 onwards. As the environment worsened, we accelerated the completion of developments due in the year and adjusted the timing of some future developments.

At year-end, headline void levels in the London portfolio were at 6.8% – a strong performance in an exceptionally difficult environment. Valuations in our sector have been impacted heavily, however, and we have not escaped general market movements. Our London Portfolio saw a 31.2% valuation deficit overall, with a 35.6% deficit on office holdings and a 10.6% deficit on London retail. In terms of rental values, London retail saw a 3.2% rise in rental values largely driven by our asset management initiatives, but weakness in occupier demand resulted in rental values for our London offices falling by 19.8%.

We are pleased that, despite falling values, our London Portfolio outperformed its IPD Universe sector benchmarks with London offices outperforming by 1.4% and London retail by as much as 5.8%. Our London office performance was helped by the resilience of some of our assets in Victoria, particularly those let on long leases to the Government. Our London retail assets benefited from the positive growth in rental values created by some of our asset management initiatives.

In recent years, growth in the financial services sector proved very attractive to developers. We took advantage of this opportunity, but we also recognised that growth in this area could not be sustained. As a result, we adjusted our portfolio, moving quickly to reduce our exposure to City offices which now represent only 14.4% of our London Portfolio. In the meantime, we continued to attract a broad mix of occupiers across a number of London's premier villages. This diversity gave us resilience during the year, with retail proving robust and West End assets holding up better than those in the City.

While 16% of our occupiers were in the very hard-hit financial services sector, Central Government remained our largest occupier, representing 21% of the London Portfolio rent roll. We also had a substantial number of occupiers from professional services organisations. This balanced base enabled us to generate increased income in the year of £10.3m at £352.8m. While we would prefer to report significant growth, this represents a sound performance.

Despite uncertainty and demanding conditions, our employees achieved much this year. From working closely with hard-pressed occupiers to closing transactions and achieving milestone planning approvals in Victoria, we acted as a close-knit and highly effective team.

Sales and acquisitions
Our rationale for selling a particular asset is simple – we look to make a disposal if we can recycle the capital into other assets with greater growth potential. This year we sold £349.6m of properties at an average of 16.6% below March 2008 valuation (before disposal costs), as compared to the market-wide fall in value for London offices over the year of over 30%.

Important sales this year included:

- Turnstile House, WC1
  We completed this sale in May 2008. The property had produced good returns for us since its conversion to an apart-hotel but it no longer fits our main focus of activity.
- Empress State Building, SW6, 50% share
  In August we completed the sale of our holding to a 50:50 joint venture with Liberty International. We have held the asset for a number of years but saw limited asset management opportunities in the near future. The joint venture with Liberty International reduces our stake while enabling us to realise further value over time.
- New Scotland Yard, SW1
  In December we sold our freehold interest to the Metropolitan Police Authority. As there was limited potential for us to add value to this property over the next few years, and no further rent reviews until 2028, a release of capital offered good value.
- Fleet Street Estate, EC4
  In January 2009 we exchanged contracts for the sale of the majority of the estate with the rest to complete late 2009. A substantial part of the site is occupied by the Office of Fair Trading (OFT) and we recently added value with the extension of the OFT lease.

In terms of acquisitions, we purchased just £39.1m of investment properties. These were strategic acquisitions required for site assembly and other purposes around potential development sites.

Asset management
We pursued three clear asset management priorities this year. First, we focused on addressing and minimising voids. Second, we worked to maximise short-term income on assets targeted for redevelopment in the next cycle. Third, we continued our work to enhance the performance of our Central London retail assets. Our operations at the east end of Oxford Street through our joint venture with Frogmore and our work with Piccadilly Lights were particularly effective. With Piccadilly Lights, we have increased income by upgrading advertising signage systems and working closely with Barclays Bank to introduce a flagship branch. Where it proved difficult to achieve lettings, as at Thomas More Square, E1, we quickly reviewed our existing plans and provided attractive, flexible options for potential occupiers.

Development
Having completed a number of large projects in 2007 and spring 2008, our current development pipeline is well matched to the current economic cycle. The balance of expenditure committed to current schemes is £258m. We have 244,950m^2 of development potential available to us over time through consented planning applications.

During the year we completed development work and achieved 100% occupancy at 10 Eastbourne Terrace, W2. This success was due to our ability to respond quickly to the worsening market. We accelerated work, dedicated considerable efforts to lettings and completed the scheme early.

At Dashwood House, EC2, we had planned to complete the refurbishment in December 2008 but, again, responded to worsening market conditions by accelerating work and achieving completion early, in October. Dashwood House is not a big liability relative to the size of our portfolio and it is our only development completed asset with significant space to let (13,290m^2 or 2.1% of our total London office income).

While much current work has been focused on protecting our capital, we have one major development and two smaller development projects with committed completion dates:

- One New Change, EC4
  Due to open in late 2010, this project will bring excellent office, retail and public space to an historic site opposite St. Paul's Cathedral. We have already pre-let 38% of the office space to K&L Gates for a minimum term of 15.5 years and we have let or instructed solicitors on 25% of the retail space (by income), with Marks & Spencer and Topshop committing to the scheme. The unique location, quality of space and views make us confident of securing further lettings, although the office component may reflect weaker pricing trends in the short term.

- Wilton Plaza, SW1
  Expected to complete in May 2009, Wilton Plaza provides a vibrant mix of market, student and affordable housing, together with ground floor retail space. The scheme is 93% let.

- 30 Eastbourne Terrace, W2
  Another completion expected in May 2009, this scheme is part of our extensive holdings opposite Paddington Station and has been refurbished to provide 4,470m² of prime office space.

There are two further projects where demolition work has commenced on site and for which plans for developments are agreed and in place:

- Park House, W1
  This scheme will offer some of the largest office floor plates in the West End, together with premium retail space and residential units. Demolition was completed in December 2008. The uncertainty regarding planning permission was finally removed in February 2009 when a High Court ruling approved Westminster City Council's planning consents, following a legal challenge. Work is now taking place to assess the timescales for delivery of the scheme which is set to be the biggest development on Oxford Street in 40 years and the biggest office development in Mayfair in the last decade.

- 20 Fenchurch Street, EC3
  This development will offer office accommodation and retail space in a landmark tower building in the heart of the City. Demolition and ground works are due to complete in June 2009. We have deferred the start of construction work in line with market dynamics.

Planning

While this year's development and asset management activity reflected the current economic reality, we did not stop preparing for substantial future opportunities. We have a proven track record in design and planning, and we continued this during the year by achieving very significant progress on planning consents.

Our VTI2 scheme received a resolution to grant permission in February 2009, giving us the go-ahead to create some 83,200m² of space in six buildings next to Victoria Station, SW1. Our 'Vision for Victoria' is to replace outdated pockets of post-war buildings with new offices, shops, restaurants, public amenities, open spaces and homes. In March 2009 we received permission for two further schemes in Victoria – Selborne House and Wellington House. Our success in Victoria is particularly exciting as we believe this is one of the areas likely to recover quickly as we move into the next phase of the cycle.

This year we also received a resolution to grant planning consent for the redevelopment of 30 Old Bailey, EC4, for office accommodation and retail space. Our proposals for Arundel Great Court, WC2, in Mid-town were refused planning consent and we have now submitted an appeal.

Strategic land portfolio

With the housing market in the South-east hit hard this year, reflected in the write-down of our development land holdings, we have adopted a measured approach to the development of our strategic land portfolio. The pace of works has been slowed and we will wait for an improved lending environment before considering a start on further construction.

Our biggest project in this sector is the urban regeneration programme at Ebbsfleet Valley, Kent. This will ultimately transform 420 hectares of land into a vibrant mix of residential, business, retail, leisure and public space over 25 years. Outline planning permissions have been granted for the whole of the project. The completed development will provide 10,000 new homes, over 640,000m² of offices and over 320,000m² of mixed-use space in total. This is a scheme with immense potential but, for now, the pragmatic decision has been taken to pause work. The economic environment has hit the housing and leasing markets hard and we have had to adjust our targets and expectations accordingly. We have progressed infrastructure work in preparation for the next cycle, but we will wait for signs of better economic conditions before starting on detailed design. We remain confident that the general lack of supply in the South-east means demand for housing will remain strong and, as and when finance is available for homebuyers, will begin to translate to active purchasing.

Looking ahead

In the investment market, activity will increase when buyers believe prices have stabilised. We have seen some evidence of this recently in prime stock at smaller lot sizes. In the occupational market, we expect that most occupiers will restrict new activity in response to the operating environment for their businesses. We will keep focusing on our strengths – the quality of our portfolio, our diverse tenant mix and our skilled and experienced people. We will continue to protect our position while preparing to take advantage when the cycle changes.

London remains a world-class city with great qualities in terms of geography, range of property assets, skills base, culture and living conditions. This gives it an enduring appeal to both investors and future occupiers.

The tight supply of prime assets in the West End may prove beneficial given our extensive portfolio. We see remarkable potential around SW1, and our 'Vision for Victoria' is a particularly exciting prospect. The successful Cardinal Place scheme demonstrates our ability to revitalise this area. With VTI2 and other development schemes approved, we have the opportunity to establish Victoria as a powerful and vibrant part of London's West End. We will time our developments here carefully.

Across the business, we will continue to make tough decisions and take pragmatic action while looking to the long term. We will keep making disposals and acquisitions as and when attractive opportunities arise. We will be flexible on terms with occupiers while protecting our income. And we will use our strengths to identify and exploit new opportunities. Although we are facing exceptionally demanding conditions, our strategy has always been to address a cyclical market, and we will act decisively to ensure we emerge in good shape from current volatilities.

Key objectives for 2009/10

- Protect income through active asset management
- Maintain strong brand visibility to attract occupiers, partners and investors
- Continue to make sales as appropriate
- Time development progress in line with market cycle
- Act on opportunities to create value through the cycle

London development pipeline

2008 10 Eastbourne Terrace, W2

Comprehensive refurbishment, including external envelope of the building. In Paddington.

2008 New Street Square, EC4

Innovative offices around a public square, with retail and restaurants. In the Mid-town district.

2008 Dashwood House, EC2

Comprehensive office redevelopment in the City, with small retail component. Completed.

2010 One New Change, EC4

Landmark mixed-use development in an extraordinary location adjacent to St Paul's.

2013 Park House, W1

Redevelopment to create a major mixed-use scheme. Planning consent now granted.

2013 Selborne House, SW1

Planning consent granted for this cutting edge, high quality mixed-use development in Victoria.

London development pipeline at 31 March 2009

Property	Description of use	Ownership interest %	Size m²	Planning status	Letting status %	Net income/ ERV £m	Estimated/ actual completion date	Total development cost to date £m	Forecast total development cost £m
Developments, let and transferred or sold									
10 Eastbourne Terrace, W2	Office	100	6,150		100	3	July 2008	41	41
50 Queen Anne's Gate, SW1	Office	100	30,140		100	14	May 2008	143	143
Developments completed									
New Street Square, EC4	Office Retail	100	62,340 2,980		93 82	33	May 2008	379	379
Dashwood House, EC2	Office Retail	100	14,110 710		6 100	7	Oct 2008	113	113
Developments approved and in progress									
30 Eastbourne Terrace, W2	Office	100	4,470		–	2	May 2009	29	35
One New Change, EC4	Office Retail	100	30,840 19,900		38 17	31	Sept 2010	291	543
Park House, W1	Office Retail Residential	100	15,430 8,140 5,380		– – –	22	July 2013	247	387
Proposed developments									
Selborne House, SW1	Office Retail	100	23,450 1,540	PR	n/a	n/a	2013	n/a	n/a
Arundel Great Court and Howard Hotel, WC2	Office Retail Residential	100	36,750 2,470 22,670	PA	n/a	n/a	2014	n/a	n/a
20 Fenchurch Street, EC3	Office Retail	100	61,660 2,130	PR	n/a	n/a	2014	n/a	n/a
Wellington House, SW1	Retail Residential	100	250 5,650	PR	n/a	n/a	2014	n/a	n/a

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 2009. 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.

Planning status for proposed developments
PR – Planning Received PA – Planning Appeal

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 costs (totalling £109m across all categories of development).

Net income/ERV
Net income/ERV represents headline annual rent payable on let units plus ERV at 31 March 2009 on unlet units.

Board of Directors

Alison Carnwath (56)
Non-executive Chairman

Appointed as Chairman on 12 November 2008 after joining 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.

Francis W Salway (51)
Chief Executive

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 President of the British Property Federation.

Martin Greenslade (44)
Finance 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.

Sir Stuart Rose (60)
Non-executive Director

Joined the Board as a Non-executive Director in May 2003. Chairman of Marks & Spencer Group plc. Chairman of Business in the Community since 2008. Previously Chief Executive of Arcadia Group until December 2002. Chief Executive of Booker PLC from 1998 until 2000.

Sir Christopher Bland (71)
Non-executive Director

Appointed to the Board as a Non-executive Director in April 2008. Served as Chairman of Land Securities Trillium until its sale in January 2009. Previously Chairman of BT Group plc and Chairman of the Board of Governors of the BBC. Chairman of the Royal Shakespeare Company, Canongate Books and Leiths School of Food and Wine.

David Rough (58)
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.

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Richard Akers (47)
Managing Director
– Retail Portfolio

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.

Mike Hussey (43)
Managing Director
– London Portfolio

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. Trustee of the Photographers' Gallery and of LandAid.

Bo Lerenius (62)
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. Chairman of Mouchell Group plc and 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.

Kevin O'Byrne (44)
Non-executive Director

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

Corporate responsibility

Customers

By providing best-in-class levels of service, we can stand out from our peers and encourage occupiers and clients to choose us as their business partner.

Health and safety

We are committed to taking every reasonable step to ensure the health and wellbeing of our people, and the safety of everyone who comes into contact with our business activities.

Employees

We employ in the region of 700 people, whose wellbeing and professional development are crucial to our ongoing success and future growth.

Suppliers

By working with partners whose values and principles mirror our own, we can maintain our high standards and minimise risk.

Investors

We encourage two-way dialogue with existing and potential investors and analysts, to give them a better understanding of our business and to strengthen our relationships with them.

Community

We create civic pride and a sense of community ownership through relationships with local government, education partners, community organisations and residents.

Environment

The way we design, build and run our properties impacts on the world around us, but through innovation and best practice, our developments can be leading examples of environmental sustainability.

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Why corporate responsibility (CR) matters

We have a significant influence on the lives of many thousands of people across the UK, including employees, customers, suppliers, investors and neighbours. That means we need to find a balance between the environmental, social and economic aspects of our activities so that the positive impact we have as a business is maximised.

Our vision is 'bringing property to life'. We go beyond bricks and mortar, through a mixture of good design, community engagement and first-class service, to create places where people choose to shop, are proud to work and want to live. Put simply, we aim to be the partner, employer or provider of choice – the sort of business people want to work with and for.

Awards and recognition

We have been included in the Dow Jones Sustainability Index each year since its launch in 2000 and are now the global leader for sustainability in the Real Estate sector. This year Sustainable Asset Management's Sustainability Yearbook 2009 awarded us Gold Class and sector leader status. And Land Securities was again voted top in the 'property company' category of the Britain's Most Admired Companies survey, published by Management Today, December 2008.

Our CR strategy

We manage our CR strategy and activities through an eight-strong CR Committee, with representatives drawn from across the Group. Chaired by Angela Williams, our HR Director, the committee meets four times a year to agree policies, review progress against targets and set future objectives.

In January 2009, we sold our Trillium business. This has given us the opportunity to step back and review our approach to CR, to redefine our CR vision, and to focus on what we should achieve in 2009/10 and beyond. We believe good CR practices make for a stronger business, so it is essential that CR is embedded in what we do and how we do it. The targets we set will be challenging yet attainable. By achieving them, we will improve our performance across the business.

Our new CR strategy will be published during 2009 and will be reviewed in the next Annual Report.

During 2008/09, our activities addressed the needs of the stakeholder groups and issues outlined on this page – Customers, Health & Safety, Employees, Suppliers, Community, Investors and Environment. The 'CR highlights' content featured over the following pages focuses on three key areas, People, Buildings and Communities, while the 'CR performance' section that follows analyses our CR targets and achievements.

View our Corporate Responsibility Report online at www.landsecurities.com/crreport09, which provides even more detailed information on our CR strategy and performance.

Our CR highlights in 2008/09

We believe CR is about practical, responsible and sustainable action over the long term, using the expertise and dedication of our people to create buildings that are good for us as a company, for our customers and for the communities in which we operate.

People make property

From architects to builders, and investors to residents, property is all about people. At Land Securities, we aim to attract and retain the best, encourage and empower them to improve our business and the businesses of our customers, and support them in achieving their personal goals. We also like to work with like-minded partners who share our values.

Great design doesn't guarantee great buildings

It goes without saying that good design is crucial to a good building. But a great one needs so much more: a feel for heritage, a respect for the environment and a supportive, collaborative owner that involves the community to ensure its properties deliver long-term rewards for occupiers, stakeholders and shareholders.

Modern buildings improve communities

That's a dangerous assumption, especially if its impact on a community's character is overlooked. That's why we take a long-term view. We take the time to develop partnerships so our properties have a positive impact on their locations, our presence is valued and we get involved in events that bring everyone closer together.

"We spend a lot of time engaging with local authorities and others to improve the social fabric of their communities. If that process works well, we have a more sustainable investment, something vibrant, well-integrated and enduring for us and for local stakeholders."
Francis Salway
Chief Executive

People

Our intention is to be the employer of choice in the property sector. To do that, we must attract, recruit and retain exceptional employees who will add value to our business and our customers' businesses. And to do that, we need to help every one of our 700 employees to reach their full potential.

92%

The number of employees responding to our Employee Engagement Survey who are proud to work for Land Securities

82%

Employee response rate to annual survey

84%

Employees have a learning and development plan in place

Equality

We are committed to equal opportunities and a diverse and inclusive workplace in which everyone is treated with respect. Our adherence to the UN Declaration on Human Rights underpins all our policies, systems and actions.

Learning and development

The vast majority of our people have a learning and development plan in place, to ensure they develop the core skills and behaviours we need to be successful. Almost every person who took training last year reported they were satisfied with the support they received.

Wellbeing

Our wellbeing programme helps employees maintain fitness and health. Almost a quarter of our employees have registered to use BUPA's Positive Health online tool, which enables them to undertake a health and wellbeing assessment and get practical advice on improving health, diet, stress, sleep and other lifestyle issues.

Employee engagement survey

This year more than four out of five employees responded to our survey. Their feedback suggests we are making progress across training, leadership, career development and community activities.

What also came through from this year's comments was that they like the people they work with and the jobs they do. They feel empowered to make decisions, believe the company takes corporate responsibility seriously, and rate us highly on issues such as communication, strategy and vision.

Volunteering

Because we believe volunteering supports personal development, builds community spirit and demonstrates our CR principles at work, we actively encourage volunteering and offer extra time off in return. This year, 326 employees (around 20% of our workforce, including Trillium) took part in volunteering activities. We'd like that to grow to 50% by 2010.

Our regional grant programmes include our Capital Commitment Fund, which has helped 35 community groups and projects in Southwark, Westminster, Tower Hamlets and Islington. Activities include summer play schemes, community festivals, a trip to the seaside, homework clubs and anti-bullying workshops in schools.

From paint pots to plant pots

During the year, employee volunteers from our Southern Retail team helped Kids Company, a charity that supports vulnerable inner-city children, to paint a mural at Lark Hall Primary School in Stockwell. Meanwhile, the Centre Management team at St David's built a play area for young visitors to Greenmeadow Community Farm in Cwmbran. And Retail Development employees created a garden and vegetable patch at Kew Riverside Primary School in Richmond.

Bringing our values to life

Annarose Hearsum, Gunwharf Quays' Tenant Liaison Executive, has won the prestigious SCEPTRE Young Achiever of the Year Award for her work on the Striving for Excellence programme. During this year-long competition, retailers are assessed by mystery shoppers and their records scrutinised, to encourage a more positive and memorable customer experience. Gunwharf Quays' 2008 customer satisfaction survey revealed that 96% of the tenants surveyed would recommend us as a landlord, with Annarose specifically cited by many for understanding their needs.

"Retail as a business is facing a challenging time and more than ever needs to be supported by a robust approach to CR, aligning our approach with our customers to ensure we all benefit. There are no short cuts or areas that don't matter if we are to strive for excellence in all that we do."
Richard Akers
Managing Director, Retail Portfolio

9.2

Our score of 9.2 in the Corporate Health and Safety Performance Index (CHaSPI) placed us third overall, from a total of 115 other UK companies with more than 250 employees

5

Consecutive Royal Society for the Prevention of Accidents (RoSPA) Gold Awards

Increasing investment, reducing emissions

Rather than investing in overseas projects to offset our shopping centres' emissions, we are using the money to lower their carbon footprint instead. The £180,000 it would have cost to offset the 22 million kg of CO_2 emissions from our centres is being used, pro rata, to improve energy efficiency and cut utility bills through initiatives like harvesting rainwater and installing low-energy, motion-triggered lighting.

Buildings

As a landlord, our remit stretches from providing our tenants with the best possible service through to safeguarding the health and wellbeing of all who come into contact with our operations. We're never complacent about such matters and always strive to improve our performance, but with our Retail business winning the Property Managers' Association 2008 Landlord of the Year title, it looks like we're heading in the right direction.

Customer satisfaction
Happy customers are crucial to our success, and we measure customer satisfaction on three levels – overall satisfaction, willingness to recommend and communication. In our latest annual customer satisfaction survey, conducted among 282 participants at 15 of our shopping centres, 97% of the tenants questioned said they would be willing to recommend us as a landlord, while all our scores for communication and responsiveness either equalled or exceeded our highest to date.

Health and safety
Like all responsible businesses, we have a commitment to ensure the safety of staff, tenants and visitors. We have policies and procedures in place to underpin our daily activities. We regularly report on RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) accidents, events and near misses. And we audited 153 properties last year, including those of our contractors and partners, to measure performance across the Group and ensure our legal and contractual obligations are being met.

Our commitment extends to reminding all employees of the importance of identifying and managing risks at work. In the last year this has involved:

- A dedicated health and safety week
- A personal health and safety e-learning course for all employees
- An additional course for line managers on managing health and safety.

The training forums and safety audits that Gunwharf Quays instigated were singled out for particular praise when it won the Gold Award for occupational health and safety from the Royal Society for the Prevention of Accidents (RoSPA).

Cabot Circus, Bristol leads on sustainability

Cabot Circus has been singled out as a beacon for sustainability in the retail sector, winning five industry awards since it opened in September 2008. The 92,000m^2 development uses natural ventilation, saving around 5 million kWh of energy a year on heating and cooling. Combined with one of the world's most advanced IT systems, low-energy 'intelligent' lighting and a rainwater harvesting system, this has helped to secure an 'Excellent' BREEAM rating.

Cabot Circus Awards

- British Council of Shopping Centres (BCSC) Supreme Gold Award for 2008
- BCSC Gold for large in-town retail schemes
- BREEAM Retail Award
- MAPIC EG Retail Award for Best Shopping Centre of the Year
- European Standard Parking Award for the safety and customer services features incorporated into its 2,600-space car park.

Asset management
A development with a lower carbon footprint is:

- easier to gain approval for
- attracts tenants with the same values as us
- cheaper to run
- reduces the risk of non-compliance with ever-changing environmental legislation.

One of the biggest opportunities we have for reducing our carbon footprint lies in the way we manage our existing properties. Our London operations are recognised as leading the sector in this area, sharing both standard procedures and best practice guidance with occupiers to improve standards, lower costs and reduce risks for both parties.

99.72%

Total waste recycled at Fremlin Walk shopping centre in Maidstone

One area where our London business leads the way is in devising energy management plans. With every development, we share such a plan with occupiers, and agree who is responsible for what aspects of energy performance. For example, we developed a plan for Eversheds LLP, the occupiers of One Wood Street, so that they can minimise the impacts of their operations. In turn, they will supply us with energy and water use data, which we can use to shape future schemes.

We have also been working closely with the Better Buildings Partnership's Green Leases Working Group, which has developed a set of principles and recommendations that allow landlords and occupiers to reduce their buildings' carbon footprint and improve their sustainability. These guidelines are currently being trialled at New Street Square, EC4.

Waste

Reduce, recycle, reuse – all are viable options when it comes to managing waste, and all of our centres already recycle cardboard, wood, plastics and metal.

At Fremlin Walk in Maidstone we wanted to go one step further and recycle all the waste it generated – and we are very nearly there. For example, food waste from the centre's restaurant and coffee shops now goes into biodegradable bags, which are mulched, turned into compost and used to fertilise produce and improve soil on local farmland. This is a great replacement for expensive and environmentally impacting fertilisers, and it's a wholly local operation.

With this food waste trial, 99.72% of all Fremlin's waste is now being recycled, with the only shortfall being sanitary waste.

Sustainable materials

To paraphrase Henry Ford, you can have a Land Securities building in any colour – as long as it's green. All our projects are aligned with our ISO 14001-certified environmental management system, which ensures we're operating within the law, and in line with our own policies and targets.

Externally, a BREEAM rating of 'Very Good' is a minimum for us, but we like to push the boundaries further when we can. By using sustainably sourced, low-impact materials and collecting rainwater for reuse, our Bristol and Livingston retail centres both achieved 'Excellent' ratings in 2008, as did the renovation of Dashwood House in the City of London.

Communities

Strong relationships are the lifeblood of any community, and we work hard to ensure we play our part as a long-term partner. We start to forge these relationships well in advance of the planning process, because we want our schemes to foster a sense of local ownership and civic pride.

"We're not just interested in building commercial properties; we also want to build communities. That is why we have been pioneering the use of art and other improvements to the public realm to transform sites such as Bankside into places to be enjoyed by all. And why we give financial support to many local groups and charities through our recently enhanced Capital Commitment Fund."
Mike Hussey
Managing Director, London Portfolio

Planning and consultation

We never undertake a major scheme without listening to those likely to be affected by it. Residents can have concerns about disruption from building works or additional pressures on parking, but we take all views on board and try to address them appropriately.

For example, our plans for the 2.5-hectare Victoria Transport Interchange development incorporated feedback from local residents, council representatives and the Greater London Authority, and were given the green light by Westminster City Council. But even then, the project came in for considerable public scrutiny, so we held a four-day public exhibition including models, video presentations, traffic modelling and an information pack to give everyone a chance to find out more and influence the final design.

£340,093

Total charitable and community investments and donations made by Land Securities Group and its businesses in 2008/09

Design and the public realm

We feel strongly that our developments should improve and enhance the public realm, so we design schemes that incorporate eye-catching views and open vistas. In the past, buildings were often designed to look imposing and keep the public out, but that time has passed. Today's schemes incorporate a mix of residential, retail and office use so that they can be a productive place of work by day and a safe, restful home by night, as well as provide room to breathe, public access and even somewhere to shop.

Buildings can create a new sense of place and community, as illustrated by New Street Square, where an eye-catching combination of design and public art have created a more welcoming and accessible environment. A public art strategy for the area was agreed back in 2005, and commissions from two artists have been installed since the scheme's opening. Jonathan Clarke's freestanding sculptures act as a focal point to draw the public through to the new pedestrian arcade, and provide elements to lean against or sit on. Suspended from a canopy running the length of the arcade, Ron Haselden's 'Day and Night, Night and Day' is a tapestry of curved neon lights, each of which can be programmed to change, through an infinite number of colours, by workers in the surrounding buildings.

ARISE and shine

We are forging partnerships to help make our communities better places in which to live and work. In Leeds, for example, we have provided 100 financial grants to local groups through ARISE, a powerful charitable alliance between Land Securities and other socially responsible businesses. The initiative is focused in south Leeds, where our White Rose shopping centre is located. Each company contributes £8,000 a year to a fund, which is then divided among organisations applying for financial support. Create – the 100th organisation to receive a grant from ARISE – has used its funds to provide ex-offenders and homeless people with work experience, skills training and employment opportunities in food production.

Mystery shopper surveys

Four of our shopping centres scored an exceptional 100% in mystery shopping surveys in 2008. The Retail Eyes' Impressions scheme gave perfect scores to White Rose in Leeds (in two consecutive years), The Centre in Livingston, The Bridges in Sunderland and Princesshay in Exeter.

£500,000

Community investment through our Capital Commitment Fund over four years

2,500

Visitors to our Victoria Transport Interchange exhibition

Each 'design' is intended to stay in place for some time, providing a restful, silent work that gives the onlooker time to reflect on it.

Meanwhile, at Cabot Circus, Bristol, visitors will see 'Twist', a 65-foot, wind- and solar-powered illuminated tower that forms part of a city-wide public art programme, and at Princesshay, there are four permanent commissions celebrating the historical importance of Exeter.

Space for art

We are helping to address the shortage of affordable studio space in the capital through the Land Securities Studio Award. This new, annual awards scheme will provide three promising young artists with rent-free studio space in London for a year, a cash bursary and an exhibition featuring their work.

Community investment – Retail

Our retail schemes are a significant source of local employment, which can contribute to the vibrancy of the community. In Bristol, the development of Cabot Circus generated 3,500 construction jobs and over 4,000 permanent posts, from cleaners and caterers to security staff and sales assistants. By teaming up with West at Work, we were able to provide job seekers with free confidence-building courses, CV and job application workshops, specialist retail training events, a dedicated vacancies website and the 'Cabot Circus Jobs Bus'.

Shopping centres are also ideal places to give young people interested in retail careers a chance to develop their skills and knowledge. For example, Buchanan Galleries, Glasgow co-runs a Retail Academy. Participants are guaranteed work placements, interviews and other assistance by the centre and its retailers, and most go on to get full-time jobs.

Our many other mentoring schemes and work placements include:

- Supporting the Construction Youth Trust by hosting site visits for 'Diploma in Construction and the Built Environment' students and holding career events, where students are able to discuss their plans with industry professionals.
- The national Young Enterprise scheme, where our Retail staff help young people to learn about business by running virtual companies.

Our Community Link programme fosters close working relationships between our centre management teams and key stakeholders such as schools, encouraging them to support curriculum-based activities by working alongside local businesses. At White Rose in Leeds and Stratford Centre in London we also run study support centres for students.

