



**Half Yearly Report  
for the six months ended 30 September 2008**

Wednesday 12 November 2008



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## Half Yearly financial results for the six months to 30 September 2008

### Results Summary

	30 Sept 2008	31 March 2008	Change
<b>Valuation deficit *</b>	<b>(£1,723.1m)</b>	N/A	<b>Down 12.7%</b>
<b>Basic NAV</b>	<b>1660p</b>	2067p	<b>Down 19.7%</b>
<b>Adjusted diluted NAV **</b>	<b>1552p</b>	1956p	<b>Down 20.7%</b>
<b>Adjusted Gearing ***</b>	<b>84.4%</b>	67.7%	<b>N/A</b>
	<b>Six months ended 30 September 2008</b>	Six months ended 30 September 2007	<b>Change</b>
<b>Pre-tax (loss) / profit ****</b>	<b>(£1,737.2m)</b>	£365.2m	<b>N/A</b>
<b>Revenue profit</b>	<b>£195.8m</b>	£172.8m	<b>Up 13.3%</b>
<b>Basic EPS</b>	<b>(375.10p)</b>	76.43p	<b>N/A</b>
<b>Adjusted diluted EPS</b>	<b>41.83p</b>	36.46p	<b>Up 14.7%</b>
<b>Dividend</b>	<b>33.00p</b>	32.00p	<b>Up 3.1%</b>

\*Excludes Trillium investment properties \*\*Our key valuation measure \*\*\*Including notional share of joint venture debt \*\*\*\*Includes revaluation deficit, profits/loss on disposals and goodwill impairment

### Performance

- Good underlying performance with growth in revenue profit of 13.3%
- 1.1 million sq ft of development space completed and 92% let
- £181.5m of property investment sales at 1.7% above March 2008 valuation (before disposal costs)
- Group net debt down by £175.1m but impact of falling property values saw debt ratios increase
  - Loan-to-Value stands at 43.5% for the Group or 45.4% overall including joint ventures
- Resilience of income with vacancy rates across the like-for-like investment portfolio, excluding development pipeline properties, up slightly to 4.0% (3.4% at March 2008)
- Limited exposure in short-term to breaks in income
- Ungeared total return 2.4% below IPD benchmark largely as a result of greater adverse yield shift

### London Portfolio

- Income (excluding joint ventures) up £12.7m to £171.8m as successful developments come on stream
- Sales of £151.8m at an average of 0.5% below March 2008 valuation (before disposal costs)
- 10 Eastbourne Terrace, W2, completed and 100% let

### Retail Portfolio

- Income from the portfolio increased 4% despite property sales with 2.9% growth on the like-for-like portfolio and a contribution from developments completed last year
- Voids across the like for like portfolio, excluding development pipeline properties, marginally up at 4.2% (4.1% at March 2008)
- Cabot Circus, Bristol, successfully opened on 25 September, over 90% let and one million shoppers attracted in first ten days

### Trillium

- Successful closure of largest contract to date in the Building Schools for the Future programme with Kent County Council
- Sale of 13 projects into Trillium Investment Partners fund delivering £17.3m net profit
- Charge of £147.6m after decision to impair goodwill associated with Trillium

**Demerger**

- Benefits of specialisation recognised by Board but adverse market conditions cause work on demerger to be stopped
- Evaluation of sale process for Trillium continues

Commenting on the results, Francis Salway, Chief Executive said:

“Our results reflect the fact that we are going through an unprecedented period of financial instability which has severely impacted investor confidence, the availability of credit and the pricing of property investments. Although we are by no means immune to the prevailing market conditions, the fundamentals of our business continue to be sound as a result of the resilience of our income streams.

“Our operational performance has been strong with our completed developments being almost fully let. Our short-term priorities are around leasing and on-going balance sheet management. For the medium-term, we are planning a development pipeline to capture a recovery in occupational markets.

“Our objective is to navigate a prudent line through the current volatilities and we continue to manage the business with a cautious outlook. Land Securities has been successful by being strong in managing day to day operations, while maintaining a long-term perspective on value generation. This combination will continue to guide our actions.”

**-Ends-**

## Chief Executive's Statement

The current environment imposes pressures across all business sectors. The challenge for business leaders, and their shareholders, is to understand clearly how these pressures impact results and future performance prospects.

Our interim results demonstrate both the impact of sharply reduced asset valuations and the resilience of our underlying revenue profits. These seemingly divergent trends flow from the fundamental characteristics of the property sector. On the one hand, there are the 'mark-to-market' valuations of property assets, which are sharply negative in the current environment and under International Financial Reporting Standards now flow through to the income statement. On the other hand, the long-term nature of our contracts with customers provides us with unusually high resilience of income and underlying revenue profits.

Translating these themes to the specifics of our half year results, our investment portfolio showed a valuation deficit of 12.7% or £1,723.1m, which contributed to our reported pre-tax loss of £1,737.2m. However, our underlying revenue profits showed growth of 13.3%, compared to the equivalent half year 12 months previously, and likewise our adjusted diluted earnings per share increased by 14.7%. We have confirmed the second quarter's dividend at the same level as in the first quarter at 16.5 pence per share.

The performance of the business in terms of underlying income is significant. In downturns, it is my experience that it is income which ultimately provides the support for the valuation of property and of businesses.

### Achievements

In September we successfully launched Cabot Circus shopping centre in Bristol, which we have developed in partnership with Hammerson. The opening of the centre attracted the attention of a number of television film crews in search of a story of weakness in the retail sector. Their expectations were confounded. The scheme is over 90% let, trading well and has been attracting over half a million shoppers a week since opening. In October, shortly after our half year end date, Trillium closed the largest contract to date under the Building Schools for the Future programme with Kent County Council.

Our property investment sales during the period were, as we had previously guided, at much lower volumes than in the previous financial year, but the sales were at prices 1.7% above our March 2008 valuation figures.

Returning to the strength gained through stability of income flows, our vacancy rates across our like-for-like investment portfolio rose only slightly from 3.4% in March to 4.0% in September, excluding properties in our development pipeline intentionally being emptied for redevelopment.

In terms of the relative performance of our investment portfolio, the ungeared total return was 2.4% below that of the IPD benchmark, which was explained by a combination of the sector mix of our portfolio, sharper downward movements in valuation yields and lower valuations on development sites.

### Positioning of the business

We have considerable inherent strength and resilience through the portfolio structure and positioning of our business. On the investment portfolio, average unexpired lease terms are 9.5 years and, for Trillium, average unexpired contract terms are 13 years.

The average maturity of our debt is 10.7 years with only £1.3m to be repaid before mid 2010, having repaid £105.1m since 30 September 2008. Despite ongoing expenditure on development schemes, the absolute level of

our debt has decreased slightly over the period. However, sharply falling property values mean that despite having a lower absolute level of debt, our gearing ratios have increased. Loan-to-value (LTV) for the Group stands at only 43.5% or 45.4% overall including joint ventures.

The peaks and troughs of our development activity are broadly matched to the property cycle, with 242,200sq m having been delivered in our last financial year and only 104,940sq m completing this financial year. The development projects completed in the first half are, on average, 92% let.

At a time of economic downturn, there is a natural focus on strength of counterparties. For Trillium, some 80% of our income flows from government or government-related bodies. And, within our property investment portfolio, we also have the Government as our largest customer representing 9.6% of portfolio income. Within our Retail Portfolio, we have extremely high levels of diversification of customer base; our largest customer, Arcadia Group, represents only 1.7% of our total investment portfolio income.

### **Demerger**

The Company has undertaken extensive work over the last year to be in a position to demerge when market conditions are favourable. Internal preparation has progressed well and our business divisions have seen operational benefits from this work. The Board continues to believe in the benefits of specialisation, but has decided that, given current adverse market conditions, it would not be in shareholders' interests to proceed with implementation and our work on demerger has therefore stopped.

We are continuing work on a potential sale of Trillium, but timescales for transactions are protracted in the current environment.

### **Outlook and priorities**

We are in the teeth of a sharp downturn and we expect volatility in capital markets to continue in the short-term. Occupational or leasing markets will only reflect the full impact of economic conditions relatively late in the cycle. We therefore expect the period of recovery in property markets to be extended with investment property pricing seeing a turning point well ahead of a recovery in rental markets.

We have benefited from anticipating a slowdown in the property market through the actions we took last year. However, the speed and extent of slowdown is greater than anticipated, and this requires us to show continuing flexibility in setting our priorities.

A number of the factors affecting our market, and by extension our performance, are beyond our control. Others are not, and we are maintaining a sharp focus on the business fundamentals we can control. We are taking advantage of our strong customer relationships to maximise income; we will sell assets selectively to maintain the strength of our balance sheet and we will continue to invest in our development pipeline for the recovery phase, but with appropriate flexibility on start dates.

Our objective is to navigate a prudent line through current volatilities and we continue to manage the business with a cautious outlook. Land Securities has been successful by being strong in managing day to day operations, while maintaining a long-term perspective on value generation. This combination will continue to guide our actions.

## Business Unit Review – Retail Portfolio

Our retail business represents 45.6% of the combined portfolio by value, and includes 27 shopping centres and 26 retail parks. With approximately 1,600 occupiers and 1.7 million sq m of retail accommodation, the Retail Portfolio has a share of the UK's retail property market of some 5%.

The retail sector has been affected by the wider economic pressures in the UK and this has flowed through to the retail property market. Investment markets have seen very low turnover levels and falling values. Signs of stabilisation were apparent in July and August prior to the start of the latest banking crisis, but this has created a further setback. The occupational market has not been immune to the wider economic outlook and a number of retailers have suffered from declining like-for-like sales. However, most retailers continue to trade profitably and shopping centre openings across the UK in 2008 have generally let up well.

Income from our Retail Portfolio has shown growth over the period. Despite property sales, income has increased by £2.0m to £168.2m with a contribution from the completed developments at Exeter and Cambridge and also a 4.0% growth on the like-for-like portfolio (excluding development pipeline properties).

At a time when there is increased focus on retailer insolvencies, it is important to recognise the degree of tenant diversification across our whole portfolio. Our largest single customer, the Arcadia Group, represents just 1.7% of our total investment portfolio income.

We were pleased that our success on portfolio lettings meant that voids on the like-for-like portfolio (excluding development pipeline voids) rose only marginally from 4.1% to 4.2% over the six month period.

The revaluation of the Retail Portfolio resulted in a valuation deficit for the six month period of 14.5% overall. On our like-for-like portfolio, the valuation deficit was at a similar level at 14.3%, driven primarily by a 70 basis point adverse movement in yield pricing. A small part of the valuation decline was also attributable to the reduction in rental values of 1.4%. Within the like-for-like portfolio, our shopping centres and retail warehouses showed similar valuation deficits of 14.9% and 14.3% respectively. Within the retail warehouse sector overall, our supermarkets showed greater resilience with a valuation decline of only 7.4%.

### Sales, acquisitions and asset management

Activity in the investment market, as mentioned above, has reflected the lack of available credit in the market and as such has been at significantly lower levels than in previous years. We continued to sell some smaller assets and partnership interests such as our share in Parc Tawe Retail Park, Swansea and the A2 Partnership covering parks in Crayford and Strood. Since the half year end we have also sold our recently developed retail warehouse park in Peterborough.

Our acquisitions at just £81.3m have been limited to properties with a strategic relevance to our business: firstly a parade of shops in Exeter which may form the basis of another phase of development; and secondly the Sainsbury store in Lincoln has been added to the Harvest Partnership with J Sainsbury.

Asset management has been relatively subdued in this weaker occupational market but we have executed major change in Aberdeen at our Bon Accord centre. A large unit is to be taken back and split with part being taken by Topshop. Simultaneously four units have been let to Karen Millen, Oasis, Coast and Warehouse. All of these new fashion stores will open in 2009 along with the new 5,000sq m Next which is under construction.

