Annual Results
for the year ended 31 March 2012

Wednesday, 16 May 2012

Forward-looking statements

These Annual Results, our Annual Report and the Land Securities' website may contain certain "forward-looking statements" with respect to Land Securities Group PLC and the Group's financial condition, results of operations and business, and certain of Land Securities Group PLC and the Group's plans, objectives, goals and expectations with respect to these items.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as "anticipates", "aims", "due", "could", "may", "should", "expects", "believes", "intends", "plans", "targets", "goal" or "estimates". By their very nature forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Many of these assumptions, risks and uncertainties relate to factors that are beyond the Group's ability to control or estimate precisely. There are a number of such factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, changes in the economies and markets in which the Group operates; changes in the legal, regulatory and competition frameworks in which the Group operates; changes in the markets from which the Group raises finance; the impact of legal or other proceedings against or which affect the Group; changes in accounting practices and interpretation of accounting standards under IFRS, and changes in interest and exchange rates.

Any written or verbal forward-looking statements, made in these Annual Results, our Annual Report, or the Land Securities' website or made subsequently, which are attributable to Land Securities Group PLC or any other member of the Group or persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. Each forward-looking statement speaks only as of the date of these Annual Results, our Annual Report, or on the date the forward-looking statement is made. Land Securities Group PLC does not intend to update any forward-looking statements.

Annual results for the year ended 31 March 2012

"Land Securities has made good progress in a year impacted by rising economic uncertainty. We have maintained focus on delivering against our plan and enter the new financial year on a strong financial footing."

Results summary

	31 March 2012	31 March 2011	Change
Valuation surplus (1)	£190.9m	£908.8m	2.0%
Basic NAV per share	921p	885p	Up 4.1%
Adjusted diluted NAV per share (2)	863p	826p	Up 4.5%
Group LTV ratio (1)	38.0%	39.0%	
Profit before tax	£515.7m	£1,227.3m	Down 58.0%
Revenue profit (1)	£299.4m	£274.7m	Up 9.0%
Basic EPS	67.5p	162.3p	Down 58.4%
Adjusted diluted EPS (3)	38.5p	35.5p	Up 8.5%
Dividend	29.0p	28.2p	Up 2.8%

1. Including share of joint ventures
2. Our key valuation measure
3. Now excludes profits on disposal of trading properties and long-term development contracts. The comparative has been adjusted accordingly.

Resilient performance in uncertain markets

- Total business return (dividends and adjusted NAV growth) of 7.9%
- Ungeared total property return 7.7%, outperforming IPD Quarterly Universe at 6.3%
- Combined portfolio valued at £10.3bn, with a valuation surplus of 2.0% in the year
- Valuation surplus on properties in the development programme of 8.2%
- Property disposals of £905.7m at an average of 4.3% above March 2011 valuation
- Rental values up 1.2% across total like-for-like portfolio since March 2011
- Revenue profit up 9.0% to £299.4m
- Recommended increase in final dividend to 7.4p (from 7.2p)

Asset management strengthening portfolio

- £39.1m of investment lettings in the year, £1.2m of conditional lettings and £10.2m in solicitors' hands
- Voids in like-for-like portfolio reduced to 3.1% (4.1% at 31 March 2011)
- Since 2010, we have created 47,700 sq m of new space for Primark, the John Lewis Partnership and Sainsbury's
- Longer weighted average unexpired lease term across the like-for-like portfolio, completed developments and acquisitions of 9.2 years (31 March 2011: 8.9 years)

Well managed development pipeline

- £12.8m of development lettings in the year and £3.9m in solicitors' hands
- 110 Cannon Street, EC4 and Arundel Great Court, WC2 sold
- Residential apartments at Wellington House, SW1 100% pre-sold

- Joint venture formed on Victoria Circle, SW1
- Trinity Leeds development 72.0% pre-let or in solicitors' hands and 185-221 Buchanan Street, Glasgow 91.8% pre-let
- On site at 102,200 sq m of development schemes in Retail, with a further 153,100 sq m of future developments with planning consents obtained or planning applications submitted
- On site at 111,180 sq m of development schemes in London, with a further 175,370 sq m of future developments with planning consents obtained or planning applications submitted

Strong financial structure

- Group LTV ratio including share of joint ventures at 38.0%, which will reduce to 33.4% on receipt of proceeds from disposals already recognised
- Successful refinancing of £1.1bn revolving credit facility
- Interest cover of 2.5 times
- Dividend cover of 1.3 times
- Cash and undrawn facilities of £1.2bn

Commenting on the results, Land Securities Chief Executive Robert Noel, said:

"We have a clear strategy allied to a clear plan based on a realistic outlook. Despite economic uncertainty impacting the second half of the year, we have maintained our focus, building on our strength and our proposition.

"We have a deep knowledge of our core markets and an expert, focused team. The outlook remains uncertain but we will continue to use the competitive advantage offered by our financial resources to deliver on our plans and exploit opportunities as they arise."

Chairman's message

"Land Securities continues to build shareholder value despite economic uncertainty. Through a combination of astute asset management, a well-judged development programme and an advantageous refinancing, good progress has been achieved."

Having moved in the right direction in the first half of the year, growth in property values stalled in the second half. Against this backdrop, we believe we were right to keep treading the fine line between caution and enthusiasm. Rather than relying on external conditions for asset growth, progress was made by active asset management and by making good sales into a relatively liquid investment market. As a result of these actions our financial strength is enhanced and our financial flexibility was improved through the securing of a new £1.1bn revolving credit facility.

The Board believes our two total return metrics provide the clearest guide to the Company's progress in financial terms. This year, Total Shareholder Return (dividend and growth in share price) was 0.7%. This represents a solid performance in a less than ideal market and compares to a return of 4.0% for the FTSE 100 and -3.2% for the FTSE 350 Real Estate Index. Total Business Return (dividend and growth in net asset value) was 7.9%. We remain confident in our plan and our position.

London remains attractive to investors and occupiers and, in particular, international buyers regard London as a safe haven outside the eurozone. The partnership agreed with Canada Pension Plan Investment Board for the development of Victoria Circle, SW1, speaks volumes for our reputation and capability as a developer. Our activity in this part of the West End is helping to transform Victoria into one of London's most vibrant centres.

In Retail, we achieved a resilient performance in a sector undergoing structural change. Attractive, well-located shopping centres and retail parks continue to trade well while leisure and multi-channel retailing are increasingly important. The negative impact of economic conditions on consumer spending means that certain high streets and tertiary locations may never recover. Our high quality portfolio has adapted to retail trends and the evolving needs of occupiers. We provide detailed commentary on our businesses over the following pages.

During the year, there were significant changes to the Board and our committees. Most notably, in March 2012, after eight years as Chief Executive, Francis Salway retired. Francis was an excellent Chief Executive who led Land Securities through a remarkable period, including a serious crisis in our market in 2008/2009. He remained unflappable throughout, setting a clear direction that enabled the Company to weather the storm and re-emerge in good shape. He leaves behind a robust business and a strong team. The Board thanks him for his outstanding contribution.

In appointing a successor to Francis, we retained a leading firm of executive search consultants. They approached their mandate with considerable rigour and drew up a shortlist of internal and external candidates. The Board determined that Robert Noel, who had joined Land Securities in January 2010 as Managing Director of the London Portfolio, was the right person for the job. He has the appropriate level of experience, is well respected by investors and those in the property market, and has boundless energy and enthusiasm, as well as good judgement. The Board looks forward to working with him in his new role.

At our AGM last year we said goodbye to Bo Lerenius and Sir Christopher Bland. In January 2012, Stacey Rauch joined the Board as a Non-executive Director. An American, Stacey worked at McKinsey & Company for 24 years, leading their North American Retail and Apparel practice. Her broad business experience and deep knowledge of retail from an international perspective will complement the existing skills and outlook of the Board. She will join the Audit Committee in June.

In April 2012, Kevin O'Byrne took on the role of Senior Independent Director. In October, Simon Palley will take over as Chairman of the Remuneration Committee. My thanks go to David Rough for his contribution as Senior Independent Director and for leading the Remuneration Committee so effectively over the last three years.

Notwithstanding their long tenure, both David Rough and Sir Stuart Rose have agreed to remain as directors, providing important and relevant experience and support for our incoming Chief Executive.

2011/12 was the final year in our three-year Board evaluation cycle. This year, I conducted interviews with the Executive and Non-executive Directors. These provided me with important insights and enabled me to assess individual contributions and areas for improvement. The evaluation focused on Board skills and contributions, the form and content of Board papers, risk appetite and coverage, and the outlook for 2012. We have appointed a leading specialist independent firm to conduct our next evaluation.

The Board believes that an active approach to corporate responsibility makes Land Securities a stronger and more successful business. Our investments in key areas such as the environment and employment generate commercial and financial benefits to us over the long term. We continue to lead by example. In Leeds we are monitoring the impact of our Trinity Leeds scheme on the regional economy to demonstrate the value our investment in the city creates. In London we are working with the Mayor and others to provide apprenticeships, training and jobs in construction. We believe these initiatives not only bring benefits to the communities in which we work, but build trust, add value to our assets and make us the preferred partner on future development opportunities.

Looking ahead, conditions remain uncertain, and the sensible approach is to remain focused but flexible. Ultimately, the return of sustained growth in the commercial property market will be driven by the return of confidence in the wider economy. However, supply constraints in our markets are already generating opportunities.

Land Securities enters into a new financial year clear as to its priorities. Under the leadership of Robert Noel, the Company will respond swiftly to change. We will press ahead with development – in the best locations, at the right time, whilst carefully managing our speculative risk.

I would like to thank our employees for their commitment and hard work during the year. We have a very strong team, which is the envy of our competitors and the Board enjoys regular interaction with many members of staff. Our Employee Survey confirms that morale and engagement within the Company are high. Shareholders can be reassured that we are working to a consistent plan which is well matched to current conditions. I am confident our team will continue to create sustainable value for you as we move forward.

Alison Carnwath
Chairman

Chief Executive's statement

"Land Securities has continued to build on a clear plan, playing to its strengths in the London and Retail markets. We have actively managed the risk on our developments, improved the resilience of our portfolio and our balance sheet is in rude health. We are well placed to protect and create value through a range of market conditions."

This is my first statement to you as Chief Executive. Building on last year's strong results, your company made good progress as tougher market conditions emerged during the year. We continued to execute our clear plan first articulated in 2009. We pressed ahead with development, continuing to reduce risk while creating value through pre-lettings, sales and joint ventures. We repositioned assets through refurbishments and we restructured leases. We remained disciplined on debt, using the proceeds of sales to fund development and other capital expenditure. Our balance sheet is strong and our position has been enhanced by our £1.1bn five-year revolving credit facility arranged in December 2011. This should prove to be a valuable source of competitive advantage to exploit opportunities within and outside our portfolio.

Revenue profit is up 9.0% with adjusted diluted earnings per share up 8.5% on the back of higher net rental income and lower interest costs. Adjusted diluted NAV per share is up 4.5% to 863p. Our Total Business Return was 7.9% and Total Shareholder Return was 0.7%. Our Total Shareholder Return compares to a return of 4.0% for the FTSE 100 and -3.2% for the FTSE 350 Real Estate Index.

We delivered an ungeared total property return of 7.7%, compared to 6.3% for the IPD Quarterly Universe. This comprises an income yield of 5.0%, surplus of net proceeds from sales of 4.3% and a valuation surplus on the combined portfolio of 2.0%. The total property return of our London Portfolio was 9.2%, which underperformed its IPD sector benchmark by 2.5%. Our Retail Portfolio total property return was 5.8%, which outperformed its IPD sector benchmark by 2.4%.

We took advantage of the liquid investment market to sell income producing assets, on average at 4.3% above the March 2011 valuations. While we are actively seeking to acquire new assets, we remain of the view that patience will be required to find the right opportunities at the right price. In addition, the development pipeline will dilute earnings in the near term, although it is set to deliver earnings growth in the medium term. With these impacts in mind and our aim to deliver a progressive dividend, we are recommending a fourth quarter payment of 7.4p, taking the total dividend for the year to 29.0p, up 2.8%.

Uncertain market

The retail sector is undergoing a period of unprecedented change. Certain retailers, locations and assets have the potential to thrive. Others continue to lose ground. Changing consumer needs, tastes and behaviours are determining the winners and losers. Dominant centres in the right locations remain popular and a good mix of retail and leisure continues to attract visitors. In contrast, many locations have empty space which may never be re-occupied by retailers. Internet sales are winning market share. While this is hitting some retailers hard, we saw opportunities in the year to help others integrate the online world into physical stores. We also developed smart initiatives with online businesses such as Amazon and Ocado.

The effects of the structural shift in retail have been heightened by uncertainty in the economy. The year saw weaker demand from consumers and downward pressure on rents. Rent reviews, historically one of our engines of growth, are currently stuck in neutral. Low confidence limited development activity and property owners have had to look to active asset management to generate value. This plays to our strengths. Our portfolio is structured to meet the changing requirements of those retailers best able to compete in these conditions. For example, since 2010, we have created 47,700 sq m of new space for Primark, the John Lewis Partnership and Sainsbury's.

In London, uncertainty in the eurozone weighed heavily on business confidence, leading to lower demand than expected for office space. However, particularly low levels of development, coupled with the high number of lease expiries due from 2013 and evolving occupier needs mean the market will see supply-constrained conditions. Due to subdued business confidence, these conditions are taking longer to appear than first thought, but once here they should continue for longer. We expect value creation to come from active asset management and well-timed, well-located mixed use development, particularly in the West End where the majority of our development pipeline is focused.

A plan for every asset

Our primary purpose is to grow value for shareholders, not simply collect rent. Asset management must balance income and capital growth. We plan the future of each asset carefully and look for ways to add value through the cycle. For example, this year we refurbished assets and restructured leases at a number of properties – such as 40 Strand, WC2 and Southwark Bridge Road, SE1 – to ensure they did not fall empty in a slow market.

No asset is sacred. If we believe money invested in an asset is likely to work harder elsewhere, we will sell the property and re-allocate the capital. We demonstrated this with our disposals of Park House, W1, last year and 110 Cannon Street, EC4, Arundel Great Court, WC2, Eland House, SW1, St Johns Centre, Liverpool and Corby town centre this year.

Well-timed development pipeline

Our development schemes are creating the right spaces in the right locations to meet the needs of successful businesses. Trinity Leeds is set to transform the city centre. At 185-221 Buchanan Street, Glasgow we are creating contemporary retail space on one of Britain's busiest shopping streets. 20 Fenchurch Street, EC3, right in the heart of the insurance district, will be the first of the new tower developments in the City to complete. Wellington House, SW1, will complete this summer with all 59 apartments already pre-sold. These schemes underline our view that as well as risk there is opportunity in the current environment.

We will continue to manage our pipeline carefully. In Retail we secure significant levels of pre-lettings before we start construction. In London, we have good optionality. For example, at 1 & 2 New Ludgate, EC4 (formerly 30 Old Bailey and 60 Ludgate Hill), demolition work has completed and we can time delivery to suit market conditions or pre-let demand.

We are managing our risk at two major projects in the capital through joint venture partnerships. Last year it was 20 Fenchurch Street, EC3. This year we formed a 50:50 joint venture with Canada Pension Plan Investment Board to own and develop Victoria Circle, SW1. This 84,670 sq m scheme is a key part of our plans to transform Victoria into the thriving central London area it should be.

A strong, quick-thinking team

Just as every asset has a plan, so every team and individual within the company has a clear set of priorities. Building on the work of my predecessor Francis Salway, we will continually look for ways to create shareholder value by being better at making and managing space for customers. We will encourage a culture where outperformance is expected and where we are judged on the value we create. We should not be afraid to make mistakes, but learn from them when they occur. Take Brand Empire; this was an innovative way to address a difficult leasing market at the time. It didn't work as we hoped, so we acted quickly to close it down and we will apply the lessons learnt.

Corporate responsibility

Corporate responsibility plays a vital role in how we create and protect value. We can only gain a licence to operate from local authorities if people trust us to make a positive difference. This is common sense. We want local communities to be pleased that Land Securities is operating in their area. We want to be recognised by local authorities as the best property partner to work with in terms of economic contribution, social benefits and the environment.

Commercial property accounts for around 18% of the UK's carbon dioxide emissions. We are well aware of the need for action and were the first in our sector to have an in-house energy team, and the first to have a dedicated environment team. We have targets to reduce our own carbon emissions and are keen to help our occupiers do the same. We are not interested in competitive corporate responsibility. Measurement and targets are helpful, but we are looking to find pragmatic solutions to real issues, not simply to tick boxes in a report. We are engaged with Government to look for consistency in policy so that real progress can be made.

Looking ahead

Francis stated that recovery in UK commercial property would involve ripples, not straight-line growth. We continue to hold this view. Our plan for value creation was never dependent on employment growth, so we are not overly exposed to the present environment. Conditions may deteriorate over the next 12 months. They may pick up. Either way, we are well placed to respond. We have a strong balance sheet with plenty of fire power, giving us the ability to make acquisitions and press ahead with oven-ready developments at the appropriate time.

We believe the structural shift in retail will continue, with the strongest retailers finding more opportunities for expansion and weaker traders falling further behind. The same is true for locations and property assets. In addition, growth in leisure and internet sales – together with the rapid emergence of mobile technology being employed by consumers – will further separate the winners and losers in this sector. We will continue to refine our portfolio to ensure it meets the changing needs of successful retailers.

Despite the current lull in financial services, London remains the stand-out vibrant global centre that constantly reinvents itself. Sectors such as high-end fashion, business services, insurance and technology are particularly active. New businesses from overseas continue to arrive. Corporates require efficient, contemporary buildings that reflect their values and handle the demands brought by higher occupational densities than ever before. Much of the existing stock will not meet their requirements or their expectations. We are well placed to respond.

Robert Noel
Chief Executive

Financial review

Overview and headline results

During the first half of the year, we saw continued investor demand for well-let investment properties and values in our portfolio rose. In the second half of the year, overall valuation movements of our properties were flat as demand for prime assets remained strong but renewed concerns over the UK and eurozone economies weighed on the retail sector. Over the full year, valuation increases of £190.9m (including joint ventures) helped us deliver a profit before tax for the year ended 31 March 2012 of £515.7m, compared to £1,227.3m for the previous year. Basic earnings per share were 67.5p compared to 162.3p for the year ended 31 March 2011.

Revenue profit increased by 9.0% from £274.7m in the prior year to £299.4m. Adjusted diluted earnings per share were 38.5p (2011: 35.5p), up 8.5% on the comparable period. We have made a minor change to our calculation of adjusted earnings and adjusted earnings per share. Further details are given in the earnings per share section.

We finish the year with a stronger balance sheet than at the start. We have sold well, including some secondary retail assets and a non-income producing development site in London's mid-town. And we have refinanced our revolving credit facilities, giving us the financial flexibility to invest in our portfolio through acquisitions and developments as suitable opportunities arise.

As a result of our disposals, the combined portfolio decreased in value from £10.56bn to £10.33bn, despite a valuation surplus of £190.9m. Net assets per share increased by 36p from 885p at 31 March 2011 to 921p at 31 March 2012. Adjusted diluted net assets per share were up by 4.5% over the year, increasing from 826p at 31 March 2011 to 863p. The 37p increase in adjusted diluted net assets per share together with the 28.6p dividend paid in the year represents a 7.9% total return from the business.

Revenue profit

Revenue profit is our measure of the underlying pre-tax profit of the Group, which we use internally to assess our income performance. It includes the pre-tax results of our joint ventures but excludes capital and other one-off items. A reconciliation of revenue profit to our IFRS profit before tax is given in note 3 to the financial statements.

Table 1 shows the composition of our revenue profit including the contributions from London and Retail.

Table 1: Revenue profit

	Retail Portfolio £m	London Portfolio £m	31 March 2012 £m	Retail Portfolio £m	London Portfolio £m	31 March 2011 £m	Change £m
Gross rental income*	312.9	293.2	606.1	308.0	302.6	610.6	(4.5)
Net service charge expense	(2.8)	(2.5)	(5.3)	(2.3)	(3.7)	(6.0)	0.7
Direct property expenditure (net)	(26.4)	(1.7)	(28.1)	(30.2)	(17.7)	(47.9)	19.8
Net rental income	283.7	289.0	572.7	275.5	281.2	556.7	16.0
Indirect costs	(28.1)	(17.7)	(45.8)	(27.4)	(17.6)	(45.0)	(0.8)
Segment profit before interest	**255.6**	**271.3**	**526.9**	**248.1**	**263.6**	**511.7**	**15.2**
Unallocated expenses (net)			(40.1)			(30.9)	(9.2)
Net interest – Group			(155.5)			(173.7)	18.2
Net interest – joint ventures			(31.9)			(32.4)	0.5
Revenue profit			**299.4**			**274.7**	**24.7**

* Includes finance lease interest, net of ground rents payable.

Revenue profit increased by £24.7m from £274.7m last year to £299.4m. The 9.0% increase was mainly due to a reduction in net interest costs, which were £18.7m lower than the prior year, together with an increase in net rental income of £16.0m, partly offset by a rise in indirect costs. Lower net interest costs are primarily due to the buyback of medium term notes in June and December 2010 using cheaper revolving credit facilities. In common with last year, revenue profit benefitted from non-recurring items totalling some £10m, of which the largest items were surrender premium receipts of £6.0m and the release of £5.8m of dilapidation provisions, partly offset by costs of £2.7m associated with the closure of Brand Empire. Further information on the net rental income performance of the London and Retail portfolios is given in the respective business reviews.

The indirect costs of London and Retail and net unallocated expenses need to be considered together as, in total, they represent the net indirect expenses of the Group including joint ventures. The £10.0m increase in these costs is largely due to some £5m of non-recurring provision releases last year and the Brand Empire closure costs this year.

Looking ahead to next year, we do not expect revenue profit to be as high as this year. The level of non-recurring income is likely to reduce, we have sold investment properties ahead of finding attractive buying opportunities and income on certain pre-development sites will cease. This year, we received £37.0m of net rental income on properties we have now sold and, at Kingsgate House, SW1 a pre-development site where the building is currently being demolished, we received £8.5m of income during the year with no income expected in 2012/13. The reduction in income from disposals will only be partly offset by lower interest costs as our marginal cost of debt at below 2% is very low.

Valuation surplus

A key component of our pre-tax profit is the movement in the values of our investment properties and any profits or losses on disposals. Over the course of the year, the valuation increase on our investment portfolio was £190.9m, up 2.0% and our profit on disposals was £46.4m, down from £79.3m last year. A breakdown of the valuation surplus by category is shown in table 2 below.

Table 2: Valuation analysis

	Market value 31 March 2012 £m	Valuation surplus %	Rental value change* %	Net initial yield %	Equivalent yield %	Movement in equivalent yield bps
Shopping centres and shops	2,018.0	(3.2)	(1.8)	6.1	6.4	16
Central London shops	775.1	4.1	3.7	4.0	5.5	(26)
Retail warehouses and food stores	1,117.1	1.1	1.7	5.0	5.6	8
London offices	3,483.9	4.3	2.2	5.2	5.6	(13)
Other (incl. rest of UK)	725.4	4.6	4.5	6.5	6.7	2
Total like-for-like portfolio	**8,119.5**	**1.8**	**1.2**	**5.4**	**5.9**	**(4)**
Proposed developments	212.6	(12.8)	n/a	0.8	n/a	n/a
Completed developments	427.4	3.3	(3.1)	4.1	5.5	(7)
Acquisitions	383.0	(4.8)	0.2	4.9	5.6	(15)
Development programme	1,188.1	8.2	n/a	1.6	5.4	(3)
Total investment portfolio	**10,330.6**	**2.0**	**1.0**	**4.8**	**5.8**	**(8)**

*Rental value change excludes units materially altered during the year and Queen Anne's Gate, SW1

The like-for-like portfolio saw a 1.8% increase in value over the 12 months to March 2012 driven by a 1.2% increase in rental values, with yields little changed overall. In general, properties with exposure to London performed best with rental values rising. Central London offices and shops delivered a valuation surplus of 4.3% and 4.1% respectively, driven by the combined effect of increasing rental values, due to robust occupier demand, and a slight compression in yields as investors continued to be attracted to well-let properties in the capital. Our hotel portfolio was the main contributor to the valuation surplus of 4.6% within 'Other', with the London hotels showing the greatest uplift.

In Retail, shopping centre valuations were flat in the first half of the financial year, but falling rental values and increasing yields in the second half led to a 3.2% valuation deficit over the year. In contrast, retail warehouse and food store values were up 1.1% as rental values grew by 1.7%, partly offset by a small outwards movement in yields.

Outside the like-for-like portfolio, both our completed developments and our development programme generated valuation surpluses while proposed developments fell in value as income all but ceased in advance of redevelopment.

Earnings per share

Basic earnings per share were 67.5p, compared to 162.3p last year, the reduction being predominantly due to the lower valuation surplus on the investment property portfolio and lower profits on investment property disposals (together 30.6p per share compared to 129.2p per share last year).