Community investment – London

Long-term commitment to communities underpins Land Securities' investments in London. Over the last four years, Land Securities has contributed over £500,000 to its own Capital Commitment Fund, which has been used to help over 100 community groups. In 2008, these included Westminster Befriend a Family, which used its grant to take 200 underprivileged families to Brighton for the day, giving vulnerable and disadvantaged children a chance to enjoy a trip to the beach – many for the first time.

During the year a review was undertaken to identify areas of improvement for charitable giving which would enable the delivery of a strategic and coordinated approach, one that would help align our objectives with the wider aspirations for central London Local Authorities and the Greater London Authority. The review also informed our decision to restructure the Capital Commitment Fund into two strands, one a flow through programme benefiting groups in Tower Hamlets, Islington, Camden and Southwark. The second, the creation of the Westminster Fund, an endowment fund established with our community partner, the Capital Community Foundation, to benefit community groups for many years to come.

Our investment will now be targeted at the areas in most need and in support of the most vulnerable groups. All charitable giving will be based on three thematic criteria – Education, Housing/Homelessness and Young people – and will be assessed via a new Corporate Community Investment Panel.

Be seen, be safe!

In January 2009, St John's and Clayton Square shopping centres in Liverpool joined a city-wide campaign to reduce road accidents involving children on bikes. Working in partnership with the City Council's Road Safety Unit, the police, the fire service and local radio, we enabled food outlets at both centres to hand out free high-visibility armbands and 'slap wraps' designed to make children more visible in the dark.

Our CR performance in 2008/09

Target	% achieved	
Environment		
Design all new Group developments to be 20% below the prevailing Building Regulation requirements for CO_2 emissions	N/A	Reflecting economic conditions, all schemes that were planned to commence on site were postponed.
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	92%	
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	100%	
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	N/A	No scheme was at such an advanced stage that we were able to measure biodiversity enhancements.
Achieve a minimum level of 20% recycled content by weight or value in every new development	N/A	No projects were at the appropriate stage of design.
Monitor the performance at all occupied premises of grey-water recycling and rain water harvesting	100%	
Benchmark water usage across the London Portfolio and survey 50% of these sites for opportunities to reduce water consumption	100%	
Undertake a trial of the Forestry Stewardship Council (FSC) project – specific registration scheme at Trillium's Falkirk development to ensure the timber comes from sustainably managed sources	100%	
Reuse or recycle 85% of demolition and construction waste for projects covered by Site Waste Management Plans	94%	
Reuse or recycle 85% of office waste generated at our own Head Office premises	96%	
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	86%	
Submit all new major office, retail warehouse premises and retail shopping centre developments for BREEAM assessment with a minimum target of 'very good'	100%	
Ensure that every shopping centre develops and implements a site-specific Environmental Management Programme	100%	
Ensure that Trillium's managed PPP projects are certified to ISO 14001 within the scope of its Environmental Management System	N/A	Due to the sale of Trillium the measurement was unable to be completed.
Refine the environmental benchmarking process for managed offices and shopping centres to facilitate meaningful comparisons	100%	

Our CR performance in 2008/09

Target	% achieved	
Procurement		
Recruit 10% of all new catering and cleaning staff into the Trillium supply chain through agencies which support disabled and disadvantaged people	100%	
Engage in regular meetings with the Top 10 Service Partners (measured by contract value) to agree a Joint Programme of community investment and volunteering	100%	
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	100%	
Community		
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	96%	
Supplement the Capital Commitment Fund of £150,000 by securing additional sources of external funding	100%	
Pilot a web-based learning system to deliver community-based safety awareness training to schools in communities in which the Group operates	25%	Budgetary demands over the life of the project meant that this has been halted.
Develop a structured Work Experience programme in Trillium which can be made available to schools in the Trillium portfolio	100%	
Introduce, to a minimum of 10 Shopping Centres, a Childsafe Awareness Scheme giving assurance as to the safety and welfare of children in retail centres	100%	
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	100%	
Employees		
Ensure out-performance across the Group of the Expert Training Systems (ETS) benchmark on employee engagement	100%	
Contribute actively to local communities by encouraging 30% of the Group's staff to volunteer time and expertise through the Land Securities Foundation	100%	
Encourage 8% of staff to participate in charitable giving through the payroll	93%	
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	100%	
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'	100%	

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Our CR performance in 2008/09

Target	% achieved	
Customers		
Achieve 90% overall customer satisfaction rating on the DWP Contract	100%	
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	100%	
Develop a customer service improvement plan for each Public Private Partnership (PPP) project managed by Trillium	N/A	This target was deemed non-applicable due to the Trillium sale.
Increase to 3.8 the customer satisfaction ratings across the five key performance areas identified by the London Portfolio in its 2007 surveys	40%	Achieved on two out of five measures. Although the other three saw improvements, progress was assessed at 40%.
Achieve an overall customer satisfaction rating of 3.8 in the annual London office portfolio survey	100%	
Achieve an overall customer satisfaction rating of 3.85 in annual shopping surveys undertaken by Retail	100%	
In response to customer requests develop and pilot a Sustainability Guide for retailers	75%	Draft guide produced, expected to be published in 2009.
Investors		
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	100%	
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	20%	One meeting in the year with the economic downturn hampering the engagement process.
Increase from 10% to 15% the number of investors subscribing to e-communications	30%	Currently 11.5% of investors signed up to e-communications. To sign up for e-communications go to www.shareview.co.uk
Health & Safety		
Certify one further workstream or business activity to the international standard OHSAS 18001 for Health and Safety Management Systems	100%	
Benchmark against the Health and Safety Executive's Corporate Health and Safety Performance Index (CHaSPI), and achieve a top 10% rating against its peers	100%	
Report monthly on contractor performance across all construction projects, collating information on fatalities, RIDDOR and non-RIDDOR reportable injuries, near misses and lost days	75%	All Group businesses were monitoring by the end of the year
Create an environment in which 50% of employees believe their health and wellbeing is supported	100%	

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 fully 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 2009. 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, www.landsecurities.com 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 £150m
- 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 buybacks
- 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 its 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 half-yearly 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 Responsibility matters.

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. The Chairman 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, four Executive Directors and five Non-executive Directors. David Rough is the Senior Independent Director. The Board regards each of the five Non-executive Directors as being independent and the Chairman was independent at the time of her appointment to that position. 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 2009. 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, at 31 March 2009, comprised the Chairman, Sir Christopher Bland, Sir Stuart Rose, 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.

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.

In addition, following the resignation of Paul Myners as Chairman on 3 October 2008, two meetings of a specially constituted Nominations Committee took place to identify a successor to the position of Chairman. A firm of external search consultants was used to identify and help assess potential external candidates who were then benchmarked against internal candidates. As a result of this process Alison Carnwath was appointed Chairman on 12 November 2008.

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.

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

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 68 to 79.

Conflicts of interest
A new statutory duty on Directors to avoid conflicts of interest with the Company came into force in October 2008. The Company's Articles of Association were amended in July 2008 to allow the Directors to authorise conflicts of interest. The Board has adopted a policy and effective procedures for managing and, where appropriate, approving conflicts or potential conflicts of interest. Under these procedures, Directors are required to declare all directorships or other appointments to companies which are not part of the Land Securities Group and which could give rise to conflicts or potential conflicts of interest, as well as other situations which could give rise to a potential conflict of interest.

Table 42
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 (2 meetings)
Paul Myners (resigned 3 October 2008)*	4/4	–	1/1	1/1
Alison Carnwath	9/9	4/4	1/1	2/2
Francis Salway (Chief Executive)	9/9	–	–	–
Martin Greenslade	9/9	–	–	–
Ian Ellis (resigned on 12 January 2009)*	6/6	–	–	–
Mike Hussey	8/9	–	–	–
Richard Akers	9/9	–	–	–
David Rough (Senior Independent Director)	9/9	5/5	–	2/2
Sir Stuart Rose	7/9	1/1	1/2	2/2
Bo Lerenius	9/9	5/5	2/2	2/2
Sir Christopher Bland	8/9	–	2/2	–
Kevin O'Byrne	8/9	4/4	–	–
Rick Haythornthwaite* (resigned on 5 February 2009)	7/7	3/3	1/1	–

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

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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 final and half-yearly 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 2009.

In relation to private shareholders, we actively encourage feedback and communication, both on the Annual Report (page 144), at the Annual General Meeting and through regular meetings with the United Kingdom Shareholders' Association (UKSA).

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
At 31 March 2009, membership of the Audit Committee comprised Kevin O'Byrne (Chairman of the Committee), David Rough and Bo Lerenius. Kevin O'Byrne replaced David Rough as Chairman of the Committee on 1 January 2009. Although all of the Committee members are considered to be appropriately experienced to fulfil their role, Kevin O'Byrne 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. 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 other Group Board Directors to attend from time to time. 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 also holds a risk workshop on an annual basis, to which all Directors are invited, at which risks to the business, together with potential mitigations, are raised and reviewed.

The Committee undertook the following activities at these meetings:

- reviewed the half-yearly and final 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 67 for more details)
- reviewed reports on the Group's risk management measures and actions
- in conjunction with the Board appraisal detailed on page 65, 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 Chairman of the Audit Committee of non-audit work above a de minimis threshold level of £25,000. 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
- due diligence and related advice in relation to the proposed demerger
- due diligence work in relation to the disposal of Trillium
- work, as required by the Listing Rules, in relation to the Rights Issue

Details of the amounts paid to PwC are set out in note 7 to the financial statements. The level of non-audit fees has risen over the last two years as a consequence of the disposal of Trillium, the proposed demerger and the Rights Issue. The Committee would expect that the level of such fees will fall in 2009/10.

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 2008/09 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 Annual 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 43. 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.

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.

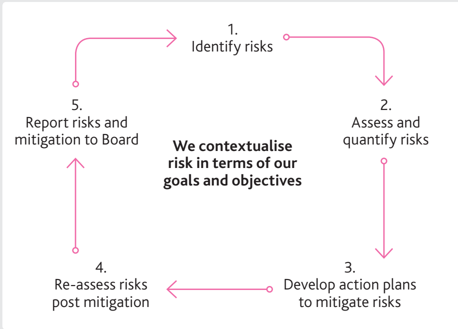
The Company has established a whistleblowing policy and hotline to enable employees to raise public interest issues on a confidential basis.

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.

Chart 43
Risk management process



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Directors' remuneration introduction

Dear fellow shareholder,

I would like to introduce our Directors' remuneration report for 2009. 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 strongly believe that a remuneration policy should be aligned to shareholders' interests and 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.

David Rough
Chairman, Remuneration Committee

Who serves on the Remuneration Committee?

The Committee is chaired by David Rough (Senior Independent Non-executive Director) who replaced Alison Carnwath as Chairman of the Committee upon her appointment as Chairman of the Company in November 2008. The other members are Alison Carnwath and independent Non-executive Directors Sir Stuart Rose and Bo Lerenius. The Human Resources Director provides information and advice to the Committee and takes independent advice from specialist advisors. The Chief Executive and Human Resources Director are invited to attend meetings but no Executive Director is involved in any decisions relating to their own remuneration.

What are the Company's 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 74 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 52 and 53 on pages 74 and 75 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 pages 71 and 72 for more on long-term incentives.

Table 44
What was the Executive Directors' remuneration for 2008/09? (£'000)

	Salary and benefits	Annual bonuses
F W Salway	662	–
I D Ellis†	348	130
M R Hussey	450	–
R J Akers	388	–
M F Greenslade	429	–

†Resigned 12 January 2009

What were the Executive Directors paid this year?

The Executive Directors received only their base salary in the year. There were no bonus payments, except to Ian Ellis on the completion of the sale of Trillium, and there will be no pay rises.

Table 44 details the salaries and annual bonuses given to our Executive Directors this year.

Why are there no bonuses or salary increases for the Executive team this year?

Our standard policy is that annual bonuses are calculated according to specific criteria for each individual relating to aspects of performance that they can influence directly such as performance against an independent industry benchmark.

Salary levels are set according to market salary levels and the specific role of each Executive Director and are not linked to the Company's profits in any given year.

Relative performance meant that the Executive Directors would have been entitled to some bonus this year, however in view of the current market circumstances and its impact on the performance of the Company, the Board and the Remuneration Committee agreed that it would not be appropriate for the Executive Directors to receive salary increases or bonuses at the present time. Under the Long-term Incentive Plan (LTIP) the Executive Directors will qualify to receive a proportion of vested shares for meeting set performance conditions over the course of the relevant three year period in line with the Scheme's rules (see pages 71 and 72). Ian Ellis, who is no longer a Director of the Company, received a bonus as part of the sale process of Trillium.

Has that been applied across the Company?

We have awarded salary increases in the business but generally only to those employees on lower grades in the organisation where we felt it would be unfairly detrimental to their standard of living to receive no pay rise. The average of this increase was 1.1% across the Group.

With regard to bonuses, we have paid bonuses in the organisation but on a much smaller scale than recent years. This decision was taken because as a business we felt that despite the unprecedented market conditions that impacted the whole sector we need to retain and motivate our people and reward them for some excellent work in challenging circumstances. However, to reflect the current market circumstances and performance of the Group the overall bonus payment was 59% down against last year on a comparable basis after adjustment for the sale of Trillium.

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. In addition, 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 Chief Executive 2.0 x basic salary – to ensure their interests are aligned with those of shareholders.

How has the Rights Issue been reflected in the Executive Directors' share incentive awards?

As envisaged by the rules of the relevant schemes, awards held by all employees under the Group's share schemes were adjusted as part of the Rights Issue so that the value of their awards was maintained at a constant level. In the case of certain of these schemes, the adjustments were reviewed by the Group's auditors and approved by HM Revenue & Customs.

For the Executive Directors this meant that for any outstanding share option and LTIP Performance and Matching Shares there was an adjustment made to the number of shares and to the award or option price to reflect the impact of the rights. The value of the shares awarded following these adjustments remains equal to the value of the originally awarded shares.

With regard to pledged co-investment shares which the Executive Directors had to acquire prior to the granting of Matching Share awards, they were required to purchase the rights on their original purchased shares in the scheme in order to trigger the increase in the Matched Share award following the Rights Issue.

How much do you pay Non-executive Directors?

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

Directors' remuneration report

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 Directors' 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 16 July 2009.

PricewaterhouseCoopers LLP has audited Tables 55, 56, 57, 59 and 60 and associated footnotes.

Members of the Committee
The Committee was chaired by Alison Carnwath between 1 April 2008 and 12 November 2008 and thereafter was chaired by David Rough. The other members of the Committee are Alison Carnwath (Chairman of the Board who was an independent Director at the time of her appointment as Chairman), and independent Non-executive Directors Sir Stuart Rose and Bo Lerenius. Details of the membership of the Committee throughout the year to 31 March 2009 are as follows:
David Rough – Chairman from 12 November 2008
Alison Carnwath – Chairman to 12 November 2008
Paul Myners – resigned on 3 October 2008
Sir Winfried Bischoff – retired on 1 April 2008
Sir Stuart Rose
Bo Lerenius

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 her 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

2008/09 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.

Advisors to the Committee
The 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 Chief Executive and 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 65, the Committee's performance is reviewed annually by the Chairman with the assistance of the Company Secretary.

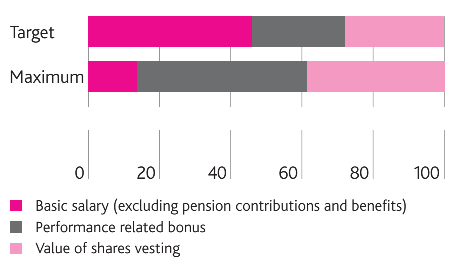
Remuneration policy and philosophy
The Group's remuneration policy seeks to provide remuneration in a form and amount to attract, retain and motivate high quality management, recognising that the Group operates in a competitive market for talent. Emphasis is placed on delivering superior reward for achieving 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 outperform industry performance benchmarks.

A summary of the principal components of Executive Directors' remuneration is set out below. Chart 45 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 9. Tables 52 and 53 show how these elements are aligned.

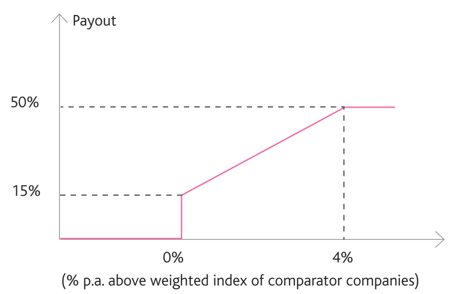
During 2008/09, no changes were made either to the bonus arrangements or to the share incentive plans for Executive Directors. For LTIP grants made from June 2009, the Remuneration Committee has decided to make some changes to vesting conditions to improve alignment of executive incentives with shareholder interests. Previously, EPS growth has governed the vesting of half the LTIP grant. However, following Trillium's departure from the Group, the EPS measure is less relevant, and will be replaced by a relative Total Shareholder Return (TSR) measure. Specifically, Land Securities' three-year TSR performance (share price increase plus reinvested dividends) will be compared against the TSR performance of an index of a comparator group of FTSE 350 Real Estate Companies, weighted based on their market cap at the beginning of the performance period. If Land Securities' TSR performance is below this index, this portion of the LTIP grant will lapse in full. If Land Securities matches the index, 30% of this

Chart 45
What was the balance of fixed versus variable pay? (%)



Source: Organisation

Chart 46
TSR Performance Condition (% of overall LTIP grant vesting)



portion (i.e., 15% of the overall grant) will vest. Full vesting will occur if Land Securities' TSR beats the index by 4% per annum or more, with straight-line vesting in between these points. Chart 46 shows the vesting range.

The Committee may amend the list of comparator companies in the Sector Index, and relative weightings, if circumstances make this necessary (for example, as a result of takeovers or mergers of comparator companies or significant changes in the composition of the Group).

Vesting conditions for the other half of the LTIP grant, based on Total Property Return (TPR) performance relative to a weighted TPR benchmark, are unchanged.

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. After taking account of market conditions, the Committee decided that the Executive Directors should not receive a salary increase to take effect from 1 July 2009.

The current salaries of the Executive Directors are as shown in Table 51.

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 52.

  The Committee calibrates 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 53.

  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.

  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. Any 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 one performance is 1% below the IPD benchmark
  — In year two performance is 3% above the IPD benchmark
  — Payout for year two 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 is 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.

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. 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 £500,000 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.

After taking into account market conditions and the share price performance of the Group, the Committee determined that no bonus payments should be made to the Executive Directors in respect of the financial year to 31 March 2009, with the exception of Ian Ellis who received a bonus in connection with the sale of Trillium.

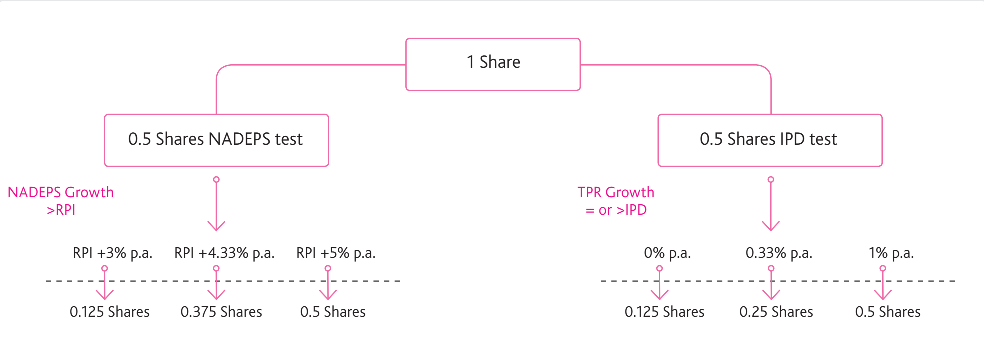
The actual total bonus payouts, inclusive of the additional bonus opportunity described above, that were earned in respect of the financial year ended 31 March 2008 are set out in Table 54.

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 2008/09. 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.

Chart 47
What is the vesting range for LTIP Performance 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 57.

LTIP Matching Shares

Matching share awards are linked to co-investment by participants in shares Table 57.

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 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 two for one 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 47.

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 57. 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 887,914 shares at 31 March 2009.

While awards of LTIP Performance and Matching Shares are normally made in July of each year, as a consequence of the Executive Directors being 'insiders' and prohibited from being granted share awards until the conclusion of the Rights Issue in March 2009, such awards were not made to the Executive Directors until 30 March 2009. Notwithstanding the considerable fall in the Company's share price between July 2008 and March 2009, the Committee decided that the awards made in March 2009 should be based on the share price prevailing in July 2008 (as adjusted for the Rights Issue in March 2009) in order to maintain a consistent approach and comparability with employees below Board level who were granted share awards in July 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 60.

Directors' emoluments

Tables 55 and 56 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 vested in July 2008 as a result of performance measured over a three year period ended 31 March 2008.

Ian Ellis resigned from the Board upon the sale of Trillium on 12 January 2009. Under the terms of the Company's share incentive schemes, which provide for cases where a participant's employment is with a company or business which is sold or transferred outside the Group, he received the following:

- Shares with a market value of £367,025 as a consequence of the early vesting of awards made in 2006 and 2007 of LTIP Performance Shares and LTIP Matching Shares under the LTIP. These awards were subject to pro-rating in respect of the relevant performance conditions and to time pro-rating to the next six month anniversary from the date of the grant, as specified by the rules of this Plan
- Shares with a market value of £534,632 awarded under the Deferred Bonus Plan as a consequence of the early vesting of these awards – the value has previously been disclosed in the Directors' emoluments table in the year of award
- A cash amount of £87,176 in respect of deferred shares which would have been awarded in July 2008, if the Company has not been precluded from granting such awards as a consequence of the Directors being 'insiders' between July 2008 and January 2009. This amount was previously disclosed under the heading of Deferred bonus shares in 2007/08.

In addition, the Committee determined that a bonus of £130,410 representing 30% of salary should be paid to Ian Ellis in recognition of his role in securing a sale of Trillium in extremely challenging market conditions.

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 the base Non-executive Directors' fees were awarded during the

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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	£17,500
Chair of Remuneration Committee	£12,500
Senior Independent Director	£7,500

Sir Christopher Bland served as Non-executive Chairman of Trillium until its sale on 12 January 2009 and received additional fees of £100,000 per annum in respect of that 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 48.

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 48
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	13 November 2008
Sir Christopher Bland	1 April 2008	9 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.

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 49.

Table 49
When were the Executive Directors appointed to the Board?

Name	Date of appointment*	Date of contract
F W Salway	2 April 2001	31 May 2001
M F Greenslade	1 September 2005	1 September 2005
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 2009 are shown in Table 58.

There have been no changes in the shareholdings of the Directors between the end of the financial year and 12 May 2009, save that on 30 April 2009 Alison Carnwath acquired 170 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.

In May 2007, the Committee determined that Francis Salway 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 20 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 16% to 54% of salary, with an average bonus of 27% of salary.

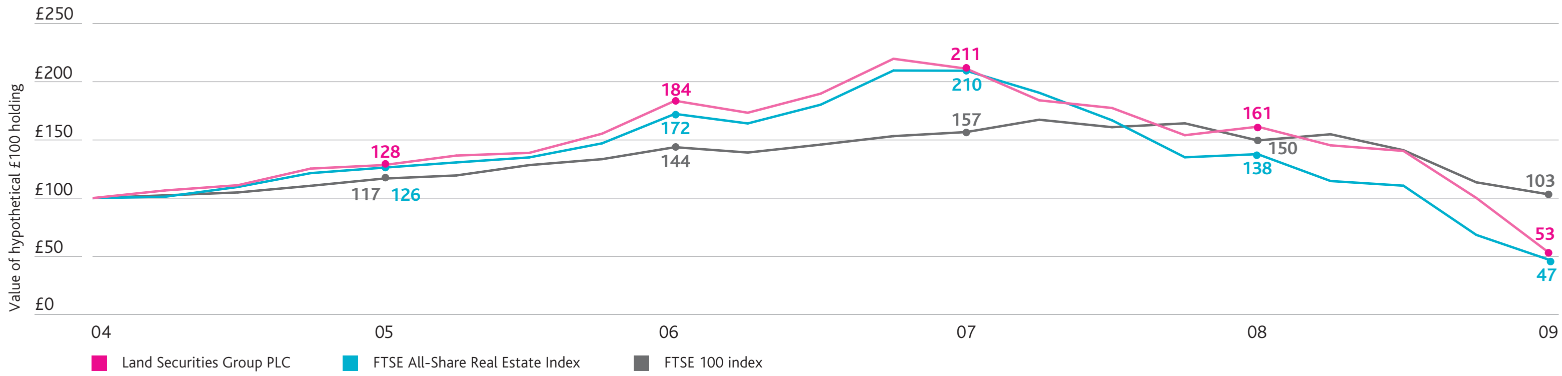
Performance graphs
As required by legislation covering the Directors' remuneration report, Chart 50 illustrates the performance of the Company measured by total shareholder return (share price growth plus dividends paid) against a 'broad equity market index' over a period of five years. As the Company 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 50.

Signed for and on behalf of the Board by

David Rough
Chairman, Remuneration Committee

Chart 50
Historical TSR performance.
A hypothetical £100 holding over five years



Note: Comparisons to indices based on 30 trading day average values
Source: Datastream

Table 51
What are the Executive Directors' salaries?

	Current	From 1 July 2009
F W Salway	£645,000	£645,000
M F Greenslade	£414,000	£414,000
M R Hussey	£434,700	£434,700
R J Akers	£372,600	£372,600

Table 52
What were the criteria for the Directors' 2008/09 bonuses?

F W Salway —Total returns in excess of WACC	Group profit	Performance of all business units	Disposal programme
M F Greenslade —Total returns in excess of WACC	Group profit	Performance of Group support functions	Trillium disposal
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 53

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%
Finance Director	Effective delivery of demerger or, if higher, aggregated performance of London and Retail Businesses relative to the above measures	0%–200%
Chief Executive	50% on effective delivery of demerger and 50% on aggregated performance of London and Retail Businesses relative to the above measures or, if higher, wholly on the latter measure	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 4,600m² at Ebbsfleet Valley, Kent, subject to profitability criteria.

Table 54

What annual bonus was each Director awarded?

Executive Directors	% of year end salary	
	Total bonus earned 2008/09	Total bonus earned 2007/08
Chief Executive	0	212
Group Finance Director	0	210
Managing Director of the Retail Portfolio	0	275
Managing Director of the London Portfolio	0	285

Table 55

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

	Basic salary and fees	Benefits[1]	Bonuses		Deferred bonus shares[2]		Total emoluments excluding pensions	
	2008/09	2008/09	2008/09	2007/08	2008/09	2007/08	2008/09	2007/08
Executive:								
F W Salway	640	22	–	791	–	535	662	1,967
I D Ellis[3] (resigned 12 January 2009)	334	14	130	451	–	87	478	969
M R Hussey	431	19	–	686	–	509	450	1,627
R J Akers	369	19	–	563	–	428	388	1,365
M F Greenslade	411	18	–	501	–	340	429	1,243
	2,185	92	130	2,992	–	1,899	2,407	7,171
Non-Executive:								
D Rough	77	–	–	–	–	–	77	77
W F W Bischoff (retired 1 April 2008)	–	–	–	–	–	–	–	65
S A R Rose	55	–	–	–	–	–	55	55
B A Lerenius	55	–	–	–	–	–	55	55
A J Carnwath[7] (appointed Chairman on 12 November 2008)	155	–	–	–	–	–	155	55
P Myners[8] (resigned 3 October 2008)	128	51	–	–	–	–	179	360
C Bland	133	–	–	–	–	–	133	–
R Haythornthwaite (resigned 5 February 2009)	47	–	–	–	–	–	47	–
K O'Byrne	59	–	–	–	–	–	59	–
	2,894	143	130	2,992	–	1,899	3,167	7,838

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.
3. Ian Ellis received fees of £29,810 from Rok plc in respect of his Non-executive Directorship of that company.
4. Pensions of £67,902 (2008: £61,902) resulting from unfunded historic benefit obligations were paid to former Directors or their dependants.
5. The Performance Share award for 2007/08 represented the value of shares that vested as a result of performance targets satisfied during the year to 31 March 2008.
6. 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.
7. Alison Carnwath will receive a salary of £300,000 per annum for her role as Chairman of the Company.
8. From 1 April 2007, the Company agreed to assume, from Marks and Spencer Group plc, the cost of supplying a driver (including all employment costs) and fleet vehicle for Paul Myners. For 2008/09, the cost of this arrangement to the Company was £51,187.

Table 56

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

	Pensions		Performance shares vested[4]		LTIP and matching shares vested[5]		Gain on exercise of share options	
	2008/09	2007/08	2008/09	2007/08	2008/09	2007/08	2008/09	2007/08
Executive:								
F W Salway	160	155	–	315	270	601	–	–
I D Ellis[3] (resigned 12 January 2009)	83	103	–	260	367	366	–	–
M R Hussey	108	103	–	217	169	355	–	–
R J Akers	98	97	–	122	122	298	–	–
M F Greenslade	103	96	–	–	160	652	–	–
	552	554	–	914	1,088	2,272	–	–
Non-Executive:								
D Rough	–	–	–	–	–	–	–	–
W F W Bischoff (retired 1 April 2008)	–	–	–	–	–	–	–	–
S A R Rose	–	–	–	–	–	–	–	–
B A Lerenius	–	–	–	–	–	–	–	–
A J Carnwath (appointed Chairman on 12 November 2008)	–	–	–	–	–	–	–	–
P Myners[6] (resigned 3 October 2008)	–	–	–	–	–	–	–	–
C Bland	–	–	–	–	–	–	–	–
R Haythornthwaite (resigned 5 February 2009)		–	–		–	–	–	–
K O'Byrne	–	–	–	–	–	–	–	–
Total	552	554	–	914	1,088	2,272	–	–

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.
3. Ian Ellis received fees of £29,810 from Rok plc in respect of his Non-executive Directorship of that company.
4. The Performance Share award for 2007/08 represented the value of shares that vested as a result of performance targets satisfied during the year to 31 March 2008.
5. 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.
6. From 1 April 2007, the Company agreed to assume, from Marks and Spencer Group plc, the cost of supplying a driver (including all employment costs) and fleet vehicle for Paul Myners. For 2008/09, the cost of this arrangement to the Company was £51,187.