In retail warehousing we have made good progress on our plans for Edmonton where the last of the five redeveloped units has been let to Paul Simon. At Bracknell we have completed a letting to Tesco Home of 4,000sq

m which is the first stage of a very substantial improvement to the park. Problems in the established furniture sector are to some extent being mitigated by new entrants in this sector such as Tesco, ASDA Living, TK Maxx Home Sense and Next.

## Development

After openings last year in Exeter, Corby and Cambridge, now collectively 97% let, we have seen continued high levels of activity. Our two major retail developments for the current year are Cabot Circus in Bristol, our 50:50 joint venture with Hammerson, and the extension to our shopping centre at Livingston. Both have now opened, Bristol on 25 September and The Elements in Livingston on 16 October. The developments were respectively 91% and 82% let or in solicitors' hands on opening.

Cabot Circus will completely change the experience of shopping in Bristol city centre. It has had a very successful start which highlights that a well planned and delivered scheme with an attractive mix of retailers and leisure attractions in the right location can confound the pessimism about the challenges of opening a new scheme in 2008. With a wide range of exciting brands represented in the House of Fraser and Harvey Nichols stores and over 100 shops open, this is the greatest range of fashion ever developed by Land Securities and the message has been received by the community with footfall averaging over 500,000 per week since opening. Even with the recent outward yield movement, the scheme will deliver a profit on cost of approximately 14%.

The Elements moves Livingston further up the retail hierarchy with stunning new stores for Marks & Spencer and Debenhams. The Elements also includes a strong core of food and beverage which will serve the local shoppers and will encourage longer stays at the centre. Both developments have also received a BREEAM Excellent rating for their environmental impact, the first for a covered centre in the case of Livingston and the first for an open centre at Bristol.

In Cardiff we continue to make good progress with construction. The John Lewis store, the largest outside London, has been handed over and our contractor, Bovis Lend Lease, is making excellent progress towards completion in autumn 2009. The leasing programme has been delayed by the huge amount of space taken up by retailers in the schemes opening this calendar year, but we now expect the pace to quicken as we move into 2009.

We have started demolition work on the 100,000sq m Leeds Trinity scheme which is bordered by Commercial Street and Briggate in the heart of the city centre. Completion is scheduled for 2011.

We have also made good progress with our future development proposals for Glasgow and Liverpool. We have received full planning for the extension to Buchanan Galleries (in Glasgow) and in Liverpool we have executed a development agreement with Liverpool City Council.



We outline our development pipeline in Table 1.

**Table 1: Retail development pipeline at 30 September 2008**

Property	Description of use	Ownership interest %	Size sq m	Planning status	Letting status %	Net income/ERV £m	Estimated/actual completion date	Total development costs to date £m	Forecast total development cost £m
<b>SHOPPING CENTRES AND SHOPS</b>									
<b>Developments completed</b>									
Willow Place, Corby	Retail	100	16,260		75	2	Oct 2007	42	42
Cabot Circus, Bristol - The	Retail	50	83,610		90	18	Sept 2008	245	255
Bristol Alliance - a limited partnership with Hammerson plc	Leisure Residential		9,000 18,740						
<b>Developments approved and in progress</b>									
St David's, Cardiff – St David's Partnership - a limited partnership with Capital Shopping Centres	Retail/leisure Residential	50	89,900 16,500		18	18	Oct 2009	196	312
The Elements, Livingston	Retail Leisure	100	32,000 5,670		72	8	Oct 2008	132	166
<b>Proposed developments</b>									
Trinity Quarter, Leeds	Retail	75	94,890	PR	20	n/a	2011	n/a	n/a
<b>RETAIL WAREHOUSES</b>									
<b>Developments approved and in progress</b>									
Angel Road Retail Park, Edmonton	Retail	100	3,480		100	1	Mar 2009	14	19
<b>Proposed developments</b>									
Almondvale South Phase II b, Livingston	Retail	100	4,180	PR	-	n/a	2009	n/a	n/a

Planning status for proposed developments

PR – Planning Received

Total development cost (£m)

Total development cost refers to the book value of the land at the commencement of the project, the estimated capital expenditure required to develop the scheme from the start of the financial year in which the property is added to our development programme, together with finance charges less residential costs (totalling £37m across all categories of development). Floor areas shown above represent the full scheme whereas the cost represents our share of costs. Letting % is measured by ERV and shows letting status at 30 September 2008. Trading property development schemes are excluded from the development pipeline. Cost figures for proposed schemes are not given as these could still be subject to material change prior to final approval.

Net income/ERV

Net income/ERV represents headline annual rental payable on let units plus ERV at 30 September 2008 on unlet units.

## Business Unit Review – London Portfolio

Our London Portfolio represents 54.4% of our overall investment portfolio by value. This one million sq m London Portfolio represents a 4.8% share of London's total office accommodation. We currently have over 500 occupiers in our London Portfolio accommodating more than 50,000 people.

London remains a world-class city with good prospects for long-term business growth. In the short-term, the London market has entered a period of slowdown after several years of strong growth and demand for office space has reduced substantially. The credit crisis has accentuated these market dynamics for both investment and occupational markets. Although we did not foresee the credit crisis, we did recognise the early signs of a slowdown some time ago and adjusted our portfolio and development pipeline accordingly.

The benefits of this strategy were seen in the performance of the portfolio with income (excluding joint ventures) up £12.7m to £171.8m driven by completion of the developments of New Street Square, EC4, Bankside 2&3, SE1, and 50 Queen Anne's Gate, SW1.

Our London Portfolio showed a valuation deficit of 11.0% with a 13.0% deficit on the office holdings and a much smaller 0.5% deficit on retail reflecting the relative strong performance of retail in Central London. The fall in value for the like-for-like office holdings was driven primarily by a 70 basis point adverse movement in equivalent yields and, to a lesser extent, by a 3.8% decline in rental values. Across the different office sub-markets, we saw a 20.2% decrease in value for like-for-like offices in the City, but a much smaller 10.8% decrease for West End offices where we have the greatest concentration of our holdings.

Headline void levels have increased from 3.6% in March to 8.8% in September on the like-for-like portfolio, but excluding pre-development properties, the change is from 3.7% in March to 4.3% in September.

The London Portfolio benefits from a broad customer base and has a solid income stream with little exposure in relative terms to the retail and financial services sectors. Our largest occupier is Central Government who represent 19% of the London Portfolio rent roll while just 17% of London customers are from the financial services sectors. With just 19,300sq m of office developments coming onto the market in the next two years, our development pipeline is well matched to the current economic cycle.

### Sales, acquisitions and asset management

During the first half of the year we sold £151.8m of London property with the disposal of Turnstile House, WC1, and the sale of a 50% share in Empress State Building, SW6. The sales were on average 0.5% below March 2008 values which we feel represented good business in an overall market that has been impacted by the lack of available credit and generally saw values falling sharply. We purchased only £30.3m of investment properties, which were part of our strategic acquisitions around future potential development sites.

In both properties sold, the short-term opportunities for asset management were limited. However, in the case of Empress State Building, the joint venture arrangement with Liberty International PLC offers us the ability to realise value from the asset while being well placed to benefit from the continued attraction of this part of London and the combined knowledge of the area that both partners have.

In terms of asset management, we have continued to focus on two key areas: maximising income in the short-term on assets targeted for redevelopment in the next cycle, and secondly, improving the performance of our Central London retail assets.

## Development

We continue to foresee in the medium-term a resumption of demand for high quality space and we are timing our substantial and imaginative future development programme in line with this view.

We have an excellent track record in timing and letting our developments with a number of large projects having been completed in 2007 and spring 2008. Since then we completed in the half year 10 Eastbourne Terrace, W2, which is 100% let. Our only other completion this year is the 14,820sq m City office development at Dashwood House, EC2, which completed at the end of October 2008. The intention is to seek lettings on a floor by floor basis and we are only now commencing marketing, and have some tentative occupier interest in the scheme.

With the limited amount of our developments now due for imminent completion, we have moved on to focus on the new generation of schemes to be delivered beyond 2010.

Our next major completion is the 50,740sq m project at One New Change, EC4, which will bring excellent offices, retail and public space to an historic site opposite St. Paul's Cathedral and is due for completion in late 2010. We have already pre-let 38% of the office space, to K&L Gates for a minimum term of 15.5 years and we have let or agreed terms to let 17% of the retail space with Marks & Spencer and Topshop committing to the scheme. The unique location, quality of space and views make us confident of securing further lettings, albeit the office component may reflect weaker pricing trends.

Our Park House, W1, scheme is planned for completion in 2011 and will offer some of the largest floor plates in the West End in its 15,430sq m of office accommodation as well as 8,140sq m of premium retail space and 5,380sq m of residential units. Demolition will be completed in the first quarter of 2009.

At 20 Fenchurch Street, EC3, demolition and ground works are continuing and are still on track to complete in the first quarter of 2009. We have stated before that we may defer the start of construction work to better time the completion of this development in the City letting market.

We have also actively begun to plan ahead for the next ten years and submitted outline planning applications for some 180,000sq m of space at Victoria Transport Interchange, SW1, and Selborne House, SW1, in Victoria and Arundel Great Court, WC2, in Mid-town.

We have also received a resolution to grant planning consent for the redevelopment of 30 Old Bailey, EC4, to provide 35,600sq m of office accommodation and 3,700sq m of retail space. The current leases on the property run until June 2010.

We outline our development pipeline in Table 2.

**Table 2: London development pipeline at 30 September 2008**

Property	Description of use	Ownership interest %	Size sq m	Planning status	Letting status %	Net income/ERV £m	Estimated/actual completion date	Total development costs to date £m	Forecast total development cost £m
<b>Developments, let and transferred or sold</b>									
10 Eastbourne Terrace, W2	Office	100	6,150		100	3	July 2008	43	43
50 Queen Anne's Gate, SW1	Office	100	30,140		100	13	May 2008	143	143
<b>Developments completed</b>									
New Street Square, EC4	Office	100	62,340		92	34	May 2008	361	381
	Retail		2,980		64				
<b>Developments approved and in progress</b>									
Dashwood House, EC2	Office	100	14,110		-	9	Oct 2008	107	112
	Retail		710		100				
30 Eastbourne Terrace, W2	Office	100	4,470		-	2	May 2009	20	35
One New Change, EC4	Office	100	30,840		38	33	Sept 2010	267	531
	Retail		19,900		17				
Park House, W1	Office	100	15,430		-	27	Dec 2011	236	369
	Retail		8,140		-				
	Residential		5,380		-				
<b>Proposed developments</b>									
Selborne House, SW1	Office	100	23,450	AS	n/a	n/a	2012	n/a	n/a
	Retail		1,540						
Arundel Great Court & Howard Hotel, WC2	Office	100	37,110	AS	n/a	n/a	2013	n/a	n/a
	Retail		2,150						
	Residential		23,310						
20 Fenchurch Street, EC3	Office	100	61,970	PR	n/a	n/a	2013	n/a	n/a
	Retail		2,130						

Planning status for proposed developments

AS – Application Submitted

PR – Planning Received

Total development cost (£m)

Total development cost refers to the book value of the land at the commencement of the project, the estimated capital expenditure required to develop the scheme from the start of the financial year in which the property is added to our development programme, together with finance charges less residential costs (totalling £109m across all categories of development). Floor areas shown above represent the full scheme whereas the cost represents our share of costs. Letting % is measured by ERV and shows letting status at 30 September 2008. Trading property development schemes are excluded from the development pipeline. Cost figures for proposed schemes are not given as these could still be subject to material change prior to final approval.

Net income/ERV

Net income/ERV represents headline annual rental payable on let units plus ERV at 30 September 2008 on unlet units.