In a similar 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. As outlined at the half year, our calculation of adjusted earnings and adjusted earnings per share has been changed in the year to exclude the profit on disposal of trading properties and profit on long-term development contracts. The new approach brings the treatment of profits from the sale of trading properties into line with our treatment of investment property disposals. The impact of the change in calculation is to reduce adjusted diluted earnings per share from 39.3p to 38.5p in the current year (2011: reduction from 36.3p to 35.5p). We have amended prior year numbers so that all years are presented on a consistent basis.

Adjusted diluted earnings per share increased by 8.5% from 35.5p last year to 38.5p per share this year. This was mainly due to the increase in revenue profit, slightly offset by the impact of additional shares issued under the scrip dividend scheme.

Total dividend

We are recommending a final dividend payment of 7.4p per share. Taken together with the three quarterly dividends of 7.2p, our full year dividend will be 29.0p per share (2011: 28.2p) or £225.8m (2011: £216.7m). Shareholders continue to have the opportunity to participate in our scrip dividend scheme and receive their dividend in the form of Land Securities shares (a scrip dividend alternative) as opposed to cash. The take-up for the dividends paid on 26 April 2011, 28 July 2011, 24 October 2011 and 9 January 2012 was 36.4%, 40.6%, 23.9% and 18.7% respectively. This resulted in the issue of 9.2m new shares at between 654p and 833p per share and £66.6m of cash being retained in the business.

All of the cash dividends paid and payable in respect of the financial year ended 31 March 2012 comprise Property Income Distributions (PID) from REIT qualifying activities. In contrast to the cash dividends, none of the scrip dividends paid to date have been PIDs and therefore they have not been subject to the 20% withholding tax requirement which applies to PIDs for certain classes of shareholders. The latest date for election for the non-PID scrip dividend alternative in respect of the final dividend will be 25 June 2012 and the calculation price will be announced on 3 July 2012.

The purpose of the scrip dividend alternative is to enable shareholders to select the distribution they prefer. While the scrip dividend alternative results in cash being retained in the business, it also results in new shares being issued. If the new shares are issued at a time when the share price is below our adjusted net asset value per share, there will be a small dilution to existing shareholders from this discount. Rather than suspend the scrip dividend alternative when the discount is material, in such circumstances the company intends to buy back an equivalent number of shares to those issued in connection with the scrip dividend, thereby retaining choice for shareholders but minimising any dilution associated with issuing shares.

Net assets

At 31 March 2012, our net assets per share were 921p, an increase of 36p or 4.1% from 31 March 2011. The increase in our net assets was primarily driven by the increase in value of our investment properties, profits on disposal of investment properties and our adjusted earnings, partly offset by the dividends we paid.

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 include our debt at its nominal value. At 31 March 2012, adjusted diluted net assets per share were 863p per share, an increase of 37p or 4.5% from 31 March 2011.

Table 3 summarises the main differences between net assets and our adjusted measure of net assets together with the key movements over the year.

Table 3: Net assets attributable to owners of the Parent

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Net assets at the beginning of the year	6,811.5	5,689.9
Adjusted earnings	298.3	271.4
Valuation surplus on investment properties	190.9	908.8
Profit on disposal of investment properties	46.4	79.3
Profit on disposal of trading properties	5.2	1.2
Debt restructuring	-	(22.0)
Other	(17.9)	2.9
Profit after tax attributable to owners of the Parent	522.9	1,241.6
Dividends	(154.8)	(142.8)
Purchase of own share	(18.5)	(0.2)
Other reserve movements	(5.7)	23.0
Net assets at the end of the year	7,155.4	6,811.5
Fair value of interest-rate swaps	20.8	22.7
Debt adjusted to nominal value	(450.9)	(467.5)
Adjusted net assets at the end of the year	6,725.3	6,366.7

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

Net pension deficit

The Group operates a defined benefit pension scheme which is closed to new members. At 31 March 2012, the scheme was in a net deficit position of £2.4m compared to a surplus of £8.7m at 31 March 2011. The change is primarily due to a £22.9m increase in the value of the scheme's liabilities, due to a reduction in corporate bond yields lowering the discount rate from 5.7% to 4.8%.

Cash flow

A summary of the Group's cash flow for the year is set out in Table 4 below.

Table 4: Cash flow and net debt

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Operating cash inflow after interest and tax	254.1	153.5
Dividends paid	(153.1)	(143.0)
Non-current assets:		
Acquisitions	(107.3)	(371.3)
Disposals	513.7	535.0
Capital expenditure	(307.0)	(226.1)
	99.4	(62.4)
Loans repaid by third parties	22.8	16.2
Joint ventures	(45.5)	4.8
Fair value movement of interest-rate swaps	(4.5)	(1.9)
Purchase of own shares	(18.5)	(0.2)
Other movements	(24.3)	(17.2)
Decrease/(increase) in net debt	130.4	(50.2)
Net debt at the beginning of the year	(3,313.6)	(3,263.4)
Net debt at the end of the year	(3,183.2)	(3,313.6)

The main cash flow items are typically operating cash flows, the dividends we pay and the capital transactions we undertake. Operating cash inflows after interest and tax were £254.1m for the year ended 31 March 2012, compared with £153.5m in the prior year, the increase being driven by lower net interest paid in the year and the absence of the tax payments made in the prior year.

Like last year, our initial aim this year was for the cash received from property disposals in the Group and joint ventures broadly to match the amount we invested on acquisitions and capital expenditure. But this was not a strict target; we have a strong balance sheet and financial flexibility which enables us to take advantage of opportunities as they arise. During the year, we identified very few attractively priced investment opportunities as investor demand for better quality assets remained good. Instead, we were able to sell some secondary assets into that demand as well as a non-income producing development site. At a Group level, these capital transactions resulted in a net cash inflow of £99.4m, or £86.6m if we include joint ventures. In addition, we are due to receive cash of £481.7m in the next financial year in respect of disposals which have already been recognised in these results.

Disposals completed in the year included the sale of Corby town centre, Eland House, SW1 and 110 Cannon Street, EC4, generating receipts of £513.7m. We spent £383.8m on assets: investment property acquisitions cost £76.8m and capital expenditure totalled £307.0m, principally on our developments at Trinity Leeds, 123 Victoria Street, SW1 and 62 Buckingham Gate, SW1. Our largest investment property acquisition was the Kingsmead Centre, Bath which cost £20.0m. We also spent £30.5m on acquiring a 12% interest in the X-Leisure Fund from a number of institutional investors.

The net payment of £45.5m to our joint ventures is largely a result of development funding for Victoria Circle, SW1 and 20 Fenchurch Street, EC3.

Net debt and gearing

As a result of the cash flows described above, our IFRS net debt decreased by £130.4m to £3,183.2m, while the reduction in borrowings in our joint ventures led to our IFRS net debt (including joint ventures) falling by £189.8m to £3,551.3m (£3,741.1m at 31 March 2011). Adjusted net debt, which includes our joint ventures and the nominal value of our debt but excludes the mark-to-market on our swaps, was down £204.5m at £3,981.4m (31 March 2011: £4,185.9m).

Table 5 below sets out various measures of our gearing.

Table 5: Gearing

	31 March 2012 %	31 March 2011 %
Adjusted gearing* – including notional share of joint venture debt	59.2	65.7
Group LTV	40.4	40.5
Group LTV – including share of joint ventures	38.0	39.0
Security Group LTV	37.6	40.1

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

All of our gearing measures have declined compared with last year as a result of the positive cash flows described above together with the increase in the value of our assets. This is in line with our strategy at this stage in the property cycle of allowing gearing to decline as property values rise. The measure most widely used in our industry is loan-to-value (LTV). We focus most on Group LTV including our notional share of joint venture debt, despite the fact that lenders to our joint ventures have no recourse to the Group for repayment.

Group LTV (including joint ventures) declined from 39.0% at March 2011 to 38.0% at March 2012. In the LTV calculation, the value of our assets already reflects the sale of certain properties for which we have yet to receive proceeds. Had those proceeds been received at 31 March 2012, the Group LTV ratio (including joint ventures) would have been 33.4%.

Our interest cover, excluding our share of joint ventures, has increased from 2.2 times in 2011 to 2.5 times in 2012. 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 2012 was 2.2 times. There is further information on our approach to gearing in the section on “Our principal risks and how we manage them”.

Financing structure and strategy

The total capital of the Group consists of shareholders’ equity, non-controlling interests and net debt. Since IFRS requires us to state a large part our net debt at below its nominal value, we view our capital structure on a basis which adjusts for this. Table 6 below outlines our main sources of capital. Further details are given in notes 14 and 15 to the financial statements.

Table 6: Financing structure

	2012			2011		
	Group £m	**Joint ventures £m**	**Combined £m**	Group £m	Joint ventures £m	Combined £m
Bond debt	**3,363.5**	**-**	**3,363.5**	3,395.4	-	3,395.4
Bank borrowings	**300.0**	**393.4**	**693.4**	428.0	438.0	866.0
Amounts payable under finance leases	**23.3**	**4.5**	**27.8**	28.4	4.6	33.0
Less: cash and restricted deposits	**(59.2)**	**(44.1)**	**(103.3)**	(72.7)	(35.8)	(108.5)
Adjusted net debt	**3,627.6**	**353.8**	**3,981.4**	3,779.1	406.8	4,185.9
Non-controlling interests	**0.2**	**-**	**0.2**	0.8	-	0.8
Adjusted equity attributable to owners of the Parent	**6,711.0**	**14.3**	**6,725.3**	6,346.0	20.7	6,366.7
Total adjusted equity	**6,711.2**	**14.3**	**6,725.5**	6,346.8	20.7	6,367.5
Total capital	**10,338.8**	**368.1**	**10,706.9**	10,125.9	427.5	10,553.4

In general, we follow a secured debt strategy as we believe that this gives the Group and joint ventures better access to borrowings and at lower cost. Other than our finance leases, all our borrowings at 31 March 2012 were secured.

A key element of the Group's capital structure is that the majority of our borrowings are secured against a large pool of our assets (the Security Group). This enables us to raise long-term debt in the bond market as well as shorter-term flexible bank facilities, both at competitive rates. In addition, the Group holds a number of assets outside the Security Group structure (in the Non-Restricted Group). These assets are typically our joint venture interests or other properties on which we have raised separate, asset-specific finance. By having both the Security Group and the Non-Restricted Group, and considerable freedom to move assets between the two, we are able to raise the most appropriate finance for each specific asset or joint venture.

Importantly, we can use borrowings raised against the Security Group to fund expenditure on both acquisitions and developments. At a time when finance to fund capital expenditure on speculative developments is largely unavailable or prohibitively expensive, this gives the Group a considerable advantage in being able to develop early in the cycle.

During the year, we signed a new £1,085m five year revolving credit facility at a headline margin of 120 basis points over LIBOR. This replaced the existing £1,500m revolving credit facility and £400m of bilateral arrangements. In addition to the new £1,085m facility, Land Securities has retained £300m of existing bilateral arrangements which are due to expire in November 2014. Under the previous revolving credit facility, no drawings were possible where the Security Group LTV exceeded 65% or would exceed 65% as a result of the drawing. The new facility provides a mechanism whereby it is possible to utilise facilities up to a Security Group LTV of 80% subject to certain conditions, most notably the advanced notification of such intention while the Security Group LTV is below 65%.

The weighted average duration of the Group's debt (including joint ventures) is 10.9 years with a weighted average cost of debt of 5.0%.

Hedging

We use derivative products to manage our interest-rate exposure, and have a hedging policy which generally requires at least 80% of our existing debt plus increases in debt associated with net committed capital expenditure to be at fixed interest rates for the coming five years. Specific interest-rate hedges are also used within our joint ventures to fix the interest exposure on limited-recourse debt. At 31 March 2012, Group debt (including joint ventures) was 94.8% fixed (2011: 92.1%). As all of our bond debt is issued at fixed rates, we only have a small amount of outstanding interest-rate swaps at 31 March 2012 (£618.9m notional amount including our share of joint ventures).

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. No tax charge arose in respect of the current year but we released provisions of £8.0m (2011: £16.8m) which were created in prior periods and are no longer required as the relevant uncertainties have now been cleared. The Group holds further provisions of £21.6m for interest on overdue tax in relation to a matter in dispute with HMRC, which will become payable if it is not settled in our favour. The provision will be released, and the tax paid to date of £60.7m recovered, if the Group's claim is successful.

Martin Greenslade
Chief Financial Officer

London Portfolio

“We have maintained momentum in a demanding environment. Sales and lettings were above valuation, voids are down and our weighted average unexpired lease term has increased. We continued to reduce risk at major development schemes, crystallised value and created new opportunity through planning success.”

Highlights

- Valuation surplus of 3.9%
- £623.8m of sales – 3.8% ahead of March 2011 valuation
- £24.5m of investment lettings – 12.2% ahead of ERV
- Like-for-like voids down from 3.8% to 2.5%
- Longer weighted average unexpired lease term on the like-for-like portfolio, completed developments and acquisitions of 9.9 years (31 March 2011: 8.9 years)
- 20 Fenchurch Street, EC3 development committed (in partnership with Canary Wharf Group)
- Planning permission received at 1 & 2 New Ludgate, EC4, Kingsgate House, SW1 and 1 New Street Square, EC4
- Joint venture partnership formed at Victoria Circle, SW1 with Canada Pension Plan Investment Board

Progress against our objectives for 2011/12

- Outperform IPD – The portfolio underperformed its IPD sector benchmark by 2.5%
- Obtain planning consent and start on site at 1 & 2 New Ludgate, EC4 – Consent obtained and demolition completed; construction will start to time completion to suit market conditions
- Complete office lettings at One New Change, EC4 – The office element of the scheme was 83.0% let at 31 March 2012
- Progress on time and to budget at 62 Buckingham Gate, SW1; 123 Victoria Street, SW1; Wellington House, SW1; 20 Fenchurch Street, EC3; 40 Strand, WC2; and 110 Cannon Street, EC4 – All of these schemes have progressed on or ahead of time and within budget. 110 Cannon Street, EC4 was sold in the year, crystallising value early
- Secure a joint venture partner for Victoria Circle, SW1 – 50:50 partnership with Canada Pension Plan Investment Board formed in February 2012
- Complete detailed design of Arundel Great Court, WC2 – Design and negotiations with occupiers both completed. Site prepared for demolition and subsequently sold

Our market

We started 2011/12 expecting to see a limited supply of new office space coming onto the market, with demand around average levels. We ended the year with both supply and demand at lower levels than those forecast.

On the demand side, wider economic uncertainty impacted confidence and, in turn, requirements for space. Some occupiers requiring new accommodation chose to delay their moves. On the supply side, many developers found it difficult to raise the capital needed to advance developments. Others remained wary of making investments. Local authority spending cuts and localism have also added complexity to the planning process in London.

Meanwhile, London’s qualities as a leading financial and commercial centre continued to attract investors from around the world. As a result, the property investment market remained liquid throughout the year.

We remain consistent in our view that supply-constrained conditions will lead to rental growth, although these conditions are taking longer to emerge. The supply of prime office space will be significantly limited by the hiatus in the development market and we expect demand for the right space in the right location to increase as pent up demand is released. Our portfolio is positioned to take advantage of this.

Our strategy

Our priorities are to develop first class space in central London and strengthen income streams through rigorous asset management. We are working to maximise returns as we move through the cycle. As early-cycle developers, we gain the benefits of competitive construction costs and rising rental values. We are progressing a well timed and well managed development programme. We have a clear plan for every asset. And we do not hesitate to realise and recycle the value in an asset if a more attractive opportunity appears.

Our performance

The portfolio, valued at £5,579m at 31 March 2012, produced a valuation surplus for the year of 3.9%. West End offices were up 4.9%; City offices were up 4.3%; and central London retail up 2.3%. Included within these figures are properties within the development programme, with a surplus of 7.7%, while proposed developments fell in value by 15.9%.

The portfolio produced an ungeared total property return of 9.2%, although this underperformed the sector benchmark (central London) in the IPD Quarterly Universe by 2.5%. The underperformance reflected our exposure to the Victoria market and the actions we are taking to transform this part of the West End. We are confident our actions will prove fruitful. Offices underperformed the benchmark by 2.0%, while our central London retail properties underperformed the benchmark by 5.0% after strong outperformance of 10.3% last year.

Rental values in our like-for-like portfolio (excluding units materially altered during the year and Queen Anne's Gate, SW1) increased by 2.5%, made up of 0.8% for West End offices, 2.4% for City offices, 2.3% for Mid-town offices and 3.7% for central London retail. Like-for-like voids were 2.5%, compared to 3.8% at March 2011. Void levels on the like-for-like London retail assets were 1.4% (2011: 5.0%) and London offices were 2.8% (2011: 3.3%).

Table 7: Net rental income

	31 March 2012 £m	31 March 2011 £m	Change £m
Like-for-like investment properties	228.3	228.3	-
Proposed developments	9.4	9.4	-
Development programme	17.8	2.3	15.5
Completed developments	6.4	4.7	1.7
Acquisitions since 1 April 2010	-	-	-
Sales since 1 April 2010	22.4	33.5	(11.1)
Non-property related income	4.7	3.0	1.7
Net rental income	**289.0**	**281.2**	**7.8**

Net rental income increased by £7.8m to £289.0m. Overall, like-for-like investment properties showed no growth in net rental income as a large surrender receipt of £4.8m was offset by lower income from properties being refurbished. The development programme saw net rental income increase £15.5m over last year, driven by £14.1m of net rental income at One New Change, EC4 following completion in October 2010. Income from properties sold in the last two years declined by £11.1m. Properties sold this year, which included Eland House, SW1 and 110 Cannon Street, EC4, contributed net rental income of £22.4m of which £3.2m related to the release of dilapidation provisions. The loss of rental income from properties sold this year is likely to lead to lower net rental income next year in the portfolio.

Sales and acquisitions

During the year we made £623.8m of sales, at 3.8% above the March 2011 valuation. The majority of these sales were made in the final quarter of the year. The net yield on disposals was 3.7%. We spent £211.9m on capital expenditure and acquisitions. We maintained a disciplined approach to buying, preferring to focus on investment in developments as we believe this remains the best way to capture rental growth in current conditions. Transactions included:

- Eland House, SW1

This was an ageing 23,500 sq m building occupied by a single government tenant at risk of exercising their option to break the lease in 2016. We have a growing portfolio of new assets in the area, so we opted to sell the building during the year, generating £171.1m.

- 110 Cannon Street and Martin House, EC4

These buildings were at the preliminary stages of a major 6,810 sq m refurbishment. The sale raised £48.5m, crystallising early virtually all of our anticipated development surplus.

- City Forum, EC1

We sold this proposed residential development for £40.8m early in the year, in keeping with our focus on development within our core geographical market.

- 15 Bonhill Street, EC2

Having completed our business plan for the asset, we sold this 10,220 sq m office building for £33.1m in January 2012.

- Victoria Circle, SW1

As part of our site assembly of Victoria Circle, we acquired two buildings for a total of £15.2m – one at 166-172 Victoria Street, SW1; the other at 81-85 Buckingham Palace Road, SW1. Having completed the assembly we then transferred the entire Victoria Circle holding to a new 50:50 joint venture with Canada Pension Plan Investment Board.

- Arundel Great Court, WC2

We have signalled that we will not carry out all our development prospects ourselves and choices have to be made. Having prepared this site for a proposed 61,700 sq m development we elected to sell it for a total consideration of £245.5m. From this price, we believe other schemes within our pipeline will make more attractive returns.

Asset management

We continue to look for smart ways to lengthen and strengthen our income streams. During the year we let or restructured more than 87,800 sq m of space. New lettings were completed on average at 12.2% above ERV. We restructured a number of leases due for renewal this year, and our weighted average unexpired lease term increased on the like-for-like portfolio, completed developments and acquisitions to 9.9 years (31 March 2011: 8.9 years).

Key activity during the year included:

- Moorgate Hall, EC2

Mace Group has taken all of the office space for its new headquarters under a 15-year lease. Mace will complete a phased move into the 6,220 sq m building by 2013, as other occupiers leave.

- Harbour Exchange, E14

Telecity has more than doubled its space to 24,280 sq m in a 30-year deal. British American Tobacco plc has agreed a ten-year lease on 5,440 sq m, having exited 2,410 sq m at Arundel Great Court, WC2, ahead of our proposed redevelopment there.

- Oxford Street, W1

Our Oriana joint venture completed the development and letting of a new 13,650 sq m store to Primark, which is expected to open this autumn.

- 40 Strand, WC2

Refurbishment of the 8,850 sq m office space was completed in March 2012 and the new 15-year lease to Bain & Co is now in place.

- 14/22 Southwark Bridge Road, SE1

In return for some minor refurbishment expenditure, we entered into a new 15-year lease for 5,190 sq m with Motability, who previously occupied under a lease expiring in December 2012.

- 16 Palace Street, SW1

In return for a surrender of 1,910 sq m of space, we have restructured leases over 3,740 sq m with 3i to expire in 2025 rather than in 2020. We received a premium from 3i which more than covers the cost of refurbishment of the surrendered space. Once refurbished we will re-let this space.

Development

We have made excellent progress on our development pipeline and increased our focus on the West End. Our work in Victoria, SW1 is set to transform the area into one of central London's most desirable places to work, live, shop and invest.

Key activity in the year included:

- One New Change, EC4

On opening in October 2010, the retail element of this development was 100% let and the offices are now 86% let. During the year, CBRE Global Investors Ltd and SMBC Nikko Capital Markets Ltd took space in the building.

- 123 Victoria Street, SW1

The refurbishment of 21,110 sq m of office and retail space is progressing well and on schedule to complete in August 2012, a slightly revised timetable following a transaction with Natwest Bank which will enable us to improve the office reception area. Fashion retailer Jimmy Choo has pre-let 3,440 sq m on a 10-year lease, which it intends to use for its office headquarters.

- Wellington House, SW1

We have now pre-sold all 59 of the residential apartments for a total of £90.4m at an average selling price of £1,426 per sq ft. The scheme is on schedule to complete in July 2012.

- 62 Buckingham Gate, SW1

Construction is well underway on the 24,160 sq m of office accommodation and 1,450 sq m of retail this development will bring to the heart of Victoria. The scheme is on time and to budget for delivery in spring 2013.

- 20 Fenchurch Street, EC3

We are working with our joint venture partner, Canary Wharf Group, to deliver this world class 64,460 sq m office building in spring 2014. We expect this to be the first of the next generation of tall City developments to complete. Early interest is very encouraging and 8.0% is in solicitors' hands.

With a number of schemes, we have secured planning and can be flexible on timing to match market conditions while working to maximise income. These include:

- 1 & 2 New Ludgate, EC4

This mixed-use 35,050 sq m development of high quality office, restaurant and retail accommodation will replace two 1960s properties. Demolition work has been completed. Construction will take approximately 22 months to complete from instruction. We will time our start point to ensure we deliver the scheme at the right point in the cycle.

- Kingsgate House, SW1

Westminster City Council has granted planning consent for our plans to redevelop this building into Grade A office space, retail units and 100 prime residential apartments, totalling 31,980 sq m. Two new buildings will replace the existing office block. The public realm will be extended to include an attractive courtyard bordered by new shops and restaurants. Demolition has started since the year end and at this stage we have committed to complete the substructure and build to ground floor level to give us maximum flexibility. The earliest date for completion of the scheme is April 2015.

- 1 New Street Square, EC4

Planning consent has been granted by the City Corporation for a 23,670 sq m office and retail development. The new development will replace three existing buildings with one dramatic building. The existing buildings are leased, in the main, until December 2012.

- Victoria Circle, SW1

In February 2012 we formed the Victoria Circle Limited Partnership, a 50:50 joint venture with Canada Pension Plan Investment Board, to own and develop Victoria Circle. The proposed development will comprise five new buildings occupying an island site opposite Victoria station. When complete, the full scheme will provide a spectacular 84,670 sq m mix of residential, office, retail and public amenity space.

Other development projects in the course of design include:

- 20 Eastbourne Terrace, W2

We continue to work on plans for the 7,700 sq m final phase of this regeneration project. Proposed Crossrail station works in the Paddington area are likely to impact the timing of this scheme.

- Portland House, SW1

We are making good progress with our plans for the remodelling and conversion of this 29,490 sq m office tower into residential apartments and aim to submit a planning application to Westminster City Council in the coming financial year.

- Oxford House, W1

We aim to submit a planning application for the redevelopment of this 1960s building, located opposite the proposed western entrance to Tottenham Court Road Crossrail station, into new retail and residential space.

Looking ahead

We continue to see an imbalance between supply and demand for high quality space in the medium term. Supply-constrained conditions are emerging slower than we expected this time last year, but we expect them to remain for longer as forecasts for the supply of new office developments were cut substantially during the year. A significant proportion of existing stock is unsuitable for the contemporary needs of occupiers and there is a higher than normal level of lease expiries due from 2013. This combination of factors will mean companies with office requirements will find they have less choice.