Pensions of £67,902 (2008: £61,902) resulting from unfunded historic benefit obligations were paid to former Directors or their dependants.

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Table 57

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	Market price at date of vesting (p)	Vesting date
F W Salway							
—LTIP shares	2008	29/07/05	1393	40,464	40,464	1177	29/07/08
	2009	29/06/06	1592†	33,063†	–	–	29/06/09
	2010	29/06/07	1560†	40,070†	–	–	29/06/10
	2012	30/03/09	1095†	58,914†	–	–	30/03/12
—Matching shares	2009	31/07/06	1778†	33,628†	–	–	31/07/09
	2010	31/07/07	1527†	34,358†	–	–	31/07/10
	2012	30/03/09	1095†	23,434†	–	–	30/03/12
M R Hussey							
—LTIP shares	2008	29/07/05	1393	23,927	23,927	1177	29/07/08
	2009	29/06/06	1592†	21,722†	–	–	29/06/09
	2010	29/06/07	1560†	26,926†	–	–	29/06/10
	2012	30/03/09	1095†	39,705†	–	–	30/03/12
—Matching shares	2009	31/07/06	1778†	20,136†	–	–	31/07/09
	2010	31/07/07	1527†	27,146†	–	–	31/07/10
	2012	30/03/09	1095†	16,208†	–	–	30/03/12
R J Akers							
—LTIP shares	2008	29/07/05	1393	20,056	20,056	1177	29/07/08
	2009	29/06/06	1592†	13,656†	–	–	29/06/09
	2010	29/06/07	1560†	23,079†	–	–	29/06/10
	2012	30/03/09	1095†	25,525†	–	–	30/03/12
—Matching shares	2009	31/07/06	1778†	16,550†	–	–	31/07/09
	2010	31/07/07	1527†	21,090†	–	–	31/07/10
	2012	30/03/09	1095†	12,330†	–	–	30/03/12
M F Greenslade							
—LTIP shares	2008	28/09/05	1471	22,679	22,679	1285	28/09/08
	2009	29/06/06	1592†	20,764†	–	–	29/06/09
	2010	29/06/07	1560†	25,644†	–	–	29/06/10
	2012	30/03/09	1095†	37,815†	–	–	30/03/12
—Matching shares	2008	30/09/05	1479	16,666	16,666	1250	30/09/08
	2008	01/06/06	1621†	5,057†	–	–	01/06/09
	2009	31/07/06	1778†	18,692†	–	–	31/07/09
	2010	31/07/07	1527†	23,000†	–	–	31/07/10
	2012	30/03/09	1095†	14,654†	–	–	31/03/12

*Subject to performance tests (see page 72).
† As adjusted for the Rights Issue in March 2009.

Table 58
What interests in shares do Directors have?

	Ordinary shares		Deferred shares		LTIP performance shares**		Matching shares**	
	2009	2008	2009	2008	2009	2008	2009	2008
F W Salway	208,568	85,310	66,228	26,016	132,047	106,363	91,420	61,262
M R Hussey	101,487	34,957	70,703	28,780	88,353	67,764	63,460	42,606
D Rough	18,524	11,400	–	–	–	–	–	–
S A R Rose	16,250	10,000	–	–	–	–	–	–
B A Lerenius	29,250	18,000	–	–	–	–	–	–
A J Carnwath	116,926	68,620	–	–	–	–	–	–
R J Akers	68,715	23,058	46,901	10,989	62,260	53,159	49,970	33,918
M F Greenslade	60,542	14,045	38,680	6,546	84,223	64,497	61,403	58,793
C Bland	16,250	–	–	–	–	–	–	–
K O'Byrne	1,625	–	–	–	–	–	–	–

**Subject to performance conditions (see page 72)

Table 59
Defined benefit pension scheme (audited)

	Accrued benefit at 31/03/09 £	Increase in accrued benefits excluding inflation £	Increase in accrued benefits including inflation £	Transfer value of increase in accrued benefits excluding inflation £	Transfer value of accrued benefits at 01/04/08 £	Transfer value of accrued benefits at 31/03/09 £	Increase in transfer value net of Directors' contributions £
R J Akers	27,741	1,578	2,824	22,016	352,679	387,102	28,603

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.

Table 60
What options over ordinary shares do Directors have? (audited)

			Granted during year		Exercised during year					
	Note	No of options at 01/04/08†	Number	Grant price (pence)	Number	Exercise price (pence)	Market price on exercise (pence)	No of options at 31/03/09†	Exercise price (pence)†	Exercisable dates
F W Salway	(2)	47,793	–	–	–	–	–	47,793	1,044	07/2007-07/2014
M R Hussey	(2)	26,332	–	–	–	–	–	26,332	1,044	07/2007-07/2014
	(3)	1,915	–	–	–	–	–	1,915	862	10/2009-04/2010
R J Akers	(1)	11,652	–	–	–	–	–	11,652	783	07/2004-07/2011
	(2)	8,600	–	–	–	–	–	8,600	710	07/2006-07/2013
	(2)	12,762	–	–	–	–	–	12,762	1,044	07/2007-07/2014
	(3)	829	–	–	–	–	–	829	862	10/2011-04/2012
		715	–	–	–	–	–	715	1,372	09/2011-03/2012
M F Greenslade	(3)	1,193	–	–	–	–	–	1,193	1,372	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, M R Hussey, R J Akers and M F Greenslade at 31 March 2009 was 47,793, 28,247, 34,558 and 1,193 respectively. The total number of options over ordinary shares held by all Directors at 31 March 2009 was 111,791.

The range of the closing middle market prices as adjusted for the Rights Issue for Land Securities' shares during the year was 341p to 1447p. The closing middle market price on 31 March 2009 was 437p.

† As adjusted for the Rights Issue in March 2009.

Report of the Directors
—Additional disclosures

Share capital
The Company was authorised at the Annual General Meeting held on 17 July 2008 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 2009 Annual General Meeting. No shares were repurchased in the year to 31 March 2009 and following repurchases in earlier periods, the Company currently holds 5,896,000 shares in treasury. A resolution to renew this authority in respect of an amount equal to the nominal value of the unissued ordinary share capital will be proposed at the 2009 Annual General Meeting.

Substantial shareholders
At 12 May 2009 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 61.

Table 61
Which shareholders own over 3% of the Company's shares

	Number of shares	%
Albright Investments	44,197,650	5.85
Legal and General Investment Management Limited	35,247,506	4.67
M&G Investment Management Limited	26,605,507	3.52
ABP Investments	24,113,374	3.19

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 Company has no trade creditors as at 31 March 2009. The Group's creditor payment days as at 31 March 2009 represented 20 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

Peter Dudgeon
Secretary
12 May 2009

Report of the Directors

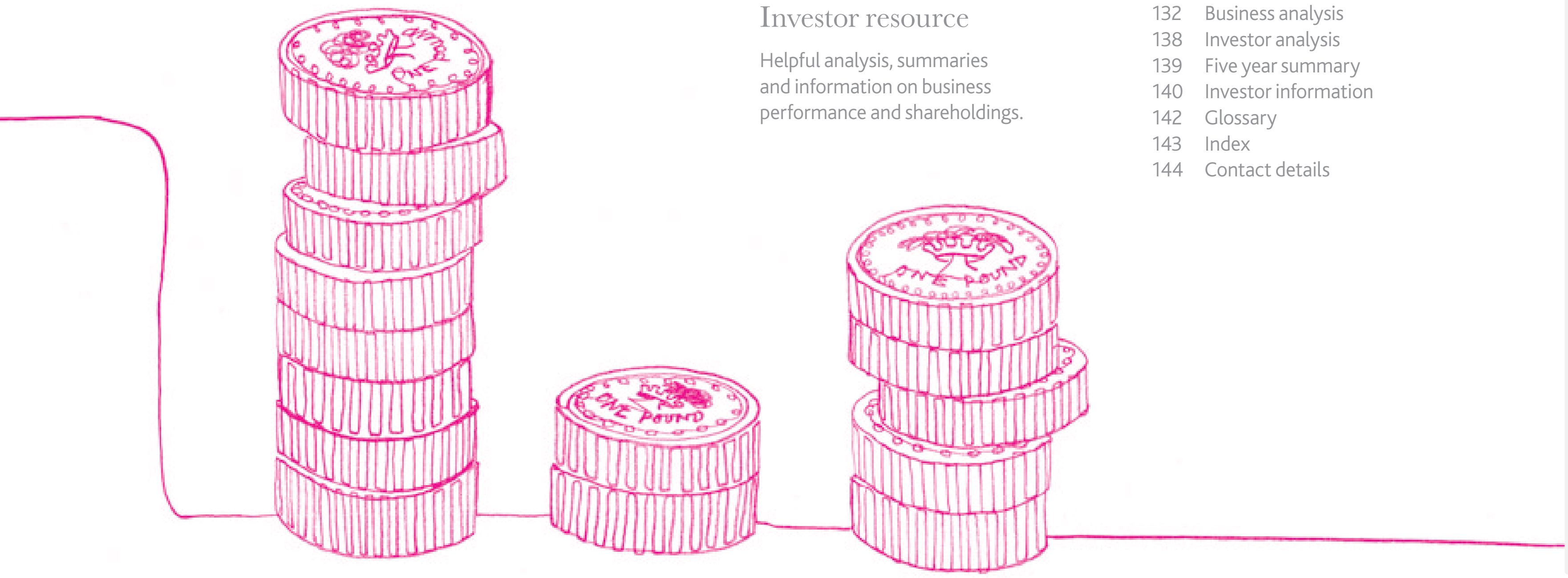
Covering the most significant strategic, financial and operational developments during the year.

Financial statements

Including the independent auditors' report, the income statement, balance sheets and the notes to the financial statements.

Investor resource

Helpful analysis, summaries and information on business performance and shareholdings.



Directors' statement of responsibilities
in respect of the Annual Report and the financial statements

The Annual Report 2009 contains the following statements regarding responsibility for the financial statements and business review included in the Annual Report 2009.

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

Company law requires the Directors 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. In preparing these financial statements, the Directors have also elected to comply with IFRSs issued by the International Accounting Standards Board (IASB). 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 the profit or loss of the Group 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;
- state that the financial statements comply with IFRSs as adopted by the European Union; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

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 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 Company's website www.landsecurities.com. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement
Each of the Directors, whose names are listed below confirm that, to the best of their knowledge:

- the financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and loss of the Company and the undertakings included in the consolidation as a whole;
- the adoption of a going concern basis for the preparation of the financial statements continues to be appropriate based on the foregoing and having reviewed the forecast financial position of the Group; and
- the management reports (which are incorporated into the Directors' report) contained in the Annual Report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation as a whole, together with a description of the principal risks and uncertainties that they face.

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

The Board of Directors
Alison Carnwath*, Chairman
Francis Salway, Chief Executive
David Rough*
Martin Greenslade
Bo Lerenius*
Mike Hussey
Sir Stuart Rose*
Richard Akers
Sir Christopher Bland*
Kevin O'Byrne*

*Non-executive Directors

By order of the Board

Peter Dudgeon
Secretary
12 May 2009

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 2009 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements 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 Statement of Directors' Responsibilities.

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 other 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 Directors' Report is consistent with the financial statements. The information given in the Directors' Report comprises the items listed under the heading 'Report of the Directors'.

In addition we 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'. 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 2009 and of its loss and cash flows for the year then ended;
- the Parent Company's 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 2009 and 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 Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
12 May 2009

Income statement
—for the year ended 31 March 2009

Group	Notes	2009 £m	2008 (restated)[1] £m
Continuing activities			
Group revenue[2]	4	**821.2**	818.0
Costs		**(326.4)**	(317.4)
		494.8	500.6
(Loss)/profit on disposal of non-current properties	4	**(130.8)**	57.3
Net deficit on revaluation of investment properties	4	**(4,113.4)**	(1,158.4)
Impairment of trading properties	4	**(92.3)**	–
Operating loss	5	**(3,841.7)**	(600.5)
Interest expense	8	**(365.0)**	(312.3)
Interest income	8	**32.5**	25.9
		(4,174.2)	(886.9)
Share of the loss of joint ventures (post-tax)	20	**(599.0)**	(101.1)
Loss before tax		**(4,773.2)**	(988.0)
Income tax	10	**(0.5)**	15.1
Loss for the financial year from continuing activities		**(4,773.7)**	(972.9)
Discontinued operations	42	**(420.9)**	142.1
Loss for the financial year		**(5,194.6)**	(830.8)
Attributable to:			
Equity holders of the Company	37	**(5,191.3)**	(830.8)
Minority interests		**(3.3)**	–
Loss for the financial year		**(5,194.6)**	(830.8)
(Loss)/earnings per share attributable to the equity holders of the Company (pence)[3,4]			
Basic (loss)/earnings per share	11	**(999.04)**	(160.90)
of which from: continuing activities	11	**(918.04)**	(188.43)
of which from: discontinued operations	11	**(81.00)**	27.53
Diluted (loss)/earnings per share	11	**(999.04)**	(160.90)
of which from: continuing activities	11	**(918.04)**	(188.43)
of which from: discontinued operations	11	**(81.00)**	27.53

1. Restated to reclassify the results of Trillium from continuing activities to discontinued operations.
2. Group revenue excludes the share of joint ventures' income of **£103.3m** (2008: £111.6m) (see note 20).
3. Adjusted earnings per share from continuing activities is given in note 11.
4. The (loss)/earnings per share figures for the year ended 31 March 2008 have been restated to reflect the bonus element inherent in the Rights Issue that was approved on 9 March 2009.

Statement of recognised income and expense
—for the year ended 31 March 2009

Group	2009 £m	2008 £m
Actuarial (losses)/gains on defined benefit pension schemes	**(11.1)**	15.8
Deferred tax credit/(charge) on actuarial losses/(gains) on defined benefit pension schemes	**0.6**	(0.9)
Fair value movement on cash flow hedges taken to equity – Group	**(0.2)**	(3.2)
– joint ventures	**(21.3)**	(3.5)
Net (expense)/income recognised directly in equity	**(32.0)**	8.2
Loss for the financial year	**(5,194.6)**	(830.8)
Total recognised income and expense for the year	**(5,226.6)**	(822.6)
Attributable to:		
Equity holders of the Company	**(5,223.3)**	(822.6)
Minority interests	**(3.3)**	–
Total recognised income and expense for the year	**(5,226.6)**	(822.6)

Company

The Company has no recognised income or expense other than that recognised in the Company's income statement.

Balance sheets
—at 31 March 2009

	Notes	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Non-current assets					
Investment properties	13	**7,929.4**	12,296.7	**–**	–
Operating properties	14	**–**	544.8	**–**	–
Other property, plant and equipment	15	**14.3**	73.6	**–**	–
Net investment in finance leases	16	**116.3**	333.7	**–**	–
Goodwill	17	**–**	148.6	**–**	–
Investment in an associate undertaking	18	**–**	42.9	**–**	–
Loans to third parties	19	**50.0**	–	**–**	–
Investments in joint ventures	20	**930.8**	1,410.6	**–**	–
Investments in Public Private Partnerships	21	**–**	25.4	**–**	–
Investments in subsidiary undertakings	22	**–**	–	**4,828.5**	5,054.6
Pension surplus	33	**3.0**	11.0	**–**	–
Deferred tax assets	34	**1.9**	0.9	**–**	–
Total non-current assets		**9,045.7**	14,888.2	**4,828.5**	5,054.6
Current assets					
Trading properties and long-term development contracts	23	**94.9**	173.0	**–**	–
Derivative financial instruments	29	**–**	4.3	**–**	–
Trade and other receivables	24	**392.1**	838.0	**8.8**	386.2
Cash and cash equivalents	25	**1,639.0**	48.4	**105.1**	69.5
Total current assets (excluding non-current assets classified as held for sale)		**2,126.0**	1,063.7	**113.9**	455.7
Non-current assets classified as held for sale	26	**–**	664.1	**–**	–
Total current assets		**2,126.0**	1,727.8	**113.9**	455.7
Total assets		**11,171.7**	16,616.0	**4,942.4**	5,510.3
Current liabilities					
Short-term borrowings and overdrafts	30	**(1.1)**	(794.0)	**–**	–
Derivative financial instruments	29	**(112.0)**	(10.7)	**–**	–
Trade and other payables	27	**(625.8)**	(927.2)	**(118.9)**	(874.7)
Provisions	28	**–**	(40.9)	**–**	–
Current tax liabilities		**(161.5)**	(161.0)	**–**	(2.4)
Total current liabilities (excluding liabilities associated with non-current assets classified as held for sale)		**(900.4)**	(1,933.8)	**(118.9)**	(877.1)
Liabilities directly associated with non-current assets classified as held for sale	26	**–**	(427.7)	**–**	–
Total current liabilities		**(900.4)**	(2,361.5)	**(118.9)**	(877.1)
Non-current liabilities					
Provisions	28	**–**	(36.7)	**–**	–
Borrowings	30	**(5,449.5)**	(4,632.5)	**–**	–
Deferred tax liabilities	34	**(1.6)**	(2.4)	**–**	–
Total non-current liabilities		**(5,451.1)**	(4,671.6)	**–**	–
Total liabilities		**(6,351.5)**	(7,033.1)	**(118.9)**	(877.1)
Net assets		**4,820.2**	9,582.9	**4,823.5**	4,633.2
Equity					
Capital and reserves attributable to equity holders of the Company					
Ordinary shares	36	**76.2**	47.1	**76.2**	47.1
Share premium	37	**785.2**	56.6	**785.2**	56.6
Capital redemption reserve	37	**30.5**	30.5	**30.5**	30.5
Merger reserve	37	**–**	–	**373.6**	373.6
Share-based payments	37	**8.1**	11.3	**8.1**	17.5
Retained earnings	37	**3,935.9**	9,459.7	**3,549.9**	4,107.9
Own shares	37	**(12.4)**	(22.3)	**–**	–
Equity attributable to equity holders of the Company	37	**4,823.5**	9,582.9	**4,823.5**	4,633.2
Minority interest in equity		**(3.3)**	–	**–**	–
Total equity		**4,820.2**	9,582.9	**4,823.5**	4,633.2

The financial statements on pages 84 to 130 were approved by the Board of Directors on 12 May 2009 and were signed on its behalf by:

F W Salway **M F Greenslade**
Directors

Cash flow statements
—for the year ended 31 March 2009

	Notes	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Net cash generated from operations					
Cash generated from operations	39	**651.3**	696.5	**(395.4)**	433.2
Interest paid		**(283.6)**	(338.3)	**(53.9)**	(26.6)
Interest received		**10.4**	10.7	**20.0**	14.7
Employer contributions to pension scheme	33	**(4.2)**	(2.0)	**–**	–
Corporation tax (paid)/received		**(6.7)**	(367.7)	**9.6**	8.3
Net cash inflow/(outflow) from operations		**367.2**	(0.8)	**(419.7)**	429.6
Cash flows from investing activities					
Investment property development expenditure		**(208.6)**	(415.3)	**–**	–
Acquisition of investment properties		**(85.3)**	(722.6)	**–**	–
Other investment property related expenditure		**(174.1)**	(80.0)	**–**	–
Acquisition of properties by Trillium		**(0.8)**	(158.3)	**–**	–
Capital expenditure by Trillium		**(46.5)**	(35.0)	**–**	–
Capital expenditure on properties		**(515.3)**	(1,411.2)	**–**	–
Disposal of non-current investment properties		**792.7**	1,047.0	**–**	–
Disposal of non-current operating properties		**30.3**	33.7	**–**	–
Net proceeds/(expenditure) on properties		**307.7**	(330.5)	**–**	–
Net expenditure on non-property related non-current assets		**(0.6)**	(15.4)	**–**	–
Net cash inflow/(outflow) from capital expenditure		**307.1**	(345.9)	**–**	–
Receivable finance leases acquired		**–**	(82.1)	**–**	–
Receipts in respect of receivable finance leases		**11.7**	0.8	**–**	–
Receipts from the disposal of discontinued activities		**–**	424.9	**–**	–
Loans advanced to third parties	19	**(50.0)**	–	**–**	–
Investment in joint ventures		**(21.1)**	–	**–**	–
Net loans to joint ventures and cash contributed		**(117.5)**	(75.3)	**–**	–
Distributions from joint ventures		**21.6**	75.1	**–**	–
Acquisition of PPP investments		**–**	(8.2)	**–**	–
Net cash received from disposal group		**113.5**	296.5	**–**	–
Cash proceeds from disposal of Trillium (net of cash divested)	42	**392.7**	–	**–**	–
Acquisitions of Group undertakings (net of cash acquired)		**–**	(158.5)	**–**	–
Net cash received from investing activities		**658.0**	127.3	**–**	–
Cash flows from financing activities					
Proceeds from Rights Issue	36	**755.7**	–	**755.7**	–
Issue of shares arising from exercise of share options	36	**2.0**	5.2	**2.0**	5.2
Purchase of own share capital		**–**	(87.6)	**–**	–
Increase in debt	30	**120.6**	260.6	**–**	–
Increase in monies held in restricted accounts and deposits	25	**(29.9)**	–	**–**	–
Decrease in finance leases payable		**(9.4)**	(2.0)	**–**	–
Dividends paid to ordinary shareholders	9	**(302.4)**	(308.4)	**(302.4)**	(308.4)
Net cash inflow/(outflow) from financing activities		**536.6**	(132.2)	**455.3**	(303.2)
Increase/(decrease) in cash and cash equivalents for the year[1]		**1,561.8**	(5.7)	**35.6**	126.4
Cash and cash equivalents at the beginning of the year[1]	25	**47.0**	52.7	**69.5**	(56.9)
Cash and cash equivalents at the end of the year[1]	25	**1,608.8**	47.0	**105.1**	69.5

1. Cash and cash equivalents for the purposes of the cash flow statement excludes monies held in restricted accounts and deposits and includes overdrafts.
The Group cash flow includes the cash flows relating to the Trillium discontinued operations up to the date of disposal on 12 January 2009. Further details are included in note 42.

	Notes	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Cash and cash equivalents (cash flow statements)	25	**1,608.8**	47.0	**105.1**	69.5
Overdrafts		**0.3**	1.4	**–**	–
Monies held in restricted accounts and deposits	25	**29.9**	–	**–**	–
Cash and cash equivalents (balance sheet)		**1,639.0**	48.4	**105.1**	69.5

Notes to the financial statements
—for the year ended 31 March 2009

1. Basis of preparation
These financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC Interpretations and 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 2008, as amended to reflect the adoption of the new Standards, Amendments to Standards and Interpretations which are mandatory for the year ended 31 March 2009. In most cases, these new requirements are not relevant for the Group. This is the case for IFRIC12 'Service Concession Arrangements', IFRIC14 'IAS19 The limit on a defined benefit asset, minimum funding requirements and their interaction' and IFRIC13, 'Customer loyalty programmes'.

The following new Standards and Interpretations have been issued but are not effective for the year ended 31 March 2009, and have not been adopted early, IAS23 (amendment) (effective from 1 January 2009), 'Borrowing costs', IAS1 (revised) (effective from 1 January 2009) 'Presentation of financial statements', IFRS2 (amendment), 'Share-based payment' (effective from 1 January 2009), IAS32 (amendment), 'Financial instruments: Presentation', and IAS1 (amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009), IFRS1 (amendment), 'First time adoption of IFRS', and IAS27, 'Consolidated and separate financial statements', (effective from 1 January 2009), IFRS8 'Operating Segments' and IFRS3 (revised) 'Business Combinations' (effective from 1 July 2009). 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 and are disclosed in note 3.

As a result of the disposal of Trillium on 12 January 2009, and in compliance with IFRS5 'Non-current assets held for sale and discontinued operations', the 2008 comparatives, where relevant, have been restated to classify the disposed Trillium operations as 'Discontinued Operations'. In addition, the Accor hotel portfolio, which was previously reported as part of the Trillium business segment and has been retained by the Group, has been classified as 'Retail Portfolio' and the 2008 segmental comparatives have been restated to reflect this reclassification.

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 £273.6m (2008: loss of £15.3m).

2. Significant accounting policies
(a) Basis of consolidation
The consolidated financial statements for the year ended 31 March 2009 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 IAS31 'Interests in joint ventures' and following the procedures for this method set out in IAS28 'Investments in associates'. Associates are also accounted for using the equity method. The equity method requires the Group's share of the joint venture's 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 venture's and associate's net assets to be presented separately in the balance sheet. Joint ventures with net liabilities are carried at zero value in the balance sheet where there is no commitment to fund the deficit and any distributions are included in the consolidated income statement for the year.

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.

The majority of subsidiaries and joint ventures have the same year end as the Company; however, a small number of subsidiaries and joint ventures have non-coterminous year ends. In these circumstances, management accounts prepared to 31 March are used for the purpose of the Group consolidation.

(b) 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, the pension surplus and deferred tax assets. Unallocated liabilities include short-term borrowings and overdrafts, and certain non-current liabilities (borrowings and deferred tax liabilities).

(c) 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 re-measurement 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 re-measured to fair value as at the date of the transfer with any gain or loss being taken to the income statement. The re-measured amount becomes the deemed cost at which the property is then carried in trading properties.

Notes to the financial statements
—for the year ended 31 March 2009 continued

2. Significant accounting policies continued

(c) Investment properties continued

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 re-measured to fair value at each reporting date. Any gain or loss on re-measurement 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 re-measurement accounted for in accordance with the foregoing policy.

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.

(d) Property, plant and equipment

Operating properties

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

The estimated useful lives were 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.

(e) 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. In accordance with IFRS3 'Business combinations', the goodwill is not amortised but is reviewed for impairment at each reporting date.

(f) 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.

(g) 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.

(h) 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.

(i) 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 cash flows.

(j) 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.

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.

(k) Trade and other payables

Trade and other payables are stated at cost; cost equates to fair value.

(l) 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 cash flows 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.

(m) 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 IAS39), 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.

(n) Pension 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

Notes to the financial statements
—for the year ended 31 March 2009 continued

are recognised immediately in the statement of recognised income and expense.

Contributions to defined contribution schemes are charged to the income statement as incurred.

(o) 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 from the proceeds.

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.

(p) 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 if the performance criteria are not market related.

(q) Revenue
The Group recognises revenue on an accruals basis 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, 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.

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.

(r) Expenses
Property and contract expenditure is expensed as incurred with the exception of expenditure on long-term development contracts (see (g) 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 IAS40 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 (q) above) are charged as an expense in the periods in which they are incurred.

(s) Impairment
The carrying amounts of the Group's non-financial assets, other than investment properties (see (c) 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.

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 cash flows 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.

(t) 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.

Where hedge accounting is applied the Group documents, at the inception of the transaction, the relationship between the hedging instruments and the 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 cash flows of hedged items.

All derivatives are initially recognised at fair value at the date the derivative is entered into and are subsequently re-measured 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 cash flows 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.

- Cash flow 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. Where 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.

(u) 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.

Notes to the financial statements
—for the year ended 31 March 2009 continued

2. Significant accounting policies continued

(u) Income tax continued

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.

(v) 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.

(w) 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.

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) Investment property valuation

The Group uses the valuation performed by its external valuers, Knight Frank LLP, as the fair value of its investment properties.

The valuation of the Group's property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental revenues from that particular property. As a result, the valuations the Group places on its property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility or low transaction flow in the commercial property market, as has recently been the case.

The investment property valuation contains a number of assumptions upon which Knight Frank LLP has based its valuation of the Group's properties as at 31 March 2009. The assumptions on which the Property Valuation Report has been based include, but are not limited to, matters such as the tenure and tenancy details for the properties, ground conditions at the properties and the structural condition of the properties, prevailing market yields and comparable market transactions. These assumptions are market standard and accord with the RICS Valuation Standards. However, if any assumptions made by the property valuer prove to be false, this may mean that the value of the Group's properties differs from their valuation, which could have a material effect on the Group's financial condition.

Investor sentiment towards property investment weakened during 2008 and so far in 2009, and there were relatively fewer property acquisitions and disposals than in 2007. Assessing property valuations is therefore inherently more uncertain in current market conditions as there is a more limited number of comparable transactions against which to assess the value of a particular property. Therefore, it is likely that, in the current environment, commercial property prices and values may continue to be subject to heightened volatility.

(b) 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.

(c) 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 valuations performed by its external valuer, Knight Frank LLP.

The estimation of the net realisable value of the Group's trading properties, especially the development land and infrastructure programmes, is inherently subjective due to a number of factors, including their complexity, unusually large size, the substantial expenditure required and long timescales to completion. In addition, as a result of these timescales to completion, the plans associated with these programmes could be subject to significant variation. As a result, and similar to the valuation of investment properties, the net realisable values of the Group's trading properties are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate.

If the assumptions upon which the external valuer has based their valuation prove to be false, this may have an impact on the net realisable value of the Group's properties, which would in turn have an effect on the Group's financial condition.

(d) 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.

(e) Valuation of interest-rate swaps

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the balance sheet date.

(f) 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.