## Urban Community Development

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

Ebbsfleet Valley is our largest project and outline planning permissions have now been granted for the whole of the 1,659,550sq m project. Further approvals to the masterplans of the major commercial core around the international station and the next residential village, Castle Hill, have been granted allowing the design of individual buildings to be progressed.

We have only limited construction currently underway. In a joint venture with Countryside Properties, we have completed 41 residential units at Springhead Park which are 93% sold, and we have just another 47 units under construction. It is our intention to moderate the roll out of future phases according to the economic climate.

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

We also entered into a partnership agreement with Defence Estates to promote the development of the former Chattenden Barracks, near Chatham. We will take the lead to secure planning permission, invest in infrastructure and manage subsequent land sales on behalf of Defence Estates who still own the site. The majority of the site will remain in operational use until 2012, after which initial sales of development land will commence. Our expenditure incurred in obtaining planning permission and delivering infrastructure will be reimbursed from sale receipts.

## Business Unit Review – Trillium

Trillium provides Property Partnership services in the outsourcing and Public Private Partnership (PPP) markets. In the six months under review it generated some £61.0m, 18.5% of the Group's underlying operating profit.

This result was a combination of continued good performance from existing contracts and the successful sale of further PPP assets to the Trillium Investment Partners fund for a net consideration of £103.0m. Within our existing contracts, we continued to deliver a strong performance from the DWP contract despite continued high levels of vacation. This surplus space creates an exposure to both the commercial letting market and the residential land market, both of which experienced increasingly challenging conditions in the first half. In the DWP contract and the Royal Mail portfolio this is adversely impacting on profit levels and will continue to do so in the second half.

The PPP market remains relatively robust, as PPP projects continue to be an important part of public sector capital procurement. We are preferred bidder on three projects and actively bidding, by ourselves or in consortia, for a further 15 projects.

The Building Schools for the Future (BSF) programme continues to be an area of opportunity for the Trillium business and closure was reached on the first phase of the Kent BSF on 24 October. It forms part of the overall £1.8bn BSF programme in Kent which plans to rebuild or renew its secondary schools over a period of 10 to 15 years. Approximately £180m will be invested in transforming the first 10 schools. Three of these schools will be delivered through Private Finance Initiative, with Trillium contributing £6m of equity capital.

There continues to be interest in the benefits of PPP for the waste sector, renewed activity in local authority regeneration and an increasing focus on improving the efficiency of the Central Government estate. However, we are experiencing increased delays to the closure of some projects as the current economic conditions, in particular the rising cost of debt, have created some affordability issues.

### Property Partnerships

- DWP

Operating profits rose by £14.3m to £59.2m reflecting £17.7m from one-off items including historic shared savings agreed with DWP. Underlying operating profits were down £3.4m as vacations outweighed the positive impact of indexation and new properties. We have had considerable success in letting and selling surplus properties in the first half, despite a weakening property market. We have disposed of 78,900sq m of space in the period and let a further 29,900sq m. However, the ongoing rate of vacation has meant that the total amount of vacant space has decreased only slightly over the six month period from 208,000sq m to 204,100sq m.

- Norwich Union

Underlying operating profits increased by £1.8m to £6.6m. This performance benefited from completion of the refurbishment of their head office in Norwich in the past year, which increased the revenue received.

- DVLA

With the completion of the main DVLA HQ offices in Swansea, underlying operating profit increased by over £1m to £2.9m as we started to receive a commercial return on the investment we have made into their estate over recent years.

- Royal Mail

The portfolio comprises both a freehold investment portfolio and surplus leasehold space. The investment portfolio is primarily occupied by Royal Mail with the balance let to third parties or vacant. Our main focus is dealing with the surplus leasehold space. With limited occupier demand for these types of large distribution centres during the first half of the year, we have not been able to make significant progress with lettings. As a result, we have charged the income statement with an additional onerous lease provision of £4.3m.

- Accor

Rental income on our portfolio of Accor hotels is based on a fixed percentage of each hotel's turnover. Our operating profit increased by 24% to £14.4m largely reflecting the full ownership of all 29 of the hotels in the half year as compared to the prior half year to September 2007.

### **Trillium Investment Partners**

The initial commitments of £1.136bn made when Trillium Investment Partners was established included £200m headroom for the sale of further assets into the fund up to December 2008. In July 2008 a further 13 assets were sold into the fund for a net consideration of £103.0m, generating a profit of £17.3m. At 30 September we still held 14 assets with a book value of £165.9m for sale in subsequent tranches. We also continue to evaluate opportunities for further acquisitions of PPP projects where these offer cash and return characteristics appropriate for ultimate ownership by Trillium Investment Partners.

## Trillium Financial Results

The results for the period are set out in the table below:

**Table 3: Trillium financial results**

	Six months ended 30 September 2008 £m	Six months ended 30 September 2007 £m	Year ended 31 March 2008 £m
Contract level operating profit / (loss)			
– DWP	59.2	44.9	93.7
– Norwich Union	6.6	4.8	11.1
– Barclays	1.0	0.9	1.9
– DVLA	2.9	1.8	3.7
– Telereal II	6.5	7.6	15.5
– Accor	14.4	11.6	27.1
– Royal Mail	(2.6)	2.1	4.1
– BBC	-	-	9.2
Bid costs	(11.8)	(3.1)	(11.9)
Central costs	(15.2)	(15.1)	(25.3)
Other	-	2.3	-
Underlying operating profit	61.0	57.8	129.1
Net deficit on revaluation of investment properties	(46.0)	(8.8)	(24.9)
Profit on disposal of properties	2.2	15.1	18.1
Goodwill impairment	(147.6)	-	-
<b>Segment (loss) / profit</b>	<b>(130.4)</b>	<b>64.1</b>	<b>122.3</b>
Share of (loss) / profit from Investors in the Community (IIC) (joint venture)	(0.3)	0.1	0.1
Share of loss of Trillium Investment Partners (associate)	(2.0)	-	(0.5)
Profit on sale of interests in Trillium Investment Partners (discontinued operation)	17.3	-	37.5
Impairment of assets held for resale (discontinued operations)	(2.6)	-	-
Profit on sale of Meterfit (discontinued operation)	-	10.0	10.0



## New business

Deteriorating property values coupled with scarcer and more expensive debt are making it harder to complete transactions in our markets. This was the main reason behind the impairment of Trillium's goodwill during the period which is explained in more detail on page 18.

## Property Partnerships

- Defence Training Review

Metrix, our 50:50 joint venture with QinetiQ, remains preferred bidder for this major PPP project to create a 280,000sq m new Defence Training college at St. Athan in South Wales. This project has been faced with a significant cost increase but during October, the Minister of State for the Armed Forces confirmed that considerable progress has been made towards achieving an affordable, value for money solution. He also confirmed the MoD's continuing commitment to the project and the view that, subject to funding issues being satisfactorily resolved, formal MoD approval will be achieved in spring 2009, with financial close in mid 2010.

- Workplace 2010

We are one of two short-listed bidders to provide full property outsourcing to the Northern Ireland Civil Service under a 20 year contract covering over 200,000sq m. Like other PPP projects, this project has faced affordability issues in the current economic climate and this, together with the Authority wishing to have clarity on the ownership of Trillium, has led to the bid process being suspended until early 2009.

## PPP

- Education

Our strategy of becoming a leading player in the BSF programme is now yielding tangible success. As referred to above, we successfully closed the Kent County Council BSF on 24 October, as well as the Inverclyde Schools PPP (in which we have a 25% stake).

We are one of two short-listed bidders for the Birmingham BSF project, where we are working in partnership with RM plc. The first phase covers three schools, with capital value of £80m, with a further seven schools and £120m construction anticipated in the subsequent phase. We have also identified target projects in the next two BSF waves.

- Other

We remain preferred bidder for Norfolk Waste Management Contract A through our partnership with Norfolk Environmental Waste Services and Cyril Sweett. Closure, in common with a number of other PPP projects, has been delayed by affordability issues. Financial close is expected in early 2009.

As part of the GSL Investment Partnership, Trillium remains a member of the preferred bidder consortium for the €470m Thornton Hall Prison PPP project in Ireland. Financial close is expected in the first half of 2009.

## Financial results

### Headline results

The Group's loss before tax was £1,737.2m, compared to a profit of £365.2m for the six months to 30 September 2007. The loss before tax includes the revaluation deficit on our investment properties of £1,769.1m (six months to 30 September 2007: £122.0m surplus). Revenue profit, our measure of underlying profit before tax, increased by 13.3% from £172.8m to £195.8m. Earnings per share decreased from 76.43p last year to a loss per share of 375.10p, with adjusted diluted earnings per share showing a 14.7% increase on the comparable period to 41.83p (six months to 30 September 2007: 36.46p).

The combined investment portfolio, which excludes Trillium, decreased in value from £13.6bn to £12.1bn on the back of a valuation deficit of £1,723.1m or 12.7%. Net assets per share decreased by 19.7% to 1660p from 2067p, with adjusted diluted net assets per share decreasing by 20.7% to 1552p (31 March 2008: 1956p).

### (Loss) / profit before tax

The main drivers of our loss before tax are the change in value of our investment portfolio (including any profits or losses on disposal of properties), our net rental income, the performance of our Trillium business, and the amount of interest we incurred. The degree to which movement on these and other items led to the reduction in our profit before tax from £365.2m last year to a loss of £1,737.2m this period, is explained in Table 4 below. During the current period, we took the decision to impair the goodwill associated with Trillium, resulting in an exceptional charge of £147.6m. A number of Trillium's new business prospects rely on the availability of long-term debt funding at reasonable cost. Given current credit markets, we have taken a more cautious view on the value of Trillium's discounted cashflows including new business with the result that we have impaired its goodwill.

**Table 4: Principal changes in profit / (loss) before tax and revenue profit**

	Profit / (loss) before tax £m	Revenue profit £m
Six months ended 30 September 2007	365.2	172.8
Valuation deficit	(1,891.1)	-
Goodwill impairment	(147.6)	-
Profit on disposal of non-current properties	(68.3)	-
Profit on sale of trading properties	(7.6)	-
Decrease in capitalised interest <sup>(1)</sup>	(3.1)	(3.1)
Amortisation of bond de-recognition <sup>(2)</sup>	(3.6)	-
Long-term development contract profits	0.7	-
Trillium operating profit (including joint ventures) <sup>(3)</sup>	2.8	2.8
Interest related to PPP investments <sup>(4)</sup>	18.9	18.9
Other Trillium interest <sup>(5)</sup>	(1.3)	(1.3)
Net rental and service charge income <sup>(6)</sup>	14.0	14.0
Indirect costs	(2.2)	(2.2)
Other interest <sup>(7)</sup>	(6.1)	(6.1)
Demerger costs <sup>(8)</sup>	(16.4)	-
Debt restructuring charges	1.3	-
Other	7.2	-
Six months ended 30 September 2008	(1,737.2)	195.8

Notes:

1. Lower development activity, with several developments completing since 1 October 2007 (New Street Square, Princesshay and Bankside 2&3).
2. The debt instruments issued as part of the refinancing in November 2004 do not meet the recognition requirements of IAS39 as they are not deemed to be substantially different from the debt they replaced. As a result, the book value of the new instruments is reduced to the book value of the debt it replaced and the difference is amortised over the life of the new instruments. The increase in amortisation over the comparable period is a reflection of the maturity profile of debt replaced.