To put this in context, long-term average take-up of Grade A space in central London is 585,000 sq m per annum. The take-up in 2011 was 510,950 sq m. The combination of current Grade A vacancy and forecast development completions which are not pre-let will only provide in the region of 370,000 sq m per year in 2012, 2013 and 2014. Tall building developments in the City continue to attract media attention, but the current development commitments will make only a modest contribution to total floorspace.

Central London's residential and retail markets remain strong. London is the only city in Europe that can claim to meet the prerequisites for a truly global city – high quality of life; exceptional business infrastructure; a strong talent pool; excellent access to markets; good communication links; and a clear and reliable legislative framework. Uncertainty elsewhere serves to underline London's enduring strength as one of the world's most dynamic and successful cities.

Against this background, we will build on the advantages gained through re-starting developments in London first. We have an attractive mix of high quality assets with strong revenue streams. We have a clear plan for every asset and a pipeline of projects that will add significant floor space through development. We are well positioned.

Key objectives for 2012/13

- Outperform IPD sector benchmark
- Progress development lettings at One New Change, EC4, 123 Victoria Street, SW1, 62 Buckingham Gate, SW1 and 20 Fenchurch Street, EC3
- Practical completion on time and to budget at Wellington House, SW1 and 123 Victoria Street, SW1
- Progress on time and to budget at 62 Buckingham Gate, SW1 and 20 Fenchurch Street, EC3
- Demolition of Kingsgate House, SW1 and commencement of demolition at Victoria Circle, SW1
- Submission of planning applications at Portland House, SW1 and Oxford House, W1

We outline our development pipeline in Table 8.

Table 8: London development pipeline at 31 March 2012

Property	Description of use	Ownership interest %	Size sq m	Planning status	Letting status %	Market value £m	Net income/ ERV £m	Estimated/ actual completion date	Total development costs to date £m	Forecast total development cost £m
Developments after practical completion										
One New Change, EC4	Office	100	31,740		83	480	28.4	Oct 2010	531	531
	Retail		20,630		97					
Developments approved or in progress										
123 Victoria Street, SW1*	Office	100	18,490		21	160	13.1	Aug 2012	132	155
	Retail		2,620		96					
62 Buckingham Gate, SW1	Office	100	24,160		-	144	17.2	May 2013	104	178
	Retail		1,450		-					
20 Fenchurch Street, EC3	Office	50	63,240		-	102	21.1	Apr 2014	88	242
	Retail		1,220		-					
Proposed developments										
1 & 2 New Ludgate, EC4	Office	100	32,400	PR	-	n/a	n/a	2014	n/a	n/a
	Retail		2,650		-					
Kingsgate House, SW1	Office	100	17,540	PR	-	n/a	n/a	2015	n/a	n/a
	Retail		4,230		-					
	Residential		10,210		-					

*Office refurbishment only. Figures provided are for the property as a whole including the retail element.

Developments let and transferred or sold

110 Cannon Street, EC4	Office	sold	6,660		n/a	n/a	n/a	n/a	n/a	n/a
	Retail		150							

Where the property is not 100% owned, floor areas shown above represent the full scheme whereas all other figures represent our proportionate share. Letting % is measured by ERV and shows letting status at 31 March 2012. Trading property development schemes (e.g. Wellington House, SW1) are excluded from the development pipeline.

Planning status for proposed developments

PR – Planning received

Total development cost

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 capitalised interest, being the Group's borrowing costs associated with direct expenditure on the property under development. Interest is also capitalised on the purchase cost of land or property where it is acquired specifically for redevelopment. Of the properties in the development pipeline at 31 March 2012, the only property on which interest was capitalised on the land cost was One New Change, EC4.

Net income/ERV

Net income/ERV represents net headline annual rent on let units plus ERV at 31 March 2012 on unlet units.

Retail Portfolio

"Despite the impact of weak consumer confidence and the failure of some retailers, we have made good progress. Our developments are letting up well to major retailers and our strategy is well matched to a fast evolving market."

Highlights

- Valuation deficit of 0.1%
- £281.9m of sales – 5.6% ahead of March 2011 valuation
- £14.6m of investment lettings – 2.1% above ERV, excluding turnover lettings
- Like-for-like voids down from 4.3% to 3.6% but units in administration up from 0.6% to 2.2%
- Trinity Leeds on plan; pre-lettings at 65.4%, with 6.6% in solicitors' hands
- 185-221 Buchanan Street, Glasgow, ahead of plan; pre-lettings at 91.8%
- 43,800 sq m of out of town/edge of town planning consents and resolutions to grant achieved

Progress against our objectives for 2011/12

- Outperform IPD – The portfolio outperformed its IPD sector benchmark by 2.4%
- Grow our income – Net rental income up by £8.2m
- Expand our out-of-town development programme – New sites secured include Salisbury, Selly Oak and Maidstone
- Achieve planning permissions for specific out-of-town developments – Positive planning decisions gained at Peterborough, Taplow, Crawley and Chadwell Heath
- Progress development lettings in St David's 2, Cardiff, Trinity Leeds and 185-221 Buchanan Street, Glasgow – Lettings now at 88.3%, 65.4% and 91.8% respectively
- Reduce non-recoverable costs in the portfolio – Non-recoverable costs reduced by 6.0%
- Progress discussions with local authorities and anchor stores for our development opportunities at Westgate, Oxford and Buchanan Galleries, Glasgow – Development agreement terms agreed with Oxford City Council, terms agreed with John Lewis for the anchor store and the principle of tax increment financing approved by the Scottish Government for Buchanan Galleries
- Achieve rental growth through investment lettings above current ERV – Investment lettings 2.1% above ERV, excluding turnover lettings, 1% below including turnover lettings

Our market

This was a demanding year for everyone in the retail sector with non-food retail sales down 1.3% according to the BRC/KPMG sales monitor. In addition we saw a further shift in retailer demand away from smaller towns and high streets towards larger shopping centres and out of town locations. This combined with the rapidly developing multichannel approach of shoppers to create major challenges for retailers. Some have not survived but the stronger retailers are actively addressing their floorspace requirements leading to opportunities for us in our developments and existing assets.

The investment market reflected this trend with prime and secondary values diverging further. In the second half of the year we saw shopping centre values falling with a more marked decline in weaker assets, albeit on a very low volume of transactions. The retail warehouse market was more resilient.

2011 further challenged the notion that the internet will lead to the end of physical shopping environments. While online sales remained a threat to some bricks and mortar retailers and certain locations, others are finding ways to integrate the online world into their offer. Many retailers are now transacting online and fulfilling orders through physical stores and we have made efforts to ensure our centres support this activity.

During the year we found opportunities to work with online retailers. In London, for example, we created self-service delivery lockers for Amazon at seven sites. And at One New Change, EC4 we helped Ocado create a QR code wall that enabled customers to add items to their next Ocado order by pointing their phone at a product photograph. We also used social media to reach specific consumer groups while reducing our marketing budget.

People now carry the online world with them in their phone or tablet, and more shoppers are using a mobile device as part of their retail and leisure experience. IMRG and eDigital research from November 2011 shows that 24% of consumers have used their smart phone to access websites while out shopping, and 50% of those have accessed retail websites. In the autumn of 2011, 8.2% of visits to retail sites were through mobile devices; by the winter this had risen to 11.6%. To accommodate this trend, we have entered into an agreement to offer free wireless connectivity at our centres and their websites are being mobile enabled. We are also carrying out a trial with Google and Debenhams that will enable shoppers to conduct product searches using our shopping centre websites.

We have continued to see the value of a strong retail and leisure mix. The combination of shops with attractions such as cinemas, fitness centres, health spas, cafés and restaurants ensures that people are drawn to physical environments. We expect new patterns of consumer behaviour to generate additional requirements from occupiers, leading to new asset management initiatives and development opportunities.

Our strategy

Our strategy has remained clear and in line with the evolving nature of the retail market. Based on our knowledge of the retail sector and our relationships with key retailers, we aim to provide our customers with new or more efficient space that helps them drive their own profits. Through that we will create value across both our asset management and development activities.

Our aim is to own assets that are affordable for retailers and have active plans for growth. We will look to improve our assets, raising them up the retail hierarchy and improving their appeal relative to any competition. We see opportunities to apply our skills across the retail market and work in partnership with retailers on specific locations to drive returns. Where we do not see these opportunities within our assets, as has been the case with a number of our secondary properties, we will sell them and reinvest the capital elsewhere. We have started to grow our representation in leisure because of the increasing role of this area in anchoring retail centres and in creating attractive stand alone destinations.

Our performance

The portfolio, valued at £4,751m at 31 March 2012, produced a valuation deficit for the year of 0.1% overall. Shopping centres and shops were down 1.5%. Retail warehouses and food stores were up 1.3%.

Included within the figures for our shopping centres and shops are current development projects. These performed well, with a valuation surplus of 9.5%. Our portfolio of Accor hotels showed a valuation surplus of 6.9%, reflecting positive income growth. Rental values on our like-for-like portfolio (excluding units materially altered during the year) were down by 1.8% for our shopping centres and shops, and increased by 1.7% for our retail warehouses and food stores.

The portfolio produced an ungeared total property return of 5.8%, outperforming the sector benchmark in the IPD Quarterly Universe by 2.4%. Our shopping centres outperformed the IPD sector benchmark by 1.6%. Retail warehouses outperformed the sector benchmark by 0.6%.

We reduced voids across our like-for-like portfolio from 4.3% at March 2011 to 3.6% at March 2012, of which 1.3% are subject to temporary lettings. Units in administration across the portfolio were 2.2%, up from 0.6% in March

2011. However, 0.8% of these units in administration were still trading and, including these, our overall level of occupancy was 96.3%.

Footfall in our shopping centre portfolio was down 0.5% in the year ended 31 March 2012, with the national benchmark down 1.8% over the same period. Our measured same store VAT exclusive like-for-like sales were down 1.5%, while the BRC benchmark was down 1.3% on a VAT inclusive basis, implying outperformance by our centres on a VAT equivalent basis. The VAT change from 17.5% to 20.0% impacted three quarters of the comparative year. Our same centre sales, taking into account new lettings and tenant changes, were up 3.9% on a VAT exclusive basis. Our measured retailers' rent/sales ratio for the year ended 31 March 2012 was 10.5%. Total occupancy costs (including rent, rates, service charges and insurance) represented 17.9% of sales.

Table 9: Net rental income

	31 March 2012 £m	31 March 2011 £m	Change £m
Like-for-like investment properties	229.5	223.8	5.7
Proposed developments	1.5	2.6	(1.1)
Development programme	3.7	4.2	(0.5)
Completed developments	9.0	6.9	2.1
Acquisitions since 1 April 2010	21.4	11.7	9.7
Sales since 1 April 2010	14.6	23.0	(8.4)
Non-property related income	4.0	3.3	0.7
Net rental income	**283.7**	**275.5**	**8.2**

Net rental income has increased by £8.2m from £275.5m to £283.7m. There was a £5.7m favourable movement in our like-for-like properties which was driven by improved performance at a limited number of centres including Gunwharf Quays and our Accor hotel portfolio. Income from properties acquired within the last two years increased by £9.7m as we benefitted from a full year of ownership of last year's acquisitions, notably Overgate, Dundee, and The O2 Centre, Finchley Road, as well as the purchase this year of Kingsmead, Bath. In contrast, there was a reduction in net rental income of £8.4m from assets we sold over the past two years including Corby town centre this year and The Mall, Stratford last year.

Sales and acquisitions

We continued to recycle capital during the year. Sales generated a total of £281.9m, slightly ahead of our development and capital expenditure of £220.2m. Sales were on average 5.6% above the March 2011 valuation and at a yield of 7.0%. Our acquisitions totalled £44.9m, yielding 5.1%.

Key sales included:

- Corby

We sold Corby town centre for £67.8m. We felt that Corby was the least well equipped of our shopping centres to deal with the shift we are seeing in consumer behaviour.

- Garratt Lane, Wandsworth

Our Harvest joint venture with Sainsbury's completed the £25.7m (our share) sale of the existing 7,300 sq m Sainsbury's store in Wandsworth, together with the forward sale of an extension of the store, hotel and a further retail unit.

- Grimsby and Swindon

We sold two further food stores in the period – at Grimsby and Swindon – for £25.8m and £30.2m respectively.

- Lord Street, Liverpool

We sold this small parade of high street shops in August 2011 for £19.1m.

- St Johns Centre, Liverpool

We sold St Johns, Liverpool for £76.6m, as we felt the opportunity for significant improvement had receded due to competition from Liverpool One.

We also made acquisitions to increase our footprint in leisure-based schemes, as follows:

- Kingsmead Centre, Bath

We acquired this 8,400 sq m leisure and restaurant complex in the heart of Bath for £20.0m. The centre houses the only multiplex cinema in the city. Subsequently we entered into a forward purchase agreement on an adjacent site for the development of a hotel.

- X-Leisure

In February and March we spent £30.5m on acquiring a 12% interest in the X-Leisure Unit Trust from a number of institutional investors. X-Leisure owns schemes across the UK, including X-scape in Milton Keynes and Brighton Marina. The assets are of interest to us and we will now have a seat at the table as the fund approaches a vote on its extension.

Since the year end we acquired The Cornerhouse, Nottingham, a leisure scheme in the heart of this vibrant city.

Asset management

Our asset management activities were formed in three key areas.

Bringing in new major occupiers:

- Primark

During the year, Primark agreed to take an extended 8,400 sq m store at Trinity Leeds. We also made good progress on delivering the three Primark stores we agreed in the last financial year. A new 6,500 sq m store at The Centre, Livingston, opened in December. Works are underway on a 6,500 sq m store at Westwood Cross, Thanet, and a 5,550 sq m store at our Bridges shopping centre in Sunderland.

- John Lewis Partnership

We worked with John Lewis to create the first of its new small format full line department stores, which is due to open in autumn 2012 in Exeter. The store will occupy all 11 floors of the Sidwell Street site, with selling space of 10,000 sq m. In July 2011 we completed the ‘at home’ shop at the Greyhound Retail Park in Chester, and it opened in September 2011.

- Debenhams

We concluded a letting for a 3,000 sq m store on the Ravenside Retail Park, in Chesterfield. The new store will replace the recently demolished Focus DIY unit and is expected to open in autumn 2012.

- Marks & Spencer

We have agreed a letting to Marks & Spencer for a 4,855 sq m store in Bexhill Retail Park. The agreement is subject to planning and we are expecting a decision in June 2012.

Improving leisure and food and beverage provision:

- Aberdeen

As well as refurbishing the Bon Accord centre we have expanded and refurbished the food court which was pre-let to Yo! Sushi, Café Rouge, Pret A Manger and Di Maggio’s, most of which are new occupiers for Aberdeen. Trading has been strong since opening in January 2012.

- O2

We have completed new lettings to Rossopomodoro and Wagamama. Yo! Sushi will relocate to a new unit. Paperchase and Oliver Bonas will be opening new stores later this year.

Adding space:

- Lakeside Retail Park

We started a 2,300 sq m extension, with two retailers – CSL and Mamas & Papas – committed to taking 1,800 sq m of the scheme.

- Southside

We have started construction of 3,250 sq m of space of which 50% is pre-let to Wagamama, Rossopomodoro and Cattle Grid. We now have planning for a further 11,700 sq m comprising an anchor store, 10 units and a gym.

- Chesterfield

We have achieved lettings for two additional units totalling 2,460 sq m, to Hobbycraft and ASDA Living, subject to planning.

During the year we ended our Brand Empire agreement with Grupo Cortefiel, one of Spain's largest fashion retailers. Eight stores were closed resulting in closure costs of £2.7m. Established to help counter a flat leasing market in late 2009, Brand Empire was an innovative way to help overseas retailers access the UK market. Unfortunately, the Grupo Cortefiel brands were unable to establish themselves here. We structured our agreements on the basis that this may happen and acted quickly and decisively to close the operation. The Brand Empire initiative had been welcomed by the sector, and a number of valuable retailer relationships were formed as a result of interest in the scheme. We will apply the lessons learnt and continue to look for new ways to help retailers and increase lettings.

Development and planning

- Trinity Leeds

Having secured pre-lettings of 40% before committing to build, we now have 65.4% pre-let and 6.6% in solicitors' hands, by income. Trinity Leeds is the only major new shopping centre under construction in the UK and is due to complete in March 2013. Confirmed occupants include Marks & Spencer, Primark, BHS, Next, Boots, Topshop/Topman, H&M, River Island, Cult and Hollister.

- 185-221 Buchanan Street, Glasgow

Work is on schedule and discussions with major retailers have proved successful. At March 2012 we had 91.8% pre-lettings in place, by income. The retail component of the scheme is due to open in March 2013. Only one unit remains available on Buchanan Street and two units are available on West Nile Street. Confirmed occupants include Forever21, Paperchase, Gap, Fat Face, Office, Skechers and Watches of Switzerland.

- Meteor Centre, Derby

In April 2011 we received permission from Derby City Council for the creation of a new 9,300 sq m food store and the reconfiguration of existing units. This redevelopment scheme will help regenerate the existing retail park and improve shopping and services.

- Bishop Centre, Taplow

In March 2012 we achieved a resolution to grant planning consent for redevelopment of the existing shopping centre. The new 12,260 sq m development could commence in early 2013. Tesco has already agreed to take 5,100 sq m of the space. The remaining space will be divided into 10-12 smaller retail and leisure units.

- Whalebone Lane, Chadwell Heath

We have secured planning permission for a food store at the vacant B&Q building on Whalebone Lane. Since the year end this space has been pre-let to ASDA.

- Crawley

Planning permission has been gained for a 7,000 sq m supermarket and a 110-bed hotel, together with 600 sq m of restaurant space. The main units have been pre-let to Morrisons and Travelodge. Subject to achieving vacant possession, development can start in late 2012.

Looking ahead

Overall, the retail outlook remains challenging and property owners are having to take an even more active approach to asset management to create value. Continued uncertainty in capital markets would add to downward pressure on the sector, but it may also generate attractive buying opportunities. Whether market conditions worsen or we see a return to growth, the quality of our portfolio and our relationships will be increasingly important.

Every retail asset will be affected in some way. Many have the potential to thrive as new dynamics emerge. Retailers continue to be drawn to less expensive space that consistently trades well and asset managers will be required to continually review their assets' attraction to the shopper and the retailer. Larger destinations are likely to do better than the overall market because of the scale of their retail and leisure offer. We will continue to ensure every one of our assets has a clear plan with flexibility to adapt to market scenarios.

Consumer behaviour is changing, not just with the growth of leisure and online shopping, but also through social networking and mobile technology, which can provide information to consumers while they are shopping. This will create even greater distance between the winners and losers in our market, from retailers to locations and property assets. Our strategy is well matched to this evolution.

Key objectives for 2012/13

- Outperform IPD sector benchmark
- Protect occupancy by dealing effectively with retailer administrations
- Progress development lettings at Trinity Leeds; 185-221 Buchanan Street, Glasgow; Taplow; Peterborough; Derby; and Selly Oak
- Achieve practical completion on time and to budget at Trinity Leeds and 185-221 Buchanan Street, Glasgow
- Commence out of town developments at Crawley, Taplow, Derby and Chadwell Heath
- Enter into a development agreement with Oxford City Council for Westgate Centre, Oxford
- Submit planning applications at Exeter and three new sites secured in our out of town pipeline

We outline our development pipeline in Table 10.

Table 10: Retail development pipeline at 31 March 2012

Property	Description of use	Ownership interest %	Size sq m	Planning status	Letting status %	Market value £m	Net income/ ERV £m	Estimated/ actual completion date	Total development costs to date £m	Forecast total development cost £m
Developments approved or in progress										
Trinity Leeds	Retail	100	75,900		64	250	29.1	Feb 2013	202	363
185-221 Buchanan Street, Glasgow	Retail	100	10,800		92	52	4.7	Mar 2013	33	63
	Residential		3,700							
Proposed developments										
Meteor Centre, Derby	Food store	100	14,400	PR	-	n/a	n/a	2014	n/a	n/a

Developments let and transferred or sold

Property	Description of use	Ownership interest %	Size sq m	Planning status	Letting status %	Market value £m	Net income/ ERV £m	Estimated/ actual completion date	Total development costs to date £m	Forecast total development cost £m
Garratt Lane, Wandsworth	Food store	Sold	16,510		n/a	n/a	n/a	n/a	n/a	n/a
	Leisure		5,670							
St David's 2, Cardiff [1]	Retail	50	89,900		88	222	14.8	Oct 2009	354	360

1. St David's 2, Cardiff excludes the residential costs and value following the transfer of this element to trading properties

Where the property is not 100% owned, floor areas shown above represent the full scheme whereas all other figures represent our proportionate share. Letting % is measured by ERV and shows letting status at 31 March 2012. Trading property development schemes are excluded from the development pipeline.

Planning status for proposed developments

PR – Planning received

Total development cost

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 capitalised interest, being the Group's borrowing costs associated with direct expenditure on the property under development. Interest is also capitalised on the purchase cost of land or property where it is acquired specifically for redevelopment. Of the properties in the development pipeline at 31 March 2012, interest was capitalised on the land cost at Trinity Leeds and 185-221 Buchanan Street, Glasgow. The figures for total development costs include expenditure on the residential elements of 185-221 Buchanan Street, Glasgow (£11.7m).

Net income/ERV

Net income/ERV represents net headline annual rent on let units plus ERV at 31 March 2012 on unlet units.

Our principal risks and how we manage them

Our Board recognises the importance of identifying and actively monitoring the full range of financial and non-financial risks facing the business, at both an asset and Group level. By regularly reviewing the risk appetite of the business, the Board ensures that the risk exposure remains appropriate at any point in the cycle.

Importantly the Board perceives risk not only as having a potential negative influence on the business but also as an opportunity that can be a source of financial outperformance. For effective risk management it is necessary that the identification, assessment and management of known and emerging risks form part of a dynamic process. As property is a capital intensive business, we naturally place a strong emphasis on the management of financial risks and the relationship that exists with return. Set out below is an overview of how we manage our key financial risks in the context of our investment return objectives and our approach to capital allocation.

The Group’s primary financial metric is total return. On a portfolio of properties, total return consists of movements in asset valuations together with the income yield from receipt of rents. Although our focus is on total return, we recognise that, with property, income is an important component of total return – and that, for our shareholders, the dividend is likewise an important part of Total Shareholder Return.

As we manage gearing levels centrally at the Group balance sheet level, we make decisions on whether to allocate capital to buy, sell or develop a property on the basis of ungeared total returns, adjusted for risk, relative to our weighted average cost of capital (WACC) and also relative to alternative investment opportunities. As asset selection decisions are more important than sector allocation in generating outperformance we would expect to focus our capital allocation decisions more around the choice between development and investment than around sector allocation. If there is a material difference in the prospective returns between sectors, this will be reflected in our capital allocation.

We believe that our key areas of financial risk remain our balance sheet gearing and the level of property development. These tend to be the primary source of volatility of returns.

Balance sheet gearing

Gearing magnifies the effect of movements in income on corporate earnings and in property values on shareholders’ net assets (NAV). We assess balance sheet gearing levels in terms of both Interest Cover Ratios (ICR) and Loan To Value (LTV) ratios. The UK property sector tends to focus on LTV ratios and we manage the business within an inner gearing range of 35% to 45% LTV, which we would expect to apply in normal market conditions. At certain stages of the cycle, we would be prepared to allow our LTV ratios to move to an outer range of 25% to 55% LTV.

Property development

Property development has the potential to deliver new buildings at attractive rental income yields and also to generate valuation surpluses materially ahead of general market movements. However, it can also lead to higher volatility of valuation movements and income shortfalls if projects do not let up to plan. We manage our risk through both income and capital risk control measures. The income-related risk measure is that, using conservative assumptions on vacancy at completion, the impact of rental income from the un-let element of our development programme should not exceed the Group’s annual retained earnings. This provides safeguards against un-let developments leading to the Group having an uncovered dividend. We also control the proportion of our capital deployed in development: the proportion of our capital in development will generally not exceed 20% of our total capital upon completion of those schemes – save that, where a material part of the development programme is pre-let, this proportion can rise to 25%. In addition, we monitor the level of committed future capital expenditure on our development programme relative to the level of our undrawn debt facilities.

The principal risks and uncertainties facing the business and the Board’s views on how they have changed over the year are outlined further in the tables which follow.

The tables below show the principal risks and uncertainties facing the business and the processes by which we aim to manage them.