Notes to the financial statements
—for the year ended 31 March 2009 continued

4. Segmental information

Group	2009			2008 (restated)[1]		
Income statements	**Retail Portfolio £m**	**London Portfolio £m**	**Total £m**	Retail Portfolio £m	London Portfolio £m	Total £m
Rental income	**302.8**	**338.9**	**641.7**	302.9	335.2	638.1
Service charge income	**48.6**	**64.8**	**113.4**	47.5	53.7	101.2
Trading property sale proceeds	**8.8**	**0.4**	**9.2**	1.3	42.3	43.6
Long-term development contract income	**–**	**48.9**	**48.9**	–	26.3	26.3
Finance lease interest	**2.7**	**5.3**	**8.0**	2.9	5.9	8.8
Revenue	**362.9**	**458.3**	**821.2**	354.6	463.4	818.0
Rents payable	**(11.6)**	**(4.6)**	**(16.2)**	(11.0)	(5.3)	(16.3)
Other direct property or contract expenditure	**(79.9)**	**(83.2)**	**(163.1)**	(65.9)	(73.5)	(139.4)
Indirect property or contract expenditure	**(33.8)**	**(30.4)**	**(64.2)**	(35.7)	(30.3)	(66.0)
Long-term development contract expenditure	**–**	**(45.1)**	**(45.1)**	–	(24.3)	(24.3)
Cost of sales of trading properties	**(6.6)**	**(0.1)**	**(6.7)**	(0.9)	(39.9)	(40.8)
Depreciation	**(1.9)**	**(4.8)**	**(6.7)**	(2.3)	(5.5)	(7.8)
Underlying segment operating profit	**229.1**	**290.1**	**519.2**	238.8	284.6	523.4
(Loss)/profit on disposal of non-current properties	**(54.8)**	**(76.0)**	**(130.8)**	16.4	40.9	57.3
Net deficit on revaluation of investment properties	**(1,923.1)**	**(2,190.3)**	**(4,113.4)**	(693.7)	(464.7)	(1,158.4)
Impairment of trading properties	**–**	**(92.3)**	**(92.3)**	–	–	–
Segment result	**(1,748.8)**	**(2,068.5)**	**(3,817.3)**	(438.5)	(139.2)	(577.7)
Demerger costs			**(10.2)**			(9.8)
Unallocated expenses			**(14.2)**			(13.0)
Operating loss			**(3,841.7)**			(600.5)
Net interest expense (note 8)			**(332.5)**			(286.4)
			(4,174.2)			(886.9)
Share of the loss of joint ventures (post-tax)						
– Retail Portfolio			**(554.7)**			(86.7)
– London Portfolio			**(44.3)**			(14.4)
			(599.0)			(101.1)
Loss before tax from continuing activities			**(4,773.2)**			(988.0)

1. In compliance with IFRS5, the 2008 Group comparatives have been restated as the Trillium discontinued operations have been removed from continuing activities and the operations of the Accor hotels contract has been included within Retail Portfolio. In addition, following a review of the Group's management structure the 'Other Investment Portfolio' segment has been reallocated to 'Retail Portfolio' and 'London Portfolio' on the basis of how they are managed.

Included within rents payable is finance lease interest payable of **£2.5m** (2008: £2.0m) and **£1.8m** (2008: £2.8m) respectively for Retail Portfolio and London Portfolio.

Notes to the financial statements
—for the year ended 31 March 2009 continued

4. Segmental information continued

Group			2009				2008 (restated)[2]
Balance sheets	**Retail Portfolio £m**	**London Portfolio £m**	**Total £m**	Retail Portfolio £m	London Portfolio £m	Discontinued operations £m	Total £m
Investment properties	**3,205.4**	**4,724.0**	**7,929.4**	5,100.6	7,069.6	126.5	12,296.7
Operating properties	**–**	**–**	**–**	–	–	544.8	544.8
Other property, plant and equipment	**4.7**	**9.6**	**14.3**	8.0	11.7	53.9	73.6
Net investment in finance leases	**48.5**	**67.8**	**116.3**	53.2	104.8	175.7	333.7
Goodwill	**–**	**–**	**–**	–	–	148.6	148.6
Investments in Public Private Partnerships	**–**	**–**	**–**	–	–	25.4	25.4
Investment in an associate undertaking	**–**	**–**	**–**	–	–	42.9	42.9
Investments in joint ventures	**906.9**	**23.9**	**930.8**	1,377.4	28.1	5.1	1,410.6
Trading properties and long-term development contracts	**10.0**	**84.9**	**94.9**	16.5	152.5	4.0	173.0
Trade and other receivables	**201.4**	**190.7**	**392.1**	215.0	411.2	211.5	837.7
Non-current assets classified as held for sale	**–**	**–**	**–**	–	–	664.1	664.1
Segment assets	**4,376.9**	**5,100.9**	**9,477.8**	6,770.7	7,777.9	2,002.5	16,551.1
Unallocated assets			**1,693.9**				64.9
Total assets			**11,171.7**				16,616.0
Trade and other payables	**(335.9)**	**(241.3)**	**(577.2)**	(286.7)	(243.9)	(334.1)	(864.7)
Provisions	**–**	**–**	**–**	–	–	(77.6)	(77.6)
Liabilities directly associated with non-current assets classified as held for sale	**–**	**–**	**–**	–	–	(427.7)	(427.7)
Segment liabilities	**(335.9)**	**(241.3)**	**(577.2)**	(286.7)	(243.9)	(839.4)	(1,370.0)
Unallocated liabilities			**(5,774.3)**				(5,663.1)
Total liabilities			**(6,351.5)**				(7,033.1)
Other segment items							
Capital expenditure	**147.6**	**272.0**	**419.6**	220.1	368.5	51.7	640.3

2. The 2008 Group comparatives have been restated to include the Accor hotels contract within the Retail Portfolio following the disposal of the Trillium discontinued operations.

All the Group's operations are in the UK and, following the disposal of Trillium on 12 January 2009, are organised into two main business segments against which the Group reports its primary segmental information, being Retail Portfolio and London Portfolio.

Company

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

5. Operating loss

Group	**2009 £m**	2008 (restated)[1] £m
The following items have been charged or (credited) in arriving at operating loss from continuing activities:		
Depreciation:		
Investment properties (note 13)	**2.1**	2.9
Other property, plant and equipment (note 15)	**4.6**	4.9
Impairment of trading properties (note 23)	**92.3**	–
Loss/(profit) on disposal of non-current properties	**130.8**	(57.3)
Bad debts written off and provision for doubtful debts (note 24)	**10.5**	3.6
Employee costs – continuing activities (note 6)	**59.9**	56.8
Auditor remuneration (note 7)	**1.4**	3.1

1. In compliance with IFRS5, the 2008 Group comparatives have been restated to remove the items charged/(credited) in relation to the Trillium discontinued operations.

Notes to the financial statements
—for the year ended 31 March 2009 continued

6. Employee costs

Group	Continuing activities Number 2009	Discontinued operations Number 2009	Total Number 2009	Continuing activities Number 2008	Discontinued operations Number 2008	Total Number 2008
The average monthly number of employees during the year, excluding Directors were:						
Indirect property or contract and administration	**471**	**165**	**636**	461	154	615
Direct property or contract services:						
Full-time	**173**	**780**	**953**	193	772	965
Part-time	**51**	**20**	**71**	49	18	67
	695	**965**	**1,660**	703	944	1,647

Group	Continuing activities £m 2009	Discontinued operations[1] £m 2009	Total £m 2009	Continuing activities £m 2008	Discontinued operations £m 2008	Total £m 2008
Employee costs						
Salaries	**46.3**	**43.4**	**89.7**	45.1	46.0	91.1
Social security	**5.2**	**4.9**	**10.1**	5.0	5.3	10.3
Other pension (note 33)	**3.6**	**–**	**3.6**	3.9	0.2	4.1
Share-based payments (note 35)	**4.8**	**3.8**	**8.6**	2.8	2.2	5.0
	59.9	**52.1**	**112.0**	56.8	53.7	110.5

1. The employee costs for discontinued operations relates to the employee costs of Trillium for the period from 1 April 2008 to 12 January 2009, the date of disposal.

Group	2009 £m	2008 £m
Directors		
Aggregate emoluments excluding pensions	**3.2**	10.9
Company contributions to pension schemes	**0.6**	0.6
	3.8	11.5

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

Four Directors (2008: five) have retirement benefits accruing under money purchase pension schemes. Retirement benefits accrue to **one** Director (2008: 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 76 to 79.

7. Auditor remuneration

Group	2009 £m	2008 £m
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	**0.4**	0.6
Audit fees in respect of the audit of subsidiary undertakings and associates	**0.3**	0.4
Fees for services supplied pursuant to legislation	**0.1**	0.1
Services relating to taxation	**0.1**	0.2
Other services in relation to the demerger	**0.5**	1.1
Other services in relation to the disposal of Trillium[1]	**0.6**	–
Other services in relation to the sale of Trillium Investment Partners LP	**–**	0.7
Other services in relation to the Rights Issue[2]	**0.3**	–
	1.4	1.8
	2.3	3.1

1. Included within discontinued operations.
2. Charged directly to equity.

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 Chairman of the Audit Committee.

Notes to the financial statements
—for the year ended 31 March 2009 continued

8. Net interest expense

	Group		Company	
	2009 £m	2008 (restated)[1] £m	2009 £m	2008 £m
Interest expense				
Bond and debenture debt	**(191.1)**	(195.1)	**–**	–
Bank borrowings	**(95.4)**	(127.1)	**–**	–
Other interest payable	**(0.9)**	(2.0)	**(53.9)**	(26.6)
Fair value losses on interest-rate swaps	**(102.1)**	(21.9)	**–**	–
Amortisation of bond exchange de-recognition	**(11.7)**	(7.6)	**–**	–
Interest on pension scheme liabilities	**(7.5)**	(7.1)	**–**	–
	(408.7)	(360.8)	**(53.9)**	(26.6)
Interest capitalised in relation to properties under development	**43.7**	48.5	**–**	–
Total interest expense	**(365.0)**	(312.3)	**(53.9)**	(26.6)
Interest income				
Short-term deposits	**2.7**	1.6	**0.5**	–
Long-term investment loans	**0.7**	–	**–**	–
Gain on disposal of foreign-exchange contract	**2.7**	–	**–**	–
Other interest receivable	**1.5**	1.3	**19.5**	14.7
Interest receivable from joint ventures	**16.8**	15.0	**–**	–
Expected return on pension scheme assets	**8.1**	8.0	**–**	–
Total interest income	**32.5**	25.9	**20.0**	14.7
Net interest expense	**(332.5)**	(286.4)	**(33.9)**	(11.9)

1. In compliance with IFRS5, the 2008 Group comparatives have been restated to remove the net interest expense in relation to the Trillium discontinued operations.

Included within rents payable (note 4) is finance lease interest payable of **£4.3m** (2008: £4.8m).

9. Dividends

Group and Company	Payment date	Restated[1] per share pence	Actual per share pence	2009 £m	2008 £m
Ordinary dividends paid					
For the year ended 31 March 2007:					
Final dividend	23 July 2007	30.6	34.0	**–**	159.5
For the year ended 31 March 2008:					
First quarter	26 October 2007	14.4	16.0	**–**	74.5
Second quarter	7 January 2008	14.4	16.0	**–**	74.4
Third quarter	25 April 2008	14.4	16.0	**74.4**	–
Final quarter	28 July 2008	14.4	16.0	**74.4**	–
For the year ended 31 March 2009:					
First quarter	24 October 2008	14.9	16.5	**76.8**	–
Second quarter	12 January 2009	14.9	16.5	**76.8**	–
				302.4	308.4

1. The restated dividend per share represents the theoretical dividend per share that would have been paid had the bonus shares inherent in the Rights Issue been in existence at the relevant dividend dates.

The Board has proposed a final quarterly dividend for the year ended 31 March 2009 of **7.0p** per share (2008: 16.0p) which will result in a further distribution of **£53.3m** (2008: £74.4m). It will be paid on 24 July 2009 to shareholders who are on the Register of Members on 19 June 2009. The final dividend is in addition to the third quarterly dividend of **16.5p** or **£76.8m** paid on 24 April 2009 (2008: 16.0p or £74.4m). The total dividend paid and proposed in respect of the year ended 31 March 2009 is **56.5p** (2008: 64.0p). All numbers relate to actual dividends paid or proposed as opposed to restated dividends.

Notes to the financial statements
—for the year ended 31 March 2009 continued

10. Income tax

	Group 2009 £m	Group 2008 (restated)[1] £m	Company 2009 £m	Company 2008 £m
Current tax				
Corporation tax credit for the year	–	(14.9)	**(15.2)**	(6.6)
Adjustment in respect of prior years	**0.3**	(0.6)	–	–
Corporation tax in respect of property disposals	–	0.5	–	–
Total current tax expense/(credit)	**0.3**	(15.0)	**(15.2)**	(6.6)
Deferred tax				
Origination and reversal of timing differences	**0.2**	(0.1)	–	–
Total deferred tax expense/(credit)	**0.2**	(0.1)	–	–
Total income tax expense/(credit) in the income statement	**0.5**	(15.1)	**(15.2)**	(6.6)

1. In compliance with IFRS5, the 2008 Group comparatives have been restated to remove the taxes which related to the Trillium discontinued operations.

The tax for the year is lower than the standard rate of corporation tax in the UK of **28%** (2008: 30%). The differences are explained below:

	Group 2009 £m	Group 2008 (restated)[1] £m	Company 2009 £m	Company 2008 £m
Loss on activities before taxation	**(4,773.2)**	(988.0)	**(288.8)**	(21.9)
Loss on activities multiplied by the rate of corporation tax in the UK of **28%** (2008: 30%)	**(1,336.5)**	(296.4)	**(80.9)**	(6.6)
Effects of:				
Corporation tax on disposal of non-current assets	–	5.1	–	–
Joint venture accounting adjustments	–	0.9	–	–
Prior year corporation tax adjustments	**0.3**	(0.6)	–	–
Prior year deferred tax adjustments	**(1.1)**	(0.4)	–	–
Non-allowable expenses and non-taxable items	**4.5**	12.0	**65.7**	–
Losses carried forward	**25.7**	–	–	–
Exempt property rental profits and revaluations in the year	**1,343.1**	283.5	–	–
Exempt property gains in the year	**(35.5)**	(19.2)	–	–
Total income tax expense/(credit) in the income statement (as above)	**0.5**	(15.1)	**(15.2)**	(6.6)

1. In compliance with IFRS5, the 2008 Group comparatives have been restated to remove the taxes which related to the Trillium discontinued operations.

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.

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 **£211.0m** (2008: £216.0m) could be released in the future.

11. (Loss)/earnings per share

Group	2009 £m	2008 (restated)[1] £m
(Loss)/profit for the financial year attributable to the equity holders of the Company	**(5,191.3)**	(830.8)
of which from: continuing activities attributable to the equity holders of the Company	**(4,770.4)**	(972.9)
of which from: discontinued operations attributable to the equity holders of the Company	**(420.9)**	142.1

1. In compliance with IFRS5, the 2008 Group comparatives have been restated to reclassify the profit arising from the Trillium discontinued operations from continuing activities to discontinued operations.

Notes to the financial statements
—for the year ended 31 March 2009 continued

11. (Loss)/earnings per share continued

Management has chosen to disclose adjusted earnings per share from continuing activities 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. 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.

	2009 £m	2008 (restated)[2] £m
Loss for the financial year from continuing activities attributable to equity holders of the Company	**(4,770.4)**	(972.9)
Revaluation deficits – Group	**4,113.4**	1,158.4
– joint ventures	**630.3**	134.2
Loss/(profit) on non-current property disposals after current and deferred tax	**127.9**	(49.7)
Impairment of development land and infrastructure[3] – Group (note 23)	**92.0**	–
– joint ventures	**12.3**	–
Mark-to-market adjustment on interest-rate swaps – Group	**102.1**	21.9
– joint ventures	**15.4**	7.2
Adjustment due to net liabilities on joint ventures[4]	**(17.7)**	–
Demerger costs (net of taxation)	**7.2**	6.9
EPRA adjusted earnings from continuing activities attributable to equity holders of the Company	**312.5**	306.0
Eliminate effect of debt restructuring charges (net of taxation)	**0.8**	1.0
Eliminate effect of bond exchange de-recognition	**11.7**	7.6
Adjusted earnings from continuing activities attributable to equity holders of the Company	**325.0**	314.6

2. In compliance with IFRS5, the 2008 Group comparatives have been restated to remove the elements arising from the Trillium discontinued operations from continuing activities.
3. The impairment in relation to the development land and infrastructure programmes within trading properties has been removed from both our and the EPRA adjusted earnings due to the long-term nature of these programmes.
4. The adjustment to net liabilities on joint ventures is the result of valuation deficits and as such restricts the recognition of the full valuation deficit. Hence, this adjustment is required to reflect that the valuation deficit has not been fully recognised in the Group's income statement.

	2009 Number million	2008 (restated)[5] Number million
Weighted average number of ordinary shares	**526.7**	521.8
Effect of weighted average number of treasury shares	**(5.9)**	(4.1)
Effect of weighted average number of own shares	**(1.2)**	(1.4)
Weighted average number of ordinary shares for calculating basic earnings per share	**519.6**	516.3
Effect of share options which are dilutive for diluted earnings per share	**–**	–
Weighted average number of ordinary shares for calculating diluted earnings per share	**519.6**	516.3
Effect of share options which are dilutive for adjusted diluted earnings per share	**0.3**	1.2
Weighted average number of ordinary shares for calculating adjusted diluted earnings per share	**519.9**	517.5

5. The weighted average number of ordinary shares for the year ended 31 March 2008 has been adjusted for the bonus element inherent in the Rights Issue that was approved on 9 March 2009 in compliance with IAS33 'Earnings per Share'.

	2009 Pence	2008 (restated)[6] Pence
Basic (loss)/earnings per share	**(999.04)**	(160.90)
of which from: continuing activities	**(918.04)**	(188.43)
of which from: discontinued operations	**(81.00)**	27.53
Diluted (loss)/earnings per share	**(999.04)**	(160.90)
of which from: continuing activities	**(918.04)**	(188.43)
of which from: discontinued operations	**(81.00)**	27.53
Adjusted earnings per share from continuing activities	**62.60**	60.93
Adjusted diluted earnings per share from continuing activities	**62.57**	60.79
EPRA adjusted earnings per share from continuing activities	**60.20**	59.26

6. The loss per share for the year ended 31 March 2008 has been adjusted for the bonus element inherent in the Rights Issue that was approved on 9 March 2009 and for the reclassification of the Trillium discontinued operations from continuing activities to discontinued operations.

Notes to the financial statements
—for the year ended 31 March 2009 continued

12. Net assets per share

Group	2009 £m	2008 £m
Net assets attributable to equity holders of the Company	**4,823.5**	9,582.9
Cumulative mark-to-market adjustment on interest-rate swaps – Group	**112.0**	10.7
– joint ventures	**38.2**	1.5
– an associate undertaking	**–**	0.5
EPRA adjusted net assets	**4.973.7**	9,595.6
Reverse bond exchange de-recognition adjustment	**(499.8)**	(511.5)
Adjusted net assets attributable to equity holders of the Company	**4,473.9**	9,084.1
Reinstate bond exchange de-recognition adjustment	**499.8**	511.5
Cumulative mark-to-market adjustment on interest-rate swaps – Group	**(112.0)**	(10.7)
– joint ventures	**(38.2)**	(1.5)
– an associate undertaking	**–**	(0.5)
Excess of fair value of debt over book value (note 30)	**(13.4)**	(208.7)
EPRA triple net assets	**4,810.1**	9,374.2

	2009 Number million	2008 (restated)[1] Number million
Number of ordinary shares in issue	**761.9**	470.9
Bonus share element inherent in the Rights Issue that was approved on 9 March 2009	**–**	51.1
Number of ordinary shares in issue adjusted for bonus shares	**761.9**	522.0
Number of treasury shares	**(5.9)**	(5.9)
Number of own shares[1]	**(0.9)**	(1.5)
Number of ordinary shares used for calculating basic net assets per share	**755.1**	514.6
Dilutive effect of share options[1]	**–**	0.8
Number of ordinary shares used for calculating diluted net assets per share	**755.1**	515.4

1. The number of own shares and dilutive effect of share options for the year ended 31 March 2008 have been restated to reflect the bonus element inherent in the Rights Issue that was approved on 9 March 2009.

	2009 Pence	2008 (restated)[2] Pence
Net assets per share	**639**	1862
Diluted net assets per share	**639**	1859
Adjusted net assets per share	**593**	1765
Adjusted diluted net assets per share	**593**	1763
EPRA measure – adjusted diluted net assets per share	**659**	1862
– diluted triple net assets per share	**637**	1819

2. The net assets per share as at 31 March 2008 has been adjusted to reflect the bonus element inherent in the Rights Issue that was approved on 9 March 2009.

Adjusted net assets per share excludes mark-to-market adjustments on financial instruments used for hedging purposes and the bond exchange de-recognition adjustment as management consider that this better represents the expected future cash flows 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 holders of the Company is more indicative of underlying performance.

Notes to the financial statements
—for the year ended 31 March 2009 continued

13. Investment properties

Group	Portfolio management £m	Development programme £m	Trillium £m	Total £m
Net book value at 1 April 2007	10,607.4	2,284.3	427.6	13,319.3
Properties transferred from portfolio management into the development programme	(218.7)	218.7	–	–
Developments transferred from the development programme into portfolio management	1,491.5	(1,491.5)	–	–
Property acquisitions	714.2	0.2	149.4	863.8
Capital expenditure	117.5	467.3	6.8	591.6
Capitalised interest	1.4	43.7	–	45.1
Disposals	(1,099.4)	(2.2)	(0.6)	(1,102.2)
Transfers to joint ventures	(228.2)	–	–	(228.2)
Transfers to trading properties	–	(17.4)	–	(17.4)
Transfer from operating properties	–	–	4.1	4.1
Surrender premiums received	(6.2)	–	–	(6.2)
Depreciation	(2.9)	–	–	(2.9)
Deficit on revaluation – continuing activities	(1,038.3)	(107.1)	(13.0)	(1,158.4)
– discontinued operations	–	–	(11.9)	(11.9)
Net book value at 31 March 2008	10,338.3	1,396.0	562.4	12,296.7
Developments transferred from the development programme into portfolio management	410.3	(410.3)	–	–
Accor hotel properties transferred from Trillium to portfolio management	435.9	–	(435.9)	–
Property acquisitions	101.9	1.3	–	103.2
Capital expenditure	174.1	245.5	6.0	425.6
Capitalised interest	14.0	23.1	–	37.1
Disposals	(681.9)	(1.3)	(41.4)	(724.6)
Transfer from operating properties	–	–	11.9	11.9
Surrender premiums received	(2.0)	–	–	(2.0)
Depreciation	(2.1)	–	–	(2.1)
Deficit on revaluation – continuing activities	(3,573.1)	(540.3)	–	(4,113.4)
– discontinued operations	–	–	(10.0)	(10.0)
Disposals included as part of the disposal of Trillium	–	–	(93.0)	(93.0)
Net book value at 31 March 2009	**7,215.4**	**714.0**	**–**	**7,929.4**

The following table reconciles the net book value of the investment properties to the market value. The components of the reconciliation are included within their relevant balance sheet headings.

	Portfolio management £m	Development programme £m	Trillium £m	Total investment properties £m
Net book value at 31 March 2008	10,338.3	1,396.0	562.4	12,296.7
Plus: amount included in prepayments in respect of lease incentives	156.3	24.3	–	180.6
Less: head leases capitalised (note 32)	(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	562.4	12,559.2
– plus: share of joint ventures (note 20)	1,216.5	373.4	–	1,589.9
Market value at 31 March 2008 – Group and share of joint ventures	11,795.0	1,791.7	562.4	14,149.1
Net book value at 31 March 2009	**7,215.4**	**714.0**	**–**	**7,929.4**
Plus: amount included in prepayments in respect of lease incentives	**148.8**	**40.5**	**–**	**189.3**
Less: head leases capitalised (note 32)	**(56.5)**	**(1.4)**	**–**	**(57.9)**
Plus: properties treated as finance leases	**104.7**	**–**	**–**	**104.7**
Market value at 31 March 2009 – Group	**7,412.4**	**753.1**	**–**	**8,165.5**
– plus: share of joint ventures (note 20)	**950.0**	**291.5**	**–**	**1,241.5**
Market value at 31 March 2009 – Group and share of joint ventures	**8,362.4**	**1,044.6**	**–**	**9,407.0**

Notes to the financial statements
—for the year ended 31 March 2009 continued

13. Investment properties continued
Included in investment properties are leasehold properties with a net book value of **£994.0m** (2008: £1,368.1m).

The fair value of the Group's investment properties at 31 March 2009 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, was arrived at by reference to market evidence of transaction prices for similar properties. Fixed asset properties include capitalised interest of **£181.1m** (2008: £211.7m). The average rate of capitalisation is **5.5%** (2008: 5.5%). The historical cost of investment properties is **£7,721.8m** (2008: £7,813.2m).

The current value of investment properties in respect of proposed developments is **£524.8m** (2008: £639.6m). Developments are transferred out of the development programme when physically complete and 95% let. The schemes completed during the year were Queen Anne's Gate, London SW1, 10 Eastbourne Terrace, London W2 and Angel Road, Edmonton N18.

The Group has outstanding capital commitments of **£280.5m** at 31 March 2009 (2008: £234.5m).

14. Operating properties

Group	2009 £m	2008 £m
Book value at the beginning of the year	**544.8**	551.5
Property acquisitions	**0.8**	8.9
Capital expenditure	**18.1**	32.4
Disposals	**(13.5)**	(16.9)
Transfers to trading properties	**–**	(4.1)
Transfer to investment properties (Trillium)	**(11.9)**	(4.1)
Depreciation – discontinued operations	**(16.7)**	(22.9)
Disposals included as part of the disposal of Trillium	**(521.6)**	–
Book value at the end of the year	**–**	544.8

15. Other property, plant and equipment

Group	2009 £m	2008 £m
Book value at the beginning of the year	**73.6**	78.2
Capital expenditure	**8.4**	16.1
Disposals	**(7.8)**	(0.7)
Depreciation – continuing activities	**(4.6)**	(4.9)
– discontinued operations	**(0.9)**	(15.1)
Disposals included as part of the disposal of Trillium	**(54.4)**	–
Book value at the end of the year	**14.3**	73.6

Notes to the financial statements
—for the year ended 31 March 2009 continued

16. Net investment in finance leases

Group	2009 £m	2008 £m
Non-current		
Finance leases – gross receivables	**277.7**	692.8
Unearned finance income	**(187.1)**	(385.6)
Unguaranteed residual value	**25.7**	26.5
	116.3	333.7
Current		
Finance leases – gross receivables	**7.0**	27.4
Unearned finance income	**(6.2)**	(20.3)
	0.8	7.1
Total net investment in finance leases	**117.1**	340.8
Gross receivables from finance leases:		
Not later than one year	**7.0**	27.4
Later than one year but not more than five years	**34.9**	129.3
More than five years	**242.8**	563.5
	284.7	720.2
Unearned future finance income	**(193.3)**	(405.9)
Unguaranteed residual value	**25.7**	26.5
Net investment in finance leases	**117.1**	340.8

The Group has leased out a number of investment properties under finance leases, which ranged from 35 to 100 years in duration from the inception of the lease. 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.

17. Goodwill

Group	2009 £m	2008 £m
At the beginning of the year	**148.6**	129.6
Arising on acquisitions during the year	**–**	13.5
Arising on acquisitions in prior years	**–**	5.5
Impaired in the year[1]	**(148.6)**	–
At the end of the year	**–**	148.6
Represented by:		
Gross goodwill recognised	**–**	233.5
Total accumulated impairment losses	**–**	(84.9)
	–	148.6

1. The impairment charge in the year is included within the post-tax loss of Trillium within discontinued operations as the goodwill relates to the Trillium operations that were disposed of on 12 January 2009.

As a result of adverse economic conditions impacting Trillium's new business prospects, particularly the reduced availability of long-term debt funding at a reasonable cost, an impairment review was undertaken in compliance with IAS36 'Impairment of Assets' to assess whether the goodwill carried in the Group's balance sheet was impaired. As a result of this review, an impairment loss of £148.6m was recognised in the first half of the year. This impairment is included within discontinued operations (note 42).

The carrying value was tested by comparing the carrying amount of the business' assets and liabilities with their recoverable amount. The latter was calculated by reference to the cash flow projections for the entire term of each of Trillium's contracts. The cash flow projections had been prepared on the basis of strategic plans, knowledge of the market and management's views on achievable new business gains over the longer term. The main assumptions underlying the forecasts were the relative inflation rates applying to costs and revenues, the amount of expenditure required to fulfil the service level commitments, the vacation rate under the DWP contract and the value of new business from Property Partnerships and PPP. The cash flows were discounted using Trillium's weighted average cost of capital of 9.0% (31 March 2008: 7.5%).

Notes to the financial statements
—for the year ended 31 March 2009 continued

18. Investment in an associate undertaking

Group	2009 £m	2008 £m
At the beginning of the year	**42.9**	–
Transferred from non-current assets classified as held for sale	–	43.4
Share of post-tax results[1]	**(16.6)**	(0.5)
Disposals included as part of the disposal of Trillium	**(26.3)**	–
At the end of the year	**–**	42.9

1. The Group's share of post-tax results from an associate undertaking is included within the post-tax loss of Trillium within discontinued operations as it relates to Trillium Investment Partners LP that was disposed of as part of the disposal of Trillium on 12 January 2009.

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

Group	2009 £m	2008 £m
Assets	**–**	257.7
Liabilities	**–**	(214.8)
Group's share of net assets	**–**	42.9

19. Loans to third parties

Group	2009 £m	2008 £m
At the beginning of the year	**–**	–
Additions	**50.0**	–
At the end of the year	**50.0**	–

In conjunction with the disposal of Trillium, the Group has made an unsecured loan to Semperian PPP (formerly Trillium Investment Partners LP), which is repayable by instalments between 2015 and 2035.