3. Increase is mainly due to DWP (£14.3m) and Accor hotels (£2.8m) offset by higher bid costs. See Table 3 on page 16 for details.
4. Lower interest cost associated with ownership of PPP investments (on which no revenue is recognised) following the sale of a number of PPP assets to the Trillium Investment Partners fund in the second half of 2007/08.
5. Increased cost due to higher average capital employed, principally Accor hotels.
6. Increase in net rental and service charge income is largely driven by completed developments.
7. Other interest includes a full six months interest on the REIT conversion charge paid in July 2007 (£316.2m), which amounted to £4.3m.
8. All costs related to the proposed demerger were expensed in the six months and do not form part of the calculation of revenue profit.

## Revenue profit

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

Revenue profit for the six months increased by 13.3% from £172.8m to £195.8m, principally due to an increase in profit in Trillium.

In the six month period, there was an increase in revenue profit in London and Retail of £2.6m. Net rental income from our investment portfolio increased by £18.4m on the back of £4.4m of like-for-like rental income increases and £29.4m from our developments, including New Street Square, EC4, and Princesshay in Exeter. Offsetting the higher net rental income on our investment portfolio were higher interest costs as we ceased capitalising interest on completed developments as well as higher non-recoverable service charge costs arising from voids, in particular those related to properties being emptied in anticipation of redevelopment. At a Group level, interest costs were higher than the prior period as we had the full six months effect of the REIT conversion charge of £316.2m paid in July 2007.

At Trillium, operating profit was at a similar level to last year, while at the revenue profit level there has been an improvement of £20.4m, largely attributable to a reduction in interest on the PPP investments. These assets were refinanced and then sold in the second half of 2007/08 to Trillium Investment Partners, the fund in which we have a 10% interest. Since our PPP investments are generally accounted for as assets held for sale, we do not recognise any income from our ownership of them. Consequently, Trillium's revenue profit benefits from the interest saving from the release of capital when these assets are sold. Further information on the performance of Trillium can be found on page 16.

Further information on the change in revenue profit compared to the prior period is given in Table 4 and a reconciliation between profit before tax and revenue profit is shown in Table 5:

**Table 5: Reconciliation of profit before tax to revenue profit**

	Six months ended 30 September 2008 £m	Six months ended 30 September 2007 £m
(Loss) / profit before tax	(1,737.2)	365.2
Goodwill impairment	147.6	-
Valuation deficit / (surplus) – Group	1,562.7	(145.5)
– joint ventures	206.4	23.5
(Profits) / losses on non-current property disposals – Group	(1.5)	(79.0)
– joint ventures	(1.9)	7.3
Mark-to-market adjustment on interest rate swaps	(0.9)	4.2
Eliminate effect of bond exchange de-recognition	5.9	2.3
Debt restructuring (credits) / charges	(0.3)	1.0
Joint venture tax adjustment	0.9	3.0
Demerger costs	16.4	-
Profit on sale of trading properties – Group	(0.5)	-
– joint ventures	(0.1)	(8.2)
Long-term development contract profits	(1.7)	(1.0)
Revenue profit	195.8	172.8

**(Loss) / earnings per share**

The basic loss per share was 375.10p, compared to earnings per share of 76.43p in the comparative period, the change being predominantly due to the revaluation deficit on the investment property portfolio (407.65p per share).

In the same way that we adjust profit before tax to remove capital and one-off items to give revenue profit, we also report an adjusted earnings per share figure, for which the calculation is set out in note 7 to the financial statements. Adjusted diluted earnings per share increased from 36.46p per share for the six months ended 30 September 2007 to 41.83p per share in the current period, a 14.7% increase. The increase in adjusted earnings per share is largely attributable to the lower interest costs on Trillium's PPP business following the disposal of the majority of its PPP investments to the Trillium Investment Partners fund.

**Dividends**

We will be paying a second quarterly dividend of 16.5p per share on 12 January 2009 to shareholders on the Register on 5 December 2008. Taken together with the first quarterly dividend of 16.5p, paid on 24 October 2008, this makes a first half dividend of 33.0p per share (2007: 32.0p), which represents a 3.1% increase.

The first and second quarterly dividends comprise 90% and 100% Property Income Distribution (PID) from the REIT qualifying activities respectively. The PID element is subject to 20% withholding tax for relevant shareholders. The Company offers shareholders the option to participate in a Dividend Reinvestment Plan (DRIP). For further details, please refer to the Shareholder centre within the Investor section of our corporate website [www.landsecurities.com](http://www.landsecurities.com).

Table 6: Dividends

	Property income distribution (PID) pence	Non-property income distribution pence	Total pence
First quarterly dividend (paid on 24 October 2008)	14.85	1.65	16.50
Second quarterly dividend (payable on 12 January 2009)	16.50	-	16.50
Total	31.35	1.65	33.00

### Balance of business tests

REIT legislation specifies conditions in relation to the type of business a REIT may conduct, which the Group is required to meet in order to retain its REIT status. In summary, at least 75% of the Group's profits must be derived from REIT qualifying activities (the 75% profits test) and 75% of the Group's assets must be employed in REIT qualifying activities (the 75% assets test). Qualifying activities means our property rental business. The result of these tests for the Group for the six months ended 30 September 2008 and 30 September 2007, and at the balance sheet date, is as follows:

Table 7: REIT balance of business tests

	For the six months ended 30 September 2008 / as at 30 September 2008			For the six months ended 30 September 2007 / as at 30 September 2007			For the year ended 31 March 2008 / as at 31 March 2008		
	Tax-Exempt Business	Residual Business	Adjusted Results	Tax-Exempt Business	Residual Business	Adjusted Results	Tax-Exempt Business	Residual Business	Adjusted Results
Adjusted profit before tax (£m)	184.4	(5.4)	179.0	186.5	(12.0)	174.5	351.1	9.7	360.8
Balance of business – 75% profits test	103.0%	(3.0%)		106.9%	(6.9%)		97.3%	2.7%	
Adjusted total assets (£m)	13,163.6	1,444.7	14,608.3	16,189.5	2,308.1	18,497.6	14,766.8	1,962.9	16,729.7
Balance of business – 75% assets test	90.1%	9.9%		87.5%	12.5%		88.3%	11.7%	

### Net assets

At 30 September 2008, net assets per share were 1660p, a decrease of 407p over the six months since 31 March 2008.

In common with other property companies, we calculate an adjusted measure of net assets which we believe better reflects the underlying net assets attributable to shareholders. Our adjusted net assets are lower than our reported net assets primarily due to an adjustment to our debt. Under IFRS, we do not show our debt at its nominal value, although we believe it would be more appropriate to do so, and we therefore adjust our net assets accordingly. At 30 September 2008, adjusted diluted net assets per share were 1552p per share, a decrease of 404p or 20.7% from 31 March 2008.

Table 8 summarises the main differences between net assets and our adjusted measure together with the key movements over the periods.

**Table 8: Net assets**

	Six months ended 30 September 2008 £m	Six months ended 30 September 2007 £m	Year ended 31 March 2008 £m
Net assets at the beginning of the period	9,582.9	10,791.3	10,791.3
Adjusted earnings	194.3	170.8	381.0
Demerger costs	(16.4)	-	(6.9)
Revaluation (deficits) / surpluses on ongoing and completed development properties	(368.3)	182.1	(117.3)
Revaluation deficits on investment properties (excluding Trillium)	(1,354.8)	(51.3)	(1,162.3)
Revaluation deficits on Trillium investment properties	(46.0)	(8.8)	(24.9)
Profits on non-current asset disposals	3.4	71.7	67.8
Goodwill impairment	(147.6)	-	-
Interest charges not included in adjusted earnings	(4.7)	(7.5)	(31.9)
Prior year non-revenue tax adjustments	-	-	16.2
(Loss) / profit after tax	(1,740.1)	357.0	(878.3)
Profit on discontinued operations	14.7	10.0	47.5
Dividends paid	(148.8)	(159.5)	(308.4)
Other reserve movements	(4.6)	(75.8)	(69.2)
Net assets at the end of the period	7,704.1	10,923.0	9,582.9
Mark-to-market on interest rate hedges	12.3	(14.5)	12.7
Debt adjusted to nominal value	(505.6)	(516.8)	(511.5)
Adjusted net assets at the end of the period	7,210.8	10,391.7	9,084.1

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

### Cash flow, net debt and gearing

During the period, our cash receipts exceeded cash expenditure by £175.1m and, as a result, net debt decreased to £5,209.4m (31 March 2008: £5,384.5m). During the six months we invested £266.1m in our properties including £32.4m on investment property acquisitions and £212.2m on development. The development expenditure, which includes land acquisitions but excludes our share of joint ventures and capitalised interest, was spent principally on One New Change, EC4, 50 Queen Anne's Gate, SW1, in London and shopping centre developments in Livingston, and Leeds.

Cash receipts during the six months, including net cash receipts from our joint ventures and associates, totalled £510.6m. This included £212.5m from investment property disposals (including £9.7m of Trillium investment properties). A further £30.5m was received from the sale of Trillium's freehold operating properties. We also received a net £103.0m from the disposal of PPP assets to the Trillium Investment Partners fund.

We received a net £163.2m from our joint ventures and associates, of which £185.3m was achieved by the sale of the Empress State Building, SW6, to a 50:50 joint venture with Liberty International PLC, and its simultaneous refinancing. Our share of expenditure within the joint venture category includes £90.6m on developments, principally at Bristol and Cardiff, and £17.6m on acquisitions into the Harvest joint venture with Sainsbury's.

The factors contributing to the decrease in net debt of £175.1m are shown in Table 9 below:

**Table 9: Cash flow and net debt**

	Six months ended 30 September 2008 £m	Six months ended 30 September 2007 £m	Year ended 31 March 2008 £m
Operating cash inflow after interest and tax (excluding REIT conversion charge)	96.0	86.0	315.4
REIT conversion charge	-	(316.2)	(316.2)
Dividends paid	(148.8)	(159.5)	(308.4)
Investment property acquisitions	(32.4)	(552.7)	(722.6)
Trillium property acquisitions	(0.8)	(153.0)	(158.3)
Development and refurbishment capital expenditure	(212.2)	(318.9)	(530.3)
Investment in finance lease receivables (Norwich Union and DVLA)	(20.7)	(35.8)	(82.1)
Investment in properties	(266.1)	(1,060.4)	(1,493.3)
Acquisition of AMEC	-	-	(158.5)
Acquisition of PPPs	-	(67.0)	(152.7)
Other capital expenditure	(4.7)	(5.3)	(15.4)
Total capital expenditure	(270.8)	(1,132.7)	(1,819.9)
Disposals	243.0	830.0	1,080.7
Receipts from discontinued activities	103.0	25.3	424.9
Receipts from the disposal group	1.4	6.0	441.0
Joint ventures and associates	163.2	(29.8)	(0.2)
Purchase of share capital	-	(81.1)	(87.6)
Other movements	(11.9)	(4.5)	(26.3)
Decrease / (increase) in net debt	175.1	(776.5)	(296.6)
Opening net debt	(5,384.5)	(5,087.9)	(5,087.9)
Closing net debt	(5,209.4)	(5,864.4)	(5,384.5)

Although net debt has decreased, gearing increased principally due to the impact of falling property values on our equity. Details of the Group's gearing are set out in Table 10, which also shows the impact of joint venture debt, although the lenders to our joint ventures have no recourse to the Group for repayment. Adjusted gearing, which we believe to be the most appropriate measure, since it recognises the nominal value of our debt, increased over the six months from 64.9% to 79.3% (43.5% LTV equivalent). Adjusted gearing (including our share of joint ventures) increased from 67.7% to 84.4% (45.4% LTV equivalent).