Financial

Risk description	Impact	Mitigation	Change from 2010/11
Liability structure			
• Bank lending capacity and funding margins negatively impacted by regulatory requirements and/ or market concerns over the exposure of certain banks to heavily indebted eurozone countries with the possibility of contagion in the wider market.	• Reduced lending capacity. • Increased cost of borrowing. • Limits ability to meet existing debt maturities and fund forward cash requirements.	• Successful refinancing of a £1.1bn revolving credit facility, which matures in 2016, thereby limiting our need to go the market in uncertain times; • Access to different sources of finance with most of our funding on a long-term basis and with a spread of maturity dates. The weighted average life of our debt at 31 March 2012 is 10.9 years; • Low gearing (Security Group LTV at 31 March 2012 of 37.6%); • Commitments funded through sales; • Our principal debt funding structure benefits from financial default only being triggered at 1 times Security Group ICR (currently 4.6 times) or 100% Security Group LTV (currently 37.6%); • At less than 1.45 times ICR or greater than 65% LTV, a persuasive covenant regime applies which is designed to preserve cash for the potential protection of lenders and encourage the business to reduce debt.	Increasing uncertainty in the financial sector and eurozone, offset by new revolving credit facility maturing in 2016.

Risk description	Impact	Mitigation	Change from 2010/11
Liability structure continued			
• Liability structure is unable to adapt to changing asset strategy or property values.	• Reduced financial and operational flexibility, missed business opportunities and higher cost of financing.	• The Group's Asset and Liability Committee meets three times a year to monitor both sides of the balance sheet and recommend strategy to the Board; • We manage the business within an inner gearing range of 35% to 45% LTV in normal market conditions; • Liquidity and gearing kept under regular review; • Assess balance sheet gearing levels in terms of both ICR and LTV ratios; • Security Group structure allows assets to be sold and ability to raise new debt; • Greater flexibility in the new revolving credit facility which allows debt to be drawn in certain circumstances even when the Security Group LTV exceeds 65%.	
• Movements in interest rates.	• Adversely affects Group profits.	• We have a hedging policy which generally requires at least 80% of our existing debt plus increases in associated net committed capital expenditure to be at fixed interest rates in order to manage our interest rate exposure (94.8% as at 31 March 2012).	

Property Investment

Risk description	Impact	Mitigation	Change from 2010/11
Customers • Increased pressure on consumer spending.	• Shift in customer demand with impact on new lettings, renewal of existing leases and reduced rental growth. • Difficult trading conditions for tenants in the retail sector, increasing the risk that some may be unable to meet rental commitments.	• Large and diversified tenant base (our largest retail tenant, Arcadia Group, represents only 2.5% of rents); • Of our income 63.6% is derived from tenants who make less than a 1.0% contribution to rent roll; • High quality property portfolio, of which 61.2% is located in London; • Target for maximum percentage of leases subject to expiry in any one year; • Experienced leasing team; • Active development programme to maintain a modern portfolio well suited to occupier requirements; • Strong relationships with occupiers; • Variety of asset types and, for the Retail portfolio, geographic spread.	▲ On-going economic uncertainty
Composition of our property portfolio • Incorrect asset concentration, mix and lot size.	• Reduces liquidity and relative property performance. • Excessive volatility in income and valuation movements.	• Large multi-asset portfolio; • Monitor asset concentration (our largest asset is only 6.3% of the total portfolio); • Average investment property lot size of £68.9m;	◁▷

Risk description	Impact	Mitigation	Change from 2010/11
Composition of our property portfolio continued		• Bi-annual portfolio liquidity review; • Generally favour full control and ownership of assets (14.4% of assets currently in joint ventures); • Monitor the spread of lease expiry dates (we have an average unexpired lease term of 9.2 years with a maximum of 8.3% of gross rental income expiring or subject to break clauses in any single year); • Monitor the proportion of our portfolio represented by pre-development properties.	◁▷
Acquisitions • Inability to acquire new assets to replace properties that have been sold or are in the process of being re-developed	• Reduction in revenue profits	• Enlarged investment team providing more experienced resources to identify and close new acquisitions; • Closer integration between the portfolio and investment management teams; • Ability to control level of property sales; • Risk analysis of speculative development pipeline on capital and income basis; • Strategy of flexing size of development programme according to the outlook for the market cycle.	▲ Lack of suitably priced assets

Development

Risk description	Impact	Mitigation	Change from 2010/11
Development • Occupiers reluctant to enter into commitments to take new space in our developments.	• Negative valuation movements. • Reduction in income.	• The targeted rental income from the un-let element of our development programme should not exceed the group's retained earnings; • Proportion of capital employed in development programme (based on total costs to completion) will generally not exceed 20% of our total capital employed, save that where a material part of the development programme is pre-let, this proportion can rise to 25%; • Monitor the level of committed future capital expenditure on our development programme relative to the level of our un-drawn debt facilities; • Monitor market cycle and likely tenant demand before committing to new developments; • Risk analysis of speculative development pipeline on capital and income basis; • Strategy of flexing size of development programme according to the outlook for the market cycle; • In-house property market research capability; • Skilled in house development teams.	▲ On-going economic uncertainty.

Regulatory

Risk description	Impact	Mitigation	Change from 2010/11
Health and safety • The risk of accidents causing injury to employees, contractors, tenants and visitors to our properties.	• Criminal/civil proceedings and resultant reputational damage.	• Board responsibility for health and safety; • Quarterly Board reporting; • Dedicated specialist personnel; • Annual cycle of health and safety audits; • Established policy and procedures including ISO 18001 certification.	◁ ▷
Environment • Properties do not comply with legislation or meet customer expectations.	• Increased cost base. • Inability to attract or retain tenants.	• Board responsibility for environment; • Dedicated specialist personnel; • Established policy and procedures including ISO 14001 certified environmental management system; • Active involvement in legislative working parties; • Active environmental programme addressing key areas of impact (energy and waste).	▲ Increasing legislation.

Statement of directors' responsibilities in respect of the annual report and the financial statements

The Annual Report 2012 contains the following statements regarding responsibility for the financial statements and business review included therein.

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. 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. Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit and loss of the Group and Company 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 whether applicable IFRS as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006 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.

Directors' responsibility statement

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

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the management reports (which are incorporated into the Report of the Directors) contained in the Annual Report include a fair review of the development and performance of the business and the position of the Group together with a description of the principal risks and uncertainties that it faces.

A copy of the financial statements of the Group is placed on the Company's website. The Directors are responsible for the maintenance and integrity of statutory and audited information on the Company's website at www.landsecurities.com. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

Alison Carnwath, Chairman	Robert Noel, Chief Executive
David Rough	Martin Greenslade, Chief Financial Officer
Sir Stuart Rose	Richard Akers, Executive Director
Kevin O'Byrne	
Chris Bartram	
Simon Palley	
Stacey Rauch (appointed 1 January 2012)	

By order of the Board

Adrian de Souza
Group General Counsel and Company Secretary
15 May 2012

Financial Statements

Income statement for the year ended 31 March 2012	Notes	Group 2012 £m	Group 2011 £m
Group revenue [1]	4	**671.5**	701.9
Costs		**(239.6)**	(270.8)
		431.9	431.1
Profit on disposal of investment properties	3	**45.4**	75.7
Net surplus on revaluation of investment properties	3	**169.8**	794.1
Impairment charge on trading properties	3	**(2.0)**	(1.4)
Operating profit		**645.1**	1,299.5
Interest expense	5	**(201.1)**	(240.2)
Interest income	5	**26.2**	26.0
Fair value movement on interest-rate swaps	5	**(4.5)**	(1.9)
		465.7	1,083.4
Share of post tax profit from joint ventures	10	**52.2**	143.9
Impairment of investment in joint venture		**(2.2)**	-
Profit before tax		**515.7**	1,227.3
Income tax		**8.0**	16.8
Profit for the financial year		**523.7**	1,244.1
Attributable to:			
Owners of the Parent		**522.9**	1,241.6
Non-controlling interests		**0.8**	2.5
Profit for the financial year		**523.7**	1,244.1
Earnings per share attributable to the owners of the Parent (pence)			
Basic earnings per share	7	**67.5**	162.3
Diluted earnings per share	7	**67.4**	162.2

1. Group revenue excludes the share of joint ventures' revenue of £121.4.m (2011: £107.5m).

Statement of comprehensive income for the year ended 31 March 2012	Notes	Group 2012 £m	Group 2011 £m
Profit for the financial year		**523.7**	1,244.1
Other comprehensive income consisting of:			
Actuarial (losses)/gains on defined benefit pension scheme		**(16.1)**	11.0
Share of joint ventures' fair value movement on interest-rate swaps treated as cash flow hedges	10	**4.9**	12.4
Other comprehensive (expense)/income for the financial year		**(11.2)**	23.4
Total comprehensive income for the financial year		**512.5**	1,267.5
Attributable to:			
Owners of the Parent		**511.7**	1,265.0
Non-controlling interests		**0.8**	2.5
Total comprehensive income for the financial year		**512.5**	1,267.5

Balance sheets at 31 March 2012

		Group		Company	
		2012	2011	**2012**	2011
	Notes	**£m**	£m	**£m**	£m
Non-current assets					
Investment properties	9	**8,453.2**	8,889.0	**-**	-
Other property, plant and equipment		**8.8**	11.3	**-**	-
Net investment in finance leases		**185.0**	116.8	**-**	-
Loan investments		**50.8**	72.2	**-**	-
Investments in joint ventures	10	**1,137.6**	939.6	**-**	-
Investments in subsidiary undertakings		**-**	-	**6,177.8**	6,173.0
Other investments		**32.3**	1.8	**-**	-
Trade and other receivables		**-**	77.0	**-**	-
Pension surplus		**-**	8.7	**-**	-
Total non-current assets		**9,867.7**	10,116.4	**6,177.8**	6,173.0
Current assets					
Trading properties and long-term development contracts	11	**133.1**	129.3	**-**	-
Trade and other receivables		**759.6**	352.5	**15.8**	10.0
Monies held in restricted accounts and deposits	12	**29.5**	35.1	**-**	-
Cash and cash equivalents	13	**29.7**	37.6	**0.2**	0.2
Total current assets		**951.9**	554.5	**16.0**	10.2
Total assets		**10,819.6**	10,670.9	**6,193.8**	6,183.2
Current liabilities					
Borrowings	14	**(10.8)**	(33.0)	**-**	-
Trade and other payables		**(361.3)**	(423.2)	**(691.5)**	(403.1)
Provisions		**(8.6)**	(7.4)	**-**	-
Current tax liabilities		**(21.6)**	(35.5)	**-**	-
Total current liabilities		**(402.3)**	(499.1)	**(691.5)**	(403.1)
Non-current liabilities					
Borrowings	14	**(3,225.1)**	(3,351.3)	**-**	-
Derivative financial instruments		**(6.5)**	(2.0)	**-**	-
Pension deficit		**(2.4)**	-	**-**	-
Trade and other payables		**(27.7)**	(6.2)	**-**	-
Total non-current liabilities		**(3,261.7)**	(3,359.5)	**-**	-
Total liabilities		**(3,664.0)**	(3,858.6)	**(691.5)**	(403.1)
Net assets		**7,155.6**	6,812.3	**5,502.3**	5,780.1
Equity					
Capital and reserves attributable to the owners of the Parent					
Ordinary shares		**78.5**	77.6	**78.5**	77.6
Share premium		**786.2**	785.5	**786.2**	785.5
Capital redemption reserve		**30.5**	30.5	**30.5**	30.5
Merger reserve		**-**	-	**373.6**	373.6
Share-based payments		**6.8**	7.2	**6.8**	7.2
Retained earnings		**6,271.2**	5,914.3	**4,226.7**	4,505.7
Own shares		**(17.8)**	(3.6)	**-**	-
Equity attributable to the owners of the Parent		**7,155.4**	6,811.5	**5,502.3**	5,780.1
Non-controlling interests		**0.2**	0.8	**-**	-
Total equity		**7,155.6**	6,812.3	**5,502.3**	5,780.1

The financial statements on pages 38 to 64 were approved by the Board of Directors on 15 May 2012 and were signed on its behalf by:

R M Noel **M F Greenslade**

Directors

Statement of changes in equity

Group

	Attributable to owners of the Parent								
	Ordinary shares £m	Share premium £m	Capital redemption reserve £m	Share-based payments £m	Retained earnings [1] £m	Own shares £m	Total £m	Non-controlling interest £m	Total equity £m
At 1 April 2010	76.5	785.3	30.5	6.0	4,798.5	(6.9)	5,689.9	(0.9)	5,689.0
Profit for the year ended 31 March 2011	-	-	-	-	1,241.6	-	1,241.6	2.5	1,244.1
Other comprehensive income:									
Actuarial gain on pension scheme	-	-	-	-	11.0	-	11.0	-	11.0
Fair value movement on interest-rate swaps treated as cash flow hedges	-	-	-	-	12.4	-	12.4	-	12.4
Total comprehensive income for the year ended 31 March 2011	-	-	-	-	1,265.0	-	1,265.0	2.5	1,267.5
Transactions with owners:									
Exercise of options	-	0.2	-	-	-	-	0.2	-	0.2
New share capital subscribed	1.1	69.7	-	-	-	-	70.8	-	70.8
Transfer to retained earnings in respect of shares issued in lieu of cash dividends	-	(69.7)	-	-	69.7	-	-	-	-
Fair value of share-based payments	-	-	-	3.8	-	-	3.8	-	3.8
Release on exercise/forfeiture of share options	-	-	-	(2.6)	2.6	-	-	-	-
Settlement and transfer of shares to employees on exercise of share options	-	-	-	-	(7.9)	3.5	(4.4)	-	(4.4)
Dividends to owners of the Parent	-	-	-	-	(213.6)	-	(213.6)	-	(213.6)
Distribution paid to non-controlling interests	-	-	-	-	-	-	-	(0.8)	(0.8)
Acquisition of own shares	-	-	-	-	-	(0.2)	(0.2)	-	(0.2)
Total transactions with owners of the Parent	1.1	0.2	-	1.2	(149.2)	3.3	(143.4)	(0.8)	(144.2)
At 31 March 2011	77.6	785.5	30.5	7.2	5,914.3	(3.6)	6,811.5	0.8	6,812.3
Profit for the year ended 31 March 2012	**-**	**-**	**-**	**-**	**522.9**	**-**	**522.9**	**0.8**	**523.7**
Other comprehensive income:									
Actuarial loss on pension scheme	**-**	**-**	**-**	**-**	**(16.1)**	**-**	**(16.1)**	**-**	**(16.1)**
Fair value movement on interest-rate swaps treated as cash flow hedges	**-**	**-**	**-**	**-**	**4.9**	**-**	**4.9**	**-**	**4.9**
Total comprehensive income for the year ended 31 March 2012	**-**	**-**	**-**	**-**	**511.7**	**-**	**511.7**	**0.8**	**512.5**
Transactions with owners:									
Exercise of options	**-**	**0.7**	**-**	**-**	**-**	**-**	**0.7**	**-**	**0.7**
New share capital subscribed	**0.9**	**65.7**	**-**	**-**	**-**	**-**	**66.6**	**-**	**66.6**
Transfer to retained earnings in respect of shares issued in lieu of cash dividend	**-**	**(65.7)**	**-**	**-**	**65.7**	**-**	**-**	**-**	**-**
Fair value of share-based payments	**-**	**-**	**-**	**4.8**	**-**	**-**	**4.8**	**-**	**4.8**
Release on exercise/forfeiture of share options	**-**	**-**	**-**	**(5.2)**	**5.2**	**-**	**-**	**-**	**-**
Settlement and transfer of shares to employees on exercise of share options	**-**	**-**	**-**	**-**	**(4.3)**	**4.3**	**-**	**-**	**-**
Dividends to owners of the Parent	**-**	**-**	**-**	**-**	**(221.4)**	**-**	**(221.4)**	**-**	**(221.4)**
Distributions paid to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1.4)**	**(1.4)**
Acquisition of own shares	**-**	**-**	**-**	**-**	**-**	**(18.5)**	**(18.5)**	**-**	**(18.5)**
Total transactions with owners of the Parent	**0.9**	**0.7**	**-**	**(0.4)**	**(154.8)**	**(14.2)**	**(167.8)**	**(1.4)**	**(169.2)**
At 31 March 2012	**78.5**	**786.2**	**30.5**	**6.8**	**6,271.2**	**(17.8)**	**7,155.4**	**0.2**	**7,155.6**

1. Included within retained earnings are cumulative losses in respect of cash flow hedges (interest rate swaps) of **£3.0m** (2011: £7.9m).

Statement of changes in equity — Company

	Ordinary shares £m	Share premium £m	Capital redemption reserve £m	Merger reserve [1] £m	Share-based payments £m	Retained earnings £m	Total £m
At 1 April 2010	76.5	785.3	30.5	373.6	6.0	4,423.9	5,695.8
Profit for the year ended 31 March 2011	-	-	-	-	-	223.1	223.1
Exercise of options	-	0.2	-	-	-	-	0.2
New share capital subscribed	1.1	69.7	-	-	-	-	70.8
Transfer to retained earnings in respect of shares issued in lieu of cash dividend	-	(69.7)	-	-	-	69.7	-
Fair value of share-based payments	-	-	-	-	3.8	-	3.8
Release on exercise/forfeiture of share options	-	-	-	-	(2.6)	2.6	-
Dividends	-	-	-	-	-	(213.6)	(213.6)
At 31 March 2011	77.6	785.5	30.5	373.6	7.2	4,505.7	5,780.1
Loss for the year ended 31 March 2012	**-**	**-**	**-**	**-**	**-**	**(29.1)**	**(29.1)**
Exercise of options	**-**	**0.7**	**-**	**-**	**-**	**-**	**0.7**
New share capital subscribed	**0.9**	**65.7**	**-**	**-**	**-**	**-**	**66.6**
Transfer to retained earnings in respect of shares issued in lieu of cash dividend	**-**	**(65.7)**	**-**	**-**	**-**	**65.7**	**-**
Fair value of share-based payments	**-**	**-**	**-**	**-**	**4.8**	**-**	**4.8**
Transfer of treasury shares from group undertakings	**-**	**-**	**-**	**-**	**-**	**(99.4)**	**(99.4)**
Release on exercise/forfeiture of share options	**-**	**-**	**-**	**-**	**(5.2)**	**5.2**	**-**
Dividends	**-**	**-**	**-**	**-**	**-**	**(221.4)**	**(221.4)**
At 31 March 2012	**78.5**	**786.2**	**30.5**	**373.6**	**6.8**	**4,226.7**	**5,502.3**

1. 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.

Statement of cash flows for the year ended 31 March 2012		Group		Company	
		2012	2011	**2012**	2011
	Notes	**£m**	£m	**£m**	£m
Net cash generated from operations					
Cash generated from operations	16	**401.8**	420.0	**-**	-
Interest paid		**(164.4)**	(218.7)	**-**	-
Interest received		**27.1**	18.0	**-**	-
Employer contributions to defined benefit pension scheme		**(4.9)**	(5.1)	**-**	-
Corporation tax paid		**(5.5)**	(60.7)	**-**	-
Net cash inflow from operations		**254.1**	153.5	**-**	-
Cash flows from investing activities					
Investment property development expenditure		**(158.8)**	(139.7)	**-**	-
Acquisition of investment properties and other investments		**(107.3)**	(371.3)	**-**	-
Other investment property related expenditure		**(145.9)**	(81.9)	**-**	-
Capital expenditure on properties		**(412.0)**	(592.9)	**-**	-
Disposal of investment properties		**513.7**	535.0	**-**	-
Net proceeds/(expenditure) on properties		**101.7**	(57.9)	**-**	-
Expenditure on non-property related non-current assets		**(2.3)**	(4.5)	**-**	-
Net cash inflow /(outflow) from capital expenditure		**99.4**	(62.4)	**-**	-
Receipts in respect of finance lease receivables		**1.1**	1.0	**-**	-
Loans repaid by third parties		**22.8**	16.2	**-**	-
Cash contributed to joint ventures	10	**(21.1)**	(81.7)	**-**	-
Divestment of joint ventures		**-**	0.3	**-**	-
Loan advances to joint ventures	10	**(66.5)**	(17.3)	**-**	-
Loan repayments by joint ventures	10	**18.0**	77.9	**-**	-
Distributions from joint ventures	10	**24.1**	25.6	**-**	-
Investment in subsidiaries		**-**	-	**-**	-
Net cash inflow/(outflow) from investing activities		**77.8**	(40.4)	**-**	-
Cash flows from financing activities					
Cash received on issue of shares arising from exercise of share options		**0.7**	-	**-**	-
Purchase of own shares		**(18.5)**	-	**-**	-
Proceeds from new loans (net of finance fees)		**288.1**	427.3	**-**	-
Repayment of loans	14	**(461.0)**	(556.0)	**-**	-
Premium on repurchase of bonds		**-**	(22.5)	**-**	-
Decrease in monies held in restricted accounts and deposits	12	**5.6**	60.5	**-**	-
Decrease in finance leases payable		**(0.2)**	(0.4)	**-**	-
Dividends paid to owners of the Parent	6	**(153.1)**	(143.0)	**-**	-
Distributions paid to non-controlling interests		**(1.4)**	(0.8)	**-**	-
Net cash outflow from financing activities		**(339.8)**	(234.9)	**-**	-
Decrease in cash and cash equivalents for the year		**(7.9)**	(121.8)	**-**	-
Cash and cash equivalents at the beginning of the year		**37.6**	159.4	**0.2**	0.2
Cash and cash equivalents at the end of the year	13	**29.7**	37.6	**0.2**	0.2

The Company cash flow statement excludes transactions, including the payment of dividends, that are settled on the Company's behalf by other group undertakings.

Notes to the Financial Statements

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 2006 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 (Land Securities Group PLC and all of its subsidiary undertakings), 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 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.

Land Securities Group PLC has not presented its own statement of comprehensive income (and separate income statement), as permitted by Section 408 of Companies Act 2006. The loss for the year of the Company, dealt with in its financial statements, was **£29.1m** (2011: a profit of £223.1m).

The results shown for the year ended 31 March 2012 are unaudited. The financial information contained in this announcement does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. Statutory accounts of the Company in respect of the year ended 31 March 2011, upon which the Company's auditors have given a report which was unqualified and did not contain a statement under either Section 498(2) or Section 498 (3) of the Companies Act 2006, have been delivered to the Registrar of Companies.

2. Significant accounting policies

The accounting policies are consistent with those applied in the year ended 31 March 2011, as amended to reflect the adoption of the new Standards, Amendments to Standards and Interpretations which are mandatory for the year ended 31 March 2012.

The following accounting standards or interpretations were effective for the financial year beginning 1 April 2011 but have not had a material impact on the Group:

- IAS 24 (amendment) 'Related Party Disclosures'
- IFRS 1 (amendment) 'First Time Adoption of International Financial Reporting Standards'
- IFRIC 14 (amendment) IAS 19 'Prepayments of a Minimum Funding Requirement'
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'
- Annual Improvements 2010

The following IFRS accounting standards and interpretations relevant to the Group have been issued but are not yet effective, or have not yet been adopted by the EU. None of these standards or interpretations have been early adopted by the Group. The Group is in the process of assessing the impact of these new standards and interpretations on its financial reporting. The two standards which may have a material impact on the Group's financial reporting are IFRS 11, 'Joint Arrangements' and IFRS 12 'Disclosure of interests in other entities'.

- IAS 1 (amendment) 'Presentation of Financial Statements'
- IAS 12 (amendment) 'Income Taxes'
- IAS 19 (amendment) 'Employee Benefits'
- IAS 27 (revised) 'Separate Financial Statements'
- IAS 28 (revised) 'Investments in Associates and Joint Ventures'
- IAS 32 and IFRS 7 (amendment) 'Financial Instruments Amendment on Financial Assets and Liability Offsetting'
- IFRS 9 'Financial Instruments' on 'Classification and Measurement' of Financial Assets and Liabilities
- IFRS 10 'Consolidated Financial Statements'
- IFRS 11 'Joint Arrangements'
- IFRS 12 'Disclosure of Interests in Other Entities'
- IFRS 13 'Fair Value Measurements'

3. Segmental information

Management has determined the Group's operating segments based on the information reviewed by the Senior Management Board ("SMB") to make strategic decisions. The SMB consists of the three executive directors.

All the Group's operations are in the UK and are organised into two business segments against which the Group reports its segmental information, being Retail Portfolio and London Portfolio. The London Portfolio includes all our London offices and Central London retail (excluding assets held in the Metro Shopping Fund Limited Partnership joint venture) and the Retail Portfolio includes all our shopping centres, shops, retail warehouse properties, the Accor hotel portfolio and assets held in retail joint ventures, excluding Central London retail.

The information and reports reviewed by the SMB are prepared on a combined portfolio basis, which includes the Group's share of joint ventures on a proportionately consolidated basis. The following segmental information is therefore presented on a proportionately consolidated basis.

The Group's primary measure of underlying profit before tax is Revenue profit. This measure seeks to show the profit arising from ongoing operations and as such removes all items of a capital nature (e.g. valuation movements and profit/(loss) on disposal of investment properties) and one-off or exceptional items. Segment profit is the lowest level to which the profit arising from the ongoing operations of the Group is analysed between the two segments. The Group manages its financing structure, with the exception of joint ventures, on a pooled basis and, as such, debt facilities and interest charges are not specific to a particular segment.