20. Investments in joint ventures
The Group's significant joint ventures are described below:

Name of joint venture	Percentage owned	Business segment	Year end date	Joint venture partners
The Scottish Retail Property Limited Partnership	50.0%	Retail Portfolio	31 March	The British Land Company PLC
Metro Shopping Fund Limited Partnership	50.0%	Retail Portfolio	31 March	Delancey Real Estate Partners Limited
Buchanan Partnership	50.0%	Retail Portfolio	31 December	The Henderson UK Shopping Centre Fund
St. David's Limited Partnership	50.0%	Retail Portfolio	31 December	Liberty International PLC
The Bull Ring Limited Partnership	33.3%	Retail Portfolio	31 December	The Henderson UK Shopping Centre Fund Hammerson plc
Bristol Alliance Limited Partnership	50.0%	Retail Portfolio	31 December	Hammerson plc
The Harvest Limited Partnership	50.0%	Retail Portfolio	31 March	J Sainsbury plc
The Oriana Limited Partnership	50.0%	London Portfolio	31 March	Frogmore Real Estate Partners Limited Partnership

Notes to the financial statements
—for the year ended 31 March 2009 continued

20. Investments in joint ventures continued

Year ended 31 March 2009 and at 31 March 2009

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	9.1	12.9	9.2	5.0	15.5	10.8	4.4	4.3	6.5	77.7
Service charge income	1.5	2.5	1.8	0.7	2.5	–	0.2	0.3	0.1	9.6
Property services income	–	–	–	–	–	–	–	–	–	–
Trading property sale proceeds	–	–	–	–	–	–	–	–	16.0	16.0
Revenue	10.6	15.4	11.0	5.7	18.0	10.8	4.6	4.6	22.6	103.3
Rents payable	(0.2)	–	–	–	–	(0.2)	–	–	(0.1)	(0.5)
Other direct property expenditure	(3.6)	(4.0)	(2.9)	(1.2)	(5.1)	(3.8)	(0.3)	(0.5)	(1.1)	(22.5)
Indirect property expenditure	(0.4)	(1.2)	(0.1)	(0.3)	(0.3)	(0.1)	(0.4)	(0.6)	(0.4)	(3.8)
Impairment of trading properties	–	–	–	–	–	–	–	–	(12.3)	(12.3)
Cost of sales of trading properties	–	–	–	–	–	–	–	–	(10.5)	(10.5)
	6.4	10.2	8.0	4.2	12.6	6.7	3.9	3.5	(1.8)	53.7
(Loss)/profit on disposal of non-current properties	(0.1)	0.2	–	–	0.4	1.7	–	–	0.7	2.9
Net deficit on revaluation of investment properties	(54.0)	(78.1)	(66.5)	(184.6)	(87.8)	(106.3)	(11.5)	(4.8)	(36.7)	(630.3)
Operating loss	(47.7)	(67.7)	(58.5)	(180.4)	(74.8)	(97.9)	(7.6)	(1.3)	(37.8)	(573.7)
Net interest (expense)/income	(3.2)	(10.6)	(3.8)	0.3	–	0.3	(1.4)	(11.7)	(11.6)	(41.7)
Loss before tax	(50.9)	(78.3)	(62.3)	(180.1)	(74.8)	(97.6)	(9.0)	(13.0)	(49.4)	(615.4)
Income tax	(0.2)	(0.8)	–	–	–	–	–	–	(0.3)	(1.3)
	(51.1)	(79.1)	(62.3)	(180.1)	(74.8)	(97.6)	(9.0)	(13.0)	(49.7)	(616.7)
Net liabilities adjustment[3]	–	16.5	–	–	–	–	–	–	1.2	17.7
Share of losses of joint ventures after tax	**(51.1)**	**(62.6)**	**(62.3)**	**(180.1)**	**(74.8)**	**(97.6)**	**(9.0)**	**(13.0)**	**(48.5)**	**(599.0)**
Balance sheet										
Investment properties[2]	82.3	171.5	112.3	147.6	200.0	230.8	69.5	83.9	110.1	1,208.0
Current assets	6.4	7.5	6.0	119.0	12.2	33.6	44.3	3.1	55.7	287.8
	88.7	179.0	118.3	266.6	212.2	264.4	113.8	87.0	165.8	1,495.8
Current liabilities	(3.1)	(5.6)	(3.9)	(25.6)	(9.4)	(17.3)	(1.0)	(4.3)	(29.0)	(99.2)
Non-current liabilities	(68.1)	(189.9)	–	(0.4)	–	(2.9)	(46.9)	(75.6)	(99.7)	(483.5)
	(71.2)	(195.5)	(3.9)	(26.0)	(9.4)	(20.2)	(47.9)	(79.9)	(128.7)	(582.7)
Net liabilities adjustment[3]	–	16.5	–	–	–	–	–	–	1.2	17.7
Net assets	**17.5**	**–**	**114.4**	**240.6**	**202.8**	**244.2**	**65.9**	**7.1**	**38.3**	**930.8**
Capital commitments	**1.6**	**0.7**	**0.4**	**53.1**	**–**	**12.9**	**–**	**–**	**1.9**	**70.6**
Market value of investment properties[2]	**83.8**	**172.6**	**115.0**	**147.5**	**205.0**	**253.4**	**70.0**	**84.0**	**110.2**	**1,241.5**
Net (debt)/cash	**(63.3)**	**(185.1)**	**1.9**	**2.7**	**2.8**	**1.9**	**(46.1)**	**(74.8)**	**(99.4)**	**(459.4)**
Net investment										
At 1 April 2008	73.0	69.9	179.6	346.7	289.3	284.4	64.5	9.0	94.2	1,410.6
Properties contributed	–	–	–	–	–	–	–	–	27.3	27.3
Cash contributed	0.4	5.8	1.4	–	–	–	17.6	11.2	4.1	40.5
Distributions	–	(1.1)	(4.3)	–	–	–	(3.0)	(0.1)	(13.1)	(21.6)
Fair value movement on cash flow hedges	(4.8)	(12.0)	–	–	–	–	(4.2)	–	(0.3)	(21.3)
Disposals	–	–	–	–	–	–	–	–	(17.9)	(17.9)
Loan advances	–	–	–	74.0	0.3	61.1	–	–	0.2	135.6
Loan repayments	–	–	–	–	(12.0)	(3.7)	–	–	(2.4)	(18.1)
Disposal of Trillium	–	–	–	–	–	–	–	–	(5.3)	(5.3)
Share of losses of joint ventures after tax	(51.1)	(62.6)	(62.3)	(180.1)	(74.8)	(97.6)	(9.0)	(13.0)	(48.5)	(599.0)
At 31 March 2009	**17.5**	**–**	**114.4**	**240.6**	**202.8**	**244.2**	**65.9**	**7.1**	**38.3**	**930.8**

1. Other principally includes The Martineau Galleries Limited Partnership, The Ebbsfleet Limited Partnership and Millshaw Property Co. Limited.
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.
3. Joint ventures with net liabilities are carried at zero value in the balance sheet where there is no commitment to fund the deficit and any distributions are included in the consolidated income statement for the year.

Notes to the financial statements
—for the year ended 31 March 2009 continued

20. Investments in joint ventures continued

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 £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	(0.1)	(0.6)	–	–	–	–	–	–	(2.4)	(3.1)
Share of (losses)/profits of joint ventures after tax										
– continuing activities	(32.1)	(12.5)	(6.4)	(16.8)	(18.3)	9.7	(8.4)	(14.4)	(1.9)	(101.1)
– discontinued operations	–	–	–	–	–	–	–	–	0.1	0.1
Balance sheet										
Investment properties	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	125.9	246.6	180.0	244.0	293.3	294.5	62.8	87.3	55.5	1,589.9
Net (debt)/cash	(53.1)	(205.6)	0.7	5.3	3.1	(0.3)	1.5	1.4	(6.5)	(253.5)
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
Distributions	(42.5)	(14.2)	(6.0)	–	–	–	–	(0.8)	(11.6)	(75.1)
Fair value movement on cash flow 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)
Share of post-tax results:										
– continuing activities	(32.1)	(12.5)	(6.4)	(16.8)	(18.3)	9.7	(8.4)	(14.4)	(1.9)	(101.1)
– discontinued operations	–	–	–	–	–	–	–	–	0.1	0.1
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

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Notes to the financial statements
—for the year ended 31 March 2009 continued

21. Investments in Public Private Partnerships

Group	2009 £m	2008 £m
At the beginning of the year	**25.4**	–
Arising on acquisitions during the year	**–**	17.2
Additions	**–**	8.2
Transferred to non-current assets classified as held for sale	**(17.2)**	–
Disposals included as part of the disposal of Trillium	**(8.2)**	–
At the end of the year	**–**	25.4

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

Group	2009 £m	2008 £m
Assets	**–**	216.4
Liabilities	**–**	(191.0)
Group's share of net assets	**–**	25.4

22. Investments in subsidiary undertakings

Company	2009 £m	2008 £m
At the beginning of the year	**5,054.6**	5,049.6
Capital contributions relating to share-based payments (note 35)	**8.6**	5.0
Impairment to reduce net assets of the Company to net assets of the Group attributable to equity shareholders	**(234.7)**	–
At the end of the year	**4,828.5**	5,054.6

In accordance with IFRIC11 'IFRS2 – 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.

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 are:

Wholly owned subsidiary undertakings

Group operations
Land Securities Properties Limited

Investment property business
Land Securities Intermediate Limited
Land Securities Property Holdings Limited
Ravenseft Properties Limited
The City of London Real Property Company Limited
Ravenside Investments Limited

All principal subsidiary undertakings operate in Great Britain and are registered in England and Wales.

A full list of subsidiary undertakings at 31 March 2009 will be appended to the Company's next annual return.

Notes to the financial statements
—for the year ended 31 March 2009 continued

23. Trading properties and long-term development contracts

Group	Cost £m 2009	Impairment provision £m 2009	Realisable value £m 2009	Cost £m 2008	Impairment provision £m 2008	Realisable value £m 2008
Trading properties:						
Development land and infrastructure	**159.1**	**(92.0)**	**67.1**	128.2	–	128.2
Other trading properties	**26.0**	**(0.3)**	**25.7**	44.8	–	44.8
Long-term development contracts	**2.1**	**–**	**2.1**	–	–	–
	187.2	**(92.3)**	**94.9**	173.0	–	173.0

The realisable value of the Group's trading properties at 31 March 2009 has been arrived at on the basis of a valuation carried out at that date by Knight Frank LLP, external valuers.

Long-term development contracts	2009 £m	2008 £m
Income statement:		
Contract revenue recognised as revenue in the year	**48.9**	26.3
Balance sheet:		
Contract costs incurred and recognised profits (less recognised losses) to date	**383.8**	332.8
Advances received from customers	**(390.8)**	(346.0)
	(7.0)	(13.2)
Plus: gross amount due to customers for contract work (included in accruals and deferred income)	**9.1**	13.2
Balance at the end of the year	**2.1**	–

24. Trade and other receivables

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Trade receivables	**53.6**	161.1	**–**	–
Less: allowance for doubtful accounts	**(20.3)**	(15.0)	**–**	–
Trade receivables – net	**33.3**	146.1	**–**	–
Property sales receivables	**64.9**	205.2	**–**	–
Other receivables	**35.6**	53.9	**–**	–
Prepayments and accrued income	**212.9**	314.6	**0.1**	0.3
Current tax assets	**–**	–	**3.2**	–
Finance leases receivable within one year (note 16)	**0.8**	7.1	**–**	–
Amounts due from joint ventures	**44.6**	111.1	**–**	–
Loans to Group undertakings	**–**	–	**5.5**	385.9
	392.1	838.0	**8.8**	386.2

Group Movement in allowances for doubtful accounts	2009 £m	2008 £m
At the beginning of the year	**15.0**	15.2
Additions/reversal of allowance	**10.5**	3.6
Write-offs charged against the allowances account	**(3.3)**	(3.8)
Allowance included as part of disposal of Trillium discontinued operations	**(1.9)**	–
At the end of the year	**20.3**	15.0

Notes to the financial statements
—for the year ended 31 March 2009 continued

24. Trade and other receivables continued

Group Accounts receivable past due	1-30 days past due £m	Up to 6 months past due £m	Up to 12 months past due £m	More than 12 months past due £m	Total £m
As at 31 March 2009					
Past due but not impaired	**15.4**	**2.6**	**–**	**–**	**18.0**
Past due and impaired	**15.1**	**10.5**	**5.5**	**4.5**	**35.6**
	30.5	**13.1**	**5.5**	**4.5**	**53.6**
As at 31 March 2008[1]					
Past due but not impaired	16.1	1.9	–	–	18.0
Past due and impaired	17.0	5.3	3.4	5.3	31.0
	33.1	7.2	3.4	5.3	49.0

1. The balance for the year ended 31 March 2008 excludes £112.1m that relates to the Trillium discontinued operations.

In accordance with IFRS7, the amounts shown as past due represent the total credit exposure, not the amount actually past due.

25. Cash and cash equivalents

	Group		Company	
	2009 £m	2008 £m	**2009 £m**	2008 £m
Cash at bank and in hand:				
Unrestricted	**108.1**	25.7	**105.1**	69.5
Restricted	**0.1**	–	**–**	–
	108.2	25.7	**105.1**	69.5
Short-term deposits:				
Unrestricted	**750.0**	22.7	**–**	–
Restricted	**29.8**	–	**–**	–
	779.8	22.7	**–**	–
Liquidity funds:				
Unrestricted	**751.0**	–	**–**	–
Restricted	**–**	–	**–**	–
	751.0	–	**–**	–
	1,639.0	48.4	**105.1**	69.5

Liquidity funds
The liquidity funds are AAA rated cash-investment funds with constant net asset values, offering the Group same day access to the funds deposited. These investments yield a return of between 0.5% and 1.3% at 31 March 2009.

Short-term deposits
The effective interest rate on short-term deposits was **1.2%** at 31 March 2009 (2008: 5.1%) and had an average maturity of **91 days** (2008: one day).

Restricted cash and deposits
Restricted cash represents amounts held within the Security Group which requires the consent of the Security Group Trustee in order to be released for use by the Group. The requirement to hold restricted cash is an operating requirement under the terms of the Security Group's debt programme, which encourages a reduction in gearing when either LTV or interest cover exceeds prescribed levels. This does not prevent the Group from optimising returns by putting this money on short-term deposit. Restricted balances do not meet the definition of cash and cash equivalents for the purposes of the cash flow statement.

Notes to the financial statements
—for the year ended 31 March 2009 continued

25. Cash and cash equivalents continued

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
For the purposes of the cash flow statement, cash and cash equivalents comprise the following:				
Cash at bank and in hand	**108.1**	25.7	**105.1**	69.5
Short-term deposits	**750.0**	22.7	**–**	–
Liquidity funds	**751.0**	–	**–**	–
Bank overdrafts (note 30)	**(0.3)**	(1.4)	**–**	–
	1,608.8	47.0	**105.1**	69.5

26. Non-current assets classified as held for sale

Group	2009 £m	2008 £m
Non-current assets classified as held for sale	**–**	664.1
Liabilities directly associated with non-current assets classified as held for sale	**–**	(427.7)
	–	236.4

Non-current assets and liabilities held for sale at 31 March 2008 represented a number of PPP investments owned by Trillium which were to be sold to Trillium Investment Partners LP or to third parties. These investments were held as a disposal group within the Trillium operations that were divested on 12 January 2009. The Group has not recognised any profits or losses in respect of these investments in the year ended 31 March 2009, other than the £23.0m profit on disposal of projects sold to Trillium Investment Partners LP and a £2.8m impairment charge, both of which are included within discontinued operations.

Set out below is an analysis of the movements within the disposal group for the year ended 31 March 2009:

	Total £m
Book value at the beginning of the year	236.4
Projects transferred from Investments in Public Private Partnership contracts	17.2
Projects sold to Trillium Investment Partners LP	(97.3)
Project acquisitions	7.5
Impairments	(2.8)
Profit from discontinued operations	1.1
Cash received from the disposal group	(1.8)
Disposals included as part of the disposal of Trillium	(160.3)
Book value at the end of the year	–

27. Trade and other payables

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Trade payables	**2.7**	28.5	**–**	–
Capital payables	**129.7**	116.8	**–**	–
Other payables	**46.6**	73.3	**–**	–
Accruals and deferred income	**278.2**	574.4	**5.2**	0.2
Amounts owed to joint ventures	**168.6**	134.2	**–**	–
Loans from Group undertakings	**–**	–	**113.7**	874.5
	625.8	927.2	**118.9**	874.7

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.

Notes to the financial statements
—for the year ended 31 March 2009 continued

28. Provisions

Group	Dilapidations £m	Onerous leases £m	Other £m	Total £m
At 1 April 2007	20.9	39.8	20.0	80.7
Net charge to income statement for the year (included in discontinued operations)	7.2	0.4	7.2	14.8
Release of discount (included in discontinued operations)	–	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
Net charge to income statement for the year (included in discontinued operations)	6.0	5.5	1.4	12.9
Release of discount (included in discontinued operations)	–	1.2	–	1.2
Utilised in the year	(2.4)	(8.3)	–	(10.7)
Provisions included in the disposal of Trillium	(23.8)	(28.6)	(28.6)	(81.0)
At 31 March 2009	**–**	**–**	**–**	**–**
Included in the balance above, the following amounts are anticipated to be utilised within one year:				
At 31 March 2009	**–**	**–**	**–**	**–**
At 31 March 2008	14.8	10.6	15.5	40.9

Dilapidations
Provisions for dilapidations were made in respect of certain leasehold properties held within the Trillium operations that were disposed of on 12 January 2009. A provision was established where the Group anticipated incurring future expenditure at the end of the lease. The amounts provided were 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 occurred once agreement was reached with the parties to the lease.

Onerous leases
An onerous lease provision related to leasehold properties held within the Trillium operations that were disposed of on 12 January 2009. A provision was established in respect of leasehold properties that were unoccupied or where the expected future rental income was not expected to meet the Group's rental obligations. The provisions were based on assumptions about expected future rentals and voids.

Other
Other provisions included liabilities that arose from the contractual arrangements with clients of the disposed Trillium operations that included specific performance measurement targets and life cycle capital expenditure requirements. Settlement of the amounts provided followed agreement with the clients.

Notes to the financial statements
—for the year ended 31 March 2009 continued

29. Derivative financial instruments

Group	2009 Assets £m	2009 Liabilities £m	2008 Assets £m	2008 Liabilities £m
Interest-rate swaps (cash flow hedges)	–	–	–	0.8
Interest-rate swaps (non-designated)	–	**112.0**	–	9.9
Forward foreign-exchange contracts (cash flow hedges)	–	–	4.3	–
Total	**–**	**112.0**	4.3	10.7

Non-designated derivatives are classified as a current asset or liability. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability if the maturity of the hedged item is less than 12 months.

Interest-rate swaps
The Group uses interest-rate swaps to manage its exposure to interest-rate movements on its interest-bearing loans and borrowings. The fair value of these contracts is recorded in the balance sheet and is determined by discounting future cash flows at the prevailing market rates at the balance sheet date.

The change in fair value of the contracts that are not designated as hedging instruments is taken to the income statement. For contracts that are designated as cash flow hedges the change in the fair value of the contracts is recognised directly in equity. There was no ineffectiveness to be recognised from the designated cash flow hedges. The deferred asset or liability assumed is released to the income statement during the term of each relevant swap.

Forward foreign-exchange contracts
The Group uses forward foreign-exchange contracts to manage its exposure to exchange-rate movements in relation to debt raised in currencies other than sterling, or to lock in the sterling equivalent of future committed expenditure denominated in foreign currencies. The fair value of these contracts is recorded in the balance sheet.

The change in fair value of designated cash flow hedging instruments is recognised directly in equity. The asset acquired or liability assumed is released to the income statement in the period to which it relates.

At the balance sheet date, the notional amount of outstanding derivative financial instruments was as follows:

	2009 £m	2008 £m
Interest-rate swaps	**2,225.0**	2,025.7
Forward foreign-exchange contracts	**–**	35.5
	2,225.0	2,061.2

Notes to the financial statements
—for the year ended 31 March 2009 continued

30. Borrowings

						2009
Group	Secured/ unsecured	Fixed/ floating	Effective interest rate %	Nominal/ notional value £m	Fair value £m	Book value £m
Short-term borrowings and overdrafts						
Sterling						
Bank overdrafts	Unsecured	Floating	–	0.3	0.3	0.3
Amounts payable under finance leases (note 32)		Fixed	5.5	0.8	0.8	0.8
Total short-term borrowings and overdrafts				**1.1**	**1.1**	**1.1**
Non-current borrowings						
Sterling						
4.625 per cent MTN due 2013	Secured	Fixed	4.7	300.0	294.3	299.8
5.292 per cent MTN due 2015	Secured	Fixed	5.3	391.5	383.4	391.0
4.875 per cent MTN due 2019	Secured	Fixed	5.0	400.0	370.0	396.5
5.425 per cent MTN due 2022	Secured	Fixed	5.5	255.3	230.9	254.6
4.875 per cent MTN due 2025	Secured	Fixed	4.9	300.0	237.2	297.2
5.391 per cent MTN due 2026	Secured	Fixed	5.4	210.7	175.9	209.9
5.391 per cent MTN due 2027	Secured	Fixed	5.4	611.1	509.6	608.5
5.376 per cent MTN due 2029	Secured	Fixed	5.4	317.9	256.1	316.4
5.396 per cent MTN due 2032	Secured	Fixed	5.4	322.9	258.6	321.1
5.125 per cent MTN due 2036	Secured	Fixed	5.1	500.0	376.1	498.6
Bond exchange de-recognition adjustment	Secured	Fixed		–	–	(499.8)
				3,609.4	3,092.1	3,093.8
Syndicated bank debt	Secured	Floating	LIBOR+ margin	1,662.8	1,662.8	1,658.6
Bilateral facilities	Secured	Floating	LIBOR+ margin	640.0	640.0	640.0
Amounts payable under finance leases (note 32)		Fixed	5.5	57.1	68.0	57.1
Total non-current borrowings				**5,969.3**	**5,462.9**	**5,449.5**
Total borrowings				**5,970.4**	**5,464.0**	**5,450.6**

Medium term notes (MTN)
The MTN are secured on the fixed and floating pool of assets of the Security Group. Debt investors benefit from security over a pool of investment properties valued at **£7.5bn** at 31 March 2009 (2008: £11.0bn). The secured debt structure has a tiered operating covenant regime which gives the Group substantial flexibility when the loan to value and interest cover in the Security Group are less than 65% and more than 1.45 times respectively. If these limits are exceeded the operating environment becomes more restrictive with provisions to encourage the reduction in gearing (see note 31). The interest rate is fixed until the expected maturity, being two years before the legal maturity date for each MTN, whereupon the interest rate for the last two years is LIBOR plus a step-up margin. The effective interest rate includes the amortisation of issue costs. The MTN are listed on the Irish Stock Exchange and their fair values are based on their respective market prices.

Syndicated bank debt
At 31 March 2009 the Group had two syndicated bank facilities:

1. £1.5bn authorised credit facility with a maturity of August 2013, which has been fully drawn. This facility is committed and is secured on the assets of the Security Group. The interest rates are floating at LIBOR plus a margin of between 0.15% and 0.25%; and
2. £352.0m committed development facility with a maturity of May 2013. This facility was taken out to fund the development of Leeds Trinity Quarter and is secured on this property; this facility is currently £162.8m drawn. The interest rates are floating at LIBOR plus a margin of 2.35%. There are £5.0m of issue costs which are being written off over the life of this facility.

Notes to the financial statements
—for the year ended 31 March 2009 continued

30. Borrowings continued
Bilateral facilities

Committed Bilateral facilities totalling £940.0m are available to the Group and are secured on the assets of the Security Group. These facilities mature between July and December 2011, with the exception of one undrawn facility for £40m which matures in September 2009. The Group has the option to extend any drawings for a further year past maturity, or two years in the case of the £40m facility. The interest rates are floating at LIBOR plus a margin of between 0.25% and 0.75%.

Bond exchange de-recognition

On 3 November 2004, a debt refinancing was completed resulting in the Group exchanging all of its outstanding bond and debenture debt for new MTN with higher nominal values. The new MTN did not meet the IAS39 requirement to be substantially different from the debt that it replaced. Consequently the book value of the new debt is reduced to the book value of the original debt by the 'bond exchange de-recognition' adjustment which is then amortised to zero over the life of the new MTN. The amortisation is charged to net interest expenses in the income statement.

Fair values

The fair values of any floating rate financial liabilities are assumed to be equal to their nominal value.

						2008
Group	Secured/ unsecured	Fixed/ floating	Effective interest rate %	Nominal/ notional value £m	Fair value £m	Book value £m
Short-term borrowings and overdrafts						
Sterling						
Acquisition loan notes	Unsecured	Floating	5.4	106.4	106.4	106.4
Euro Commercial Paper	Unsecured	Floating	5.8	19.8	19.8	19.8
Money-market borrowings	Unsecured	Floating	5.7	45.0	45.0	45.0
Bank overdrafts	Unsecured	Floating	–	1.4	1.4	1.4
DWP term loan	Secured	Floating	6.4	30.0	30.0	30.0
Bilateral facilities	Secured	Floating	5.9	565.4	565.4	565.4
Amounts payable under finance leases (note 32)		Fixed	5.5	2.2	–	2.2
Bond exchange de-recognition adjustment	Secured	Fixed	–	–	–	(11.7)
Euro						
Commercial paper	Unsecured	Floating	4.7	35.5	35.5	35.5
Total short-term borrowings and overdrafts				805.7	803.5	794.0
Non-current borrowings						
Sterling						
4.625 per cent MTN due 2013	Secured	Fixed	4.7	300.0	292.9	299.7
5.292 per cent MTN due 2015	Secured	Fixed	5.3	391.5	384.0	390.9
4.875 per cent MTN due 2019	Secured	Fixed	5.0	400.0	369.9	396.1
5.425 per cent MTN due 2022	Secured	Fixed	5.5	255.3	240.0	254.5
4.875 per cent MTN due 2025	Secured	Fixed	4.9	300.0	257.2	297.0
5.391 per cent MTN due 2026	Secured	Fixed	5.4	210.7	190.5	209.8
5.391 per cent MTN due 2027	Secured	Fixed	5.4	611.2	547.6	608.5
5.376 per cent MTN due 2029	Secured	Fixed	5.4	317.9	283.4	316.3
5.396 per cent MTN due 2032	Secured	Fixed	5.4	322.9	285.2	321.0
5.125 per cent MTN due 2036	Secured	Fixed	5.1	500.0	426.6	498.5
Bond exchange de-recognition adjustment	Secured	Fixed		–	–	(499.8)
				3,609.5	3,277.3	3,092.5
Bank facility due 2010	Secured	Floating	6.4	15.5	15.5	15.5
DWP term loan	Secured	Floating	6.4	94.4	94.4	94.4
Syndicated bank debt	Secured	Floating	5.8	865.0	865.0	865.0
Bilateral facilities	Secured	Floating	5.9	500.0	500.0	500.0
Amounts payable under finance leases (note 32)		Fixed	5.5	65.1	79.5	65.1
Total non-current borrowings				5,149.5	4,831.7	4,632.5
Total borrowings				**5,955.2**	**5,635.2**	**5,426.5**

Notes to the financial statements
—for the year ended 31 March 2009 continued

30. Borrowings continued

Group Reconciliation of the movement in borrowings	2009 £m	2008 £m
At the beginning of the year	**5,426.5**	5,155.2
(Decrease)/increase in overdrafts	**(1.1)**	1.4
Repayment of loans	**(1,612.0)**	(1,485.0)
Proceeds from new loans	**1,737.6**	1,748.9
Capitalisation of finance fees	**(5.0)**	–
Amortisation of finance fees	**2.2**	2.1
Amortisation of bond exchange de-recognition adjustment	**11.7**	7.6
Net movement in finance lease obligations	**(9.4)**	(3.7)
Borrowings included within the disposal of Trillium	**(99.9)**	–
At the end of the year	**5,450.6**	5,426.5

31. Financial risk management

Introduction

A review of the Group's objectives, policies and processes for managing and monitoring risk is set out in the Financial review on pages 18 to 23 and Our risks and how we manage them on pages 30 to 32. This note provides further detail on financial risk management and includes quantitative information on specific financial risks.

The Group is exposed to a variety of financial risks: market risks (principally interest-rate risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise the potential adverse effects on the Group's financial performance, which includes the use of derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by Group Treasury under policies approved by the Board of Directors.

Capital structure

The capital structure of the Group consists of shareholders' equity and net borrowings, including cash held on deposit. The type and maturity of the Group's borrowings are analysed further in note 30 and the Group's equity is analysed into its various components in note 37. Capital is managed so as to promote the long-term success of the business and to maintain sustainable returns for shareholders. The Group's objective is to navigate a prudent course through the current downturn and market volatility.

Whilst the Group is maintaining a strong focus on the business actions which are within its influence, a number of factors affecting the market in which the Group operates are beyond the Group's control. The pace of valuation decline has, in recent months, exceeded the pace at which assets can be sold to counteract the impact of falling values on the Group's balance sheet position, and this represents an ongoing risk.

Given the prevailing market conditions and the Group's financing arrangements, the Group undertook a Rights Issue in March 2009 to improve the Group's ability to preserve and create shareholder value through the downturn and into the next cycle by strengthening the Group's balance sheet and providing flexibility to react quickly to pricing and timing opportunities.

The additional capital raised by the Rights Issue reduces the impact of the risk of prolonged falls in property values. Furthermore, the Group is now in a position to respond quickly to the turning point in the cycle, particularly in relation to the acquisition of assets and the commencement of development opportunities, and that flexibility on timing is key to the creation of value. The Rights Issue also strengthens the Group's position in refinancing its debt facilities.

The Group's strategy is to maintain an appropriate net debt to total equity ratio (gearing) to ensure that asset level performance is translated into enhanced returns for shareholders whilst maintaining an appropriate risk reward balance to accommodate changing financial and operating market cycles. The following table details the Group's adjusted gearing, which includes the effects of our share of our joint ventures' net debt.

Notes to the financial statements
—for the year ended 31 March 2009 continued

31. Financial risk management continued

Group		2009 £m	2008 £m
Adjusted net debt			
Borrowings (note 30)		**5,450.6**	5,426.5
Cash and cash equivalents (note 25)		**(1,639.0)**	(48.4)
Cumulative mark-to-market adjustment on financial derivatives	– Group	**112.0**	6.4
Net debt		**3,923.6**	5,384.5
Share of joint ventures' net debt (note 20)		**459.4**	253.5
Less: Cumulative mark-to-market adjustment on financial derivatives	– Group	**(112.0)**	(6.4)
	– joint ventures	**(38.2)**	(2.0)
Reverse Bond exchange de-recognition		**499.8**	511.5
		4,732.6	6,141.1
Adjusted total equity			
Total equity		**4,820.2**	9,582.9
Cumulative mark-to-market adjustment on financial derivatives	– Group	**112.0**	6.4
	– joint ventures	**38.2**	2.0
Reverse Bond exchange re-recognition		**(499.8)**	(511.5)
		4,470.6	9,079.8
Gearing		**81.4%**	56.2%
Adjusted gearing		**105.9%**	67.6%

The Group is not subject to any externally imposed capital requirements.