**Table 10: Gearing**

£m	30 September 2008 %	31 March 2008 %
Gearing – on book value of balance sheet debt	67.6	56.2
Adjusted gearing *	79.3	64.9
Adjusted gearing * – as above plus notional share of joint venture debt	84.4	67.7

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

Our interest cover ratio, excluding our share of joint ventures, has increased from 1.93 times for the year ended 31 March 2008 to 2.14 times for the six months ended 30 September 2008. Under the rules of the REIT regime, we need to maintain an interest cover ratio in the exempt business of at least 1.25 times to avoid paying tax. As



calculated under the REIT regulations, our interest cover ratio for the exempt business for the six months to 30 September 2008 was approximately 2.37 times.

For more than a year now, liquidity in the investment property market has been impacted by the credit crisis. Throughout this period, we have maintained a close focus on our cash flows, the level of available credit facilities and the maturity of our debt. As a result, unutilised committed facilities of £873.6m at 30 September were higher than the position at the year end.

During the six months ended 30 September 2008, the Group has refinanced and extended its three existing committed bilateral facilities totalling £825.0m and established two new committed bilateral facilities totalling £65.0m. The facilities have expected maturities of July, August and September 2010. In May 2008 the Group entered into a five year £352.0m syndicated bank facility for the development of Leeds Trinity Quarter. With the exception of the loan notes (£106.4m), of which £105.1m has been repaid since 30 September, there are no bank facilities that mature prior to 31 March 2010. The average duration of the Group's debt is 10.7 years and weighted cost of debt is 5.4%.

The majority of Land Securities' borrowing is secured against a large pool of our assets (Security Group). At 30 September, £5,336.0m of our debt was secured against £9,993.3m of our assets, giving an LTV ratio of 53.4%. Our secured debt structure provides for different operating environments which apply in "tiers" determined by levels of LTV and Interest Cover Ratios (ICR), although it is LTV which is the more likely determinant of which operating environment applies. These ratios do not trigger an event of default until LTV exceeds 100% or projected ICR is less than 1.0 times. However, our operating environment becomes more restrictive at higher levels of LTV / lower levels of ICR. There are minimal operational restrictions on the Group in Tier 1 (LTV below 55%) and Tier 2 (LTV: 55% to 65%) although we are required to put in place progressively a liquidity facility as we move up Tier 2 and into initial Tier 3 (LTV: 65% to 80%). In Tier 3, our operating environment would be more restrictive with provisions designed to encourage a reduction in gearing including mandatory debt amortisation.

At 30 September 2008, we were in Tier 1 with a Security Group LTV of 53.4%, up from 50.5% at 31 March 2008. Despite the sharp decline in values in the six months, we were able to offset the expected rise in LTV by adding additional properties to the Security Group.

## Hedging

We use derivative products to manage our interest rate exposure, and have a hedging policy which requires at least 80% of our existing debt plus our net committed capital expenditure to be at fixed interest rates for the coming five years. Specific hedges are also used in geared joint ventures to fix the interest exposure on limited recourse debt. At 30 September 2008 we had £1,262.1m of active interest rate hedges in place, and our debt including joint ventures was 81% fixed. Consequently, based on debt levels at 30 September 2008, a 1% fall in LIBOR would decrease full year interest charges by approximately £11.4m.

## Taxation

As a consequence of the Group's conversion to REIT status, income and capital gains from our qualifying property rental business are now exempt from UK corporation tax. The tax charge for the period is £2.9m (six months ended 30 September 2007: £8.2m), representing tax payable on 'residual' trading and other taxable activities, the majority of which arose in Trillium.



## Risks and uncertainties

The operational risks facing the Group for the remaining months of the financial year are consistent with those outlined on pages 19, 22 and 23 of the Annual Report for the year ended 31 March 2008. The risks include property investment risk (primarily lower tenant demand and tenant failure), property development risk (failure to let developments), Trillium risks (failure to let vacated space and performance of service partners), and financial risks (unavailability of funds and exposure to prevailing market rates).

The impact of tenant failures would be to reduce cash inflow in the near-term. Failure to re-let empty units would have an adverse impact on valuation. Although retailers are currently experiencing a difficult trading environment the Group has not suffered any significant tenant failures. In general, the Group has a diversified tenant base, with the largest occupier being the Government (9.6% of income) with the next largest occupier accounting for only 2.7% of our income.

As noted above, the deterioration of markets has restricted the availability of credit and reduced the expectations for growth in the economy. Although credit is not as readily available as previously the Group had at 30 September 2008 unutilised committed facilities of £873.6m. None of these facilities expire in the next eighteen months.

The availability of credit at a reasonable margin to investors in commercial property is important in ensuring a properly functioning investment market, which in turn provides clear evidence of current values and provides liquidity to sellers.

The most significant effect of a failure by a financial counterparty to the Group would be that committed facilities would no longer be available. However, the Group's largest committed facility which expires in August 2013 is syndicated with 13 financial institutions. The Group has £2.8bn of interest rate hedges with a number of financial institutions. Although the nominal value of the hedges is large, the market value of the hedges is circa £10m.

If property valuations continue to decrease this would have an adverse impact on LTV ratios within the Security Group. As explained above, not until the ratio exceeds 65% do operational restrictions increase significantly. The value of investment properties within the Security Group would have to decline a further 18% for this to apply assuming no changes in debt levels. A liquidity facility or cash reserving is progressively required as LTVs move above 55%.

## Related party transactions

Transactions with related parties during the six months ended 30 September 2008 are disclosed in note 18. These transactions have not had a material impact on the financial position or the results of the Group.

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## Business Analysis

### Investment Portfolio

The investment properties in our Retail Portfolio and London Portfolio business units make up our Investment Portfolio. The Investment Portfolio includes a pro-rata share of our property joint ventures, but excludes investment properties within our property outsourcing business, Trillium.

The market value of the investment property interests in the Investment Portfolio totalled £12,117.9m at 30 September 2008 (31 March 2008: £13,586.7m). The aggregate of the market values of those investment properties held by the Group, excluding joint ventures and Trillium, as at 30 September 2008 was £10,531.0m (31 March 2008: £11,996.8m).

The valuation of the freehold and leasehold investment properties in the Investment Portfolio at 30 September 2008 was undertaken by Knight Frank LLP as External Valuer. The valuations were in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards and the International Valuation Standards. The valuation of each property was on the basis of market value, subject to the assumptions that investment properties would be sold subject to any existing leases and that properties held for development would be sold with vacant possession in existing condition. The External Valuer's opinion of market value was primarily derived using recent comparable market transactions on arm's length terms.

There follows a number of tables which give further detail of the underlying performance of the combined portfolio:

**Table 11: Top 12 property holdings**

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Total value £4.0bn (32.9% of combined portfolio) Values in excess of £230m
Cardinal Place, SW1
New Street Square, EC4
50 Queen Anne's Gate, SW1
White Rose Centre, Leeds
Bristol city centre
Princesshay, Exeter
Bullring, Birmingham
Almondvale Centre, Livingston
Portland House, SW1
Bankside 2&3, SE1
Gunwharf Quays, Portsmouth
Park House, W1

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**Table 12: Top 12 occupiers**

	Current gross rent roll %
Central Government	9.6
Royal Bank of Scotland	2.7
Deloitte	2.3
Metropolitan Police Authority	1.9
Arcadia Group	1.7
Boots	1.4
DSG	1.4
Mellon Bank	1.3
Marks & Spencer	1.2
J Sainsbury	1.2
Argos and Homebase	1.1
Eversheds	1.1
<b>Total</b>	<b>26.9</b>

Includes share of joint venture properties.

**Table 13: % Portfolio by value and number of property holdings at 30 September 2008**

£m	Value %	Number of properties
0 – 9.99	1.7	64
10 – 24.99	4.1	30
25 – 49.99	11.3	36
50 – 99.99	15.4	27
100 – 149.99	14.5	15
150 – 199.99	13.0	9
200 +	40.0	16
<b>Total</b>	<b>100.0</b>	<b>197</b>

Includes share of joint venture properties.

Table 14: Combined portfolio value by location

	Shopping centres and shops %	Retail warehouses %	Offices %	Other %	Total %
Central inner and outer London	8.5	0.6	47.3	1.6	58.0
South East and Eastern	5.9	3.0	-	0.6	9.5
Midlands	3.3	1.5	-	-	4.8
Wales and South West	6.9	1.2	0.1	-	8.2
North, North West, Yorkshire and Humberside	7.8	5.3	0.2	0.3	13.6
Scotland and Northern Ireland	3.8	1.4	-	0.7	5.9
Total	36.2	13.0	47.6	3.2	100.0

% figures calculated by reference to the combined portfolio value of £12.1bn.

Table 15: Average rents at 30 September 2008

	Average rent £/sq m	Average ERV £/sq m
<b>Retail</b>		
Shopping centres and shops	N/A	N/A
Retail warehouses (including supermarkets)	200	214
<b>Offices</b>		
London office portfolio	347	385

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 16: Like-for-like reversionary potential at 30 September 2008

	30 September 2008 % of rent roll	31 March 2008 % of rent roll
Reversionary potential		
Gross reversions	12.1	15.6
Over-rented	(1.6)	(1.1)
Net reversionary potential	10.5	14.5

The reversion is calculated with reference to the gross secure rent roll after the expiry of rent free periods on those properties which fall under the like-for-like definition as set out in the notes to the combined portfolio analysis. Reversionary potential excludes additional income from the letting of voids. Of the over-rented income, £3.5m is subject to a lease expiry or break clause in the next five years.

Table 17: One year performance relative to IPD

#### Ungeared total returns – period to 30 September 2008

	Land Securities % pa	IPD % pa
Retail – Shopping centres	(10.4)	(7.9)
Retail warehouses	(12.9)	(8.3)
Central London offices*	(10.2)	(9.8)
Total portfolio	(9.8)	(7.6)

IPD Quarterly Universe

\*Central London defined as West End, City, Mid-town and Inner London regions.