3. Segmental information continued

The segmental information provided to senior management for the reportable segments for the year ended 31 March 2012 is as follows:

Group	Retail Portfolio			London Portfolio			Year ended 31 March 2012 Total		
Revenue profit	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m
Rental income	255.9	66.1	322.0	279.5	11.7	291.2	535.4	77.8	613.2
Finance lease interest	2.1	0.4	2.5	6.2	-	6.2	8.3	0.4	8.7
Gross rental income (before rents payable)	258.0	66.5	324.5	285.7	11.7	297.4	543.7	78.2	621.9
Rents payable (1)	(9.5)	(2.1)	(11.6)	(4.2)	-	(4.2)	(13.7)	(2.1)	(15.8)
Gross rental income (after rents payable)	248.5	64.4	312.9	281.5	11.7	293.2	530.0	76.1	606.1
Service charge income (2)	33.9	8.4	42.3	42.8	0.3	43.1	76.7	8.7	85.4
Service charge expense	(34.5)	(10.6)	(45.1)	(45.3)	(0.3)	(45.6)	(79.8)	(10.9)	(90.7)
Net service charge expense	(0.6)	(2.2)	(2.8)	(2.5)	-	(2.5)	(3.1)	(2.2)	(5.3)
Other property related income (2)	12.8	1.2	14.0	19.0	-	19.0	31.8	1.2	33.0
Direct property expenditure	(29.8)	(10.6)	(40.4)	(19.8)	(0.9)	(20.7)	(49.6)	(11.5)	(61.1)
Net rental income	230.9	52.8	283.7	278.2	10.8	289.0	509.1	63.6	572.7
Indirect property expenditure (2)	(23.6)	(2.3)	(25.9)	(16.7)	(0.6)	(17.3)	(40.3)	(2.9)	(43.2)
Depreciation	(2.2)	-	(2.2)	(0.4)	-	(0.4)	(2.6)	-	(2.6)
Segment profit before interest	205.1	50.5	255.6	261.1	10.2	271.3	466.2	60.7	526.9
Joint venture net interest expense	-	(21.2)	(21.2)	-	(10.7)	(10.7)	-	(31.9)	(31.9)
Segment profit	205.1	29.3	234.4	261.1	(0.5)	260.6	466.2	28.8	495.0
Group services – income							3.9	-	3.9
– expense							(44.0)	-	(44.0)
Interest expense							(201.1)	-	(201.1)
Interest income							26.2	-	26.2
Eliminate effect of bond exchange de-recognition							16.6	-	16.6
Eliminate debt restructuring charges							2.8	-	2.8
Revenue profit							270.6	28.8	299.4

1. Included within rents payable is finance lease interest payable of **£1.5m** (2011: £2.0m) and **£0.6m** (2011: £1.2m) for the Retail and London Portfolios, respectively.
2. Indirect property expenditure, group services expense and depreciation together comprise the administration costs of the business. In relation to some of these, the Group receives fee income from joint ventures and third parties for work on asset, property and development management, as well as corporate services. These fees are included in service charge income, other property related income and group services income. Net administration costs (after deducting related income) amounted to **£69.1m** (31 March 2011: £60.6m).

Group	Retail Portfolio			London Portfolio			Year ended 31 March 2012 Total		
Reconciliation to profit before tax	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m
Segment profit before interest	205.1	50.5	255.6	261.1	10.2	271.3	466.2	60.7	526.9
Trading properties sale proceeds	0.9	26.2	27.1	7.1	5.2	12.3	8.0	31.4	39.4
Carrying value of trading properties disposals	(0.6)	(23.4)	(24.0)	(5.2)	(5.0)	(10.2)	(5.8)	(28.4)	(34.2)
Profit on disposal of trading properties	0.3	2.8	3.1	1.9	0.2	2.1	2.2	3.0	5.2
Long-term development contract income	-	1.9	1.9	7.4	-	7.4	7.4	1.9	9.3
Long-term development contract expenditure	-	(1.9)	(1.9)	(3.8)	-	(3.8)	(3.8)	(1.9)	(5.7)
Profit on long-term development contracts	-	-	-	3.6	-	3.6	3.6	-	3.6
	205.4	53.3	258.7	266.6	10.4	277.0	472.0	63.7	535.7
Investment property disposal proceeds	255.1	26.8	281.9	706.3	-	706.3	961.4	26.8	988.2
Carrying value of investment property disposals (including lease incentives)	(235.1)	(25.8)	(260.9)	(680.9)	-	(680.9)	(916.0)	(25.8)	(941.8)
Profit on disposal of investment properties	20.0	1.0	21.0	25.4	-	25.4	45.4	1.0	46.4
Net surplus/(deficit) on revaluation of investment properties	6.1	(11.6)	(5.5)	163.7	32.7	196.4	169.8	21.1	190.9
Impairment (charge)/release on trading properties	-	(0.9)	(0.9)	(2.0)	0.8	(1.2)	(2.0)	(0.1)	(2.1)
	231.5	41.8	273.3	453.7	43.9	497.6	685.2	85.7	770.9
Group services – income							3.9	-	3.9
– expense							(44.0)	-	(44.0)
Operating profit							645.1	85.7	730.8
Interest expense							(201.1)	(31.9)	(233.0)
Interest income							26.2	-	26.2
Fair value movement on interest-rate swaps							(4.5)	(0.9)	(5.4)
Impairment of investment in joint venture							(2.2)	-	(2.2)
Joint venture tax adjustment							-	(0.3)	(0.3)
Joint venture net liabilities adjustment							-	(0.4)	(0.4)
Profit before tax							463.5	52.2	515.7

3. Segmental information continued

Group									Year ended 31 March 2011
	Retail Portfolio			London Portfolio			Total		
Revenue profit	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m
Rental income	251.2	68.3	319.5	292.7	10.4	303.1	543.9	78.7	622.6
Finance lease interest	2.4	0.5	2.9	3.7	-	3.7	6.1	0.5	6.6
Gross rental income (before rents payable)	253.6	68.8	322.4	296.4	10.4	306.8	550.0	79.2	629.2
Rents payable (1)	(10.9)	(3.5)	(14.4)	(4.2)	-	(4.2)	(15.1)	(3.5)	(18.6)
Gross rental income (after rents payable)	242.7	65.3	308.0	292.2	10.4	302.6	534.9	75.7	610.6
Service charge income (2)	32.5	9.2	41.7	44.5	0.2	44.7	77.0	9.4	86.4
Service charge expense	(33.5)	(10.5)	(44.0)	(48.2)	(0.2)	(48.4)	(81.7)	(10.7)	(92.4)
Net service charge expense	(1.0)	(1.3)	(2.3)	(3.7)	-	(3.7)	(4.7)	(1.3)	(6.0)
Other property related income (2)	10.3	1.0	11.3	18.0	0.1	18.1	28.3	1.1	29.4
Direct property expenditure	(29.3)	(12.2)	(41.5)	(35.6)	(0.2)	(35.8)	(64.9)	(12.4)	(77.3)
Net rental income	222.7	52.8	275.5	270.9	10.3	281.2	493.6	63.1	556.7
Indirect property expenditure (2)	(23.6)	(3.6)	(27.2)	(16.7)	(0.2)	(16.9)	(40.3)	(3.8)	(44.1)
Depreciation	(0.2)	-	(0.2)	(0.7)	-	(0.7)	(0.9)	-	(0.9)
Segment profit before interest	198.9	49.2	248.1	253.5	10.1	263.6	452.4	59.3	511.7
Joint venture net interest expense	-	(22.2)	(22.2)	-	(10.2)	(10.2)	-	(32.4)	(32.4)
Segment profit	198.9	27.0	225.9	253.5	(0.1)	253.4	452.4	26.9	479.3
Group services – income							4.3	-	4.3
– expense							(32.9)	-	(32.9)
– eliminate non-revenue profit income							(2.3)	-	(2.3)
Interest expense							(240.2)	-	(240.2)
Interest income							26.0	-	26.0
Eliminate effect of bond exchange de-recognition							18.5	-	18.5
Eliminate debt restructuring charges							22.0	-	22.0
Revenue profit							247.8	26.9	274.7

1. Included within rents payable is finance lease interest payable of £2.0m and £1.2m for the Retail and London Portfolios, respectively.
2. Indirect property expenditure, group services expense and depreciation together comprise the administration costs of the business. In relation to some of these, the Group receives fee income from joint ventures and third parties for work on asset, property and development management, as well as corporate services. These fees are included in service charge income, other property related income and group services income. Net administration costs (after deducting related income) amounted to £60.6m.

Group									Year ended 31 March 2011
	Retail Portfolio			London Portfolio			Total		
Reconciliation to profit before tax	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m
Segment profit before interest	198.9	49.2	248.1	253.5	10.1	263.6	452.4	59.3	511.7
Trading properties sale proceeds	1.4	13.5	14.9	1.5	4.3	5.8	2.9	17.8	20.7
Carrying value of trading properties disposals	(1.4)	(12.2)	(13.6)	0.4	(6.3)	(5.9)	(1.0)	(18.5)	(19.5)
Profit/(loss) on disposal of trading properties	-	1.3	1.3	1.9	(2.0)	(0.1)	1.9	(0.7)	1.2
Long-term development contract income	-	-	-	39.4	-	39.4	39.4	-	39.4
Long-term development contract expenditure	-	-	-	(34.0)	-	(34.0)	(34.0)	-	(34.0)
Profit on long-term development contracts	-	-	-	5.4	-	5.4	5.4	-	5.4
	198.9	50.5	249.4	260.8	8.1	268.9	459.7	58.6	518.3
Investment property disposal proceeds	137.6	126.5	264.1	468.7	-	468.7	606.3	126.5	732.8
Carrying value of investment property disposals (including lease incentives)	(124.4)	(122.9)	(247.3)	(406.2)	-	(406.2)	(530.6)	(122.9)	(653.5)
Profit on disposal of investment properties	13.2	3.6	16.8	62.5	-	62.5	75.7	3.6	79.3
Net surplus on revaluation of investment properties	307.5	60.6	368.1	486.6	54.1	540.7	794.1	114.7	908.8
Impairment (charge)/release on trading properties	-	1.7	1.7	(1.4)	0.4	(1.0)	(1.4)	2.1	0.7
	519.6	116.4	636.0	808.5	62.6	871.1	1,328.1	179.0	1,507.1
Group services – income							4.3	-	4.3
– expense							(32.9)	-	(32.9)
Operating profit							1,299.5	179.0	1,478.5
Interest expense							(240.2)	(32.4)	(272.6)
Interest income							26.0	-	26.0
Fair value movement on interest-rate swaps							(1.9)	(0.3)	(2.2)
Joint venture tax adjustment							-	(0.8)	(0.8)
Joint venture net liabilities adjustment							-	(1.6)	(1.6)
Profit before tax							1,083.4	143.9	1,227.3

3. Segmental information continued

Group									Year ended 31 March 2012
		Retail Portfolio			London Portfolio				Total
Balance sheet	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m
Investment properties	3,672.4	1,004.1	4,676.5	4,780.8	449.3	5,230.1	8,453.2	1,453.4	9,906.6
Other property, plant and equipment	2.5	-	2.5	6.3	-	6.3	8.8	-	8.8
Net investment in finance leases	33.0	8.3	41.3	152.0	-	152.0	185.0	8.3	193.3
Trading properties and long-term development contracts	-	7.7	7.7	133.1	15.3	148.4	133.1	23.0	156.1
Trade and other receivables	222.0	96.8	318.8	537.6	3.6	541.2	759.6	100.4	860.0
Share of joint venture cash	-	21.3	21.3	-	22.8	22.8	-	44.1	44.1
Segment assets	3,929.9	1,138.2	5,068.1	5,609.8	491.0	6,100.8	9,539.7	1,629.2	11,168.9
Unallocated:									
Cash and cash equivalents							29.7	-	29.7
Monies held in restricted accounts							29.5	-	29.5
Loan investments							50.8	-	50.8
Other investments							32.3	-	32.3
Joint venture liabilities							-	(491.6)	(491.6)
Total assets							9,682.0	1,137.6	10,819.6
Trade and other payables	(96.5)	(66.2)	(162.7)	(138.1)	(12.6)	(150.7)	(234.6)	(78.8)	(313.4)
Provisions	(0.6)	(0.6)	(1.2)	(8.0)	-	(8.0)	(8.6)	(0.6)	(9.2)
Share of joint venture borrowings	-	(263.4)	(263.4)	-	(148.8)	(148.8)	-	(412.2)	(412.2)
Segment liabilities	(97.1)	(330.2)	(427.3)	(146.1)	(161.4)	(307.5)	(243.2)	(491.6)	(734.8)
Unallocated:									
Borrowings							(3,235.9)	-	(3,235.9)
Derivative financial instruments							(6.5)	-	(6.5)
Pension deficit							(2.4)	-	(2.4)
Current tax liabilities							(21.6)	-	(21.6)
Trade and other payables							(154.4)	-	(154.4)
Joint venture liabilities to assets							-	491.6	491.6
Total liabilities							(3,664.0)	-	(3,664.0)
Other segment items									
Capital expenditure	133.0	14.0	147.0	151.3	31.3	182.6	284.3	45.3	329.6

Group									Year ended 31 March 2011
		Retail Portfolio			London Portfolio				Total
Balance sheet	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m
Investment properties	3,696.4	1,024.8	4,721.2	5,192.6	303.2	5,495.8	8,889.0	1,328.0	10,217.0
Other property, plant and equipment	5.1	-	5.1	6.2	-	6.2	11.3	-	11.3
Net investment in finance leases	53.8	8.4	62.2	63.0	-	63.0	116.8	8.4	125.2
Trading properties and long-term development contracts	0.6	30.9	31.5	128.7	15.3	144.0	129.3	46.2	175.5
Trade and other receivables	112.2	99.5	211.7	319.1	4.8	323.9	431.3	104.3	535.6
Share of joint venture cash	-	27.6	27.6	-	8.2	8.2	-	35.8	35.8
Joint venture net liabilities adjustment	-	0.4	0.4	-	-	-	-	0.4	0.4
Segment assets	3,868.1	1,191.6	5,059.7	5,709.6	331.5	6,041.1	9,577.7	1,523.1	11,100.8
Unallocated:									
Cash and cash equivalents							37.6	-	37.6
Monies held in restricted accounts							35.1	-	35.1
Derivative financial instruments							72.2	-	72.2
Loan investments							8.7	-	8.7
Joint venture liabilities							-	(583.5)	(583.5)
Total assets							9,731.3	939.6	10,670.9
Trade and other payables	(108.2)	(99.1)	(207.3)	(200.2)	(20.3)	(220.5)	(308.4)	(119.4)	(427.8)
Provisions	(0.3)	(0.8)	(1.1)	(7.1)	-	(7.1)	(7.4)	(0.8)	(8.2)
Share of joint venture borrowings	-	(304.4)	(304.4)	-	(158.9)	(158.9)	-	(463.3)	(463.3)
Segment liabilities	(108.5)	(404.3)	(512.8)	(207.3)	(179.2)	(386.5)	(315.8)	(583.5)	(899.3)
Unallocated:									
Borrowings							(3,384.3)	-	(3,384.3)
Derivative financial instruments							(2.0)	-	(2.0)
Current tax liabilities							(35.5)	-	(35.5)
Trade and other payables							(121.0)	-	(121.0)
Joint venture liabilities to assets							-	583.5	583.5
Total liabilities							(3,858.6)	-	(3,858.6)
Other segment items									
Capital expenditure	62.8	44.8	107.6	188.3	11.1	199.4	251.1	55.9	307.0

4. Group revenue		Group
	2012	2011
	£m	£m
Rental income (excluding adjustment for lease incentives)	**520.7**	525.3
Adjustment for lease incentives	**14.7**	18.6
Rental income	**535.4**	543.9
Service charge income	**76.7**	77.0
Other property related income	**31.8**	28.3
Trading property sales proceeds	**8.0**	2.9
Long-term development contract income	**7.4**	39.4
Finance lease interest	**8.3**	6.1
Other income	**3.9**	4.3
	671.5	701.9

5. Net interest expense		Group		Company
	2012	2011	**2012**	2011
	£m	£m	**£m**	£m
Interest expense				
Bond and debenture debt	**(177.8)**	(218.0)	**-**	-
Bank borrowings	**(13.0)**	(10.5)	**-**	-
Other interest payable	**(0.6)**	(1.8)	**(27.4)**	(3.9)
Amortisation of bond exchange de-recognition	**(16.6)**	(18.5)	**-**	-
Interest on pension scheme liabilities	**(8.0)**	(8.2)	**-**	-
	(216.0)	(257.0)	**(27.4)**	(3.9)
Interest capitalised in relation to properties under development	**14.9**	16.8	**-**	-
Total interest expense	**(201.1)**	(240.2)	**(27.4)**	(3.9)
Interest income				
Short-term deposits	**0.4**	0.5	**-**	-
Interest received on loan investments	**3.8**	6.8	**-**	-
Other interest receivable	**7.4**	5.6	**-**	-
Interest receivable from joint ventures	**5.5**	4.5	**-**	-
Expected return on pension scheme assets	**9.1**	8.6	**-**	-
Total interest income	**26.2**	26.0	**-**	-
Fair value movement on interest-rate swaps	**(4.5)**	(1.9)	**-**	-
Net interest expense	**(179.4)**	(216.1)	**(27.4)**	(3.9)

Included within rents payable (note 3) is finance lease interest payable of **£2.1m** (2011: £3.2m).

6. Dividends				Group and Company
		Actual		
		Per share	2012	2011
Ordinary dividends paid	Payment date	pence	£m	£m
For the year ended 31 March 2010:				
Third interim	1 April 2010	7.0	-	53.1
Final	30 July 2010	7.0	-	53.3
For the year ended 31 March 2011:				
First interim	25 October 2010	7.0	-	53.5
Second interim	10 January 2011	7.0	-	53.7
Third interim	26 April 2011	7.0	**53.9**	-
Final	28 July 2011	7.2	**55.6**	-
For the year ended 31 March 2012:				
First interim	24 October 2011	7.2	**55.8**	-
Second interim	9 January 2012	7.2	**56.1**	-
Gross dividend			**221.4**	213.6

The Board has proposed a final quarterly dividend for the year ended 31 March 2012 of **7.4p** per share (2011: 7.2p), which will be 100% PID, to the extent it is paid in cash, and result in a further distribution of **£57.8m** (2011: £55.6m). It will be paid on 26 July 2012 to shareholders who are on the Register of Members on 22 June 2012. The final dividend is in addition to the third quarterly interim dividend of 7.2p or **£56.1m** paid on 26 April 2012 (2011: 7.0p or £53.9m). The total dividend paid and proposed in respect of the year ended 31 March 2012 is **29.0p** (2011: 28.2p).

The Company operates a scrip dividend scheme which provides shareholders with the opportunity to receive their dividend in shares as opposed to cash. Shares issued in lieu of dividends during the year, all of which were non-PID distributions, totalled **£66.6m** (2011: £70.8m). The difference between the gross dividend of £221.4m and the amount reported in the consolidated cash flow for the year of £153.1m is the shares issued in lieu of dividends (£66.6m) and the timing of the payment of the related withholding tax payments (£1.7m).

A cash dividend may be paid as a PID, a non-PID, or a mixture of the two. Following the enactment of the Finance (No.3) Act 2010, the issue of ordinary shares under the scrip in lieu of a cash dividend can also qualify as a PID, a non-PID, or a mixture of the two. Confirmation of whether PID or non-PID treatment will apply to a particular dividend will be announced prior to the relevant ex-dividend date. The scrip dividend alternative for the proposed final quarterly dividend will be a non-PID.

7. Earnings per share		Group
	2012	2011
	£m	£m
Profit for the financial year attributable to the owners of the Parent	**522.9**	1,241.6
Net surplus on revaluation of investment properties – Group	**(169.8)**	(794.1)
– Joint ventures	**(21.1)**	(114.7)
Profit on disposal of investment properties – Group	**(45.4)**	(75.7)
– Joint ventures	**(1.0)**	(3.6)
Impairment charge on trading properties – Group	**2.0**	1.4
– Joint ventures	**0.1**	(2.1)
Profit on disposal of trading properties – Group	**(2.2)**	(1.9)
– Joint ventures	**(3.0)**	0.7
Fair value movement on interest-rate swaps – Group	**4.5**	1.9
– Joint ventures	**0.9**	0.3
Impairment of investment in joint venture	**2.2**	-
Joint venture net liabilities adjustment (1)	**0.4**	1.6
EPRA adjusted earnings attributable to the owners of the Parent	**290.5**	255.4
Tax adjustments related to prior periods – Group	**(8.0)**	(16.8)
Eliminate profit on long-term development contracts – Group (2)	**(3.6)**	(5.4)
Eliminate non-recurring revenue items	**-**	(2.3)
Eliminate debt restructuring charges and other interest items – Group	**2.8**	22.0
Eliminate amortisation of bond exchange de-recognition – Group	**16.6**	18.5
Adjusted earnings attributable to the owners of the Parent	**298.3**	271.4

1. The adjustment to net liabilities on joint ventures is the result of valuation deficits in previous years reversed by surpluses in the current year.
2. The profit on long-term development contracts has been removed from our adjusted earnings due to the long-term, capital nature of these programmes.

Our calculation of adjusted earnings and adjusted earnings per share has been changed in the year to exclude the profit on disposal of trading properties and profit on long-term development contracts. In the future we expect these items to become larger but occur less frequently, in particular where they relate to the sale of residential units. This would result in fluctuations to adjusted earnings and adjusted earnings per share if not excluded. We have amended prior year numbers so that all years are presented on a consistent basis.

7. Earnings per share continued

	2012 million	2011 million
Weighted average number of ordinary shares	**781.5**	771.1
Weighted average number of treasury shares	**(5.9)**	(5.9)
Weighted average number of own shares	**(1.4)**	(0.3)
Weighted average number of ordinary shares - basic earnings per share	**774.2**	764.9
Dilutive effect of share options	**1.7**	0.7
Weighted average number of ordinary shares - diluted earnings per share	**775.9**	765.6

	2012 Pence	2011 Pence
Basic earnings per share	**67.5**	162.3
Diluted earnings per share	**67.4**	162.2
Adjusted earnings per share	**38.5**	35.5
Adjusted diluted earnings per share	**38.5**	35.5
EPRA adjusted earnings per share	**37.4**	33.4

Management has chosen to disclose adjusted earnings per share in order to provide an indication of the Group's underlying business performance. Accordingly, it excludes the effect of debt and other restructuring charges, non-recurring items and other items of a capital nature. We believe our measure of adjusted diluted earnings per share is more appropriate than the EPRA measure in the context of our business.

8. Net assets per share

		Group
	2012 £m	2011 £m
Net assets attributable to the owners of the Parent	**7,155.4**	6,811.5
Fair value of interest-rate swaps – Group	**6.5**	2.0
– Joint ventures	**14.3**	20.7
EPRA adjusted net assets	**7,176.2**	6,834.2
Reverse bond exchange de-recognition adjustment	**(450.9)**	(467.5)
Adjusted net assets attributable to the owners of the Parent	**6,725.3**	6,366.7
Reinstate bond exchange de-recognition adjustment	**450.9**	467.5
Fair value of interest-rate swaps – Group	**(6.5)**	(2.0)
– Joint ventures	**(14.3)**	(20.7)
Excess of fair value of debt over book value (note 14)	**(860.9)**	(558.7)
EPRA triple net assets	**6,294.5**	6,252.8

	2012 million	2011 million
Number of ordinary shares in issue	**785.1**	775.9
Number of treasury shares	**(5.9)**	(5.9)
Number of own shares	**(2.3)**	(0.3)
Number of ordinary shares - basic net assets per share	**776.9**	769.7
Dilutive effect of share options	**2.6**	0.9
Number of ordinary shares - diluted net assets per share	**779.5**	770.6

	2012 Pence	2011 Pence
Net assets per share	**921**	885
Diluted net assets per share	**918**	884
Adjusted net assets per share	**866**	827
Adjusted diluted net assets per share	**863**	826
EPRA measure – adjusted diluted net assets per share	**921**	887
– diluted triple net assets per share	**808**	812

Adjusted net assets per share excludes fair value 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 the owners of the Parent is more indicative of underlying performance.