Financial risk factors

(i) Credit risk

The Group's principal financial assets are cash and cash equivalents, trade and other receivables, finance lease receivables, amounts due from joint ventures and loans to third parties.

Bank and financial institutions

One of the principal credit risks of the Group arises from cash and cash equivalents, financial derivative instruments and deposits with banks and financial institutions. In line with the policy approved by the Board of Directors, only independently-rated banks and financial institutions with a minimum rating of A are accepted. In light of market conditions, Group Treasury currently performs a weekly review of the credit ratings of all its financial institution counterparties. Furthermore, Group Treasury ensures that funds deposited with a single financial institution remain within the Group's policy limits.

Trade receivables

Trade receivables are presented in the balance sheet net of allowances for doubtful receivables. 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 owing to the long-term nature and diversity of its tenancy arrangements, with central Government being the single largest tenant, the credit risk of trade receivables is considered to be low. Furthermore, a credit report is obtained from an independent rating agency prior to the inception of a lease with a new counterparty. This report is used to determine the size of the deposit that is required from the tenant at inception. In general these deposits represent between three and six months' rent.

Property sales

Property sales receivables primarily relate to the sale of five properties, for which all payments to date have been received when due. The credit risk on outstanding amounts is considered low.

Finance lease receivables

This balance relates 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.

Loans to third parties

A loan maturing in 2035 was made to Semperian PPP (formerly Trillium Investment Partners LP) as part of the disposal of the Trillium business. This loan is not considered a significant credit risk as it is repayable from dividends from investments in government infrastructure projects.

(ii) Liquidity risk

The Group actively maintains a mixture of Notes with final maturities between 2013 and 2036, and long-term and short-term committed bank facilities that are designed to ensure that the Group has sufficient available funds for its operations and its committed capital-expenditure programme. The Group's core financing structure is in the Security Group, although the remaining Non-Restricted Group may also secure independent funding.

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—for the year ended 31 March 2009 continued

31. Financial risk management continued

Security Group

The Group's principal financing arrangements utilise the credit support of a ring-fenced group of assets (the Security Group) that comprises the majority of the Group's investment property portfolio. These arrangements operate in 'tiers' determined by Loan-to-value ratio (LTV) and Interest cover ratio (ICR). This structure is flexible at lower tiers (with a lower LTV and a higher ICR) and allows property acquisitions, disposals and developments to occur with relative freedom. In higher tiers, the requirements become more prescriptive. No financial covenant default is triggered until the applicable LTV exceeds 100% or the ICR is less than 1.0.

As at 31 March 2008, the reported LTV for the Security Group was 50.5%, meaning that the Group was operating in Tier 1 and benefited from maximum operational flexibility. In January 2009, the Group borrowed a further £1,130.0m from its existing committed facilities to preserve operational flexibility and currently holds the majority of the funds outside the Security Group. As a result, the Security Group moved into Tier 2 which imposes limited additional restrictions, such as liquidity requirements which require liquidity facilities or cash reserves to be put in place, or debt to be prepaid over an agreed amortisation period. After 31 March 2009, the Group expects to operate within Initial Tier 3 in the short to medium term, a more restrictive covenant regime which restricts, for example, payments being made from the Security Group to members of the wider Group.

Management monitors the key covenants attached to the Security Group on a monthly basis, including LTV, ICR, sector and regional concentration and disposals.

Non-Restricted Group

The Non-Restricted Group obtains funding when required from a combination of inter-company loans from the Security Group and external bank debt. Bespoke credit facilities are established with banks when required for the Non-Restricted Group projects and joint ventures, usually on a limited-recourse basis.

The Group's objective is to navigate a prudent course through the current downturn and market volatility to avoid the Security Group moving into Final Tier 3 (80% LTV). As at 31 March 2009, as a result of the above decision to increase borrowings and fall in property values, the LTV was 76.7%. However, £1,596m of cash equivalents was held in the Non-Restricted Group and is available to be applied within the business, including being injected into the Security Group to maintain its LTV at less than 80% if further falls in property values are experienced. The Security Group would thus avoid entering Final Tier 3 and the significant additional financial and operational restrictions that would be imposed. The Group's aim in the medium term is to return to Tier 1 or Tier 2 to allow greater access to the debt markets and avoid the restrictions imposed in Tier 3.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the expected maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

				2009
	Less than 1 year £m	**Between 1 and 2 years £m**	**Between 2 and 5 years £m**	**Over 5 years £m**
Borrowings (excluding finance lease liabilities)	**0.3**	**640.0**	**1,962.8**	**3,309.4**
Finance lease liabilities	**0.8**	**0.5**	**0.7**	**55.9**
Derivative financial instruments	**40.0**	**480.0**	**1,705.0**	**–**
Trade payables	**2.7**	**–**	**–**	**–**
Capital payables	**129.7**	**–**	**–**	**–**
	173.5	**1,120.5**	**3,668.5**	**3,365.3**

				2008
	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Borrowings (excluding finance lease liabilities)	803.5	500.0	315.5	4,268.9
Finance lease liabilities	2.2	2.4	6.4	56.3
Derivative financial instruments	214.4	46.7	1,721.9	78.2
Trade payables	28.5	–	–	–
Capital payables	116.8	–	–	–
	1,165.4	549.1	2,043.8	4,403.4

Notes to the financial statements
—for the year ended 31 March 2009 continued

31. Financial risk management continued
(iii) 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 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 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. Where specific hedges are used in geared joint ventures to fix the interest exposure on limited-recourse debt these qualify for hedge accounting.

At 31 March 2009, the Group (including joint ventures) had **£2.7bn** (2008: £2.3bn) of hedges in place, and its debt was **107%** fixed (2008: 80%). Consequently, based on year end balances, a 1% increase in interest rates would decrease the net interest payable in the income statement by **£3.5m** (2008: increased by £12.4m), and if interest rates fall by 1% then the reverse occurs. The sensitivity has been calculated by applying the interest rate change to the variable rate borrowings, net of interest-rate swaps and cash and cash equivalents.

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, where committed expenditure in foreign currencies is identified, it is the Group's policy to hedge 100% of that exposure by entering into forward purchases of foreign currency to fix the Sterling value. Therefore the Group's foreign-exchange risk is low.

The Group had no foreign-currency exposure at 31 March 2009 and was fully hedged at 31 March 2008.

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:

			2009			2008
Group	Fixed rate £m	Floating rate £m	Total £m	Fixed rate £m	Floating rate £m	Total £m
Sterling	**4,662.2**	**1,308.2**	**5,970.4**	4,402.5	1,552.7	5,955.2

The expected maturity profiles of the Group's borrowings are as follows:

			2009			2008
Group	Fixed rate £m	Floating rate £m	Total £m	Fixed rate £m	Floating rate £m	Total £m
One year or less, or on demand	**1.1**	**–**	**1.1**	172.2	633.5	805.7
More than one year but not more than two years	**740.2**	**200.3**	**940.5**	464.4	38.0	502.4
More than two years but not more than five years	**947.3**	**1,107.9**	**2,055.2**	321.9	–	321.9
More than five years	**2,973.6**	**–**	**2,973.6**	3,444.0	881.2	4,325.2
	4,662.2	**1,308.2**	**5,970.4**	4,402.5	1,552.7	5,955.2

The expected maturity profiles of the Group's derivative instruments are as follows:

			2009			2008
Group	Interest rate swaps £m	Foreign currency swaps £m	Total £m	Interest rate swaps £m	Foreign currency swaps £m	Total £m
One year or less, or on demand	**40.0**	**–**	**40.0**	178.9	35.5	214.4
More than one year but not more than two years	**480.0**	**–**	**480.0**	46.7	–	46.7
More than two years but not more than five years	**1,705.0**	**–**	**1,705.0**	1,721.9	–	1,721.9
More than five years	**–**	**–**	**–**	78.2	–	78.2
	2,225.0	**–**	**2,225.0**	2,025.7	35.5	2,061.2

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Notes to the financial statements
—for the year ended 31 March 2009 continued

32. Obligations under finance leases

Group	2009 £m	2008 £m
The minimum lease payments under finance leases fall due as follows:		
Not later than one year	**4.7**	6.6
Later than one year but not more than five years	**16.3**	24.8
More than five years	**426.6**	393.3
	447.6	424.7
Future finance charges on finance leases	**(389.7)**	(357.4)
Present value of finance lease liabilities	**57.9**	67.3
The present value of finance lease liabilities is as follows:		
Not later than one year	**0.8**	2.2
Later than one year but not more than five years	**1.2**	8.8
More than five years	**55.9**	56.3
	57.9	67.3

The fair value of the Group's lease obligations, using a discount rate of **5.5%** (2008: 5.5%), is **£68.8m** (2008: £79.5m).

33. Net pension surplus

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	2009 £m	2008 £m
Defined contribution schemes	**2.3**	2.0

Defined benefit schemes

Land Securities Scheme

The Pension & Assurance Scheme of the Land Securities Group of Companies (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 was updated to 31 March 2009. 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.

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	2009 %	2008 %
Rate of increase in pensionable salaries	**3.40**	3.60
Rate of increase in pensions in payment	**3.40**	3.60
Discount rate	**7.00**	6.90
Inflation	**3.40**	3.60
Expected return on plan assets	**6.14**	6.44

Notes to the financial statements
—for the year ended 31 March 2009 continued

33. Net pension surplus continued
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.

The mortality assumptions used in this valuation were:

Group	2009 Years	2008 Years
Life expectancy at age 60 for current pensioners – Men	**28.5**	28.4
– Women	**31.7**	31.5
Life expectancy at age 60 for future pensioners (current age 40) – Men	**29.7**	29.6
– Women	**32.7**	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:

	2009 %	2008 %	2007 %	2009 £m	2008 £m	2007 £m
Equities	**7.50**	7.50	7.50	**43.9**	70.5	70.8
Bonds and insurance contracts	**5.24**	5.35	4.80	**62.6**	68.0	71.6
Other	**0.50**	5.25	5.25	**0.6**	0.5	2.0
Fair value of schemes' assets				**107.1**	139.0	144.4
Present value of schemes' liabilities				**(104.1)**	(123.9)	(150.0)
Non-permissible surplus				**–**	(4.1)	–
Surplus/(deficit) in the schemes				**3.0**	11.0	(5.6)
Related deferred tax (liability)/asset				**(1.6)**	(0.8)	0.4
Net pension asset/(liability)				**1.4**	10.2	(5.2)

The major categories of plan assets as a percentage of total plan assets are as follows:

Group	2009 %	2008 %
Equities	**41**	51
Bonds and insurance contracts	**59**	49

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 **£0.1m** (2008: £0.2m).

Group Analysis of the amounts charged to the income statement	2009 £m	2008 £m
Analysis of the amount charged to operating profit		
Current service cost	**1.3**	2.1
Charge to operating profit	**1.3**	2.1
Analysis of amount (credited)/charged to interest expense		
Expected return on plan assets	**(8.1)**	(9.0)
Interest on schemes' liabilities	**7.5**	8.1
Net return	**(0.6)**	(0.9)

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.

Notes to the financial statements
—for the year ended 31 March 2009 continued

33. Net pension surplus continued
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 £2.0m
Rate of mortality	Increase by 1 year	Increase by 2.5% or £2.6m

Group Changes in the present value of the defined-benefit obligation	2009 £m	2008 £m
At the beginning of the year	**123.9**	150.0
Current service cost	**1.3**	2.1
Interest cost	**7.5**	8.1
Actuarial gains	**(11.0)**	(32.0)
Benefits paid	**(4.2)**	(4.5)
Contributions by plan participants	**0.2**	0.2
Defined-benefit obligation included in the disposal of Trillium	**(13.6)**	–
At the end of the year	**104.1**	123.9

Group Changes in the fair value of plan assets	2009 £m	2008 £m
At the beginning of the year	**139.0**	144.4
Expected return on plan assets	**8.1**	9.0
Employer contributions	**4.2**	2.0
Actual return less expected return on schemes' assets	**(26.2)**	(12.1)
Benefits paid	**(4.2)**	(4.5)
Contributions by plan participants	**0.2**	0.2
Pension assets included in the disposal of Trillium	**(14.0)**	–
At the end of the year	**107.1**	139.0

Group Analysis of the movement in the balance sheet surplus/(deficit)	2009 £m	2008 £m
At the beginning of the year	**11.0**	(5.6)
Charge to operating profit	**(1.3)**	(2.1)
Expected return on plan assets	**8.1**	9.0
Interest on schemes' liabilities	**(7.5)**	(8.1)
Employer contributions	**4.2**	2.0
Actuarial (losses)/gains	**(11.1)**	15.8
Transfer of defined-benefit pension scheme on the disposal of Trillium	**(0.4)**	–
At the end of the year	**3.0**	11.0

Group Analysis of the amounts recognised in the statement of recognised income and expense	2009 £m	2008 £m
Analysis of gains and losses		
Actual return less expected return on schemes' assets	**(26.2)**	(12.1)
Experience gains and losses arising on schemes' liabilities	**11.0**	32.0
Decrease/(increase) in non-permissible surplus	**4.1**	(4.1)
Actuarial (losses)/gains	**(11.1)**	15.8

Actuarial gains and losses are recognised immediately through the statement of recognised income and expense.

Notes to the financial statements
—for the year ended 31 March 2009 continued

33. Net pension surplus continued

Group History of experience gains and losses	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Experience adjustments arising on schemes' assets					
Amount	**(26.2)**	(12.1)	(2.6)	15.5	3.1
Percentage of schemes' assets	**24.5%**	8.7%	1.8%	10.3%	2.5%
Experience adjustments arising on schemes' liabilities					
Amount	**11.0**	(32.0)	(1.3)	20.5	7.8
Percentage of the present value of funded obligations	**10.6%**	25.8%	0.9%	13.1%	5.7%
Present value of schemes' liabilities	**(104.1)**	(123.9)	(150.0)	(156.5)	(136.6)
Fair value of schemes' assets	**107.1**	139.0	144.4	150.0	125.7
Non-permissible surplus	**–**	(4.1)	–	–	–
Surplus/(deficit)	**3.0**	11.0	(5.6)	(6.5)	(10.9)

The contributions expected to be paid in respect of the defined-benefit schemes during the financial year ending 31 March 2010 amount to **£4.4m**.

The Company did not operate any defined-contribution schemes or defined-benefit schemes during the financial year ended 31 March 2009 or in the previous financial year.

34. Deferred taxation

Group		Pension deficit/(surplus) £m	Accelerated tax depreciation £m	Capitalised interest £m	Other £m	Total £m
At 1 April 2007	– Assets	0.4	–	–	0.9	1.3
	– Liabilities	–	(4.4)	(0.9)	–	(5.3)
		0.4	(4.4)	(0.9)	0.9	(4.0)
(Charged)/credited to income statement for the year[1]		(0.3)	3.7	–	–	3.4
Charged to equity		(0.9)	–	–	–	(0.9)
At 31 March 2008	– Assets	–	–	–	0.9	0.9
	– Liabilities	(0.8)	(0.7)	(0.9)	–	(2.4)
		(0.8)	(0.7)	(0.9)	0.9	(1.5)
Disposal of Trillium		–	1.4	–	–	1.4
(Charged)/credited to income statement for the year		(1.4)	1.2	0.9	(0.9)	(0.2)
Credited to equity		0.6	–	–	–	0.6
At 31 March 2009	– Assets	**–**	**1.9**	**–**	**–**	**1.9**
	– Liabilities	**(1.6)**	**–**	**–**	**–**	**(1.6)**
		(1.6)	**1.9**	**–**	**–**	**0.3**

1. £3.3m of the net credit to the income statement for the year ended 31 March 2008 relates to Trillium and in compliance with IFRS5 has been reclassified to discontinued operations.

Group	2009 £m	2008 £m
Deferred tax is provided as follows:		
Excess/(deficit) of capital allowances over depreciation – operating properties	**1.9**	(0.7)
Capitalised interest – operating properties	**–**	(0.9)
Pension surplus	**(1.6)**	(0.8)
Other temporary differences	**–**	0.9
Total deferred tax asset/(liability)	**0.3**	(1.5)

The Group has unutilised trading losses carried forward as at 31 March 2009 of approximately £92.0m (2008: nil).

Notes to the financial statements
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35. 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 IFRS2 '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.

The total cost recognised in the income statement is shown below:

Group	2009 £m	2008 £m
Savings Related Share Option Schemes*	**0.2**	0.3
Executive Share Option Schemes*	**1.8**	0.9
Performance Shares*	**1.2**	(0.1)
Deferred Bonus Share Scheme*	**1.1**	0.7
Long-Term Incentive Plan*	**4.3**	3.2
	8.6	5.0
Attributed to:		
Continuing activities	**4.8**	2.8
Discontinued operations	**3.8**	2.2
	8.6	5.0

*Credited to equity as equity settled.

Impact of Rights Issue on share schemes
The Rights Issue that completed in March 2009 offered shareholders the right to acquire five shares for every eight shares that they held, for an issue price of 270p. As the issue price was below the market price of the ordinary shares a bonus share element was inherent in the Rights Issue. Both the number and exercise price of the share schemes outstanding at the date of the Rights Issue have therefore been adjusted to account for the dilutive impact of the bonus share element.

Savings Related Share Option Schemes
Under the 1993 and 2003 Savings Related Share Option Schemes 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 Banking Group. 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

	Number of options		Weighted average exercise price	
	2009	2008	2009 Pence	2008 Pence
At the beginning of the year	**35,287**	147,433	**677**	656
Exercised	**(18,951)**	(111,548)	**690**	649
Forfeited	**(831)**	(293)	**651**	650
Lapsed	**(3,397)**	(305)	**707**	650
Rights Issue adjustment	**1,323**	–	**–**	–
At the end of the year	**13,431**	35,287	**585**	677
Exercisable at the end of the year	**–**	3,312	**–**	650

	Years	Years
Weighted average remaining contractual life	**0.50**	0.87

The options outstanding under the scheme are exercisable at 585p seven years from the date of grant during 2009. The weighted average share price at the date of exercise during the year was **1291p** (2008: 1647p).

Notes to the financial statements
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35. Share-based payments continued
2003 Savings Related Share Option Scheme

	Number of options		Weighted average exercise price	
	2009	2008	**2009 Pence**	2008 Pence
At the beginning of the year	**507,472**	462,116	**1248**	1121
Granted	**–**	175,605	**–**	1460
Exercised	**(56,303)**	(75,748)	**746**	937
Forfeited	**(68,284)**	(21,979)	**1356**	1173
Lapsed	**(66,258)**	(32,522)	**1356**	1376
Rights Issue adjustment	**34,300**	–	**–**	–
At the end of the year	**350,927**	507,472	**1162**	1248
Exercisable at the end of the year	**86,563**	14,919	**1016**	957

	Years	Years
Weighted average remaining contractual life	**1.51**	2.33

The options outstanding under the scheme are exercisable at prices between 610p and 1372p after three, five or seven years from the date of grant. 11,989 of the options outstanding are exercisable at 610p, 38,654 at 862p, 112,426 at 1032p, 113,149 at 1315p and 74,709 at 1372p during the periods 2009 to 2010, 2009 to 2011, 2009 to 2012, 2010 to 2014 and 2009 to 2013, respectively.

The weighted average share price at the date of exercise during the year was **1129p** (2008: 1559p). No options were granted during the year (2008: options were granted on 1 October 2007). The estimated fair value of the options granted in the previous year was £0.9m.

Executive Share Option Schemes
2000 Executive Share Option Scheme

	Number of options		Weighted average exercise price	
	2009	2008	**2009 Pence**	2008 Pence
At the beginning of the year	**237,692**	247,400	**839**	839
Exercised	**(43,548)**	(8,660)	**855**	835
Forfeited	**(16,806)**	(1,048)	**850**	869
Rights Issue adjustment	**19,451**	–	**–**	–
At the end of the year	**196,789**	237,692	**752**	839
Exercisable at the end of the year	**196,789**	237,692	**752**	839

	Years	Years
Weighted average remaining contractual life	**2.83**	3.70

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.

The options outstanding under the scheme are exercisable at prices between 732p and 783p up to 2012. The weighted average share price at the date of exercise for share options exercised during the year was **1286p** (2008: 1650p).

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35. Share-based payments continued
2002 Executive Share Option Scheme

	Number of options		Weighted average exercise price	
	2009	2008	**2009 Pence**	2008 Pence
At the beginning of the year	**1,581,872**	1,977,946	**1036**	1036
Exercised	**(114,005)**	(348,832)	**996**	1047
Forfeited	**(83,890)**	(47,242)	**1082**	964
Rights Issue adjustment	**151,865**	–	**–**	–
At the end of the year	**1,535,842**	1,581,872	**934**	1036
Exercisable at the end of the year	**1,535,842**	1,581,872	**934**	1036

	Years	Years
Weighted average remaining contractual life	**4.94**	5.94

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.

20,530, 483,608 and 1,031,704 of the options outstanding under the 2002 Executive Share Option Scheme are exercisable at 681p, 710p and 1044p 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 **1278p** (2008: 1658p).

2005 Executive Share Option Scheme

	Number of options		Weighted average exercise price	
	2009	2008	**2009 Pence**	2008 Pence
At the beginning of the year	**967,791**	589,039	**1640**	1569
Granted	**819,405**	450,656	**1213**	1731
Exercised	**–**	(4,478)	**–**	1500
Forfeited	**(82,647)**	(67,426)	**1470**	1636
Rights Issue adjustment	**185,007**	–	**–**	–
At the end of the year	**1,889,556**	967,791	**1301**	1640
Exercisable at the end of the year	**280,509**	–	**1280**	–

	Years	Years
Weighted average remaining contractual life	**8.30**	8.41

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.

The options outstanding under the scheme are exercisable at 1095p, 1280p, 1560p and 1565p during the periods 2011 to 2018, 2009 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 previous year was 1870p. During the year, **807,988** options were granted on **10 July 2008** and **11,417** options were granted on **30 March 2009** (2008: 29 June 2007). The estimated fair value of the options granted on those dates was **£1.4m** (2008: £1.2m).

Notes to the financial statements
—for the year ended 31 March 2009 continued

35. Share-based payments continued
Performance Shares

	Number of shares	
	2009	2008
At the beginning of the year	**137,334**	244,710
Exercised	**(136,684)**	(102,562)
Lapsed	**(650)**	(4,814)
At the end of the year	**–**	137,334
Exercisable at the end of the year	**–**	–

	Years	Years
Weighted average remaining contractual life	**–**	0.26

Under the Performance Shares plan approved by shareholders in 2002, senior executives of the Group received up to two shares for each deferred share received under the separate management bonus scheme depending on the extent to which performance criteria were satisfied. Half of these Performance Shares were 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 were subject to the Group's total property return equalling or exceeding the Investment Property Databank (IPD) 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.

The weighted average share price at the date of exercise for Performance Shares exercised during the year was **1176p** (2008: 1745p).

Deferred Bonus Shares Scheme

	Number of shares	
	2009	2008
At the beginning of the year	**198,106**	221,064
Granted	**165,415**	46,386
Capitalisation of dividends	**6,559**	7,565
Exercised	**(153,252)**	(73,468)
Forfeited	**(356)**	(3,441)
Rights Issue adjustment	**6,040**	–
At the end of the year	**222,512**	198,106
Exercisable at the end of the year	**–**	–

	Years	Years
Weighted average remaining contractual life	**2.41**	1.05

Under the Executive Director and senior management bonus plans, 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.

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 **1090p** (2008: 1741p). During the year, rights over **165,415** deferred shares were granted on **30 March 2009** (2008: 46,386 deferred shares were granted on 29 June 2007). The estimated fair value of the rights over shares granted on that date was **£1.5m** (2008: £0.7m).

Notes to the financial statements
—for the year ended 31 March 2009 continued

35. Share-based payments continued
2005 Long-Term Incentive Plan

	Number of shares	
	2009	2008
At the beginning of the year	**1,263,526**	756,629
Granted	**508,527**	517,103
Exercised	**(565,424)**	–
Forfeited	**(220,908)**	(10,206)
Rights Issue adjustment	**80,301**	–
At the end of the year	**1,066,022**	1,263,526
Exercisable at the end of the year	**–**	–

	Years	Years
Weighted average remaining contractual life	**1.57**	1.46

The 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.

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 year was 983p. Rights to receive **180,957** Performance Shares were granted on **10 July 2008** and **200,066** on **30 March 2009** (2008: 288,121 Performance Shares were granted on 29 June 2007). Rights to receive **60,878** Matching Shares were granted on **31 July 2008** and **66,626** on **30 March 2009** (2008: 228,982 Matching Shares were granted on 31 July 2007). The estimated fair value of the rights over the shares granted on those dates was **£2.6m** (2008: £4.1m).

Fair-values inputs
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	1095p to 1737p	787p to 1405p	787p to 1737p	1095p to 1737p
Range of exercise prices	677p to 1523p	756p to 1159p	1095p to 1737p	nil p	nil p	nil p
Expected volatility	19%	19%	19% to 21%	19%	19% to 21%	19% to 21%
Expected life	3 to 7 years	3 to 5 years	2.3 to 5 years	3 years	3 to 5 years	2.3 to 5 years
Risk-free rate	4.19% to 5.67%	3.60% to 5.10%	2.04% to 5.67%	4.17%	2.04% to 5.67%	2.04% to 5.67%
Expected dividend yield	3.02% to 4.37%	4.11% to 4.34%	3.02% to 6.53%	3.81%	3.02% to 6.53%	3.02% to 6.53%

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.

Notes to the financial statements
—for the year ended 31 March 2009 continued

36. Called up share capital

Group and Company	Authorised 2009 Number million	Authorised 2008 Number million	Allotted and fully paid 2009 £m	Allotted and fully paid 2008 £m
Ordinary shares of 10p each	**1,000.0**	600.0	**76.2**	47.1
Non-equity B shares of £1.02 each	**38.9**	38.9	**–**	–
Redeemable preference shares of £1.00 each	**0.1**	0.1	**–**	–
			76.2	47.1

On 9 March 2009, an ordinary resolution was passed at a General Meeting that approved the increase in the authorised ordinary shares of 10p each from 600.0 million to 1,000.0 million.

	Number of shares 2009	Number of shares 2008
Movements in the share capital were:		
At the beginning of the year	**470,901,478**	470,356,546
Issued on the exercise of options	**232,807**	544,932
Rights Issue	**290,773,925**	–
At the end of the year	**761,908,210**	470,901,478

On 9 March 2009, a special resolution was passed that allowed the Company to proceed with a Rights Issue which provided shareholders with the right to acquire five additional shares at an issue price of 270p for every eight shares held on 5 March 2009. The Rights Issue resulted in the issue of an additional 290,773,925 ordinary shares on 25 March 2009 and raised net proceeds of £755.7m, consisting of gross proceeds of £785.1m net of issue costs of £29.4m.

The number of ordinary shares that would be issued if all options were exercised at 31 March 2009 is **3,986,545** (2008: 3,330,114).

In July 2007 and 2008 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 2009 the Group owned **5,896,000** ordinary shares (2008: 5,896,000 ordinary shares) with a market value of **£25.8m** (2008: £87.6m).

37. Equity attributable to equity holders of the Company

Group	Ordinary shares £m	Share premium £m	Capital redemption reserve £m	Share-based payments £m	Retained earnings* £m	Own shares £m	Total £m
At 1 April 2007	47.0	51.5	30.5	7.9	10,668.9	(14.5)	10,791.3
Exercise of options	0.1	5.1	–	–	–	–	5.2
Fair-value movement on cash flow hedges – Group	–	–	–	–	(3.2)	–	(3.2)
– joint ventures	–	–	–	–	(3.5)	–	(3.5)
Fair value of share-based payments (note 35)	–	–	–	5.0	–	–	5.0
Release on exercise/forfeiture of share options	–	–	–	(1.6)	1.6	–	–
Treasury shares acquired	–	–	–	–	(78.2)	–	(78.2)
Actuarial gains on defined-benefit pension schemes (net)	–	–	–	–	14.9	–	14.9
Loss for the financial year	–	–	–	–	(830.8)	–	(830.8)
Dividends paid (note 9)	–	–	–	–	(308.4)	–	(308.4)
Own shares acquired	–	–	–	–	–	(9.4)	(9.4)
Transfer of shares to employees on exercise of share schemes	–	–	–	–	(1.6)	1.6	–
At 31 March 2008	47.1	56.6	30.5	11.3	9,459.7	(22.3)	9,582.9
Rights Issue (note 36)	29.1	726.6	–	–	–	–	755.7
Exercise of options	–	2.0	–	–	–	–	2.0
Fair-value movement on cash flow hedges – Group	–	–	–	–	(0.2)	–	(0.2)
– joint ventures	–	–	–	–	(21.3)	–	(21.3)
Fair value of share-based payments (note 35)	–	–	–	8.6	–	–	8.6
Release on exercise/forfeiture of share options	–	–	–	(11.8)	11.8	–	–
Actuarial losses on defined-benefit pension schemes (net)	–	–	–	–	(10.5)	–	(10.5)
Loss for the financial year	–	–	–	–	(5,191.3)	–	(5,191.3)
Dividends paid (note 9)	–	–	–	–	(302.4)	–	(302.4)
Transfer of shares to employees on exercise of share schemes	–	–	–	–	(9.9)	9.9	–
At 31 March 2009	**76.2**	**785.2**	**30.5**	**8.1**	**3,935.9**	**(12.4)**	**4,823.5**

*Included within retained earnings are cumulative losses in respect of cash flow hedges (interest-rate swaps) of **£17.1m** (2008: gains of £4.4m).