Table 18: Combined portfolio analysis

## The like-for-like-portfolio

	30 Sept 2008 £m	Open market value <sup>(7)</sup> 31 March 2008 £m	30 Sept 2007 £m	Valuation surplus / (deficit) £m	Valuation surplus / (deficit) %	30 Sept 2008 £m	Gross rental income 31 March 2008 £m	30 Sept 2007 £m	Annual net rent <sup>(8)</sup> 30 Sept 2008 £m	31 March 2008 £m	Annual estimated rental value <sup>(9)</sup> 30 Sept 2008 £m	31 March 2008 £m
<b>Shopping centres and shops</b>												
Shopping centres	2,522.7	2,935.9	3,189.2	(436.3)	(14.9)	94.4	98.0	92.7	173.4	171.7	191.3	193.7
Central London shops	703.6	716.9	708.1	(16.8)	(2.3)	16.8	16.3	16.2	34.0	31.5	41.2	39.9
Other in-town shops	186.8	206.1	219.1	(19.8)	(9.6)	5.8	6.4	5.9	10.8	10.6	13.5	13.2
<b>Total</b>	<b>3,413.1</b>	<b>3,858.9</b>	<b>4,116.4</b>	<b>(472.9)</b>	<b>(12.3)</b>	<b>117.0</b>	<b>120.7</b>	<b>114.8</b>	<b>218.2</b>	<b>213.8</b>	<b>246.0</b>	<b>246.8</b>
<b>Retail warehouses</b>												
Retail parks	1,240.2	1,436.5	1,634.6	(209.6)	(14.6)	37.7	37.1	35.3	73.8	73.7	82.9	83.5
Other	178.4	199.0	221.4	(21.9)	(12.3)	5.5	6.0	5.5	11.5	12.0	13.5	13.7
<b>Total</b>	<b>1,418.6</b>	<b>1,635.5</b>	<b>1,856.0</b>	<b>(231.5)</b>	<b>(14.3)</b>	<b>43.2</b>	<b>43.1</b>	<b>40.8</b>	<b>85.3</b>	<b>85.7</b>	<b>96.4</b>	<b>97.2</b>
<b>Total retail</b>	<b>4,831.7</b>	<b>5,494.4</b>	<b>5,972.4</b>	<b>(704.4)</b>	<b>(12.9)</b>	<b>160.2</b>	<b>163.8</b>	<b>155.6</b>	<b>303.5</b>	<b>299.5</b>	<b>342.4</b>	<b>344.0</b>
<b>London offices</b>												
West End	1,546.3	1,730.3	1,889.1	(185.7)	(10.8)	47.5	48.4	47.1	93.0	92.6	110.8	118.2
City	646.4	797.9	975.6	(163.3)	(20.2)	18.6	18.7	17.8	36.1	36.2	38.1	39.5
Mid-town	590.7	708.2	811.9	(110.7)	(17.3)	17.7	20.7	19.8	32.6	42.0	51.2	52.5
Inner London	263.6	289.3	315.7	(25.9)	(9.0)	8.4	7.8	8.0	16.7	16.2	19.8	18.8
<b>Total London offices</b>	<b>3,047.0</b>	<b>3,525.7</b>	<b>3,992.3</b>	<b>(485.6)</b>	<b>(14.0)</b>	<b>92.2</b>	<b>95.6</b>	<b>92.7</b>	<b>178.4</b>	<b>187.0</b>	<b>219.9</b>	<b>229.0</b>
Rest of UK	56.8	67.1	66.6	(10.1)	(15.0)	0.7	0.7	0.7	1.8	1.9	2.3	2.2
<b>Total offices</b>	<b>3,103.8</b>	<b>3,592.8</b>	<b>4,058.9</b>	<b>(495.7)</b>	<b>(14.0)</b>	<b>92.9</b>	<b>96.3</b>	<b>93.4</b>	<b>180.2</b>	<b>188.9</b>	<b>222.2</b>	<b>231.2</b>
<b>Other</b>	<b>346.8</b>	<b>392.3</b>	<b>429.0</b>	<b>(44.0)</b>	<b>(11.4)</b>	<b>9.0</b>	<b>8.8</b>	<b>8.7</b>	<b>21.5</b>	<b>21.2</b>	<b>23.9</b>	<b>23.2</b>
<b>Like-for-like portfolio<sup>2</sup></b>	<b>8,282.3</b>	<b>9,479.5</b>	<b>10,460.3</b>	<b>(1,244.1)</b>	<b>(13.3)</b>	<b>262.1</b>	<b>268.9</b>	<b>257.7</b>	<b>505.2</b>	<b>509.6</b>	<b>588.5</b>	<b>598.4</b>
<b>Completed developments<sup>3</sup></b>	<b>1,649.2</b>	<b>1,809.5</b>	<b>1,829.4</b>	<b>(182.9)</b>	<b>(10.3)</b>	<b>48.9</b>	<b>40.8</b>	<b>19.5</b>	<b>78.1</b>	<b>59.5</b>	<b>101.6</b>	<b>103.3</b>
<b>Total</b>	<b>9,931.5</b>	<b>11,289.0</b>	<b>12,289.7</b>	<b>(1,427.0)</b>	<b>(12.8)</b>	<b>311.0</b>	<b>309.7</b>	<b>277.2</b>	<b>583.3</b>	<b>569.1</b>	<b>690.1</b>	<b>701.7</b>
Acquisitions <sup>4</sup>	593.4	484.2	230.9	(110.7)	(15.6)	18.0	15.0	4.0	36.1	26.8	51.1	39.5
Sales and restructured interests <sup>5</sup>	-	280.0	1,124.3	-	-	4.8	19.9	39.8	-	16.2	-	19.4
Total development programme <sup>6</sup>	1,593.0	1,533.5	1,398.3	(185.4)	(10.6)	13.3	14.1	7.8	16.9	9.5	157.8	138.8
<b>Combined portfolio</b>	<b>12,117.9</b>	<b>13,586.7</b>	<b>15,043.2</b>	<b>(1,723.1)</b>	<b>(12.7)</b>	<b>347.1</b>	<b>358.7</b>	<b>328.8</b>	<b>636.3</b>	<b>621.6</b>	<b>899.0</b>	<b>899.4</b>
Properties treated as finance leases						(5.5)	(5.8)	(5.5)				
<b>Combined portfolio as stated in the income statement</b>						<b>341.6</b>	<b>352.9</b>	<b>323.3</b>				

## Total portfolio analysis

<b>Shopping centres and shops</b>												
Shopping centres	3,311.7	3,731.7	3,919.1	(575.3)	(14.9)	102.5	109.8	103.5	193.3	184.8	259.2	240.9
Central London shops	1,084.8	1,060.8	1,267.3	(9.8)	(0.9)	21.6	23.5	24.4	44.3	41.5	77.0	73.8
Other in-town shops	246.5	256.7	278.7	(29.7)	(10.6)	9.3	7.7	8.6	16.3	13.0	20.0	18.4
<b>Total</b>	<b>4,643.0</b>	<b>5,049.2</b>	<b>5,465.1</b>	<b>(614.8)</b>	<b>(11.8)</b>	<b>133.4</b>	<b>141.0</b>	<b>136.5</b>	<b>253.9</b>	<b>239.3</b>	<b>356.2</b>	<b>333.1</b>
<b>Retail warehouses</b>												
Retail parks	1,329.7	1,554.9	1,769.7	(247.3)	(15.8)	39.5	39.2	36.7	76.5	77.2	88.4	89.8
Other	244.7	248.9	357.7	(23.2)	(9.4)	8.5	11.0	9.3	16.7	17.1	19.5	18.8
<b>Total</b>	<b>1,574.4</b>	<b>1,803.8</b>	<b>2,127.4</b>	<b>(270.5)</b>	<b>(15.0)</b>	<b>48.0</b>	<b>50.2</b>	<b>46.0</b>	<b>93.2</b>	<b>94.3</b>	<b>107.9</b>	<b>108.6</b>
<b>Total retail</b>	<b>6,217.4</b>	<b>6,853.0</b>	<b>7,592.5</b>	<b>(885.3)</b>	<b>(12.6)</b>	<b>181.4</b>	<b>191.2</b>	<b>182.5</b>	<b>347.1</b>	<b>333.6</b>	<b>464.1</b>	<b>441.7</b>
<b>London offices</b>												
West End	2,512.4	2,745.6	2,889.4	(279.3)	(10.2)	70.9	65.9	62.2	140.8	124.1	179.1	186.4
City	1,008.6	1,155.5	1,439.3	(208.1)	(17.3)	27.3	27.7	24.9	50.9	50.9	84.3	86.2
Mid-town	1,104.0	1,272.0	1,398.9	(188.5)	(15.7)	29.7	30.1	22.6	42.5	50.4	84.4	88.9
Inner London	763.4	950.9	1,131.7	(103.6)	(12.2)	26.1	28.6	22.4	29.4	35.1	58.5	65.5
<b>Total London offices</b>	<b>5,388.4</b>	<b>6,124.0</b>	<b>6,859.3</b>	<b>(779.5)</b>	<b>(13.0)</b>	<b>154.0</b>	<b>152.3</b>	<b>132.1</b>	<b>263.6</b>	<b>260.5</b>	<b>406.3</b>	<b>427.0</b>
Rest of UK	68.1	78.5	81.9	(11.1)	(13.4)	0.7	1.1	1.1	1.8	2.3	2.4	2.8
<b>Total offices</b>	<b>5,456.5</b>	<b>6,202.5</b>	<b>6,941.2</b>	<b>(790.6)</b>	<b>(13.0)</b>	<b>154.7</b>	<b>153.4</b>	<b>133.2</b>	<b>265.4</b>	<b>262.8</b>	<b>408.7</b>	<b>429.8</b>
<b>Other</b>	<b>444.0</b>	<b>531.2</b>	<b>509.5</b>	<b>(47.2)</b>	<b>(9.7)</b>	<b>11.0</b>	<b>14.1</b>	<b>13.1</b>	<b>23.8</b>	<b>25.2</b>	<b>26.2</b>	<b>27.9</b>
<b>Combined portfolio</b>	<b>12,117.9</b>	<b>13,586.7</b>	<b>15,043.2</b>	<b>(1,723.1)</b>	<b>(12.7)</b>	<b>347.1</b>	<b>358.7</b>	<b>328.8</b>	<b>636.3</b>	<b>621.6</b>	<b>899.0</b>	<b>899.4</b>
Properties treated as finance leases						(5.5)	(5.8)	(5.5)				
<b>Combined portfolio as stated in the income statement</b>						<b>341.6</b>	<b>352.9</b>	<b>323.3</b>				
<b>Represented by:</b>												
Investment portfolio	10,531.0	11,996.8	13,550.1	(1,516.7)	(12.9)	313.8	325.0	296.4	542.4	541.7	750.3	768.7
Share of joint ventures	1,586.9	1,589.9	1,493.1	(206.4)	(11.6)	33.3	33.7	32.4	93.9	79.9	148.7	130.7
<b>Combined portfolio</b>	<b>12,117.9</b>	<b>13,586.7</b>	<b>15,043.2</b>	<b>(1,723.1)</b>	<b>(12.7)</b>	<b>347.1</b>	<b>358.7</b>	<b>328.8</b>	<b>636.3</b>	<b>621.6</b>	<b>899.0</b>	<b>899.4</b>