9. Investment properties

	Portfolio management £m	Development programme £m	Group Total £m
Net book value at 1 April 2010	7,255.1	789.2	8,044.3
Developments transferred from the development programme into portfolio management	259.3	(259.3)	-
Properties transferred from portfolio management into the development programme	(210.2)	210.2	-
Property acquisitions	364.6	11.9	376.5
Capital expenditure	81.5	169.6	251.1
Capitalised interest	-	15.9	15.9
Disposals	(313.9)	(241.5)	(555.4)
Depreciation	(0.5)	-	(0.5)
Transfer from trading properties	-	(37.0)	(37.0)
Valuation surplus	592.1	202.0	794.1
Net book value at 31 March 2011	**8,028.0**	**861.0**	**8,889.0**
Property acquisitions	**69.7**	**-**	**69.7**
Issue of finance lease	**(89.7)**	**-**	**(89.7)**
Capital expenditure	**140.2**	**141.8**	**282.0**
Capitalised interest	**1.8**	**11.7**	**13.5**
Disposals	**(863.5)**	**(32.3)**	**(895.8)**
Depreciation	**(0.1)**	**-**	**(0.1)**
Transfer from trading properties	**14.8**	**-**	**14.8**
Valuation surplus	**95.6**	**74.2**	**169.8**
Net book value at 31 March 2012	**7,396.8**	**1,056.4**	**8,453.2**

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	Total £m
Net book value at 31 March 2011	8,028.0	861.0	8,889.0
Plus: tenant lease incentives	183.9	10.3	194.2
Less: head leases capitalised	(27.1)	(1.3)	(28.4)
Plus: properties treated as finance leases	130.9	5.2	136.1
Market value at 31 March 2011 – Group	8,315.7	875.2	9,190.9
– Joint ventures (note 10)	1,160.2	207.8	1,368.0
– Group and share of joint ventures	9,475.9	1,083.0	10,558.9
Net book value at 31 March 2012	**7,396.8**	**1,056.4**	**8,453.2**
Plus: tenant lease incentives	**181.1**	**23.6**	**204.7**
Less: head leases capitalised	**(22.0)**	**(1.3)**	**(23.3)**
Plus: properties treated as finance leases	**197.4**	**7.8**	**205.2**
Market value at 31 March 2012 – Group	**7,753.3**	**1,086.5**	**8,839.8**
– Joint ventures (note 10)	**1,389.2**	**101.6**	**1,490.8**
– Group and share of joint ventures	**9,142.5**	**1,188.1**	**10,330.6**

The net book value of leasehold properties where head leases have been capitalised is **£885.7m** (2011: £942.4m).

The fair value of the Group's investment properties at 31 March 2012 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 **£189.9m** (2011: £176.4m). The average rate of interest capitalisation for the year is **5.0%** (2011: 5.2%). The historical cost of investment properties is **£6,006.5m** (2011: £6,767.6m).

The current value of investment properties, including joint ventures, in respect of proposed developments is **£212.6m** (2011: £170.5m). Developments are transferred out of the development programme when physically complete and 95% let, or two years after practical completion, whichever is earlier. The only scheme transferred out of the development programme during the year was St. David's 2, Cardiff.

The Group has outstanding capital commitments of **£105.3m** at 31 March 2012 (2011: £157.8m).

10. Investments in joint ventures

The Group's 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	Capital Shopping Centres 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
Westgate Oxford Alliance Limited Partnership (1)	50.0%	Retail Portfolio	31 March	The Crown Estate Commissioners
20 Fenchurch Street Limited Partnership (1)	50.0%	London Portfolio	31 March	Canary Wharf Group plc
The Martineau Galleries Limited Partnership (1)	33.3%	Retail Portfolio	31 December	Hammerson plc Pearl Group Limited
The Ebbsfleet Limited Partnership (1)	50.0%	London Portfolio	31 March	Lafarge Cement UK PLC
Millshaw Property Co. Limited (1)	50.0%	Retail Portfolio	31 March	Evans Property Group Limited
The Martineau Limited Partnership (1)	33.3%	Retail Portfolio	31 December	Hammerson plc Pearl Group Limited
Hungate (York) Regeneration Limited (1)	33.3%	Retail Portfolio	30 June	Crosby Lend Lease PLC Evans Property Group Limited
Countryside Land Securities (Springhead) Limited (1)	50.0%	London Portfolio	30 September	Countryside Properties PLC
Victoria Circle Limited Partnership (1)	50.0%	London Portfolio	31 March	Canada Pension Plan Investment Board
The Empress State Limited Partnership (1)	50.0%	London Portfolio	31 December	Capital & Counties PLC
HNJV Limited (1)	50.0%	London Portfolio	31 March	Places for People Group Limited
Fen Farm Developments Limited (1) (2)	50.0%	Retail Portfolio	31 March	Economic Zones World

1. Included within Other in subsequent tables.
2. Disposed of in the year to 31 March 2012.

10. Investments in joint ventures continued

									Year ended 31 March 2012
Income statement	The Scottish Retail Property Limited Partnership £m	Metro Shopping Fund Limited Partnership £m	Buchanan Partnership £m	St. David's Limited Partnership £m	Bristol Alliance Limited Partnership £m	The Harvest Limited Partnership £m	The Oriana Limited Partnership £m	Other £m	Total £m
Rental income	7.2	7.2	9.2	16.1	18.7	4.2	3.7	11.5	77.8
Finance lease interest	-	-	0.1	-	0.2	-	-	0.1	0.4
Gross rental income (before rents payable)	7.2	7.2	9.3	16.1	18.9	4.2	3.7	11.6	78.2
Rents payable	0.1	-	-	(1.3)	(0.6)	-	-	(0.3)	(2.1)
Gross rental income (after rents payable)	7.3	7.2	9.3	14.8	18.3	4.2	3.7	11.3	76.1
Service charge income	1.2	1.2	1.1	2.2	2.1	0.2	0.1	0.6	8.7
Service charge expense	(1.3)	(2.0)	(1.1)	(2.9)	(2.5)	(0.1)	(0.2)	(0.8)	(10.9)
Net service charge expense	(0.1)	(0.8)	-	(0.7)	(0.4)	0.1	(0.1)	(0.2)	(2.2)
Other property related income	0.3	0.2	-	0.3	0.3	-	-	0.1	1.2
Direct property expenditure	(1.2)	(0.7)	(1.1)	(4.1)	(2.6)	(0.4)	(0.5)	(0.9)	(11.5)
Net rental income	**6.3**	**5.9**	**8.2**	**10.3**	**15.6**	**3.9**	**3.1**	**10.3**	**63.6**
Indirect property expenditure	(0.5)	(0.3)	(0.1)	(0.5)	(0.4)	(0.2)	(0.3)	(0.6)	(2.9)
Segment profit before interest	**5.8**	**5.6**	**8.1**	**9.8**	**15.2**	**3.7**	**2.8**	**9.7**	**60.7**
Net interest expense [(1)]	(3.3)	(4.7)	(4.1)	(7.3)	-	(1.8)	(4.9)	(6.6)	(32.7)
Capitalised interest	-	-	-	-	-	-	-	0.8	0.8
Segment profit/(loss)	**2.5**	**0.9**	**4.0**	**2.5**	**15.2**	**1.9**	**(2.1)**	**3.9**	**28.8**
Segment profit before interest	5.8	5.6	8.1	9.8	15.2	3.7	2.8	9.7	60.7
Trading properties sale proceeds	-	-	-	7.1	-	-	-	24.3	31.4
Carrying value of trading properties disposals	-	-	-	(6.2)	-	-	-	(22.2)	(28.4)
Profit on disposal of trading properties	-	-	-	0.9	-	-	-	2.1	3.0
Long-term development contract income	-	-	-	-	-	1.9	-	-	1.9
Long-term development contract expenditure	-	-	-	-	-	(1.9)	-	-	(1.9)
Profit on long-term development contracts	-	-	-	-	-	-	-	-	-
Investment property disposal proceeds	-	-	-	0.6	-	26.2	-	-	26.8
Carrying value of investment property disposals	-	(0.2)	-	(0.4)	-	(25.4)	-	0.2	(25.8)
(Loss)/profit on disposal of investment properties	-	(0.2)	-	0.2	-	0.8	-	0.2	1.0
Net (deficit)/surplus on revaluation of investment properties	(2.8)	(0.6)	1.3	2.5	(8.6)	0.1	14.4	14.8	21.1
Impairment (charge)/release on trading properties	-	-	-	(1.6)	-	-	-	1.5	(0.1)
Operating profit	**3.0**	**4.8**	**9.4**	**11.8**	**6.6**	**4.6**	**17.2**	**28.3**	**85.7**
Net interest expense	(3.3)	(4.7)	(4.1)	(9.6)	-	(3.8)	(3.0)	(4.3)	(32.8)
(Loss)/profit before tax	**(0.3)**	**0.1**	**5.3**	**2.2**	**6.6**	**0.8**	**14.2**	**24.0**	**52.9**
Income tax	-	(0.3)	-	-	-	-	-	-	(0.3)
	(0.3)	(0.2)	5.3	2.2	6.6	0.8	14.2	24.0	52.6
Net liabilities adjustment [(2)]	-	-	-	-	-	-	-	(0.4)	(0.4)
Share of post tax (loss)/profit	**(0.3)**	**(0.2)**	**5.3**	**2.2**	**6.6**	**0.8**	**14.2**	**23.6**	**52.2**

1. Excludes fair value movements on interest rate swaps.
2. 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.

10. Investments in joint ventures continued

Income statement	The Scottish Retail Property Limited Partnership £m	Metro Shopping Fund Limited Partnership £m	Buchanan Partnership £m	St. David's Limited Partnership £m	Bristol Alliance Limited Partnership £m	The Harvest Limited Partnership £m	The Oriana Limited Partnership £m	Other £m	Year ended 31 March 2011 Total £m
Rental income	7.7	9.8	8.8	14.7	18.9	4.9	3.2	10.7	78.7
Finance lease interest	-	-	0.2	-	0.3	-	-	-	0.5
Gross rental income (before rents payable)	7.7	9.8	9.0	14.7	19.2	4.9	3.2	10.7	79.2
Rents payable	(0.1)	-	-	(2.6)	(0.5)	-	-	(0.3)	(3.5)
Gross rental income (after rents payable)	7.6	9.8	9.0	12.1	18.7	4.9	3.2	10.4	75.7
Service charge income	1.3	2.2	0.6	2.1	2.3	0.1	0.2	0.6	9.4
Service charge expense	(1.3)	(2.3)	(0.6)	(3.0)	(2.5)	(0.1)	(0.2)	(0.7)	(10.7)
Net service charge expense	-	(0.1)	-	(0.9)	(0.2)	-	-	(0.1)	(1.3)
Other property related income	0.3	0.1	-	0.4	0.2	-	0.1	-	1.1
Direct property expenditure	(1.9)	(1.4)	(1.8)	(3.7)	(2.6)	(0.2)	(0.2)	(0.6)	(12.4)
Net rental income	6.0	8.4	7.2	7.9	16.1	4.7	3.1	9.7	63.1
Indirect property expenditure	(0.3)	(0.6)	(0.1)	(1.2)	(0.8)	(0.2)	-	(0.6)	(3.8)
Segment profit before interest	5.7	7.8	7.1	6.7	15.3	4.5	3.1	9.1	59.3
Net interest expense [1]	(3.3)	(7.5)	(4.1)	(4.2)	0.1	(2.9)	(4.9)	(5.9)	(32.7)
Capitalised interest	-	-	-	-	-	-	-	0.3	0.3
Segment profit/(loss)	2.4	0.3	3.0	2.5	15.4	1.6	(1.8)	3.5	26.9
Segment profit before interest	5.7	7.8	7.1	6.7	15.3	4.5	3.1	9.1	59.3
Trading properties sale proceeds	-	-	-	11.2	-	-	-	6.6	17.8
Carrying value of trading properties disposals	-	-	-	(10.2)	-	-	-	(8.3)	(18.5)
Profit/(loss) on disposal of trading properties	-	-	-	1.0	-	-	-	(1.7)	(0.7)
Long-term development contract income	-	-	-	-	-	-	-	-	-
Long-term development contract expenditure	-	-	-	-	-	-	-	-	-
Profit on long-term development contracts	-	-	-	-	-	-	-	-	-
Investment property disposal proceeds	-	119.9	-	1.7	4.9	-	-	-	126.5
Carrying value of investment property disposals	-	(117.7)	-	(1.6)	(3.6)	-	-	-	(122.9)
Profit on disposal of investment properties	-	2.2	-	0.1	1.3	-	-	-	3.6
Net surplus on revaluation of investment properties	1.1	6.9	13.1	14.9	12.7	9.9	32.5	23.6	114.7
Impairment release on trading properties	-	-	-	-	-	-	-	2.1	2.1
Operating profit	6.8	16.9	20.2	22.7	29.3	14.4	35.6	33.1	179.0
Net interest expense	(3.3)	(12.0)	(4.1)	(4.1)	0.1	(2.9)	(2.8)	(3.6)	(32.7)
Profit before tax	3.5	4.9	16.1	18.6	29.4	11.5	32.8	29.5	146.3
Income tax	-	(0.7)	-	-	-	-	-	(0.1)	(0.8)
	3.5	4.2	16.1	18.6	29.4	11.5	32.8	29.4	145.5
Net liabilities adjustment [2]	-	-	-	-	-	-	-	(1.6)	(1.6)
Share of post tax profit	3.5	4.2	16.1	18.6	29.4	11.5	32.8	27.8	143.9

10. Investments in joint ventures continued

Net investment	The Scottish Retail Property Limited Partnership £m	Metro Shopping Fund Limited Partnership £m	Buchanan Partnership £m	St. David's Limited Partnership £m	Bristol Alliance Limited Partnership £m	The Harvest Limited Partnership £m	The Oriana Limited Partnership £m	Other £m	Total £m
At 1 April 2010	30.2	31.0	122.1	173.6	287.2	80.7	14.8	48.2	787.8
Cash contributed	0.5	2.2	1.3	-	-	2.0	-	75.3	81.3
Other contributions	-	-	-	-	-	-	-	0.4	0.4
Distributions	-	(21.0)	(3.6)	-	-	-	-	(1.0)	(25.6)
Fair value movement on cash flow hedges taken to comprehensive income	2.2	9.2	-	-	-	0.9	-	0.1	12.4
Loan advances	-	-	-	8.2	-	-	-	9.1	17.3
Loan repayments	-	-	-	(56.2)	(19.8)	-	-	(1.9)	(77.9)
Share of post tax profit	3.5	4.2	16.1	18.6	29.4	11.5	32.8	27.8	143.9
At 31 March 2011	**36.4**	**25.6**	**135.9**	**144.2**	**296.8**	**95.1**	**47.6**	**158.0**	**939.6**
Cash contributed	**3.2**	**16.8**	**0.8**	**-**	**-**	**0.3**	**-**	**-**	**21.1**
Property and other contributions	**-**	**-**	**-**	**0.1**	**-**	**-**	**14.2**	**85.2**	**99.5**
Distributions	**(1.3)**	**(0.6)**	**(3.3)**	**-**	**(17.0)**	**-**	**-**	**(1.9)**	**(24.1)**
Fair value movement on cash flow hedges taken to comprehensive income	**1.7**	**1.0**	**-**	**-**	**-**	**2.1**	**-**	**0.1**	**4.9**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1.9)**	**(1.9)**
Loan advances	**-**	**-**	**-**	**19.0**	**1.0**	**3.0**	**-**	**43.5**	**66.5**
Loan repayments	**-**	**-**	**-**	**(18.0)**	**-**	**-**	**-**	**-**	**(18.0)**
Share of post tax (loss)/profit	**(0.3)**	**(0.2)**	**5.3**	**2.2**	**6.6**	**0.8**	**14.2**	**23.6**	**52.2**
Impairment of investment	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2.2)**	**(2.2)**
At 31 March 2012	**39.7**	**42.6**	**138.7**	**147.5**	**287.4**	**101.3**	**76.0**	**304.4**	**1,137.6**

Balance sheet at 31 March 2012									
Investment properties [1]	99.7	109.1	132.8	266.0	275.4	73.5	150.7	346.2	1,453.4
Current assets	6.3	5.9	8.2	22.4	23.3	52.4	3.7	53.6	175.8
	106.0	115.0	141.0	288.4	298.7	125.9	154.4	399.8	1,629.2
Current liabilities	(3.6)	(3.4)	(2.3)	(45.0)	(8.7)	(3.5)	(2.7)	(13.1)	(82.3)
Non-current liabilities	(62.7)	(69.0)	-	(95.9)	(2.6)	(21.1)	(75.7)	(82.3)	(409.3)
	(66.3)	(72.4)	(2.3)	(140.9)	(11.3)	(24.6)	(78.4)	(95.4)	(491.6)
Net assets	**39.7**	**42.6**	**138.7**	**147.5**	**287.4**	**101.3**	**76.0**	**304.4**	**1,137.6**
Capital commitments	**0.5**	**-**	**-**	**0.9**	**0.1**	**0.5**	**0.2**	**11.8**	**14.0**
Market value of investment properties [1]	**101.4**	**110.0**	**138.0**	**278.1**	**290.0**	**74.3**	**151.1**	**347.9**	**1,490.8**
Net (debt)/cash	**(60.2)**	**(65.2)**	**1.9**	**(92.3)**	**0.7**	**(19.4)**	**(72.6)**	**(61.0)**	**(368.1)**

Balance sheet at 31 March 2011									
Investment properties [1]	98.9	109.3	132.2	255.5	281.5	96.7	129.8	224.1	1,328.0
Current assets	7.3	6.2	7.5	39.4	25.8	45.6	3.6	59.3	194.7
	106.2	115.5	139.7	294.9	307.3	142.3	133.4	283.4	1,522.7
Current liabilities	(5.3)	(4.4)	(3.8)	(57.3)	(7.9)	(0.8)	(8.6)	(32.0)	(120.1)
Non-current liabilities	(64.5)	(85.5)	-	(93.4)	(2.6)	(46.4)	(77.2)	(93.8)	(463.4)
	(69.8)	(89.9)	(3.8)	(150.7)	(10.5)	(47.2)	(85.8)	(125.8)	(583.5)
Net liabilities adjustment [2]	-	-	-	-	-	-	-	0.4	0.4
Net assets	**36.4**	**25.6**	**135.9**	**144.2**	**296.8**	**95.1**	**47.6**	**158.0**	**939.6**
Capital commitments	**3.2**	**0.4**	**0.1**	**4.4**	**2.1**	**-**	**1.9**	**1.0**	**13.1**
Market value of investment properties [1]	**101.0**	**110.0**	**138.0**	**268.1**	**297.9**	**97.7**	**129.8**	**225.5**	**1,368.0**
Net (debt)/cash	**(62.5)**	**(83.1)**	**2.1**	**(79.9)**	**1.5**	**(45.3)**	**(73.7)**	**(86.6)**	**(427.5)**

1. 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.
2. 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.

11. Trading properties and long-term development contracts

	Trading properties			Group
	Development land and infrastructure £m	Other £m	Long-term development contracts £m	Total £m
At 1 April 2010	67.5	16.5	3.9	87.9
Capital expenditure	3.7	0.4	-	4.1
Capitalised interest	0.8	-	-	0.8
Transfer from investment properties	37.0	-	-	37.0
Disposals	-	(1.4)	-	(1.4)
Impairment provision	(1.4)	-	-	(1.4)
Contract costs deferred	-	-	2.3	2.3
At 31 March 2011	**107.6**	**15.5**	**6.2**	**129.3**
Transfer between categories	**(39.7)**	**39.7**	**-**	**-**
Capital expenditure	**2.2**	**20.6**	**-**	**22.8**
Capitalised interest	**0.8**	**0.6**	**-**	**1.4**
Transfer to investment properties	**-**	**(14.8)**	**-**	**(14.8)**
Disposals	**(0.9)**	**(4.9)**	**-**	**(5.8)**
Impairment provision	**(2.0)**	**-**	**-**	**(2.0)**
Contract costs deferred	**-**	**-**	**2.2**	**2.2**
At 31 March 2012	**68.0**	**56.7**	**8.4**	**133.1**

The realisable value of the Group's trading properties at 31 March 2012 has been based on a valuation carried out at that date by Knight Frank LLP, external valuers. The cumulative impairment provision at 31 March 2012 in respect of development land and infrastructure was **£110.5m** (31 March 2011:£108.5m, of which £4.2m is fully impaired); and in respect of other was **£0.3m** (31 March 2011:£0.3m).

Long-term development contracts		Group
	2012 £m	2011 £m
Income statement:		
Contract revenue recognised as revenue in the year	**7.4**	39.4
Contract expenditure recognised as costs in the year	**(3.8)**	(34.0)
	3.6	5.4
Balance sheet:		
Contract costs incurred and recognised profits (less recognised losses) to date	**498.0**	483.7
Advances received from customers	**(489.6)**	(478.3)
	8.4	5.4
Plus: gross amount due from customers for contract work (included in prepayments and deferred income)	**-**	0.8
Balance at the end of the year	**8.4**	6.2

12. Monies held in restricted accounts and deposits

		Group
	2012 £m	2011 £m
Cash at bank and in hand	**13.0**	11.9
Short-term deposits	**-**	6.0
Liquidity funds	**16.5**	17.2
	29.5	35.1

Monies held in restricted accounts and deposits represent cash held by the Group in accounts with conditions that restrict the use of these monies by the Group and, as such, does not meet the definition of cash and cash equivalents as defined in IAS 7 'Statement of Cash Flows'. Holding cash in restricted accounts does not prevent the Group from optimising returns by putting these monies on short-term deposit.

The credit quality of monies held in restricted accounts and deposits can be assessed by reference to external credit ratings of the counterparty where the account or deposit is placed.

		Group
	2012 £m	2011 £m
Counterparties with external credit ratings		
AAA	**-**	17.2
AA	**-**	-
A+	**23.5**	11.9
A	**4.0**	6.0
BBB+	**2.0**	-
	29.5	35.1

13. Cash and cash equivalents		Group		Company
	2012	2011	2012	2011
	£m	£m	£m	£m
Cash at bank and in hand	**11.5**	13.6	**0.2**	0.2
Short-term deposits	**1.0**	24.0	**-**	-
Liquidity funds	**17.2**	-	**-**	-
	29.7	37.6	**0.2**	0.2

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 yielded an average return of **0.6%** in the year ended 31 March 2012 (2011: an average return of 0.4%).

Short-term deposits

The effective interest rate on short-term deposits was **0.4%** at 31 March 2012 (2011: 0.3%) and had an average maturity of 2 days (2011: 1 day).

The credit quality of cash and cash equivalents can be assessed by reference to external credit ratings of the counterparty where the account or deposit is placed.

		Group
	2012	2011
	£m	£m
Counterparties with external credit ratings		
AAA	**17.2**	-
AA	**-**	5.1
A+	**1.6**	32.5
A	**8.7**	-
A-	**2.2**	-
	29.7	37.6

14. Borrowings						Group 2012
	Secured/ unsecured	Fixed/floating	Effective interest rate %	Nominal/ notional value £m	Fair value £m	Book value £m
Short-term borrowings and overdrafts						
Sterling						
5.253 per cent QAG Bond	Secured	Fixed	5.3	10.5	12.2	10.5
Amounts payable under finance leases	Unsecured	Fixed	7.8	0.3	0.3	0.3
Total short-term borrowings and overdrafts				**10.8**	**12.5**	**10.8**
Non-current borrowings						
Sterling						
5.292 per cent MTN due 2015	Secured	Fixed	5.3	122.7	127.8	122.7
4.875 per cent MTN due 2019	Secured	Fixed	5.0	400.0	442.4	397.4
5.425 per cent MTN due 2022	Secured	Fixed	5.5	255.3	290.9	254.7
4.875 per cent MTN due 2025	Secured	Fixed	4.9	300.0	328.4	297.5
5.391 per cent MTN due 2026	Secured	Fixed	5.4	210.7	236.4	209.9
5.391 per cent MTN due 2027	Secured	Fixed	5.4	608.8	689.2	606.4
5.376 per cent MTN due 2029	Secured	Fixed	5.4	317.6	356.9	316.1
5.396 per cent MTN due 2032	Secured	Fixed	5.4	322.7	359.4	320.9
5.125 per cent MTN due 2036	Secured	Fixed	5.1	500.0	537.0	498.5
Bond exchange de-recognition adjustment				-	-	(450.9)
				3,037.8	3,368.4	2,573.2
5.253 per cent QAG Bond	Secured	Fixed	5.3	329.0	380.5	328.9
Syndicated bank debt	Secured	Floating	LIBOR + margin	300.0	300.0	300.0
Bilateral facilities	Secured	Floating	LIBOR + margin	-	-	-
Amounts payable under finance leases	Unsecured	Fixed	7.8	23.0	35.4	23.0
Total non-current borrowings				**3,689.8**	**4,084.3**	**3,225.1**
Total borrowings				**3,700.6**	**4,096.8**	**3,235.9**

14. Borrowings continued

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, development properties and the Group's investment in the Bristol Alliance Limited Partnership and the Westgate Oxford Alliance Limited Partnership, valued at **£8.8bn** at 31 March 2012 (2011: £8.7bn). 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 15). 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.

The 4.625 per cent MTN due 2013 was classed as a current borrowing at 31 March 2011, as it was fully repaid on 3 May 2011.