Notes to the financial statements
—for the year ended 31 March 2009 continued

37. Equity attributable to equity holders of the Company continued

Company	Ordinary shares £m	Share premium £m	Capital redemption reserve £m	Merger reserve £m	Share-based payments £m	Retained earnings* £m	Total £m
At 1 April 2007	47.0	51.5	30.5	373.6	12.5	4,431.6	4,946.7
Shares issued on exercise of options	0.1	5.1	–	–	–	–	5.2
Fair value of share-based payments (note 35)	–	–	–	–	5.0	–	5.0
Loss for the financial year	–	–	–	–	–	(15.3)	(15.3)
Dividends paid (note 9)	–	–	–	–	–	(308.4)	(308.4)
At 31 March 2008	47.1	56.6	30.5	373.6	17.5	4,107.9	4,633.2
Rights Issue (note 36)	29.1	726.6	–	–	–	–	755.7
Shares issued on exercise of options	–	2.0	–	–	–	–	2.0
Fair value of share-based payments (note 35)	–	–	–	–	8.6	–	8.6
Release on exercise/forfeiture of share options	–	–	–	–	(18.0)	18.0	–
Loss for the financial year	–	–	–	–	–	(273.6)	(273.6)
Dividends paid (note 9)	–	–	–	–	–	(302.4)	(302.4)
At 31 March 2009	**76.2**	**785.2**	**30.5**	**373.6**	**8.1**	**3,549.9**	**4,823.5**

*Available for distribution.

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.

38. Own shares

Group	2009 £m	2008 £m
Cost at the beginning of the year	**22.3**	14.5
Acquisition of ordinary shares	**–**	9.4
Transfer of shares to employees on exercise of share schemes	**(9.9)**	(1.6)
Cost at the end of the year	**12.4**	22.3

Own shares consist of shares in Land Securities Group PLC held 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 35).

The number of shares held by the ESOP at 31 March 2009 was **887,914** (2008: 1,336,275). The market value of these shares at 31 March 2009 was **£3.8m** (2008: £20.2m).

Notes to the financial statements
—for the year ended 31 March 2009 continued

39. Cash flow from operating activities

Reconciliation of operating profit to net cash inflow from operating activities:	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Cash generated from operations				
Loss for the financial year from continuing activities	**(4,773.7)**	(972.9)	**(273.6)**	(15.3)
Income tax	**0.5**	(15.1)	**(15.2)**	(6.6)
Loss before tax	**(4,773.2)**	(988.0)	**(288.8)**	(21.9)
Share of losses of joint ventures (post-tax)	**599.0**	101.1	**–**	–
	(4,174.2)	(886.9)	**(288.8)**	(21.9)
Interest income	**(32.5)**	(25.9)	**(20.0)**	(14.7)
Interest expense	**365.0**	312.3	**53.9**	26.6
Operating loss from continuing activities	**(3,841.7)**	(600.5)	**(254.9)**	(10.0)
Operating (loss)/profit from discontinued operations	**(79.0)**	108.2	**–**	–
	(3,920.7)	(492.3)	**(254.9)**	(10.0)
Adjustments on continuing and discontinued operations for:				
Depreciation	**24.3**	45.8	**–**	–
Loss/(profit) on disposal of non-current properties	**129.1**	(75.4)	**–**	–
Net deficit on revaluation of investment properties	**4,123.4**	1,170.3	**–**	–
Goodwill impairment	**148.6**	–	**–**	–
Impairment of trading properties	**92.3**	–	**–**	–
Impairment to investment in subsidiary undertakings	**–**	–	234.7	–
Share-based payment charge	**8.6**	5.0	**–**	–
Pension scheme charge	**1.3**	2.1	**–**	–
	606.9	655.5	**(20.2)**	(10.0)
Changes in working capital:				
(Increase)/decrease in trading properties and long-term development contracts	**(34.0)**	0.2	**–**	–
Decrease/(increase) in receivables	**69.5**	(26.3)	**0.1**	(0.3)
Increase/(decrease) in payables and provisions	**8.9**	67.1	**(375.3)**	443.5
Net cash generated from operations	**651.3**	696.5	**(395.4)**	433.2

Notes to the financial statements
—for the year ended 31 March 2009 continued

40. Related party transactions
Subsidiaries
In accordance with IAS27 '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 20, 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 2009 and at 31 March 2009				Year ended 31 March 2008 and at 31 March 2008			
	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	**0.5**	**0.4**	**0.3**	**(0.1)**	0.6	(42.5)	0.9	(3.9)
Metro Shopping Fund Limited Partnership	**0.8**	**4.7**	**–**	**–**	0.9	(7.6)	0.7	(2.0)
Buchanan Partnership	**5.3**	**(2.9)**	**1.6**	**–**	3.7	(2.6)	0.5	–
St. David's Limited Partnership	**8.0**	**74.0**	**12.3**	**(115.1)**	5.4	55.4	4.3	(116.9)
The Martineau Galleries Limited Partnership	**0.2**	**(5.9)**	**0.4**	**–**	0.2	3.1	0.3	–
The Bull Ring Limited Partnership	**–**	**(11.7)**	**–**	**–**	–	(13.5)	–	–
Bristol Alliance Limited Partnership	**7.0**	**57.4**	**14.2**	**–**	9.0	76.1	11.7	–
The Martineau Limited Partnership	**0.1**	**–**	**–**	**–**	–	–	–	(0.1)
A2 Limited Partnership	**–**	**(3.7)**	**–**	**–**	–	(2.8)	–	–
Parc Tawe I Unit Trust	**–**	**–**	**–**	**–**	–	(1.4)	–	–
Hungate (York) Regeneration Limited	**–**	**–**	**–**	**–**	–	1.7	–	–
Countryside Land Securities (Springhead) Limited	**–**	**0.9**	**0.6**	**–**	–	5.5	–	–
Investors in the Community	**–**	**0.2**	**–**	**–**	–	–	–	–
The Ebbsfleet Limited Partnership	**–**	**–**	**0.2**	**–**	–	–	0.2	–
The Harvest Limited Partnership	**0.6**	**14.6**	**0.6**	**(43.0)**	0.1	72.9	0.1	(0.2)
The Oriana Limited Partnership	**0.4**	**11.1**	**2.5**	**–**	–	23.4	78.7	(0.3)
Millshaw Property Co. Limited	**–**	**–**	**–**	**(10.4)**	–	14.2	–	(10.8)
Fen Farm Developments Limited	**0.1**	**(3.5)**	**11.1**	**–**	0.1	(5.6)	13.7	–
The Empress State Limited Partnership	**–**	**28.1**	**0.1**	**–**	–	–	–	–
HNJV Limited	**–**	**–**	**0.7**	**–**	–	–	–	–
	23.0	**163.7**	**44.6**	**(168.6)**	20.0	176.3	111.1	(134.2)

Further detail of the above transactions and balances can be seen in note 20.

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 IAS24 'Related Party Disclosures'. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' remuneration report on pages 76 to 79.

	2009 £m	2008 £m
Short-term employee benefits	**3.2**	7.7
Post-employment benefits	**0.6**	0.6
Share-based payments	**2.6**	3.2
	6.4	11.5

Notes to the financial statements
—for the year ended 31 March 2009 continued

41. 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:

	2009 £m	2008 £m
Not later than one year	**534.0**	547.6
Later than one year but not more than five years	**1,981.5**	2,123.0
More than five years	**3,818.7**	4,284.4
	6,334.2	6,955.0

The total of contingent rents recognised as income during the year was **£41.2m** (2008: £38.8m).

42. Discontinued operations
On 8 January 2009 Land Securities announced the sale of Trillium, its property outsourcing business, to Telereal. The sale was completed on 12 January 2009. The transaction included all of Trillium's contracts with the exception of the Accor hotel portfolio, which is now included within the Retail Portfolio business segment.

The Trillium operations represented a separate major line of business for Land Securities. As a result of the sale and in accordance with IFRS5, these operations have been treated as discontinued operations for the year ended 31 March 2009. A single amount is shown on the face of the income statement comprising the post-tax result of discontinued operations and the post-tax loss arising on the disposal of the discontinued operation. As a result, the income and expenses of Trillium are reported separately from the continuing activities of the Land Securities Group. The table below provides further details of the amount shown on the income statement. The income statement, and relevant notes, for the prior year have been restated to conform with this style of presentation.

	2009 £m	2008 £m
(Loss)/profit for the financial year from discontinued operations	**(87.3)**	142.1
Loss on disposal	**(333.6)**	–
	(420.9)	142.1

Income statement of Trillium discontinued operations	2009[1] £m	2008 £m
Revenue	**558.1**	743.2
Costs	**(480.2)**	(641.2)
	77.9	102.0
Goodwill impairment	**(148.6)**	–
Profit on disposal of non-current properties	**1.7**	18.1
Net deficit on revaluation of investment properties	**(10.0)**	(11.9)
Operating (loss)/profit	**(79.0)**	108.2
Interest expense	**(6.1)**	(12.1)
Interest income	**2.1**	3.5
	(83.0)	99.6
Share of the loss of an associate undertaking (post-tax)	**(16.6)**	(0.5)
Share of the profit of joint ventures (post-tax)	**–**	0.1
(Loss)/profit before tax	**(99.6)**	99.2
Income tax	**(7.9)**	(4.6)
(Loss)/profit for the financial year	**(107.5)**	94.6
Discontinued operations within Trillium	**20.2**	47.5
(Loss)/profit for the financial year from discontinued operations	**(87.3)**	142.1

1. The 2009 income statement is for the period from 1 April 2008 to 12 January 2009, the date of the disposal of Trillium.

Notes to the financial statements
—for the year ended 31 March 2009 continued

42. Discontinued operations continued

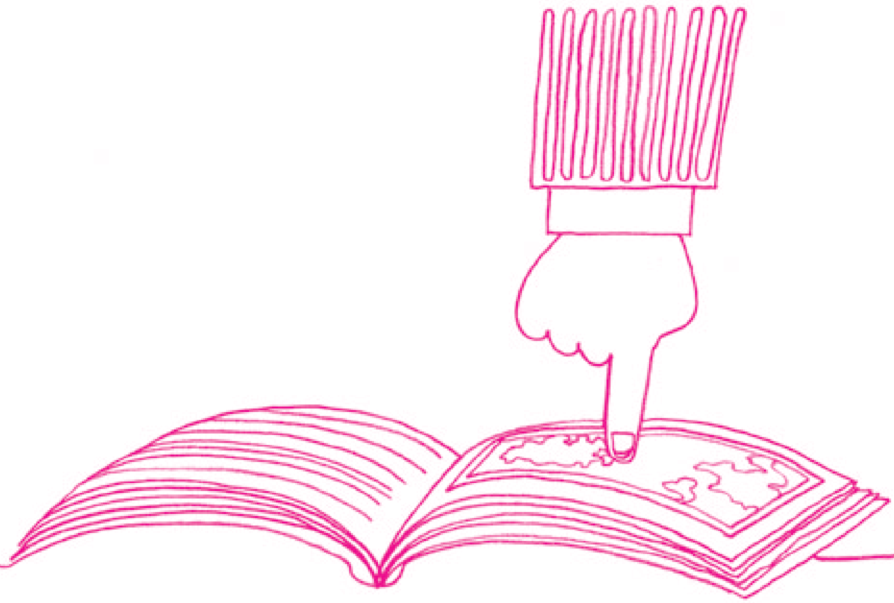
Loss on disposal	2009 £m	2008 £m
Consideration received or receivable:		
Cash	**444.0**	–
Present value of deferred sales proceeds	**25.0**	–
Total disposal consideration	**469.0**	–
Less: carrying amounts of net assets divested	**(792.8)**	–
Less: cost of disposal	**(9.8)**	–
Loss on sale before related income tax benefit	**(333.6)**	–
Income tax benefit	**–**	–
Loss on disposal	**(333.6)**	**–**

Net cash inflow on disposal	2009 £m	2008 £m
Cash and cash equivalents consideration	**444.0**	–
Less: cash and cash equivalents balance divested	**(51.3)**	–
Reported in the cash flow statement	**392.7**	–

The cash consideration includes the repayment of inter-company balances of £435.8m that were outstanding between the Group and Trillium at 12 January 2009.

The Group cash flow statement contains the cash flows from the Trillium discontinued operations. The cash flows attributable to the operating activities of the Trillium discontinued operations are detailed in the following table:

	2009 £m	2008 £m
Operating cash flows	**138.7**	102.8
Investing cash flows	**106.9**	(195.5)
Financing cash flows	**(24.4)**	(48.8)
Total cash flows	**221.2**	(141.5)



Report of the Directors

Covering the most significant strategic, financial and operational developments during the year.

Financial statements

Including the independent auditors' report, the income statement, balance sheets and the notes to the financial statements.

Key analysis

Business analysis

> p132–137

Clear, detailed information on operational performance, including portfolio analysis.

Investor analysis

> p138–139

An overview of our institutional investors, together with a five year summary.

Investor resource

Helpful analysis, summaries and information on business performance and shareholdings.

Our performance in detail

In this section we provide a detailed, transparent picture of our business performance. We include comprehensive information on our portfolio, occupiers and rental income. And we show our performance relative to the IPD industry benchmark.

Table 62
% Portfolio by value and number of property holdings at 31 March 2009

£m	Value %	Number of properties
0 – 9.99	3.6	87
10 – 24.99	5.8	34
25 – 49.99	13.2	36
50 – 99.99	18.8	26
100 – 149.99	17.0	13
150 – 199.99	12.7	7
200 +	28.9	9
Total	**100.0**	**212**

Includes share of joint venture properties

Table 63
Like-for-like reversionary potential at 31 March 2009

Reversionary potential	31/03/09 % of rent roll	31/03/08 % of rent roll
Gross reversions	**7.0**	15.5
Over-rented	**(4.8)**	(1.1)
Net reversionary potential	**2.2**	14.4

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, £14.4m is subject to a lease expiry or break clause in the next five years.

Table 64
Average rents at 31 March 2009

	Average rent £/m²	Average ERV £/m²
Retail		
Shopping centres and shops	n/a	n/a
Retail warehouses and food stores	203	207
Offices		
London office portfolio	373	342

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.

Table 65
Long-term performance versus IPD – ungeared total property returns to 31 March 2009

	Land Securities % pa	IPD % pa
3 years	(7.5)	(7.8)
5 years	2.8	1.9
10 years	6.2	6.2

Source: IPD Quarterly Universe

Table 66
One year performance versus IPD – ungeared total property returns to 31 March 2009

	Land Securities % pa	IPD % pa
Retail – Shopping centres and shops	(34.8)	(29.8)
Retail warehouses	(30.6)	(27.9)
Central London offices	(28.2)	(29.2)
Central London Retail	(12.0)	(16.8)
Total portfolio	**(29.7)**	**(25.5)**

Source: IPD Quarterly Universe

Table 67
Top 12 occupiers

	Current gross rent roll %
Central Government	9.5
Accor Hotels	4.2
Royal Bank of Scotland	2.7
Deloitte	2.3
Arcadia Group	1.7
Boots	1.4
DSG	1.4
Mellon Bank	1.3
Marks & Spencer	1.2
J Sainsbury	1.2
Eversheds	1.1
Next	1.1
Total portfolio	**29.1**

Includes share of joint venture properties

Table 68
Combined portfolio value by location

	Shopping centres and shops %	Retail warehouses and food stores %	Offices %	Other %	Total %
Central, inner and outer London	13.5	0.8	42.3	4.5	61.1
South-east and Eastern	3.7	3.7	–	1.3	8.7
Midlands	3.1	1.1	0.1	0.5	4.8
Wales and South-west	6.6	0.9	0.1	0.1	7.7
North, North-west, Yorkshire and Humberside	6.5	4.1	0.2	0.8	11.6
Scotland and Northern Ireland	4.5	1.3	–	0.3	6.1
Total	**37.9**	**11.9**	**42.7**	**7.5**	**100.0**

% figures calculated by reference to the combined portfolio value of £9.4bn

Chart 69

Combined portfolio value by location

Scotland and Northern Ireland

Retail warehouses and food stores 1.3%	Offices —
Shopping centres and shops 4.5%	Other 0.3%
	Total 6.1%

North, North-west, Yorkshire and Humberside

Retail warehouses and food stores 4.1%	Offices 0.2%
Shopping centres and shops 6.5%	Other 0.8%
	Total 11.6%

Midlands

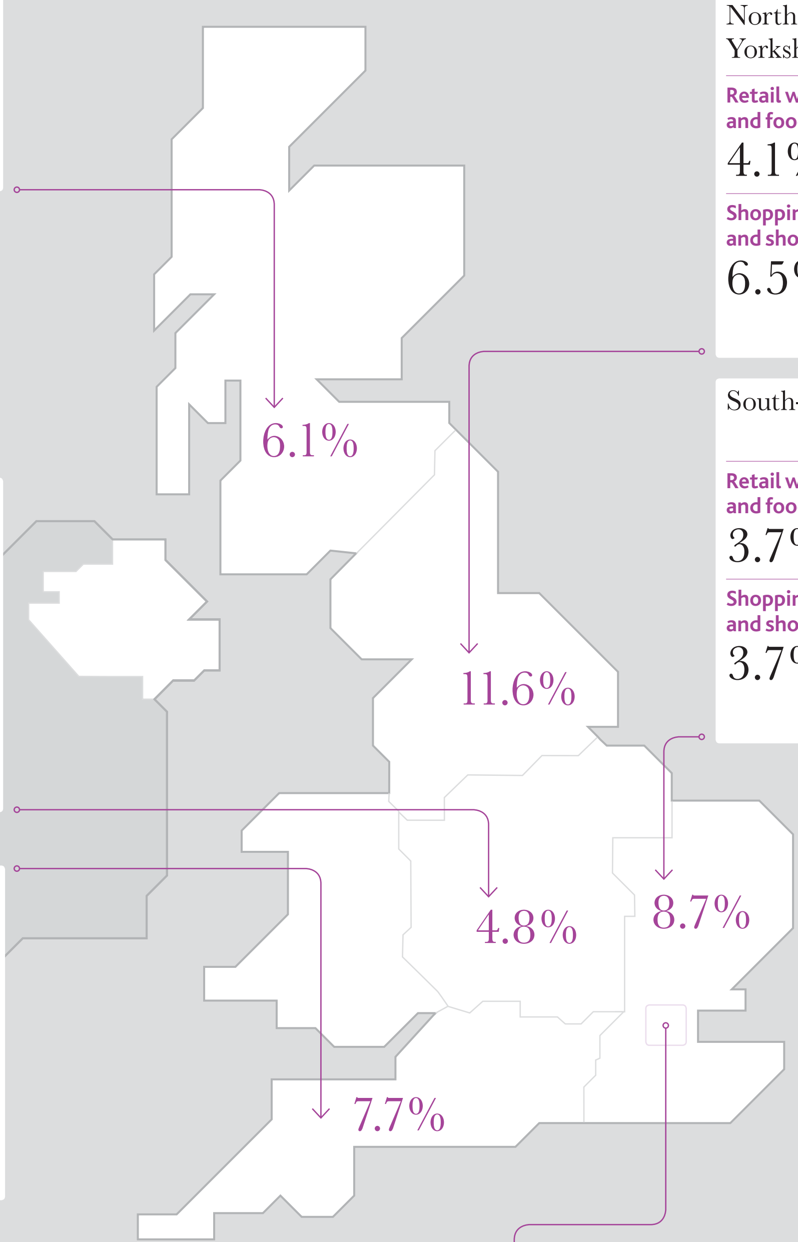
Retail warehouses and food stores 1.1%	Offices 0.1%
Shopping centres and shops 3.1%	Other 0.5%
	Total 4.8%

South-east and Eastern

Retail warehouses and food stores 3.7%	Offices —
Shopping centres and shops 3.7%	Other 1.3%
	Total 8.7%

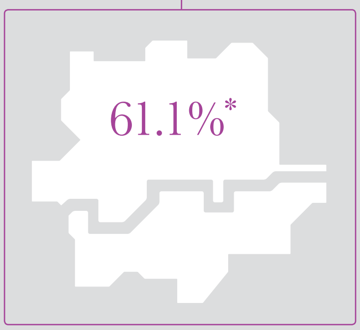
Wales and South-west

Retail warehouses and food stores 0.9%	Offices 0.1%
Shopping centres and shops 6.6%	Other 0.1%
	Total 7.7%



Total by use

Retail warehouses and food stores 11.9%	Offices 42.7%
Shopping centres and shops 27.5%	Other 7.5%
Central London Retail 10.4%	Total 100.0%



*Retail and London Portfolios combined

Central, inner and outer London

Retail warehouses and food stores 0.8%	Offices 42.3%
Shopping centres and shops 13.5%	Other 4.5%
	Total 61.1%

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Summary income statement and balance sheet based on proportional consolidation

The following pro-forma information is unaudited and does not form part of the consolidated financial statements or the associated notes. They present the results of the Group, with the Group's share of joint ventures and associates proportionately consolidated on a line-by-line basis.

Consolidated income statement

	Year ended 31/03/09			Year ended 31/03/08		
	Group (excl. JVs) £m	JVs £m	Total £m	Group (excl. JVs) £m	JVs £m	Total £m
Revenue	821.2	103.3	924.5	818.0	111.6	929.6
Costs	(326.4)	(37.3)	(363.7)	(317.4)	(47.3)	(364.7)
	494.8	66.0	560.8	500.6	64.3	564.9
(Loss)/profit on disposal of non-current properties	(130.8)	2.9	(127.9)	57.3	(7.1)	50.2
Impairment of trading properties	(92.3)	(12.3)	(104.6)	–	–	–
Net deficit on revaluation of investment properties	(4,113.4)	(630.3)	(4,743.7)	(1,158.4)	(134.2)	(1,292.6)
Operating loss	(3,841.7)	(573.7)	(4,415.4)	(600.5)	(77.0)	(677.5)
Net interest expense	(332.5)	(41.7)	(374.2)	(286.4)	(21.0)	(307.4)
Loss before tax	(4,174.2)	(615.4)	(4,789.6)	(886.9)	(98.0)	(984.9)
Income tax (expense)/credit	(0.5)	(1.3)	(1.8)	15.1	(3.1)	12.0
	(4,174.7)	(616.7)	(4,791.4)	(871.8)	(101.1)	(972.9)
Adjustment due to net liabilities	–	17.7	17.7	–	–	–
Loss for the year from continuing activities	(4,174.7)	(599.0)	(4,773.7)	(871.8)	(101.1)	(972.9)

Consolidated balance sheet

	At 31/03/09			At 31/03/08		
	Group £m	JVs £m	Total £m	Group £m	JVs £m	Total £m
Investment properties	7,929.4	1,208.0	9,137.4	12,296.7	1,579.0	13,875.7
Other tangible fixed assets	14.3	–	14.3	618.4	–	618.4
	7,943.7	1,208.0	9,151.7	12,915.1	1,579.0	14,494.1
Net debt	(3,923.6)	(459.4)	(4,383.0)	(5,384.5)	(253.5)	(5,638.0)
Investments in joint ventures*	930.8	(930.8)	–	1,410.6	(1,410.6)	–
Other net assets	(130.7)	182.2	51.5	641.7	85.1	726.8
Unadjusted net assets	4,820.2	–	4,820.2	9,582.9	–	9,582.9
Minority interest	3.3	–	3.3	–	–	–
EPRA adjustments	150.2	–	150.2	12.7	–	12.7
EPRA adjusted net assets	4,973.7	–	4,973.7	9,595.6	–	9,595.6
Reverse bond exchange de-recognition adjustment	(499.8)	–	(499.8)	(511.5)	–	(511.5)
Adjusted net assets attributable to equity shareholders	4,473.9	–	4,473.9	9,084.1	–	9,084.1
Gearing	81.4%		90.9%	56.2%		58.8%
Adjusted gearing (excluding JVs)	96.4%			64.9%		
Adjusted gearing (including JVs)			105.9%			67.6%

*Excludes investments in associates of £nil (31 March 2008: £68.3m)

Reconciliation of net book value of the investment properties to the market value

	At 31/03/09			At 31/03/08		
	Group (excl. JVs) £m	JVs £m	Total £m	Group (excl. JVs) £m	JVs £m	Total £m
Net book value	7,929.4	1,208.0	9,137.4	12,296.7	1,579.0	13,875.7
Plus: amount included in prepayments in respect of lease incentives	189.3	31.6	220.9	180.6	6.6	187.2
Less: head leases capitalised	(57.9)	(4.9)	(62.8)	(67.3)	(4.4)	(71.7)
Plus: properties treated as finance leases	104.7	6.8	111.5	149.2	8.7	157.9
Market value	8,165.5	1,241.5	9,407.0	12,559.2	1,589.9	14,149.1

Combined portfolio reconciliation

	Retail Portfolio £m	London Portfolio £m	Other £m	31/03/09 £m	Retail Portfolio £m	London Portfolio £m	Other £m	31/03/08 £m
Income statement – gross rental income reconciliation								
Combined portfolio	**374.5**	**306.1**	**46.8**	**727.4**	373.5	282.1	57.5	713.1
Central London shops (excluding Metro Shopping Fund LP)	**(42.8)**	**42.8**	**–**	**–**	(45.4)	45.4	–	–
Inner London offices in Metro Shopping Fund LP	**0.8**	**(0.8)**	**–**	**–**	0.8	(0.8)	–	–
Rest of UK offices	**1.5**	**0.2**	**(1.7)**	**–**	2.3	–	(2.3)	–
Other	**40.6**	**4.5**	**(45.1)**	**–**	39.4	15.8	(55.2)	–
	374.6	**352.8**	**–**	**727.4**	370.6	342.5	–	713.1
Less finance lease adjustment	**(2.7)**	**(5.3)**	**–**	**(8.0)**	(2.9)	(5.9)	–	(8.8)
Total rental income for combined portfolio	**371.9**	**347.5**	**–**	**719.4**	367.7	336.6	–	704.3
Open market value reconciliation								
Combined portfolio	**4,687.3**	**3,969.0**	**750.7**	**9,407.0**	6,851.9	6,124.0	1,046.7	14,022.6
Central London shops (excluding Metro Shopping Fund LP)	**(939.2)**	**939.2**	**–**	**–**	(1,008.0)	1,008.0	–	–
Inner London offices in Metro Shopping Fund LP	**9.8**	**(9.8)**	**–**	**–**	18.0	(18.0)	–	–
Rest of UK offices	**51.1**	**–**	**(51.1)**	**–**	79.6	–	(79.6)	–
Other	**508.6**	**191.0**	**(699.6)**	**–**	731.8	235.3	(967.1)	–
Per business unit	**4,317.6**	**5,089.4**	**–**	**9,407.0**	6,673.3	7,349.3	–	14,022.6
Gross estimated rental value reconciliation								
Combined portfolio	**455.5**	**325.6**	**53.6**	**834.7**	451.6	431.6	63.5	946.7
Central London shops (excluding Metro Shopping Fund LP)	**(85.7)**	**85.7**	**–**	**–**	(70.1)	70.1	–	–
Inner London offices in Metro Shopping Fund LP	**0.9**	**(0.9)**	**–**	**–**	1.0	(1.0)	–	–
Rest of UK offices	**5.0**	**–**	**(5.0)**	**–**	5.7	–	(5.7)	–
Other	**40.1**	**8.5**	**(48.6)**	**–**	46.3	11.5	(57.8)	–
Per business unit	**415.8**	**418.9**	**–**	**834.7**	434.5	512.2	–	946.7

Development pipeline financial summary

	Cumulative movements on the development programme to 31/03/09						Total scheme details				
	Market value at start of scheme £m	Capital expenditure incurred to date £m	Capitalised interest to date £m	Revaluation (deficit)/ surplus to date[1] £m	Disposals, SIC 15 rent and other adjustments £m	Market value at 31/03/09 £m	Estimated total capital expenditure[4] £m	Estimated total capitalised interest £m	Estimated total cost less residential[2] £m	Net income/ ERV[3] £m	Valuation deficit for year ended 31/03/09[1] £m
Development programme transferred or sold											
Retail warehouses	11.9	6.7	0.1	(6.7)	0.2	12.2	6.7	0.1	18.7	1.1	(4.6)
London Portfolio	16.0	152.0	10.6	55.7	2.2	236.5	157.1	10.6	183.7	16.7	(24.9)
	27.9	158.7	10.7	49.0	2.4	248.7	163.8	10.7	202.4	17.8	(29.5)
Development programme completed, approved or in progress											
Shopping centres and shops	52.5	622.2	38.3	(315.9)	5.5	402.6	752.6	43.7	811.7	44.4	(289.9)
London Portfolio	441.7	564.5	52.7	(321.3)	67.4	805.0	1,019.6	103.8	1,456.5	95.2	(453.7)
	494.2	1,186.7	91.0	(637.2)	72.9	1,207.6	1,772.2	147.5	2,268.2	139.6	(743.6)
	Movement on proposed developments for the year ended 31/03/09										
Proposed developments											
Shopping centres and shops	207.0	36.2	11.6	(161.8)	(8.0)	85.0	260.1	30.1	375.2	27.5	(161.8)
London Portfolio	426.8	46.9	2.4	(228.2)	28.9	276.8	1,181.2	158.5	1,165.0	97.8	(228.2)
	633.8	83.1	14.0	(390.0)	20.9	361.8	1,441.3	188.6	1,540.2	125.3	(390.0)

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 2009 is included in the estimated total cost. Estimated total cost is stated net of the cost of residential properties for Shopping Centres and shops of £37.1m for developments in progress. The London Portfolio development programme and proposed developments are stated net of the cost of residential properties of £108.6m and £451.5m 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 2009 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 2009.