Table 18: Combined portfolio analysis continued

## The like-for-like portfolio

	Gross income yield <sup>(10)</sup>		Equivalent yield <sup>(11)</sup>		Annual gross estimated rental value <sup>(12)</sup>			Voids (by ERV) <sup>(13)</sup>			Lease length at 30 September 2008 <sup>(14)</sup>	
	30 Sept 2008	31 March 2008	30 Sept 2008	31 March 2008	30 Sept 2008	31 March 2008	30 Sept 2007	30 Sept 2008	31 March 2008	30 Sept 2007	Median years (i)	Mean years (ii)
	%	%	%	%	£m	£m	£m	%	%	%		
<b>Shopping centres and shops</b>												
Shopping centres	6.9	5.8	6.5	5.7	201.6	204.4	202.5	5.7	4.7	4.8	7.2	8.1
Central London shops	4.8	4.4	5.2	5.0	41.5	40.1	38.0	4.8	8.5	5.3	5.3	6.5
Other in-town shops	5.8	5.1	6.3	5.6	14.2	13.9	13.5	8.3	9.8	6.1	7.5	8.8
<b>Total</b>	<b>6.4</b>	<b>5.5</b>	<b>6.2</b>	<b>5.5</b>	<b>257.3</b>	<b>258.4</b>	<b>254.0</b>	<b>5.7</b>	<b>5.6</b>	<b>4.9</b>	<b>6.9</b>	<b>7.8</b>
<b>Retail warehouses</b>												
Retail parks	6.0	5.1	6.4	5.5	83.5	84.3	82.7	1.1	2.2	2.4	12.0	11.3
Other	6.4	6.0	5.9	5.4	13.6	13.8	13.2	-	4.8	5.0	14.3	17.9
<b>Total</b>	<b>6.0</b>	<b>5.2</b>	<b>6.3</b>	<b>5.5</b>	<b>97.1</b>	<b>98.1</b>	<b>95.9</b>	<b>1.0</b>	<b>2.6</b>	<b>2.8</b>	<b>12.7</b>	<b>12.2</b>
<b>Total retail</b>	<b>6.3</b>	<b>5.5</b>	<b>6.2</b>	<b>5.5</b>	<b>354.4</b>	<b>356.5</b>	<b>349.9</b>	<b>4.4</b>	<b>4.7</b>	<b>4.3</b>	<b>8.5</b>	<b>9.1</b>
<b>London offices</b>												
West End	6.0	5.4	6.5	5.9	111.4	118.7	109.8	5.5	1.3	1.2	4.4	8.2
City	5.6	4.5	6.9	6.3	40.2	41.6	47.2	3.4	3.3	18.4	2.8	4.2
Mid-town	5.5	5.9	7.4	6.2	51.7	53.0	51.4	27.3	6.5	6.5	6.3	9.3
Inner London	6.3	5.6	7.1	6.1	19.8	18.8	18.0	0.9	1.5	1.2	6.0	6.2
<b>Total London offices</b>	<b>5.9</b>	<b>5.3</b>	<b>6.8</b>	<b>6.1</b>	<b>223.1</b>	<b>232.1</b>	<b>226.4</b>	<b>9.7</b>	<b>2.9</b>	<b>6.0</b>	<b>4.6</b>	<b>7.4</b>
Rest of UK	3.2	2.8	8.0	6.9	2.4	2.3	2.3	18.7	11.8	8.5	3.4	2.6
<b>Total offices</b>	<b>5.8</b>	<b>5.3</b>	<b>6.8</b>	<b>6.1</b>	<b>225.5</b>	<b>234.4</b>	<b>228.7</b>	<b>9.8</b>	<b>3.0</b>	<b>6.0</b>	<b>4.6</b>	<b>7.4</b>
<b>Other</b>	<b>6.2</b>	<b>5.4</b>	<b>6.7</b>	<b>6.2</b>	<b>24.0</b>	<b>23.2</b>	<b>23.2</b>	<b>1.5</b>	<b>1.7</b>	<b>1.9</b>	<b>4.6</b>	<b>11.2</b>
<b>Like-for-like portfolio<sup>2</sup></b>	<b>6.1</b>	<b>5.4</b>	<b>6.5</b>	<b>5.8</b>	<b>603.9</b>	<b>614.1</b>	<b>601.8</b>	<b>6.3</b>	<b>3.9</b>	<b>4.9</b>	<b>6.7</b>	<b>8.6</b>
<b>Completed developments<sup>3</sup></b>	<b>4.7</b>	<b>3.3</b>	<b>6.1</b>	<b>5.6</b>	<b>102.5</b>	<b>104.3</b>	<b>99.7</b>	<b>1.3</b>	<b>2.5</b>	<b>6.7</b>	<b>14.0</b>	<b>13.5</b>
<b>Total</b>	<b>5.9</b>	<b>5.0</b>	<b>6.4</b>	<b>5.7</b>	<b>706.4</b>	<b>718.4</b>	<b>701.5</b>	<b>5.6</b>	<b>3.7</b>	<b>5.2</b>	<b>8.0</b>	<b>9.4</b>
Acquisitions <sup>4</sup>	6.1	5.5	6.6	5.8	51.6	39.8	22.8	14.1	10.5	15.6	11.4	10.8
Sales and restructured interests <sup>5</sup>	-	-	-	-	-	19.5	64.1	n/a	n/a	n/a	n/a	n/a
Total development programme <sup>6</sup>	1.1	0.6	5.8	5.4	158.8	139.5	147.5	n/a	n/a	n/a	n/a	n/a
<b>Combined portfolio</b>	<b>5.3</b>	<b>4.6</b>	<b>6.4</b>	<b>5.7</b>	<b>916.8</b>	<b>917.2</b>	<b>935.9</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>

## Total portfolio analysis

	Gross income yield <sup>(10)</sup>		Equivalent yield <sup>(11)</sup>		Notes	
	30 Sept 2008	31 March 2008	30 Sept 2008	31 March 2008		
	%	%	%	%		
<b>Shopping centres and shops</b>						
Shopping centres	5.8	5.0	6.4	5.6	1. The valuation surplus and rental income are stated after adjusting for the effect of SIC 15 under IFRS, but before restating for finance leases.	8. Annual net rent is annual cash rents in payment at 30 September 2008 after deduction of ground rents. It excludes the value of voids and current rent free periods.
Central London shops	4.1	3.9	5.2	5.0	2. The like-for-like portfolio includes all properties which have been in the portfolio since 1 April 2007 but excluding those which were acquired, sold or included in the development programme at any time during that period. Capital expenditure on refurbishments, acquisitions of headleases and similar capital expenditure has been allocated to the like-for-like portfolio in preparing this table. Changes in valuation from period-to-period reflect this capital expenditure as well as the disclosed valuation surpluses.	9. Annual net estimated rental value includes vacant space, rent frees and future estimated rental values for properties in the development programme and is calculated after deducting expected ground rents.
Other in-town shops	6.6	5.1	6.2	5.5	3. Completed developments represent those properties previously included in the development programme, which have been completed, let and removed from the development programme since 1 April 2007.	10. The gross income yield represents the annual cash net rent expressed as a percentage of the market value ignoring costs of purchase or sale.
<b>Total</b>	<b>5.5</b>	<b>4.7</b>	<b>6.1</b>	<b>5.5</b>	4. Includes all properties acquired in the period since 1 April 2007.	11. The net nominal equivalent yield has been calculated on the gross outlays for a purchase of the property (including purchase costs) and assuming that rent is received annually in arrears.
<b>Retail warehouses</b>					5. Includes all properties sold (other than directly out of the development programme), or where the ownership interest has been restructured, in the period since 1 April 2007.	12. Annual gross estimated rental value is calculated in the same way as net estimated rental value before the deduction of ground rents.
Retail parks	5.8	5.0	6.4	5.6	6. Ongoing developments are properties in the development programme and Kent Thameside. They exclude completed developments as defined in note 3 above.	13. Voids represent all unlet space in the properties, including voids where refurbishment work is being carried out and voids in respect of pre-development properties. Voids are calculated based on their gross estimated rental value as defined in 12 above.
Other	6.8	6.9	5.9	5.4	7. The open market value figures include the Group's share of the various joint ventures but exclude properties owned by Trillium.	14. The definition for the figures in each column is: Median is the number of years until half of income is subject to lease expiry/break clauses. Mean is the rent-weighted average remaining term on leases subject to lease expiry/break clauses.
<b>Total</b>	<b>5.9</b>	<b>5.2</b>	<b>6.4</b>	<b>5.5</b>		
<b>Total retail</b>	<b>5.6</b>	<b>4.9</b>	<b>6.2</b>	<b>5.5</b>		
<b>London offices</b>						
West End	5.6	4.5	6.4	5.9		
City	5.0	4.4	6.8	6.2		
Mid-town	3.8	4.0	6.6	5.8		
Inner London	3.9	3.7	6.7	6.0		
<b>Total London offices</b>	<b>4.9</b>	<b>4.3</b>	<b>6.6</b>	<b>5.9</b>		
Rest of UK	2.6	2.9	8.0	7.0		
<b>Total offices</b>	<b>4.9</b>	<b>4.2</b>	<b>6.6</b>	<b>6.0</b>		
<b>Other</b>	<b>5.4</b>	<b>4.7</b>	<b>7.0</b>	<b>6.0</b>		
<b>Combined portfolio</b>	<b>5.3</b>	<b>4.6</b>	<b>6.4</b>	<b>5.7</b>		
<b>Represented by:</b>						
Investment portfolio	5.2	4.5	6.4	5.8		
Share of joint ventures	5.9	5.0	6.0	5.4		
<b>Combined portfolio</b>	<b>5.3</b>	<b>4.6</b>	<b>6.4</b>	<b>5.7</b>		

Table 19: Income statement – gross rental income reconciliation

	Retail Portfolio £m	London Portfolio £m	Other £m	Six months ended 30 September 2008 £m	Retail Portfolio £m	London Portfolio £m	Other £m	Six months ended 31 March 2008 £m	Retail Portfolio £m	London Portfolio £m	Other £m	Six months ended 30 September 2007 £m
Combined portfolio (per Table 18)	181.4	154.0	11.7	347.1	191.2	152.3	15.2	358.7	182.5	132.1	14.2	328.8
Central London shops (excluding Metro Shopping Fund LP)	(20.3)	20.3	-	-	(22.1)	22.1	-	-	(23.2)	23.2	-	-
Inner London offices in Metro Shopping Fund LP	0.4	(0.4)	-	-	0.4	(0.4)	-	-	0.4	(0.4)	-	-
Rest of UK offices	0.7	-	(0.7)	-	1.1	-	(1.1)	-	1.1	-	(1.1)	-
Allocation of other	6.0	5.0	(11.0)	-	6.0	8.1	(14.1)	-	5.4	7.7	(13.1)	-
	168.2	178.9	-	347.1	176.6	182.1	-	358.7	166.2	162.6	-	328.8
Less finance lease adjustment	(1.7)	(3.8)	-	(5.5)	(1.6)	(4.2)	-	(5.8)	(1.7)	(3.8)	-	(5.5)
Total rental income per financial statements	166.5	175.1	-	341.6	175.0	177.9	-	352.9	164.5	158.8	-	323.3

Table 20: Open market value reconciliation

	Retail Portfolio £m	London Portfolio £m	Other £m	Six months ended 30 September 2008 £m	Retail Portfolio £m	London Portfolio £m	Other £m	Six months ended 31 March 2008 £m	Retail Portfolio £m	London Portfolio £m	Other £m	Six months ended 30 September 2007 £m
Combined portfolio (per Table 18)	6,217.4	5,388.4	512.1	12,117.9	6,853.0	6,124.0	609.7	13,586.7	7,592.5	6,859.3	591.4	15,043.2
Central London shops (excluding Metro Shopping Fund LP)	(1,037.2)	1,037.2	-	-	(1,009.8)	1,009.8	-	-	(1,213.9)	1,213.9	-	-
Inner London offices in Metro Shopping Fund LP	15.3	(15.3)	-	-	18.0	(18.0)	-	-	15.9	(15.9)	-	-
Rest of UK offices	68.1	-	(68.1)	-	78.5	-	(78.5)	-	81.9	-	(81.9)	-
Allocation of other	259.1	184.9	(444.0)	-	295.9	235.3	(531.2)	-	306.7	202.8	(509.5)	-
Per segments	5,522.7	6,595.2	-	12,117.9	6,235.6	7,351.1	-	13,586.7	6,783.1	8,260.1	-	15,043.2



Table 21: Gross estimated rental value reconciliation

	Retail Portfolio £m	London Portfolio £m	Other £m	Six months ended 30 September 2008 £m	Retail Portfolio £m	London Portfolio £m	Other £m	Six months ended 31 March 2008 £m	Retail Portfolio £m	London Portfolio £m	Other £m	Six months ended 30 September 2007 £m
Combined portfolio (per Table 18)	481.7	405.0	30.1	916.8	455.1	431.2	30.9	917.2	461.9	442.5	31.5	935.9
Central London shops (excluding Metro Shopping Fund LP)	(79.8)	79.8	-	-	(70.9)	70.9	-	-	(62.9)	62.9	-	-
Inner London offices in Metro Shopping Fund LP	1.0	(1.0)	-	-	1.0	(1.0)	-	-	1.0	(1.0)	-	-
Rest of UK offices	3.7	-	(3.7)	-	2.9	-	(2.9)	-	3.6	-	(3.6)	-
Allocation of other	16.7	9.7	(26.4)	-	16.8	11.2	(28.0)	-	17.1	10.8	(27.9)	-
Per segments	423.3	493.5	-	916.8	404.9	512.3	-	917.2	420.7	515.2	-	935.9