Syndicated bank debt

At 31 March 2011 the Group had a £1.5bn authorised credit facility with a maturity of August 2013, which was £428.0m drawn. In December 2011, the borrowings under this facility were repaid and the facility was cancelled in full. At the same time, a new £1.050bn facility was entered into, which matures in December 2016. The new facility was increased to £1.085bn in February 2012 and was £300.0m drawn at 31 March 2012.

This facility is committed and is secured on the assets of the Security Group.

Bilateral facilities

Committed Bilateral facilities totalling **£300.0m** (2011: £700.0m) are available to the Group and are secured on the assets of the Security Group. These facilities mature in November 2014. No drawings were made under these facilities at either 31 March 2012 or 31 March 2011.

Queen Anne's Gate Bond

On 29 July 2009, the Group issued a £360.3m bond secured on the rental cash flows from the commercial lease with the UK Government over Queen Anne's Gate, London, SW1. The QAG Bond is a fully amortising bond with a final maturity in February 2027 and a fixed interest rate of 5.253% per annum. At 31 March 2012 the bond had an amortised book value of **£339.4m** (2011: £348.7m).

Fair values

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

						Group 2011
	Secured/ unsecured	Fixed/floating	Effective interest rate %	Nominal/ notional value £m	Fair value £m	Book value £m
Current borrowings						
Sterling						
4.625 per cent MTN due 2013	Secured	Floating	LIBOR + margin	23.5	23.5	23.5
5.253 per cent QAG Bond	Secured	Fixed	5.3	9.3	9.9	9.3
Amounts payable under finance leases	Unsecured	Fixed	7.4	0.2	0.2	0.2
Total current borrowings				**33.0**	**33.6**	**33.0**
Non-current borrowings						
Sterling						
5.292 per cent MTN due 2015	Secured	Fixed	5.3	122.7	129.9	122.6
4.875 per cent MTN due 2019	Secured	Fixed	5.0	400.0	417.5	397.0
5.425 per cent MTN due 2022	Secured	Fixed	5.4	255.3	267.0	254.6
4.875 per cent MTN due 2025	Secured	Fixed	4.9	300.0	295.3	297.4
5.391 per cent MTN due 2026	Secured	Fixed	5.4	210.7	215.1	209.8
5.391 per cent MTN due 2027	Secured	Fixed	5.4	608.9	623.6	606.3
5.376 per cent MTN due 2029	Secured	Fixed	5.4	317.6	322.9	316.0
5.396 per cent MTN due 2032	Secured	Fixed	5.4	322.8	325.3	320.9
5.125 per cent MTN due 2036	Secured	Fixed	5.1	500.0	485.2	498.6
Bond exchange de-recognition adjustment				-	-	(467.5)
				3,038.0	3,081.8	2,555.7
5.253 per cent QAG Bond	Secured	Fixed	5.3	339.5	359.5	339.4
Syndicated bank debt	Secured	Floating	LIBOR + margin	428.0	428.0	428.0
Bilateral facilities	Secured	Floating	LIBOR + margin	-	-	-
Amounts payable under finance leases	Unsecured	Fixed	7.4	28.2	40.1	28.2
Total non-current borrowings				**3,833.7**	**3,909.4**	**3,351.3**
Total borrowings				**3,866.7**	**3,943.0**	**3,384.3**

14. Borrowings continued

Reconciliation of the movement in borrowings		Group
	2012	2011
	£m	£m
At the beginning of the year	**3,384.3**	3,518.3
Repayment of loans	**(461.0)**	(556.0)
Proceeds from new loans	**300.0**	428.0
Amortisation of finance fees	**1.1**	(0.3)
Amortisation of bond exchange de-recognition adjustment	**16.6**	18.5
Net movement in finance lease obligations	**(5.1)**	(24.2)
At the end of the year	**3,235.9**	3,384.3

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 IAS 39 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.

15. 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" (pages 8 to 14) and "Our principal risks and how we manage them" (pages 29 to 35). 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 of these on the Group's financial performance and includes the use of derivative financial instruments to hedge certain risk exposures.

Financial 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 14 and the Group's equity is analysed into its various components in the Statement of changes in equity. Capital is managed so as to promote the long-term success of the business and to maintain sustainable returns for shareholders.

The Group's strategy is to maintain an appropriate net debt to total equity ratio (gearing) and loan-to-value ratio (LTV) 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. As the Group came out of the last property downturn, its objective was to see rising asset values reduce gearing and LTV ratios. During the year, gearing and LTV levels reduced in line with this objective. The following table details a number of the Group's key metrics in relation to managing its capital structure.

						Group
			2012			2011
	Group £m	Joint ventures £m	Combined £m	Group £m	Joint ventures £m	Combined £m
Property portfolio						
Market value of investment properties	**8,839.8**	**1,490.8**	**10,330.6**	9,190.9	1,368.0	10,558.9
Trading properties and long-term contracts	**133.1**	**23.0**	**156.1**	129.3	46.2	175.5
	8,972.9	**1,513.8**	**10,486.7**	9,320.2	1,414.2	10,734.4
Net debt						
Borrowings	**3,235.9**	**397.9**	**3,633.8**	3,384.3	442.6	3,826.9
Cash and cash equivalents	**(29.7)**	**(41.4)**	**(71.1)**	(37.6)	(33.2)	(70.8)
Monies held in restricted accounts and deposits	**(29.5)**	**(2.7)**	**(32.2)**	(35.1)	(2.6)	(37.7)
Fair value of interest-rate swaps	**6.5**	**14.3**	**20.8**	2.0	20.7	22.7
Net debt	**3,183.2**	**368.1**	**3,551.3**	3,313.6	427.5	3,741.1
Less: Fair value of interest-rate swaps	**(6.5)**	**(14.3)**	**(20.8)**	(2.0)	(20.7)	(22.7)
Reverse bond exchange de-recognition (note 14)	**450.9**	**-**	**450.9**	467.5	-	467.5
Adjusted net debt	**3,627.6**	**353.8**	**3,981.4**	3,779.1	406.8	4,185.9
Adjusted total equity						
Total equity	**7,155.6**		**7,155.6**	6,812.3		6,812.3
Fair value of interest-rate swaps	**6.5**	**14.3**	**20.8**	2.0	20.7	22.7
Reverse bond exchange de-recognition (note 14)	**(450.9)**		**(450.9)**	(467.5)		(467.5)
Adjusted total equity	**6,711.2**	**14.3**	**6,725.5**	6,346.8	20.7	6,367.5
Gearing	**44.5%**		**49.6%**	48.6%		54.9%
Adjusted gearing	**54.1%**		**59.2%**	59.5%		65.7%
Loan to value - Group	**40.4%**		**38.0%**	40.5%		39.0%
Loan to value - Security Group	**37.6%**			40.1%		
Weighted average cost of debt	**5.0%**		**5.0%**	4.7%		4.9%

15. Financial risk management continued

The following table summarises the Group's financial assets and liabilities into the categories required by IFRS 7, 'Financial Instruments, Disclosure':

		Group
	2012	2011
	£m	£m
Available for sale financial assets	**32.3**	1.8
Loans and receivables	**810.4**	501.7
Financial liabilities at amortised cost	**(3,624.9)**	(3,813.7)
Net financial liabilities at fair value through profit and loss	**(6.5)**	(2.0)
	(2,788.7)	(3,312.2)

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, loans to third parties and commercial property backed loan notes. Further details concerning the credit risk of counterparties is provided in the note that specifically relates to each type of asset.

Bank and financial institutions

One of the principal credit risks of the Group arises from financial derivative instruments and deposits with banks and financial institutions. In line with the policy approved by the Board of Directors, where the Group manages the deposit only independently-rated banks and financial institutions with a minimum rating of A- are accepted. 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 the Group's tenancy arrangements, 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 relate to the sale of a small number of properties, for which all payments to date have been received when due. The credit risk on outstanding amounts is considered to be 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.

Commercial property backed loan notes

The Group acquired investments in commercial property backed loan notes which were independently rated with a rating of AAA at acquisition. The majority of these notes were redeemed in the year ended 31 March 2012 and the remainder has been repaid subsequent to the balance sheet date.

(ii) Liquidity risk

The Group actively maintains a mixture of notes with final maturities between 2015 and 2036, and medium-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.

15. Financial risk management continued

Management monitors the Group's available funds as follows:

					Group
	March 2012	December 2011	September 2011	June 2011	March 2011
	£m	£m	£m	£m	£m
Cash and cash equivalents	**29.7**	61.1	19.0	14.2	37.6
Undrawn committed credit lines	**1,085.0**	930.0	1,790.0	1,945.0	1,772.0
Available funds	**1,114.7**	991.1	1,809.0	1,959.2	1,809.6
As a proportion of drawn debt	**30.3%**	26.1%	47.7%	54.0%	47.1%

The Group's core financing structure is in the Security Group, although the remaining Non-Restricted Group may also secure independent funding.

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 LTV and Interest cover ratio (ICR). This structure is most 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 1.0x.

As at 31 March 2012, the reported LTV for the Security Group was **37.6%** (2011: 40.1%), meaning that the Group was operating in Tier 1 and benefited from maximum operational flexibility.

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, equity 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 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.

Group				2012
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	£m	£m	£m	£m
Borrowings (excluding finance lease liabilities)	**193.2**	**313.5**	**862.3**	**4,623.8**
Finance lease liabilities	**2.1**	**3.6**	**3.5**	**203.5**
Derivative financial instruments	**-**	**-**	**6.5**	**-**
Trade payables	**7.4**	**-**	**-**	**-**
Capital payables	**48.1**	**-**	**-**	**-**
	250.8	**317.1**	**872.3**	**4,827.3**

Group				2011
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	£m	£m	£m	£m
Borrowings (excluding finance lease liabilities)	212.9	190.1	1,102.0	4,789.9
Finance lease liabilities	2.2	2.1	5.9	243.2
Derivative financial instruments	-	-	2.0	-
Trade payables	12.2	-	-	-
Capital payables	74.6	-	-	-
	301.9	192.2	1,109.9	5,033.1

(iii) Market risk

The Group is exposed to market risk through interest rates and availability of credit.

Interest rates

The Group uses derivative products to manage its interest-rate exposure, and has a hedging policy that generally requires at least 80% of our existing debt plus increases in debt associated with net committed capital expenditure to be at fixed interest rates for the coming five years. Due to a combination of factors, principally the high level of certainty required under IAS 39 'Financial Instruments: Recognition and Measurement', hedging instruments used in this context do not qualify for hedge accounting. Specific interest-rate hedges are also used within our joint ventures to fix the interest rate exposure on limited –recourse debt. Where specific hedges are used in geared joint ventures to fix the interest exposure on limited-recourse debt, these may qualify for hedge accounting.

15. Financial risk management continued

At 31 March 2012, the Group (including joint ventures) had **£0.6bn** (2011: £0.7bn) of interest rate swaps in place, and its net debt was **94.8%** fixed (2011: 92.1%). Based on the Group's debt balances at 31 March 2012, a 1% increase in interest rates would increase the net interest payable in the income statement by £3.0m (2011: £4.3m). 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 significant 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 2012 or at 31 March 2011.

Financial maturity analysis

The interest rate profile of the Group's undiscounted borrowings, after taking into account the effect of the interest-rate swaps, are set out below:

						Group
			2012			2011
	Fixed rate	**Floating rate**	**Total**	Fixed rate	Floating rate	Total
	£m	**£m**	**£m**	£m	£m	£m
Sterling	**3,400.6**	**300.0**	**3,700.6**	3,438.7	428.0	3,866.7

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

						Group
			2012			2011
	Fixed rate	**Floating rate**	**Total**	Fixed rate	Floating rate	Total
	£m	**£m**	**£m**	£m	£m	£m
One year or less, or on demand	**10.8**	**-**	**10.8**	33.0	-	33.0
More than one year but not more than two years	**8.7**	**-**	**8.7**	10.6	-	10.6
More than two years but not more than five years	**165.7**	**300.0**	**465.7**	162.1	428.0	590.1
More than five years	**3,215.4**	**-**	**3,215.4**	3,233.0	-	3,233.0
	3,400.6	**300.0**	**3,700.6**	3,438.7	428.0	3,866.7

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

		Group
	2012	2011
	£m	£m
One year or less, or on demand	**-**	-
More than one year but not more than two years	**-**	-
More than two years but not more than five years	**220.0**	220.0
More than five years	**-**	-
	220.0	220.0

Valuation hierarchy

Interest-rate swaps and other investments are the only financial instruments which are carried at fair value. The table below shows the aggregate assets and liabilities carried at fair value by valuation method:

								Group
				2012				2011
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Assets	**-**	**32.3**	**-**	**32.3**	-	1.8	-	1.8
Liabilities	**-**	**(6.5)**	**-**	**(6.5)**	-	(2.0)	-	(2.0)

Note:
Level 1: valued using unadjusted quoted prices in active markets for identical financial instruments.
Level 2: valued using techniques based on information that can be obtained from observable market data.
Level 3: valued using techniques incorporating information other than observable market data.

16. Cash flow from operating activities

Reconciliation of operating profit to net cash inflow from operating activities:	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Cash generated from operations				
Operating profit/ (loss)	**645.1**	1,299.5	**(11.9)**	222.9
Adjustments for:				
Depreciation	**4.6**	6.5	**-**	-
Profit on disposal of investment properties	**(45.4)**	(75.7)	**-**	-
Net valuation surplus on investment properties	**(169.8)**	(794.1)	**-**	-
Impairment of trading properties	**2.0**	1.4	**-**	-
Share-based payment charge	**4.8**	3.8	**-**	-
Reversal of previous impairment	**-**	-	**-**	(234.7)
Defined benefit pension scheme charge	**1.0**	1.3	**-**	-
	442.3	442.7	**(11.9)**	(11.8)
Changes in working capital:				
(Increase)/decrease in trading properties and long-term development contracts	**(1.8)**	1.2	**-**	-
Decrease/(increase) in receivables	**5.6**	(41.9)	**-**	-
(Decrease)/increase in payables and provisions	**(44.3)**	18.0	**11.9**	11.8
Net cash generated from operations	**401.8**	420.0	**-**	-

Business analysis

Information in the Business Analysis section is presented in a format to assist comparison with other property companies and IPD data, although it is not always consistent with the Group's reported operating segments. Tables 21 and 22 provide reconciliations for both net rental income and market values between the information presented in the Business Analysis and the reported operating segments.

Table 11: EPRA performance measures

	Definition for EPRA measure	Notes	31 March 2012 Land Securities Measure	31 March 2012 EPRA Measure	31 March 2011 Land Securities Measure	31 March 2011 EPRA Measure
Adjusted earnings	Recurring earnings from core operational activity	7	**£298.3m**	**£290.5m** (1)	£271.4m	£255.4m
Adjusted earnings per share	Adjusted diluted earnings per weighted number of ordinary shares	7	**38.5p**	**37.4p** (1)	35.5p	33.4p
Adjusted net assets	Net asset value adjusted to exclude fair value movements on interest rate swaps	8	**£6,725.3m**	**£7,176.2m** (2)	£6,366.7m	£6,834.2m
Adjusted net assets per share	Adjusted diluted net assets per share	8	**863p**	**921p** (2)	826p	887p
Triple net assets	Adjusted net assets amended to include the fair value of financial instruments and debt	8	**£6,294.5m**	**£6,294.5m**	£6,252.8m	£6,252.8m
Triple net assets per share	Diluted triple net assets per share	8	**808p**	**808p**	812p	812p
Net Initial Yield (NIY)	Annualised rental income less non-recoverable costs as a % of market value plus assumed purchasers' costs (3)		**4.8%**	**5.2%**	5.0%	5.4%
Topped-up NIY	NIY adjusted for rent free periods (3)		**5.2%**	**5.6%**	5.4%	5.7%
Voids/Vacancy Rate	ERV of vacant space as a % of ERV of combined portfolio excluding the development programme (4)		**3.1%**	**3.2%**	4.1%	5.4%

Refer to notes 7 and 8 and table 20 for further analysis.

1. EPRA adjusted earnings and EPRA adjusted earnings per share include the effect of bond exchange de-recognition charges of £16.6m (2011: £18.5m), profit on long-term development contracts of £3.6m (2011:£5.4m), non-revenue profit tax adjustments of £8.0m (2011: £16.8m) and non-revenue profit debt restructuring charges of £2.8m (£22.8m) and in 2011 the effect of non-recurring revenue items of £2.3m.
2. EPRA adjusted net assets and adjusted diluted net assets per share include the effect of the bond exchange de-recognition adjustment of £450.9m (2011:£467.5m).
3. Our NIY and Topped-up NIY relate to the combined portfolio and are calculated by our external valuers. EPRA NIY and EPRA Topped-up NIY calculations are consistent with ours, but exclude the development programme.
4. Our measure reflects voids in our like-for-like portfolio only. The EPRA measure reflects voids in the combined portfolio excluding only the development programme.

Table 12: Reconciliation of net book value of the investment properties to the market value

	As at 31 March 2012 Group (excl. Joint ventures) £m	As at 31 March 2012 Joint ventures £m	As at 31 March 2012 Total £m	As at 31 March 2011 Group (excl. Joint ventures) £m	As at 31 March 2011 Joint ventures £m	As at 31 March 2011 Total £m
Net book value	**8,453.2**	**1,453.4**	**9,906.6**	8,889.0	1,328.0	10,217.0
Plus: tenant lease incentives	**204.7**	**33.8**	**238.5**	194.2	36.1	230.3
Less: head leases capitalised	**(23.3)**	**(4.5)**	**(27.8)**	(28.4)	(4.6)	(33.0)
Plus: properties treated as finance leases	**205.2**	**8.1**	**213.3**	136.1	8.5	144.6
Market value	**8,839.8**	**1,490.8**	**10,330.6**	9,190.9	1,368.0	10,558.9

Table 13: Top 10 property holdings

Total value £4.02bn
(39% of combined portfolio)

Name	Principal occupiers	Ownership interest (%)		Floor area (sq m)	Annualised net rent [1] (£m)	Let by income (%)	Weighted average unexpired lease term (yrs)
Cardinal Place, SW1	Microsoft Wellington M&S	100	Retail Office	7,700 52,300	37.2	97	6.1
New Street Square, EC4	Deloitte Taylor Wessing	100	Retail Office	2,100 62,600	31.2	96	11.7
One New Change, EC4	K&L Gates CME H&M M&S Topshop	100	Retail Office	20,600 31,700	16.9	88	10.7
Queen Anne's Gate, SW1	Government	100	Office	32,800	28.0	100	14.6
White Rose Centre, Leeds	Sainsbury's Debenhams M&S Primark	100	Retail	65,000	21.5	95	8.1
Gunwharf Quays, Portsmouth	Vue Cinema M&S Nike Gap	100	Retail Office Other	31,300 2,800 24,300	20.5	99	6.0
Bankside 2&3, SE1	Royal Bank of Scotland	100	Retail Office	3,500 35,200	16.3	100	15.2
Cabot Circus, Bristol	House of Fraser Harvey Nichols H&M	50	Retail Other	114,200 8,800	19.5	96	9.3
Piccadilly Circus, W1	Hyundai Boots Barclays	100	Retail Office Other	5,200 1,500 440	13.5	91	2.9
St David's, Cardiff	John Lewis New Look H&M BHS Debenhams	50	Retail	130,100	16.2	88	8.1

1. Group share

Table 14: Top 12 occupiers

	% of rent [1]
Central Government (including Queen Anne's Gate,SW1) [2]	6.0
Accor	4.7
Royal Bank of Scotland	2.9
Deloitte	2.6
Arcadia Group	2.5
Sainsbury's	1.9
Bank of New York Mellon	1.5
Dixons Retail	1.5
Next	1.4
Boots	1.4
Primark	1.4
Taylor Wessing	1.4
	29.2

1. Includes share of joint ventures.
2. Rent from Central Government excluding Queen Anne's Gate, SW1 is 1.1%.

Table 15: % Portfolio by value and number of property holdings at 31 March 2012

£m	Value %	Number of properties
0 – 9.99	2.1	54
10 – 24.99	3.2	20
25 – 49.99	6.9	21
50 – 99.99	17.0	23
100 – 149.99	15.8	13
150 – 199.99	11.5	7
200 +	43.5	12
Total	100.0	150

Includes share of joint ventures.

Table 16: Combined portfolio value by location at 31 March 2012

	Shopping centres and shops %	Retail warehouses %	Offices %	Other %	Total %
Central, inner and outer London	13.5	0.5	42.9	4.3	61.2
South East and Eastern	3.3	4.7	0.1	1.6	9.7
Midlands	0.3	1.3	-	0.4	2.0
Wales and South West	6.8	0.7	-	0.3	7.8
North, North West, Yorkshire and Humberside	7.4	3.1	0.2	0.6	11.3
Scotland and Northern Ireland	6.1	1.6	-	0.3	8.0
Total	37.4	11.9	43.2	7.5	100.0

% figures calculated by reference to the combined portfolio value of £10.3bn.

Table 17: Average rents at 31 March 2012

	Average rent £/sq m	Average ERV £/sq m
Retail		
Shopping centres and shops	n/a	n/a
Retail warehouses and food stores	214	213
Offices		
London office portfolio	408	412

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 18: Like-for-like reversionary potential

Reversionary potential	31 March 2012 % of rent	31 March 2011 % of rent
Gross reversions	8.8	8.0
Over-rented	(6.0)	(6.2)
Net reversionary potential	2.8	1.8

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 and the expiry of rent free periods. Of the over-rented income, £15.9m is subject to a lease expiry or break clause in the next five years.