Combined portfolio analysis
The like-for-like portfolio[2]

	Open market value[8]		Valuation deficit[1]		Gross rental income		Annual net rent[9]		Annual net estimated rental value[10]	
	31/03/09 £m	31/03/08 £m	31/03/09 £m	31/03/09 %	31/03/09 £m	31/03/08 £m	31/03/09 £m	31/03/08 £m	31/03/09 £m	31/03/08 £m
Shopping centres and shops										
Shopping centres and shops	**1,883.8**	2,951.1	**(1,089.2)**	**(36.8)**	**192.1**	192.0	**168.2**	170.3	**182.9**	191.4
Central London shops	**622.3**	693.7	**(77.8)**	**(11.1)**	**35.0**	32.2	**35.9**	30.2	**39.5**	38.2
	2,506.1	3,644.8	**(1,167.0)**	**(31.9)**	**227.1**	224.2	**204.1**	200.5	**222.4**	229.6
Retail warehouses										
Retail warehouses and food stores	**1,018.2**	1,538.1	**(543.5)**	**(35.5)**	**79.5**	76.6	**81.3**	80.1	**87.1**	91.5
Total retail	**3,524.3**	5,182.9	**(1,710.5)**	**(33.0)**	**306.6**	300.8	**285.4**	280.6	**309.5**	321.1
London offices										
West End	**999.3**	1,500.0	**(511.4)**	**(34.3)**	**85.7**	84.9	**80.8**	80.8	**79.0**	104.6
City	**414.9**	670.9	**(263.8)**	**(38.9)**	**36.7**	36.3	**37.6**	37.1	**33.3**	40.0
Mid-town	**306.5**	462.3	**(147.4)**	**(37.8)**	**25.5**	24.1	**26.2**	25.5	**25.5**	31.4
Inner London	**197.0**	289.3	**(92.5)**	**(32.0)**	**16.8**	15.8	**17.2**	16.2	**17.5**	18.8
Total London offices	**1,917.7**	2,922.5	**(1,015.1)**	**(35.6)**	**164.7**	161.1	**161.8**	159.6	**155.3**	194.8
Rest of UK	**42.1**	67.1	**(25.3)**	**(37.4)**	**1.4**	1.4	**4.2**	3.6	**4.8**	5.0
Total offices	**1,959.8**	2,989.6	**(1,040.4)**	**(35.7)**	**166.1**	162.5	**166.0**	163.2	**160.1**	199.8
Other	**223.8**	295.2	**(77.9)**	**(26.1)**	**11.0**	10.5	**15.2**	14.4	**16.9**	16.3
Like-for-like portfolio[2]	**5,707.9**	8,467.7	**(2,828.8)**	**(33.7)**	**483.7**	473.8	**466.6**	458.2	**486.5**	537.2
Proposed developments[3]	**361.8**	662.7	**(390.0)**	**(52.3)**	**18.2**	28.4	**16.0**	29.7	**26.7**	37.6
Completed developments[4]	**1,352.7**	1,782.1	**(458.8)**	**(26.4)**	**95.9**	59.1	**77.3**	57.1	**87.9**	102.0
Acquisitions[5]	**777.0**	863.4	**(322.5)**	**(29.2)**	**66.3**	46.5	**63.3**	55.2	**69.9**	68.2
Sales and restructured interests[6]	**–**	723.3	**–**	**–**	**23.2**	80.9	**–**	41.1	**–**	46.4
Development programme[7]	**1,207.6**	1,523.4	**(743.6)**	**(39.3)**	**40.1**	24.4	**32.4**	9.6	**141.4**	137.5
Combined portfolio	**9,407.0**	14,022.6	**(4,743.7)**	**(34.2)**	**727.4**	713.1	**655.6**	650.9	**812.4**	928.9
Properties treated as finance leases					**(8.0)**	(8.8)				
Combined portfolio					**719.4**	704.3				

Total portfolio analysis

	Open market value[8]		Valuation deficit[1]		Gross rental income		Annual net rent[9]		Annual net estimated rental value[10]	
Shopping centres and shops										
Shopping centres and shops	**2,587.6**	3,987.3	**(1,675.0)**	**(39.7)**	**233.8**	229.3	**212.4**	196.7	**256.5**	257.0
Central London shops	**976.1**	1,060.8	**(125.9)**	**(11.4)**	**45.7**	48.0	**47.4**	40.4	**86.6**	73.0
	3,563.7	5,048.1	**(1,800.9)**	**(33.9)**	**279.5**	277.3	**259.8**	237.1	**343.1**	330.0
Retail warehouses										
Retail warehouses and food stores	**1,123.6**	1,803.8	**(603.7)**	**(35.6)**	**95.0**	96.2	**87.7**	93.9	**96.1**	108.1
Total retail	**4,687.3**	6,851.9	**(2,404.6)**	**(34.3)**	**374.5**	373.5	**347.5**	331.0	**439.2**	438.1
London offices										
West End	**1,841.7**	2,745.6	**(849.9)**	**(32.2)**	**141.0**	126.5	**132.7**	124.0	**126.7**	185.8
City	**732.7**	1,155.5	**(516.7)**	**(41.7)**	**53.9**	52.5	**51.5**	51.8	**76.0**	87.3
Mid-town	**783.2**	1,272.0	**(463.2)**	**(40.5)**	**62.4**	52.1	**40.6**	50.4	**66.5**	88.9
Inner London	**611.4**	950.9	**(267.7)**	**(31.3)**	**48.8**	51.0	**30.3**	35.1	**50.5**	65.5
Total London offices	**3,969.0**	6,124.0	**(2,097.5)**	**(35.7)**	**306.1**	282.1	**255.1**	261.3	**319.7**	427.5
Rest of UK	**51.1**	79.6	**(28.6)**	**(34.4)**	**1.7**	2.3	**4.2**	3.9	**4.9**	5.5
Total offices	**4,020.1**	6,203.6	**(2,126.1)**	**(35.7)**	**307.8**	284.4	**259.3**	265.2	**324.6**	433.0
Other	**699.6**	967.1	**(213.0)**	**(23.4)**	**45.1**	55.2	**48.8**	54.7	**48.6**	57.8
Combined portfolio	**9,407.0**	14,022.6	**(4,743.7)**	**(34.2)**	**727.4**	713.1	**655.6**	650.9	**812.4**	928.9
Properties treated as finance leases					**(8.0)**	(8.8)				
Combined portfolio					**719.4**	704.3				
Represented by:										
Investment portfolio	**8,165.5**	12,432.7	**(4,113.4)**	**(34.2)**	**649.7**	646.9	**569.1**	582.7	**693.5**	807.6
Share of joint ventures	**1,241.5**	1,589.9	**(630.3)**	**(34.3)**	**77.7**	66.2	**86.5**	68.2	**118.9**	121.3
Combined portfolio	**9,407.0**	14,022.6	**(4,743.7)**	**(34.2)**	**727.4**	713.1	**655.6**	650.9	**812.4**	928.9

Combined portfolio analysis continued
The like-for-like portfolio[2]

	Gross income yield[11] 31/03/09 %	Gross income yield[11] 31/03/08 %	Equivalent yield[12] 31/03/09 %	Equivalent yield[12] 31/03/08 %	Annual gross estimated rental value[13] 31/03/09 £m	Annual gross estimated rental value[13] 31/03/08 £m	Voids (by ERV)[14] 31/03/09 %	Voids (by ERV)[14] 31/03/08 %	Lease length at 31/03/09[15] Median years (i)	Lease length at 31/03/09[15] Mean years (ii)
Shopping centres and shops										
Shopping centres and shops	**8.9**	5.8	**8.1**	5.7	**193.3**	202.6	**7.0**	4.8	**6.5**	**7.6**
Central London shops	**5.8**	4.4	**5.8**	5.0	**39.7**	38.5	**0.8**	7.0	**4.3**	**5.8**
	8.1	5.5	**7.5**	5.5	**233.0**	241.1	**6.0**	5.1	**5.9**	**7.3**
Retail warehouses										
Retail warehouses and food stores	**8.0**	5.2	**8.1**	5.5	**87.8**	92.3	**0.9**	2.7	**11.2**	**11.6**
Total retail	**8.1**	5.4	**7.7**	5.5	**320.8**	333.4	**4.6**	4.5	**7.5**	**8.6**
London offices										
West End	**8.1**	5.4	**7.5**	6.1	**79.4**	105.0	**7.2**	1.4	**5.3**	**7.1**
City	**9.1**	5.5	**8.0**	6.3	**35.4**	42.1	**3.0**	2.9	**1.8**	**3.6**
Mid-town	**8.5**	5.5	**7.6**	6.0	**26.2**	31.8	**0.5**	0.9	**3.8**	**7.4**
Inner London	**8.7**	5.6	**8.4**	7.6	**17.5**	18.8	**1.9**	1.5	**4.9**	**5.7**
Total London offices	**8.4**	5.5	**7.7**	6.1	**158.5**	197.7	**4.6**	1.7	**4.0**	**6.2**
Rest of UK	**10.0**	5.4	**9.8**	7.0	**4.9**	5.1	**12.6**	12.6	**3.3**	**3.8**
Total offices	**8.5**	5.5	**7.8**	6.2	**163.4**	202.8	**4.8**	1.9	**4.0**	**6.1**
Other	**6.8**	4.9	**7.8**	5.8	**16.9**	16.3	**2.1**	2.6	**12.9**	**12.5**
Like-for-like portfolio[2]	**8.2**	5.4	**7.7**	5.8	**501.1**	552.5	**4.6**	3.5	**5.8**	**7.8**
Proposed developments[3]	**3.0**	4.5	**5.3**	6.1	**26.7**	37.6	**44.1**	9.1	**0.8**	**7.1**
Completed developments[4]	**5.8**	3.2	**6.7**	5.9	**89.8**	103.0	**1.0**	3.6	**12.5**	**12.9**
Acquisitions[5]	**8.1**	6.4	**7.2**	6.2	**70.4**	68.5	**7.3**	6.1	**9.6**	**9.8**
Sales and restructured interests[6]	**–**	5.7	**–**	–	**–**	46.7	**n/a**	n/a	**n/a**	**n/a**
Development programme[7]	**3.1**	0.6	**7.5**	5.4	**146.7**	138.4	**n/a**	n/a	**n/a**	**n/a**
Combined portfolio	**7.0**	4.6	**7.5**	5.7	**834.7**	946.7	**n/a**	n/a	**n/a**	**n/a**

Total portfolio analysis

Shopping centres and shops				
Shopping centres and shops	**8.2**	4.9	**7.9**	5.6
Central London shops	**4.9**	3.8	**5.8**	5.0
	7.3	4.7	**7.4**	5.5
Retail warehouses				
Retail warehouses and food stores	**7.8**	5.2	**8.0**	5.5
Total retail	**7.4**	4.8	**7.5**	5.5
London offices				
West End	**7.2**	4.5	**7.2**	5.9
City	**7.0**	4.5	**7.8**	6.2
Mid-town	**5.2**	4.0	**7.4**	5.8
Inner London	**5.0**	3.7	**7.7**	7.6
Total London offices	**6.4**	4.3	**7.4**	6.0
Rest of UK	**8.2**	4.9	**9.6**	7.0
Total offices	**6.5**	4.3	**7.4**	6.0
Other	**7.0**	5.7	**7.1**	5.9
Combined portfolio	**7.0**	4.6	**7.5**	5.7
Represented by:				
Investment portfolio	**6.7**	4.3	**7.5**	5.8
Share of joint ventures	**8.6**	7.5	**7.2**	5.4
Combined portfolio	**7.0**	4.6	**7.5**	5.7

Notes:

1. The valuation deficit is stated after adjusting for the effect of SIC 15 under IFRS, but before restating for finance leases.
2. The like-for-like portfolio includes all properties which have been in the portfolio since 1 April 2007 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 deficits.
3. Proposed developments are properties which have not yet received final Board approval or are still subject to main planning conditions being satisfied.
4. Completed developments represent those properties previously included in the development programme, which have been completed, let and removed from the development programme since 1 April 2007.
5. Includes all properties acquired in the period since 1 April 2007.
6. 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 2007.
7. Ongoing developments are properties in the development programme. They exclude completed developments as defined in note 4 above. For the statutory accounts, Park House has been transferred back to Portfolio Management at 31 March 2009 following deferral of this scheme. For comparative purposes, Park House has been included in the development programme in the combined portfolio analysis and will be transferred on 1 April 2009.
8. The open market value figures include the Group's share of the various joint ventures.
9. Annual net rent is annual cash rents at 31 March 2009 (including units in administration where leases have not yet been disclaimed) after deduction of ground rents. It excludes the value of voids and current rent-free periods.
10. 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.
11. The gross income yield represents the annual cash net rent (including units in administration where leases have not yet been disclaimed) expressed as a percentage of the market value ignoring costs of purchase or sale.
12. 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.
13. Annual gross estimated rental value is calculated in the same way as net estimated rental value before the deduction of ground rents.
14. 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 13 above.
15. 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.

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Our investors

Here we provide analysis of our shareholder community. We include breakdowns by geography, size and type. We show how the nature of our investors compares to share ownership within our industry and the FTSE 100. And we present a five year results summary.

Chart 70
Geographical spread of equity shareholders

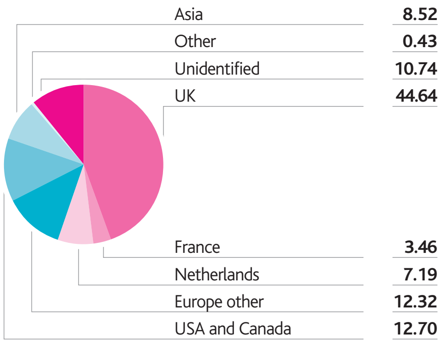


Table 73
Analysis of equity shareholdings by size of holding

Range	Number of holdings	%	Balance as at 31/03/09	%
1 – 500	11,155	42.90	2,902,106	0.38
501 – 1,000	6,111	23.50	4,461,644	0.59
1,001 – 5,000	6,854	26.37	13,821,117	1.81
5,001 – 10,000	664	2.55	4,666,066	0.61
10,001 – 50,000	600	2.31	12,850,432	1.69
50,001 – 100,000	144	0.55	10,296,555	1.35
100,001 – 500,000	261	1.00	60,579,155	7.95
500,001 – 1,000,000	86	0.33	59,165,248	7.77
1,000,001 – highest	127	0.49	593,165,887	77.85
Totals	26,002	100.00	761,908,210	100.00

European breakdown – Company versus Real Estate & FTSE 100

Chart 71
Company

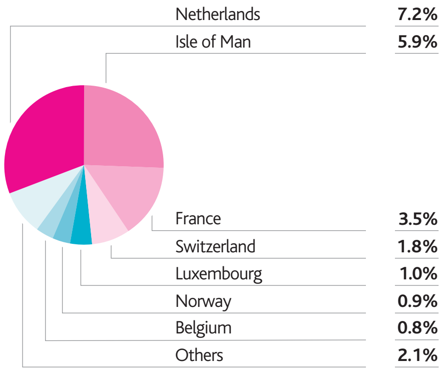


Chart 74
Real Estate average

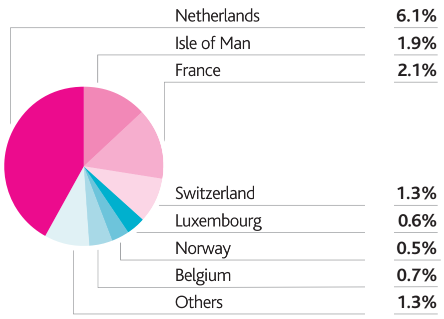
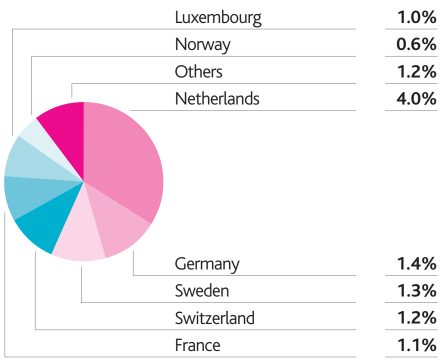


Chart 76
FTSE 100 average



North American breakdown – Company versus Real Estate & FTSE 100

Chart 72
Company

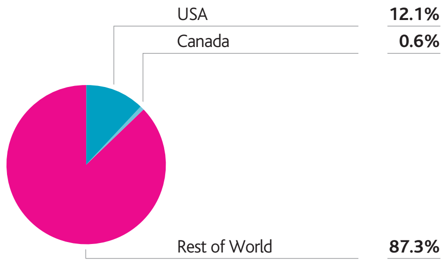


Chart 75
Real Estate average

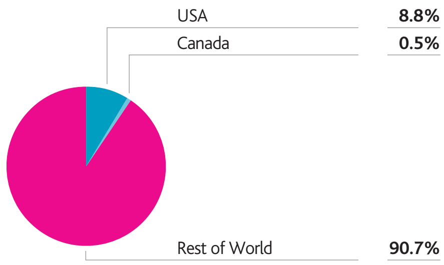
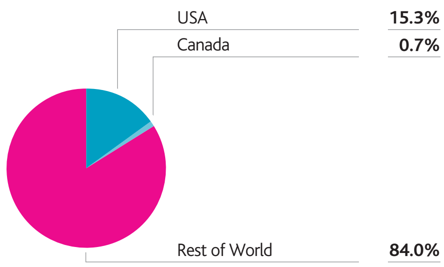


Chart 77
FTSE 100 average



Five year summary

	2009 £m	2008[1] £m	2007 £m	2006 £m	2005 £m
Income statement					
Before exceptional items					
Group revenue	**821.2**	818.0	1,641.1	1,828.7	1,627.1
Costs	**(418.7)**	(317.4)	(1,046.2)	(1,267.8)	(1,134.7)
	402.5	500.6	594.9	560.9	492.4
Loss/(profit) on disposal of non-current asset properties	**(130.8)**	57.3	118.2	74.5	112.0
Net (deficit)/surplus on revaluation of investment properties	**(4,113.4)**	(1,158.4)	1,307.6	1,579.5	827.9
Operating (loss)/profit	**(3,841.7)**	(600.5)	2,020.7	2,214.9	1,432.3
Net interest expense	**(332.5)**	(286.4)	(220.9)	(194.5)	(189.0)
	(4,174.2)	(886.9)	1,799.8	2,020.4	1,243.3
Share of the (loss)/profit of joint ventures and associates (post-tax)	**(599.0)**	(101.1)	81.3	110.3	141.5
(Loss)/profit before tax	**(4,773.2)**	(988.0)	1,881.1	2,130.7	1,384.8
Income tax	**(0.5)**	15.1	(445.0)	(593.3)	(265.8)
(Loss)/profit after tax	**(4,773.7)**	(972.9)	1,436.1	1,537.4	1,119.0
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 from continuing activities	**(4,773.7)**	(972.9)	3,528.3	1,675.9	1,060.9
Discontinued operations	**(420.9)**	142.1	–	–	–
(Loss)/profit for the financial year	**(5,194.6)**	(830.8)	3,528.3	1,675.9	1,060.9
Revaluation (deficit)/surplus for the year					
Group	**(4,113.4)**	(1,158.4)	1,307.6	1,579.5	827.9
Joint ventures	**(630.3)**	(134.2)	75.1	105.5	69.5
Total	**(4,743.7)**	(1,292.6)	1,382.7	1,685.0	897.4
Revenue profit	**314.9**	284.8	392.2	391.3	361.8
Balance sheet					
Investment properties	**7,929.4**	12,296.7	13,319.3	11,467.6	8,240.1
Operating properties	**–**	544.8	551.5	536.1	546.3
Net investment in finance leases	**116.3**	333.7	262.4	233.9	163.4
Goodwill	**–**	148.6	129.6	34.3	34.3
Investment in joint ventures, associates, Public Private Partnerships and loans	**980.8**	1,478.9	1,338.8	829.5	854.9
Other property, plant and equipment	**14.3**	73.6	78.2	73.6	57.9
Net pension benefit assets	**3.0**	11.0	–	–	–
Deferred tax assets	**1.9**	0.9	–	–	–
Total non-current assets	**9,045.7**	14,888.2	15,679.8	13,175.0	9,896.9
Trading properties and long-term development contracts	**94.9**	173.0	148.3	255.9	164.0
Cash, cash equivalents, short-term borrowings, overdrafts and derivative financial instruments	**1,525.9**	(752.0)	(1,615.9)	(148.0)	(45.8)
Other current assets and liabilities	**(395.2)**	(250.2)	(677.9)	(218.6)	(101.6)
Non-current assets classified as held for sale (net)	**–**	236.4	819.3	–	–
Total current assets and liabilities	**1,225.6**	(592.8)	(1,326.2)	(110.7)	16.6
Provisions	**–**	(77.6)	(80.7)	(58.2)	(42.0)
Borrowings	**(5,449.5)**	(4,632.5)	(3,472.0)	(3,537.9)	(2,392.3)
Net pension benefits obligation	**–**	–	(5.6)	(6.5)	(10.9)
Deferred tax liabilities	**(1.6)**	(2.4)	(4.0)	(1,967.8)	(1,418.0)
Total non-current liabilities	**(5,451.1)**	(4,712.5)	(3,562.3)	(5,570.4)	(3,863.2)
Net assets	**4,820.2**	9,582.9	10,791.3	7,493.9	6,050.3
Net debt	**(3,923.6)**	(5,384.5)	(5,087.9)	(3,685.9)	(2,438.1)
Results per share from continuing activities					
Total dividend payable in respect of the financial year (actual)	**56.50p**	64.00p	53.00p	46.70p	43.25p
Total dividend payable in respect of the financial year (restated)[4]	**51.61p**	57.68p	47.76p	42.08p	38.97p
Basic (loss)/earnings per share[2,3]	**(918.04)p**	(188.43)p	679.04p	322.54p	204.83p
Diluted (loss)/earnings per share[2,3]	**(918.04)p**	(188.43)p	676.29p	321.23p	204.05p
Adjusted earnings per share[2,3]	**62.60p**	60.93p	63.51p	63.76p	60.49p
Adjusted diluted earnings per share[2,3]	**62.57p**	60.79p	63.26p	63.50p	60.25p
Net assets per share[2,3]	**639p**	1862p	2076p	1439p	1165p
Diluted net assets per share[2,3]	**639p**	1859p	2070p	1433p	1161p
Adjusted net assets per share[2,3]	**593p**	1765p	1972p	1730p	1345p
Adjusted diluted net assets per share[2,3]	**593p**	1763p	1965p	1723p	1341p

1. The income statement and earnings per share figures for the year ended 31 March 2008 have been restated, in compliance with IFRS5, to reclassify the results of Trillium from continuing activities to discontinued operations.
2. The (loss)/earnings per share and the net asset per share for the year ended 31 March 2007, 31 March 2006 and 31 March 2005 have been adjusted for the bonus element inherent in the Rights Issue that was approved on 9 March 2009.
3. The (loss)/earnings per share and the net asset per share for the year ended 31 March 2008 have been adjusted for the bonus element inherent in the Rights Issue that was approved on 9 March 2009 and the reclassification of the Trillium discontinued operations from continuing activities to discontinued operations.
4. The restated total dividend payable represents the theoretical dividend per share that would have been paid had the bonus shares inherent in the Rights Issue been in existence at the relevant dividend dates.

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Investor information

Table 78
Financial calendar

	Date
Ex-dividend date – 2008/09 final dividend	17 June 2009
Record date – 2008/09 final dividend	19 June 2009
Payment date – 2008/09 final dividend	24 July 2009
Quarter One Interim Management Statement announcement	15 July 2009
AGM – London	16 July 2009
Ex-dividend date – 1st interim dividend	September 2009
Payment date – 1st interim dividend	October 2009
2009/10 Half-yearly results announcement	November 2009
Ex-dividend date – 2nd interim dividend	December 2009
Payment date – 2nd interim dividend	January 2010
Quarter Three Interim Management Statement announcement	January 2010
Ex-dividend date – 3rd interim dividend	March 2010
Payment date – 3rd interim dividend	April 2010
2009/10 Preliminary results announcement	May 2010

Table 79
REIT balance of business tests

	For the year ended/as at 31/03/09			For the year ended/as at 31/03/08		
	Tax-Exempt Business	**Residual Business**	**Adjusted Results**	Tax-Exempt Business	Residual Business	Adjusted Results
Adjusted profit before tax (£m)	**174.8**	**(83.2)**	**91.6**	351.1	9.7	360.8
Balance of business – 75% profits test	**190.8%**	**(90.8)%**		97.3%	2.7%	
Adjusted total assets (£m)	**9,229.5**	**2,487.3**	**11,716.8**	14,766.8	1,962.9	16,729.7
Balance of business – 75% assets test	**78.8%**	**21.2%**		88.3%	11.7%	

REIT dividend payments
As a UK REIT, the Company is exempted from corporation tax on rental income and gains on its property rental business but is required to pay Property Income Distributions (PIDs). UK shareholders will generally be taxed on PIDs received at their full marginal tax rates. A REIT may in addition pay normal dividends and the Company currently expects that its first three quarterly dividends will be paid entirely as PIDs, while its final dividend may have both a PID and a normal dividend element.

For most shareholders, PIDs will be paid after deducting withholding tax at the basic rate. However, certain categories of shareholder are entitled to receive PIDs without withholding tax, principally UK resident companies, UK public bodies, UK pension funds and managers of ISAs, PEPs and Child Trust Funds. 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

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. For the results of these tests for the Group for the financial year, and at the balance sheet date, see Table 79.

Our website
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 2128
Textphone: 0871 384 2255
International dialling: +44 (0)121 415 7049
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 2268
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

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 0845 603 7037 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,
17 Carlton House Terrace,
London SW1Y 5AH
Telephone: 020 7930 3737

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 2244

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 and the Scheme of Arrangement in September 2002, was 203p. The appropriate value to be used as a base cost in respect of these shares, assuming you took up the 5 for 8 Rights Issue in full, is 229p.

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,
PO Box 9501, Nottingham NG80 1WD
Telephone: 0870 241 1713
Fax: 0115 976 8785
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

Unsolicited mail
The Company is obliged by law to make its share register available on request to other organisations. This may result in you receiving unsolicited mail. If you wish to limit the receipt of unsolicited mail you can write to the Mailing Preference Service, an independent organisation whose services are free to you. If you would like more details, you should write to:
The Mailing Preference Service
FREEPOST 29
LON 20771
London W1E 0ZT
Or telephone their helpline on 0845 703 4599 or register on their website at www.mpsonline.org.uk

Registered office
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Registered in England and Wales
No. 4369054

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5 Strand, London WC2N 5AF
and at:
City Exchange, 11 Albion Street, Leeds LS1 5ES
120 Bath Street, Glasgow G2 2EN

Glossary

Adjusted earnings per share (EPS)
Earnings per share based on revenue profit plus profits/(losses) 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 the adjustment arising from the de-recognition of the bond exchange, together with cumulative mark-to-market adjustment arising on interest swaps and similar instruments used for hedging purposes.

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's Environmental Assessment Method, the 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. 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 dilutive 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 cash flow 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.

Gearing (net)
Total borrowings, including bank overdrafts, less short-term deposits, corporate bonds and cash, at book value, plus cumulative mark-to-market adjustment on financial derivatives as a percentage of total equity.

Gross income yield
The annual cash net rent on investment properties (including those tenants in administration) 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 Cover Ratio (ICR)
A calculation of a company's ability to meet its interest payments on outstanding debt.

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.

Joint venture (JV)
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.

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.

Loan-to-value (LTV)
Group LTV is the ratio of the sum of investment properties, net investment in finance leases and trading properties of both the Group and joint ventures to net debt, including joint ventures, expressed as a percentage. For the Security Group, LTV is the ratio of debt lent to the Security Group divided by the value of secured assets.

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
Equity attributable to equity holders of the Company 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 valuer's report valuations net, after the deduction of the prospective purchaser's costs, including stamp duty, agent and legal fees.

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.

Proposed developments
Schemes that are not yet included in the development programme but which are more likely to proceed than not.

Pre-let
A lease signed with an occupier prior to completion of a development.

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, Accor hotel portfolio 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.

Retail Price Index (RPI)
An indicator of inflation in the UK. It measures the average change from month to month in the prices of goods and services in the UK.

Return on average capital employed
Group profit before interest, plus joint venture profit before tax, divided by the average capital employed (defined as shareholders' funds plus net debt).

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 de-recognition, 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 year.

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 costs.

Total property return (TPR)
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 year, 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.

Voids
The area in a property or portfolio, excluding developments, which is currently available for letting.

Weighted average cost of capital (WACC)
Weighted average 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

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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 person.

to read

Forward-looking statements

By their nature, the statements concerning the risks and uncertainties facing the Group in the 2009 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 Directors' 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 6 to 80. 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 6 to 80 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.

Corporate Responsibility Report

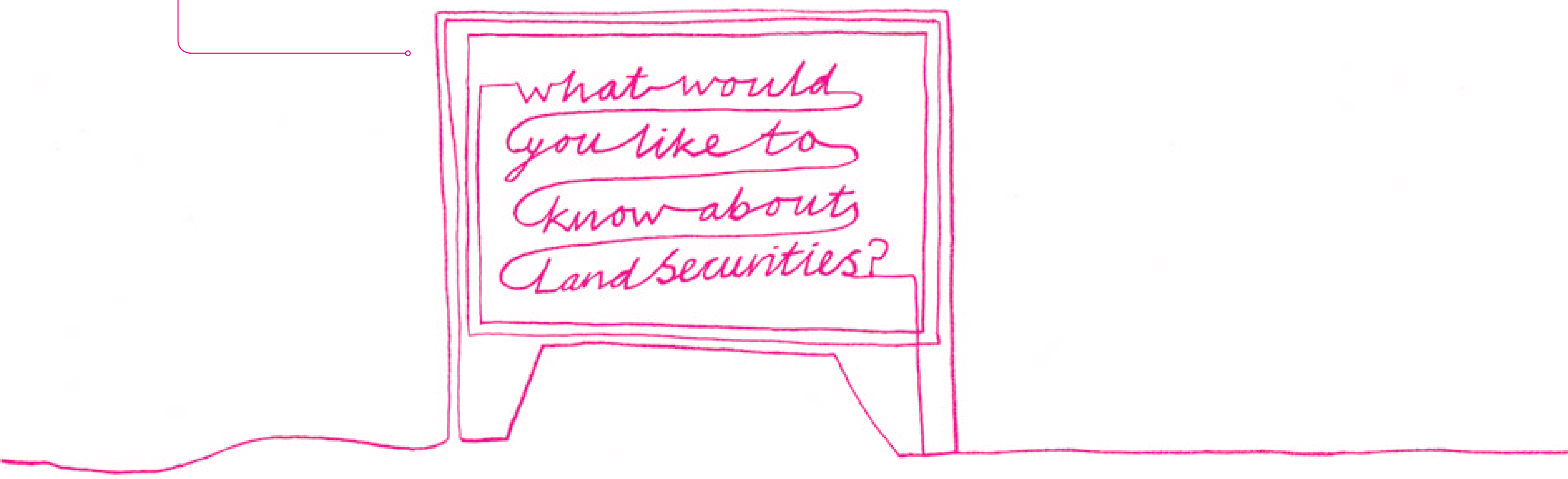
www.landsecurities.com/crreport09

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

Corporate website

www.landsecurities.com

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



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tomorrow...
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