Table 19: One year performance relative to IPD
Ungeared total returns – year to 31 March 2012

	Land Securities %	IPD [1] %
Retail – Shopping centres	4.1	2.4
– Retail warehouses	6.7[2]	6.0
Central London retail	6.9	12.5
Central London offices	9.6[3]	11.9
Total portfolio [4]	7.7	6.3

1. IPD Quarterly Universe
2. Including supermarkets
3. Including Inner London offices
4. Including Accor hotel portfolio and other

Table 20: Combined portfolio analysis

Like-for-like segmental analysis

	Market value (1)		Valuation surplus (2)		Rental income (3)		Annualised rental income (4)	Annualised net rent (5)		Net estimated rental value (6)	
	31 March 2012	31 March 2011	Surplus/ (deficit)	Surplus/ (deficit)	31 March 2012	31 March 2011	31 March 2012	31 March 2012	31 March 2011	31 March 2012	31 March 2011
	£m	£m	£m	%	£m	£m	£m	£m	£m	£m	£m
Shopping centres and shops											
Shopping centres and shops	**2,018.0**	2,060.7	**(64.7)**	**(3.2)**	**158.4**	155.4	**151.4**	**143.6**	141.3	**148.0**	150.1
Central London shops	**775.1**	728.3	**30.4**	**4.1**	**33.4**	30.5	**37.7**	**34.1**	32.3	**49.0**	45.9
	2,793.1	2,789.0	**(34.3)**	**(1.2)**	**191.8**	185.9	**189.1**	**177.7**	173.6	**197.0**	196.0
Retail warehouses											
Retail warehouses and food stores	**1,117.1**	1,076.2	**12.0**	**1.1**	**61.1**	60.5	**62.9**	**61.6**	61.9	**67.3**	65.1
Total retail	**3,910.2**	3,865.2	**(22.3)**	**(0.6)**	**252.9**	246.4	**252.0**	**239.3**	235.5	**264.3**	261.1
London offices											
West End	**1,473.7**	1,399.2	**70.8**	**5.2**	**86.5**	87.8	**86.0**	**85.4**	85.2	**79.1**	78.6
City	**365.9**	346.9	**15.4**	**4.4**	**21.9**	22.4	**22.1**	**20.0**	21.9	**24.6**	23.8
Mid-town	**875.3**	828.4	**28.6**	**4.0**	**41.7**	49.3	**42.1**	**43.3**	43.1	**51.6**	50.5
Inner London	**769.0**	725.4	**16.5**	**2.6**	**52.8**	49.5	**47.1**	**45.6**	48.8	**46.6**	45.3
Total London offices	**3,483.9**	3,299.9	**131.3**	**4.3**	**202.9**	209.0	**197.3**	**194.3**	199.0	**201.9**	198.2
Rest of UK	**37.9**	40.0	**(1.5)**	**(3.8)**	**3.2**	3.2	**3.5**	**3.5**	3.7	**4.0**	4.3
Total offices	**3,521.8**	3,339.9	**129.8**	**4.2**	**206.1**	212.2	**200.8**	**197.8**	202.7	**205.9**	202.5
Other	**687.5**	649.0	**33.0**	**5.1**	**45.3**	44.0	**46.5**	**46.4**	46.1	**48.9**	46.2
Like-for-like portfolio (11)	**8,119.5**	7,854.1	**140.5**	**1.8**	**504.3**	502.6	**499.3**	**483.5**	484.3	**519.1**	509.8
Proposed developments (12)	**212.6**	218.4	**(31.2)**	**(12.8)**	**10.9**	15.0	**2.2**	**2.3**	12.6	**10.8**	19.1
Completed developments (13)	**427.4**	405.3	**13.0**	**3.3**	**20.0**	16.3	**21.4**	**21.3**	14.9	**25.8**	26.7
Acquisitions (14)	**383.0**	344.9	**(19.0)**	**(4.8)**	**24.8**	12.9	**24.2**	**23.3**	22.1	**24.9**	23.0
Sales and restructured interests (15)	**-**	823.6	**-**	**-**	**35.1**	66.0	**-**	**-**	50.2	**-**	57.4
Development programme (16)	**1,188.1**	912.6	**87.6**	**8.2**	**26.8**	16.4	**28.3**	**23.8**	11.5	**111.9**	85.0
Combined portfolio	**10,330.6**	10,558.9	**190.9**	**2.0**	**621.9**	629.2	**575.4**	**554.2**	595.6	**692.5**	721.0
Properties treated as finance leases					**(8.7)**	(6.6)					
Combined portfolio					**613.2**	622.6					

Total portfolio analysis

	31 March 2012	31 March 2011	Surplus/ (deficit)	Surplus/ (deficit)	31 March 2012	31 March 2011	31 March 2012	31 March 2012	31 March 2011	31 March 2012	31 March 2011
	£m	£m	£m	%	£m	£m	£m	£m	£m	£m	£m
Shopping centres and shops											
Shopping centres and shops	**2,810.7**	2,851.6	**(43.1)**	**(1.5)**	**206.7**	198.2	**188.8**	**180.3**	190.9	**215.1**	231.9
Central London shops	**1,056.4**	1,018.0	**24.0**	**2.3**	**46.6**	44.6	**48.0**	**44.8**	42.2	**65.1**	62.8
	3,867.1	3,869.6	**(19.1)**	**(0.5)**	**253.3**	242.8	**236.8**	**225.1**	233.1	**280.2**	294.7
Retail warehouses											
Retail warehouses and food stores	**1,225.1**	1,299.6	**15.5**	**1.3**	**69.5**	74.4	**69.1**	**67.7**	73.1	**73.6**	78.2
Total retail	**5,092.2**	5,169.2	**(3.6)**	**(0.1)**	**322.8**	317.2	**305.9**	**292.8**	306.2	**353.8**	372.9
London offices											
West End	**1,795.7**	1,872.1	**81.8**	**4.9**	**106.1**	115.2	**87.4**	**87.1**	106.9	**112.9**	121.0
City	**986.7**	1,017.5	**39.4**	**4.3**	**42.0**	40.5	**38.7**	**31.5**	31.6	**70.1**	65.0
Mid-town	**875.3**	909.5	**28.6**	**4.0**	**43.4**	51.1	**42.1**	**43.3**	45.1	**51.6**	57.2
Inner London	**769.0**	726.2	**16.5**	**2.6**	**52.8**	50.1	**47.1**	**45.6**	48.8	**46.6**	45.4
Total London offices	**4,426.7**	4,525.3	**166.3**	**4.2**	**244.3**	256.9	**215.3**	**207.5**	232.4	**281.2**	288.6
Rest of UK	**38.4**	42.2	**(2.3)**	**(5.7)**	**3.2**	3.3	**3.5**	**3.5**	3.8	**4.1**	4.4
Total offices	**4,465.1**	4,567.5	**164.0**	**4.1**	**247.5**	260.2	**218.8**	**211.0**	236.2	**285.3**	293.0
Other	**773.3**	822.2	**30.5**	**4.1**	**51.6**	51.8	**50.7**	**50.4**	53.2	**53.4**	55.1
Combined portfolio	**10,330.6**	10,558.9	**190.9**	**2.0**	**621.9**	629.2	**575.4**	**554.2**	595.6	**692.5**	721.0
Properties treated as finance leases					**(8.7)**	(6.6)					
Combined portfolio					**613.2**	622.6					
Represented by:											
Investment portfolio	**8,839.8**	9,190.9	**169.8**	**2.0**	**543.7**	550.0	**490.3**	**472.7**	519.7	**583.2**	637.0
Share of joint ventures	**1,490.8**	1,368.0	**21.1**	**1.5**	**78.2**	79.2	**85.1**	**81.5**	75.9	**109.3**	84.0
Combined portfolio	**10,330.6**	10,558.9	**190.9**	**2.0**	**621.9**	629.2	**575.4**	**554.2**	595.6	**692.5**	721.0

Table 20: Combined portfolio analysis continued
Like-for-like segmental analysis

	Gross estimated rental value [7]		Net initial yield [8]		Equivalent yield [9]		Voids (by ERV) [10]	
	31 March 2012	31 March 2011	**31 March 2012**	31 March 2011	**31 March 2012**	31 March 2011	**31 March 2012**	31 March 2011
	£m	£m	**%**	%	**%**	%	**%**	%
Shopping centres and shops								
Shopping centres and shops	**157.7**	159.9	**6.1**	5.8	**6.4**	6.2	**4.7**	5.5
Central London shops	**49.3**	46.2	**4.0**	4.1	**5.5**	5.7	**1.4**	5.0
	207.0	206.1	**5.5**	5.4	**6.1**	6.1	**3.9**	5.4
Retail warehouses								
Retail warehouses and food stores	**67.8**	65.6	**5.0**	5.0	**5.6**	5.6	**2.4**	3.4
Total retail	**274.8**	271.7	**5.4**	5.3	**6.0**	6.0	**3.5**	4.9
London offices								
West End	**79.1**	78.6	**5.4**	5.8	**5.6**	5.9	**2.8**	4.1
City	**25.3**	24.7	**4.7**	5.2	**5.8**	6.0	**4.0**	6.9
Mid-town	**53.3**	52.1	**4.8**	4.9	**5.3**	5.3	**4.1**	1.9
Inner London	**47.4**	46.1	**5.6**	6.3	**5.8**	5.8	**0.6**	1.7
Total London offices	**205.1**	201.5	**5.2**	5.6	**5.6**	5.7	**2.8**	3.3
Rest of UK	**4.1**	4.4	**7.6**	8.1	**9.0**	8.9	**12.2**	6.8
Total offices	**209.2**	205.9	**5.3**	5.6	**5.6**	5.8	**3.0**	3.4
Other	**48.8**	46.2	**6.5**	6.6	**6.6**	6.6	**1.0**	2.2
Like-for-like portfolio [11]	**532.8**	523.8	**5.4**	5.5	**5.9**	5.9	**3.1**	4.1
Proposed developments [12]	**10.8**	19.1	**0.8**	4.9	**n/a**	n/a	**n/a**	n/a
Completed developments [13]	**26.7**	27.6	**4.1**	2.8	**5.5**	5.5	**n/a**	n/a
Acquisitions [14]	**25.8**	23.8	**4.9**	5.2	**5.6**	n/a	**n/a**	n/a
Sales and restructured interests [15]	**-**	57.5	**-**	5.7	**n/a**	n/a	**n/a**	n/a
Development programme [16]	**112.2**	85.6	**1.6**	1.0	**5.4**	5.5	**n/a**	n/a
Combined portfolio	**708.3**	737.4	**4.8**	5.0	**5.8**	n/a	**n/a**	n/a

Total portfolio analysis

	Gross estimated rental value [7]		Net initial yield [8]	
	31 March 2012	31 March 2011	**31 March 2012**	31 March 2011
	£m	£m	**%**	%
Shopping centres and shops				
Shopping centres and shops	**226.4**	243.4	**5.4**	5.5
Central London shops	**65.5**	63.7	**3.8**	3.8
	291.9	307.1	**4.9**	5.1
Retail warehouses				
Retail warehouses and food stores	**74.1**	78.8	**5.0**	5.0
Total retail	**366.0**	385.9	**4.9**	5.1
London offices				
West End	**112.9**	121.0	**4.6**	5.5
City	**70.9**	65.8	**2.8**	2.6
Mid-town	**53.3**	58.8	**4.8**	4.6
Inner London	**47.4**	46.2	**5.6**	6.3
Total London offices	**284.5**	291.8	**4.4**	4.8
Rest of UK	**4.2**	4.5	**7.6**	8.0
Total offices	**288.7**	296.3	**4.4**	4.8
Other	**53.6**	55.2	**6.2**	6.1
Combined portfolio	**708.3**	737.4	**4.8**	5.0
Represented by:				
Investment portfolio	**597.1**	651.6	**4.8**	5.1
Share of joint ventures	**111.2**	85.8	**4.6**	4.7
Combined portfolio	**708.3**	737.4	**4.8**	5.0

Notes:

1. The market value figures include the Group's share of joint ventures, and are determined by the Group's external valuers, in accordance with the RICS Valuation Standards.
2. The valuation surplus is stated after adjusting for the effect of SIC 15 under IFRS.
3. Rental income is as reported in the income statement, on an accruals basis, and adjusted for the spreading of lease incentives over the term certain of the lease in accordance with SIC 15. It is stated gross, prior to the deduction of ground rents and without deduction for operational outgoings on car park and commercialisation activities.
4. Annualised rental income is annual 'rental income' (as defined in 3 above) at the balance sheet date, except that car park and commercialisation income are included on a net basis (after deduction for operational outgoings). Annualised rental income includes temporary lettings.
5. Annualised net rent is annual cash rent, after the deduction of ground rents, as at the balance sheet date. It is calculated with the same methodology as annualised rental income but is stated net of ground rent and before SIC 15 adjustments.
6. Net estimated rental value is gross estimated rental value, as defined in the glossary, after deducting expected ground rents.
7. Gross estimated rental value (ERV) - refer to glossary. The figure for proposed developments relates to the existing buildings and not to the schemes proposed.
8. Net initial yield is a calculation by the Group's external valuers as the yield that would be received by a purchaser, based on the estimated net rental income expressed as a percentage of the acquisition cost, being the market value plus assumed usual purchasers' costs at the reporting date. This calculation is in line with EPRA guidance.
   Estimated net rental income is the passing cash rent less ground rent at the balance sheet date, estimated non-recoverable outgoings and void costs including service charges, insurance costs and void rates. This calculation includes all properties including those sites with no income.
9. Equivalent yield – refer to glossary. Proposed developments are excluded from the calculation of equivalent yield on the combined portfolio.
10. Voids - refer to glossary.
11. The like for like portfolio includes all properties which have been in the portfolio since 1 April 2010 but excluding those which were acquired, sold or included in the development programme at any time during the year. Capital expenditure on refurbishments, acquisitions of headleases and similar capital expenditure has been allocated to the like for like portfolio in preparing this table.
12. Proposed developments - refer to glossary.
13. Completed developments represent those properties previously included in the development programme, which have been transferred from the development programme since 1 April 2010.
14. Includes all properties acquired in the year since 1 April 2010.
15. Includes all properties sold in the year since 1 April 2010.
16. The development programme consists of authorised and committed developments, projects under construction and developments which have reached practical completion within the last 2 years but are not yet 95% let. Yield figures are only calculated for properties in the development programme that have reached practical completion.

Table 21: Income statement – rental income reconciliation

	Retail £m	London £m	Other £m	31 March 2012 £m	Retail £m	London £m	Other £m	31 March 2011 £m
Combined portfolio analysis	322.8	244.3	54.8	621.9	317.2	256.9	55.1	629.2
Central London shops (excluding Metro Shopping Fund LP)	(46.6)	46.6	-	-	(43.0)	43.0	-	-
Inner London offices including Metro Shopping Fund LP	-	-	-	-	0.5	(0.5)	-	-
Rest of UK offices	3.2	-	(3.2)	-	3.3	-	(3.3)	-
Other	45.1	6.5	(51.6)	-	44.4	7.4	(51.8)	-
	324.5	297.4	-	621.9	322.4	306.8	-	629.2
Less finance lease adjustment	(2.5)	(6.2)	-	(8.7)	(2.9)	(3.7)	-	(6.6)
Total rental income per business unit	322.0	291.2	-	613.2	319.5	303.1	-	622.6

Table 22: Market value reconciliation

	Retail £m	London £m	Other £m	31 March 2012 £m	Retail £m	London £m	Other £m	31 March 2011 £m
Combined portfolio analysis	5,092.2	4,426.7	811.7	10,330.6	5,169.2	4,525.3	864.4	10,558.9
Central London shops (excluding Metro Shopping Fund LP)	(1,056.4)	1,056.4	-	-	(1,018.0)	1,018.0	-	-
Rest of UK offices	38.4	-	(38.4)	-	42.2	-	(42.2)	-
Other	677.0	96.3	(773.3)	-	630.5	191.7	(822.2)	-
Per business unit	4,751.2	5,579.4	-	10,330.6	4,823.9	5,735.0	-	10,558.9

Table 23: Gross estimated rental value reconciliation

	Retail £m	London £m	Other £m	31 March 2012 £m	Retail £m	London £m	Other £m	31 March 2011 £m
Combined portfolio analysis	366.0	284.5	57.8	708.3	385.9	291.8	59.7	737.4
Central London shops (excluding Metro Shopping Fund LP)	(65.5)	65.5	-	-	(63.7)	63.7	-	-
Rest of UK offices	4.2	-	(4.2)	-	4.5	-	(4.5)	-
Other	49.1	4.5	(53.6)	-	45.6	9.6	(55.2)	-
Per business unit	353.8	354.5	-	708.3	372.3	365.1	-	737.4

Table 24: Lease lengths

	Unexpired lease term at 31 March 2012			
	Like-for-like portfolio		Like-for-like portfolio, completed developments and acquisitions	
	Median [1] years	Mean [1] years	Median [1] years	Mean [1] Years
Shopping centres and shops				
Shopping centres and shops	6.2	8.0	6.5	8.5
Central London shops	4.3	9.3	4.3	9.3
	5.9	9.0	6.2	9.2
Retail warehouses				
Retail warehouses and food stores	8.9	8.8	9.2	9.3
Total retail	6.7	8.5	6.8	8.8
London offices				
West End	6.6	9.3	6.2	9.2
City	10.6	7.6	6.5	6.9
Mid-town	13.5	11.7	13.5	11.7
Inner London	10.6	11.5	10.6	11.5
Total London offices	8.8	10.2	6.9	10.0
Rest of UK	2.0	2.7	2.0	2.7
Total offices	8.6	10.1	8.0	9.9
Other	6.5	7.9	6.6	8.0
Total	**7.0**	**9.1**	**7.1**	**9.2**

1. Median is the number of years until half the income is subject to lease expiry/break clauses. Mean is the rent-weighted average remaining term on leases subject to lease expiry/break clauses.

Table 25: Development pipeline financial summary

	Cumulative movements on the development programme to 31 March 2012						Total scheme details[1]				
	Market value at start of scheme	Capital expenditure incurred to date	Capitalised interest to date	Valuation surplus / (deficit) to date [2]	Disposals, SIC15 rent and other adjustments	Market value at 31 March 2012	Estimated total capital expenditure [3]	Estimated total capitalised interest	Estimated total development cost [4]	Net Income / ERV [5]	Valuation surplus / (deficit) for year ended 31 March 2012 [2]
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Developments let and transferred or sold											
Shopping centres and shops	7.8	329.8	16.1	(126.7)	(5.1)	221.9	336.1	16.1	360.0	14.8	6.6
Retail warehouses and food stores [6]	24.8	0.1	-	0.6	(25.5)	-	-	-	-	-	0.6
London Portfolio	26.7	1.5	-	19.9	(48.1)	-	-	-	-	-	14.8
	59.3	331.4	16.1	(106.2)	(78.7)	221.9	336.1	16.1	360.0	14.8	22.0
Developments after practical completion, approved or in progress											
Shopping centres and shops	97.5	125.6	11.7	64.9	2.6	302.3	302.7	25.7	425.9	33.8	25.6
Retail warehouses and food stores	-	-	-	-	-	-	-	-	-	-	-
London Portfolio	337.6	460.2	57.5	6.1	24.4	885.8	698.5	70.1	1,106.2	79.8	62.0
	435.1	585.8	69.2	71.0	27.0	1,188.1	1,001.2	95.8	1,532.1	113.6	87.6
	Movement on proposed developments for the year to 31 March 2012										
Proposed developments											
Shopping centres and shops	-	-	-	-	-	-	-	-	-	-	-
Retail warehouses and food stores	31.8	0.1	-	2.4	-	34.3	23.6	0.8	58.7	3.6	2.4
London Portfolio	186.6	24.5	0.9	(33.6)	(0.1)	178.3	414.6	21.6	614.5	37.3	(33.6)
	218.4	24.6	0.9	(31.2)	(0.1)	212.6	438.2	22.4	673.2	40.9	(31.2)

Notes:

1. Total scheme details exclude properties sold in the year.
2. Includes profit realised on the disposal of property.
3. For proposed development properties the estimated total capital expenditure represents the outstanding costs required to complete the scheme as at 31 March 2012.
4. 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 2012 is included in the estimated total cost. Estimated total development cost includes the cost of residential properties for shopping centres and shops of £11.7m in the development programme. Estimated costs for proposed schemes could still be subject to material change prior to final approval.
5. Net headline annual rent on let units plus net ERV at 31 March 2012 on unlet units.
6. Includes the sale of Garratt Lane, Wandsworth, a proposed development.

Glossary

Adjusted earnings per share (EPS)
Earnings per share based on revenue profit after related tax.

Adjusted net asset value (NAV) per share
NAV per share adjusted to remove the effect of the de-recognition of the 2004 bond exchange and cumulative fair value movements on interest rate swaps and similar instruments.

Adjusted net debt
Net debt excluding cumulative fair value movements on interest rate swaps, and the adjustment arising from the de-recognition of the bond exchange and amounts payable under finance leases.

Average unexpired lease term
The weighted average of the unexpired term of all leases other than short-term lettings such as car parks and advertising hoardings, temporary lettings of less than one year, residential leases and long ground leases.

Book value
The amount at which assets and liabilities are reported in the financial statements.

BREEAM
Building Research Establishment's Environmental Assessment Method.

Combined portfolio
The combined portfolio is our wholly-owned investment property portfolio combined with our share of the properties held in joint ventures. Unless stated otherwise, references are to the combined portfolio when the investment property business is discussed.

Completed developments
Completed developments consist of those properties previously included in the development programme, which have been transferred from the development programme since 1 April 2010.

Development pipeline
The development programme together with proposed developments.

Development programme
The development programme consists of committed developments (Board approved projects with the building contract let), authorised developments (Board approved), projects under construction and developments which have reached practical completion within the last two years but are not yet 95% let.

Diluted figures
Reported results adjusted to include the effects of potential dilutive shares issuable under employee share schemes.

Earnings per share (EPS)
Profit after taxation attributable to owners of the Parent divided by the weighted average number of ordinary shares in issue during the period.

EPRA
European Public Real Estate Association.

EPRA net initial yield
EPRA net initial yield is defined within EPRA's Best Practice Recommendations as the annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the gross market value of the property. It is consistent with the net initial yield calculated by the Group's external valuers.

Equivalent yield
Calculated by the Group's external valuers, equivalent yield is 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 non-recoverable expenditure ignoring future changes in capital value. The calculation assumes rent is received annually in arrears.

Gross estimated rental value (ERV)
The estimated market rental value of lettable space as determined biannually by the Group's external valuers.

Fair value movement
An accounting adjustment to change the book value of an asset or liability to its market value.

Finance lease
A lease that transfers substantially all the risks and rewards of ownership from the lessor to the lessee.

Gearing
Total borrowings, including bank overdrafts, less short-term deposits, corporate bonds and cash, at book value, plus cumulative fair value movements on financial derivatives as a percentage of total equity. For adjusted gearing, see note 15 in the financial statements.

Gross market value
Market value plus assumed usual purchaser's costs at the reporting date.

Head lease
A lease under which the Group holds an investment property.

Interest Cover Ratio (ICR)
A calculation of a company's ability to meet its interest payments on outstanding debt. It is calculated using revenue profit before interest, divided by net interest (excluding the mark-to market movement on interest rate swaps, bond exchange derecognition, capitalised interest and interest on the pension scheme assets and liabilities). The calculation excludes joint ventures.

Interest rate swap
A financial instrument where two parties agree to exchange an interest rate obligation for a predetermined amount of time. These are generally used by the Group to convert floating-rate debt or investments 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
An entity in which the Group holds an interest and is jointly controlled by the Group and one or more partners under a contractual arrangement. Decisions on financial and operating policies essential to the operation, performance and financial position of the venture require each partner'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 the value of the incentive 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, often used as a reference rate in bank facilities.

Like-for-like portfolio
The like-for-like portfolio includes all properties which have been in the portfolio since 1 April 2010, but excluding those which are acquired, sold or included in the development pipeline at any time during the period.

Like-for-like managed properties
Properties in the like-for-like portfolio other than those in our joint ventures which we do not manage operationally.

Loan-to-value (LTV)
Group LTV is the ratio of adjusted net debt, including joint ventures, to the sum of the market value of investment properties and the book value of trading properties of both the Group and joint ventures, expressed as a percentage. For the Security Group, LTV is the ratio of net debt lent to the Security Group divided by the value of secured assets.

London Portfolio
This business segment includes all London offices, central London shops and assets held in London joint ventures.

Market value
Market value is determined by the Group's external valuers, in accordance with the RICS Valuation Standards, as an opinion of the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing.

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 owners of the Parent divided by the number of ordinary shares in issue at the period end.

Net initial yield
Net initial yield is a calculation by the Group's external valuers of the yield that would be received by a purchaser, based on the Estimated Net Rental Income expressed as a percentage of the acquisition cost, being the market value plus assumed usual purchasers' costs at the reporting date. The calculation is in line with EPRA guidance.

Estimated Net Rental Income is the passing cash rent less ground rent at the balance sheet date, estimated non-recoverable outgoings and void costs including service charges, insurance costs and void rates.

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 'reserved matters approval', including detailed layout, scale, appearance, access and landscaping, before a project can proceed. An outline planning permission will lapse if the submission of 'reserved matters' have not been made within three years, or if it has not been implemented within three years or within two years of the final approval of 'reserved matters', unless otherwise expressly stated within conditions attached to the permission itself or, for any permissions granted on or before 1 October 2009, a successful application has been made to extend the time within which 'reserved matters' application can be submitted, or the overall limit for commencement of development.

Over-rented
Space where the passing rent is above the ERV.

Passing cash rent
The estimated annual rent receivable as at the reporting date which includes estimates of turnover rent and estimates of rent to be agreed in respect of outstanding rent review or lease renewal negotiations. Passing cash rent may be more or less than the ERV (see over-rented, reversionary and ERV). Passing cash rent excludes annual rent receivable from units in administration save to the extent that rents are expected to be received. Void units and units that are in a rent-free period at the reporting date are deemed to have no passing cash rent. Although temporary lets of less than 12 months are treated as void, income from temporary lets is included in passing cash rents.

Pre-let
A lease signed with an occupier prior to completion of a development.

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
Proposed developments are properties which have not yet received final Board approval or are still subject to main planning conditions being satisfied, but which are more likely to proceed than not.

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 change
Increase or decrease in the current rental value, as determined by the Company's external valuers, over the reporting period on a like-for-like basis.

Rental income
Rental income is as reported in the income statement, on an accruals basis, and adjusted for the spreading of lease incentives over the term certain of the lease in accordance with SIC 15. It is stated gross, prior to the deduction of ground rents and without deduction for operational outgoings on car park and commercialisation activities.

Retail Portfolio
This business segment includes our shopping centres, shops, retail warehouse properties, the Accor portfolio and assets held in retail joint ventures but not central London shops.

Retail warehouse park
A scheme of three or more retail warehouse units aggregating over 5,000m^2 with shared parking.

Return on average capital employed
Group profit before interest, plus joint venture profit before interest, divided by the average capital employed (defined as shareholders' funds plus adjusted 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 assets and trading properties, profits on long-term development contracts, valuation surpluses, fair value movements 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 restructuring charges and any items of an unusual nature.

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 (or fall) once the rent reaches the ERV.

Scrip dividend
Land Securities offers its shareholders the opportunity to receive dividends in the form of shares instead of cash. This is known as a Scrip dividend.

Security Group
Security Group is the principal funding vehicle for Land Securities and properties held in the Security Group are mortgaged for the benefit of lenders. It has the flexibility to raise a variety of different forms of finance.

Temporary lettings
Lettings for a period of one year or less. These are included within voids.

Topped-up net initial yield
Topped-up net initial yield is a calculation by the Group's external valuers. It is calculated by making an adjustment to net initial yield in respect of the annualised cash rent foregone through unexpired rent free periods and other lease incentives. The calculation is consistent with EPRA guidance.

Total business return
Dividend paid per share, plus the change 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)
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 capitalised interest.

Total property return
Valuation surplus, profit/(loss) on property sales and net rental income in respect of investment properties expressed as a percentage of opening book value, together with the time weighted value for capital expenditure incurred during the current year, on the combined property portfolio.

Total Shareholder Return (TSR)
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.

Voids
Voids are expressed as a percentage of ERV and represent all unlet space, including voids where refurbishment work is being carried out and voids in respect of pre-development properties. Temporary lettings for a period of one year or less are also treated as voids.

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.