Table 22: Development pipeline financial summary

Cumulative movements on the development programme to 30 September 2008							Total scheme details				Valuation surplus / (deficit) for six months ended 30 September 2008 <sup>(1)</sup>
Market value at start of scheme £m	Capital expenditure incurred to date £m	Capitalised interest to date £m	Revaluation surplus / (deficit) to date <sup>(1)</sup> £m	Disposals, SIC15 rent and other adjustments £m	Market value at 30 September 2008 £m		Estimated total capital expenditure <sup>(4)</sup> £m	Estimated total capitalised interest £m	Estimated total cost excluding residential <sup>(2)</sup> £m	Net Income / ERV <sup>(3)</sup> £m	
<b>Development programme transferred or sold</b>											
London Portfolio	16	159	11	70	1	257	159	11	186	17	(10)
<b>Development programme completed, approved or in progress</b>											
Shopping centres and shops	52	530	34	(103)	1	514	713	47	775	47	(78)
Retail warehouses	12	2	-	(4)	-	10	7	-	19	1	(2)
London Portfolio	442	505	44	27	51	1,069	995	100	1,428	105	(106)
	506	1,037	78	(80)	52	1,593	1,715	147	2,222	153	(186)
<b>Movement on proposed developments for the six months ended 30 September 2008</b>											
<b>Proposed developments</b>											
Shopping centres and shops	207	15	5	(69)	(3)	155	250	35	440	30	(69)
Retail warehouses	6	-	-	(2)	-	4	4	-	8	1	(2)
London Portfolio	427	8	1	(114)	-	322	1,199	155	1,286	97	(114)
	640	23	6	(185)	(3)	481	1,453	190	1,734	128	(185)

## Notes:

1. Includes profit realised on the disposal of property.
2. Includes the property at the market valuation at the start of the financial year in which the property was added to the Development Programme together with estimated capitalised interest. For Proposed Development properties, the market value of the property at 30 September 2008 is included in the estimated total cost. Estimated total cost is stated net of the cost of residential properties for Shopping Centres and shops of £37m for developments in progress. The London Portfolio developments in progress and proposed developments are stated net of the cost of residential properties of £109m and £390m respectively. Allowances for rent free periods are excluded from cost.
3. Net headline annual rental payable on let units plus net ERV at 30 September 2008 on unlet units.
4. For Proposed Development properties the estimated total capital expenditure represents the outstanding costs required to complete the scheme as at 30 September 2008 together with pre-development costs incurred prior to that date if the benefit of that expenditure has been excluded from the valuation as at 30 September 2008. Such pre-development costs are included in the accounts as prepayments and are not included in the property additions.

## Trillium

Table 23: Trillium contract analysis

Six months ended 30 September 2008									
Contract	DWP	Norwich Union	DVLA	Barclays <sup>(1)</sup>	Telereal II	Royal Mail <sup>(2)</sup>	Accor <sup>(3)</sup>	Other <sup>(4)</sup>	Total
Contract length term (years)	20.0	25.0	20.0	20.0	4.5	15.0	84.0		
Expiry date	Mar 2018	Jun 2029	Mar 2025	Dec 2024	Mar 2010	Mar 2022	Mar 2091		
<b>Income statement</b>	£m	£m	£m	£m	£m	£m	£m	£m	£m
Unitary charge	254.3	7.7	5.4	0.2	-	1.9	14.8	4.4	288.7
Third party (sublet) income	7.0	0.4	-	0.8	-	1.5	-	1.6	11.3
Capital projects	16.7	0.2	3.6	-	-	-	-	2.6	23.1
Other revenue	16.0	0.5	0.7	-	21.0	-	-	3.0	41.2
Finance lease income	-	4.4	2.2	-	-	-	-	0.1	6.7
<b>Gross property income</b>	294.0	13.2	11.9	1.0	21.0	3.4	14.8	11.7	371.0
Rents payable	(84.4)	(2.1)	(1.0)	-	-	-	-	(0.1)	(87.6)
Service partners (maintenance, facilities, etc)	(68.8)	(1.8)	(2.7)	-	-	(0.1)	-	(0.5)	(73.9)
Life cycle maintenance costs	(8.2)	(0.9)	(0.2)	-	-	-	(0.1)	-	(9.4)
Capital projects	(15.8)	(0.2)	(3.3)	-	-	-	-	(2.1)	(21.4)
Other costs, including overheads	(41.7)	(1.1)	(1.8)	-	(14.5)	(5.9)	(0.3)	(24.0)	(89.3)
Bid costs	-	-	-	-	-	-	-	(11.8)	(11.8)
Depreciation	(15.9)	(0.5)	-	-	-	-	-	(0.2)	(16.6)
<b>Underlying operating profit / (loss)</b>	59.2	6.6	2.9	1.0	6.5	(2.6)	14.4	(27.0)	61.0
Profit / (loss) on disposal of non-current assets	3.1	-	-	-	-	-	-	(0.9)	2.2
Goodwill impairment	-	-	-	-	-	-	-	(147.6)	(147.6)
Net (deficit) / surplus on revaluation of investment properties	-	-	-	(3.0)	-	(11.4)	(34.6)	3.0	(46.0)
<b>Segment profit / (loss)</b>	62.3	6.6	2.9	(2.0)	6.5	(14.0)	(20.2)	(172.5)	(130.4)
<b>Capital expenditure</b>									
Life cycle maintenance costs capitalised	(3.8)	-	-	-	-	-	(0.1)	-	(3.9)
Estates costs capitalised	(6.5)	-	-	-	-	-	-	(0.2)	(6.7)
<b>Book value of assets at 30 September 2008</b>									
Investment in associates	-	-	-	-	-	-	-	55.2	55.2
Investment properties	-	-	-	19.0	-	78.4	412.4	18.7	528.5
Operating properties	476.7	43.5	-	-	-	-	-	0.8	521.0
Net investment in finance leases	-	102.6	67.4	-	-	-	-	31.1	201.1

## Notes:

1. Barclays sale and leaseback terms include a tenant break clause in December 2014, with annual breaks until expiry.
2. Royal Mail sale and leaseback terms include 12 tenants who have a break clause in March 2012 and 164 tenants with a break clause in March 2017.
3. Accor sale and leaseback terms include a tenant break clause every 12 years with the first in 2019.
4. Other includes new business and corporate overheads, SPVs, Fund management, and ex DWP properties.

Table 24: Trillium contract analysis at 30 September 2008

Floor space (000sq m)	DWP	Norwich Union	DVLA	Barclays	Telereal II	Royal Mail	Accor	Total
Client occupied	1,824.1	107.0	16.2	11.4	-	92.7	230.0	2,281.4
Third party (sublet)	134.4	5.2	-	20.8	-	96.0	-	256.4
Vacant	204.1	1.7	-	2.1	-	45.9	-	253.8
<b>Total</b>	<b>2,162.6</b>	<b>113.9</b>	<b>16.2</b>	<b>34.3</b>	<b>-</b>	<b>234.6</b>	<b>230.0</b>	<b>2,791.6</b>
Freeholds / valuable leaseholds	782.0	38.9	-	11.3	-	128.1	-	960.3
Leaseholds	1,380.6	75.0	16.2	23.0	-	106.5	230.0	1,831.3
<b>Total</b>	<b>2,162.6</b>	<b>113.9</b>	<b>16.2</b>	<b>34.3</b>	<b>-</b>	<b>234.6</b>	<b>230.0</b>	<b>2,791.6</b>
Estate managed but not transferred	65.2	8.7	90.5	-	150.0	-	-	314.4

Table 25: Trillium vacation allowance and portfolio activity – DWP

	30 September					31 March
Floor space (000sq m)	2008	Acquisitions	Vacations*	Lettings	Disposals	2008
Client occupied	1,824.1	9.2	(70.2)	-	-	1,885.1
Third party (sublet)	134.4	-	(14.7)	29.9	-	119.2
Vacant	204.1	-	84.9	(29.9)	(78.9)	228.0
<b>Total</b>	<b>2,162.6</b>	<b>9.2</b>	<b>-</b>	<b>-</b>	<b>(78.9)</b>	<b>2,232.3</b>
Freeholds / valuable leaseholds	782.0	6.2	-	-	(29.2)	805.0
Leaseholds	1,380.6	3.0	-	-	(49.7)	1,427.3
<b>Total</b>	<b>2,162.6</b>	<b>9.2</b>	<b>-</b>	<b>-</b>	<b>(78.9)</b>	<b>2,232.3</b>
Estate managed but not transferred	65.2	1.0	(0.3)	-	-	64.5

\* Includes core vacations

	30 September	31 March
	2008	2008
Vacation allowance used to date	510.3	491.9
Available allowance	79.5	64.9
Future allowance *	98.7	131.6

\* The future allowance relates to the period commencing 1 April 2009.

Table 26: Trillium portfolio activity – Barclays

	30 September					31 March
Floor space (000sq m)	2008	Acquisitions	Vacations	Lettings	Disposals	2008
Client occupied	11.4	-	-	-	-	11.4
Third party (sublet)	20.8	-	-	3.0	-	17.8
Vacant	2.1	-	-	(3.0)	(1.6)	6.7
<b>Total</b>	<b>34.3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1.6)</b>	<b>35.9</b>
Freeholds / valuable leaseholds	11.3	-	-	-	-	11.3
Leaseholds	23.0	-	-	-	(1.6)	24.6
<b>Total</b>	<b>34.3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1.6)</b>	<b>35.9</b>

**Table 27: Trillium portfolio activity – Royal Mail**

Floor space (000sq m)	30 September					31 March
	2008	Acquisitions	Vacations	Lettings	Disposals	2008
Client occupied	92.7	-	-	-	-	92.7
Third party (sublet)	96.0	-	(4.4)	8.5	-	91.9
Vacant	45.9	-	4.4	(8.5)	(6.8)	56.8
<b>Total</b>	<b>234.6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6.8)</b>	<b>241.4</b>
Freeholds / valuable leaseholds	128.1	-	-	-	-	128.1
Leaseholds	106.5	-	-	-	(6.8)	113.3
<b>Total</b>	<b>234.6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6.8)</b>	<b>241.4</b>

**Table 28: Trillium number of people by occupation**

At 30 September 2008	Total
Asset management	114
Call centre	59
Capital projects	146
Quality assurance	28
Facilities management	368
Human resources / Finance	174
Business development and commercial	107
<b>Total</b>	<b>996</b>

## **Directors' statement of responsibilities**

The Directors confirm that this condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union, and gives a true and fair view of the assets, liabilities, financial position and loss of the Group, and that the Half Yearly Report herein includes a fair review of the information as required by 4.2.7 and 4.2.8 of the Disclosure and Transparency Rules.

The Directors of Land Securities Group PLC are stated in the Group's Annual Report for the year ended 31 March 2008. Paul Myners subsequently resigned as a Director of the Company on 3 October 2008.

By the order of the Board  
P M Dudgeon  
Secretary  
11 November 2008

# Independent review report to Land Securities Group PLC

## Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half yearly financial report for the six months ended 30 September 2008, which comprises the consolidated income statement, consolidated balance sheet, consolidated statement of recognised income and expense, consolidated cash flow statement and related notes. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

## Directors' responsibilities

The half yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in Note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

## Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the Company's members as a body for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half yearly financial report for the six months ended 30 September 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP

Chartered Accountants

11 November 2008

Notes:

1. The maintenance and integrity of the Land Securities Group PLC website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the half year report since it was initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Unaudited consolidated income statement for the six months ended 30 September 2008

	Notes	Six months ended 30 September 2008			Six months ended 30 September 2007			Year ended 31 March 2008		
		Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items £m	Exceptional items £m	Total £m
Group revenue*	2	761.6	-	761.6	734.7	-	734.7	1,561.2	-	1,561.2
Costs	2	(476.3)	-	(476.3)	(450.4)	-	(450.4)	(958.6)	-	(958.6)
		285.3	-	285.3	284.3	-	284.3	602.6	-	602.6
Profit on disposal of non-current properties	2	1.5	-	1.5	79.0	-	79.0	75.4	-	75.4
Goodwill impairment	4	-	(147.6)	(147.6)	-	-	-	-	-	-
Net (deficit) / surplus on revaluation of investment properties	2	(1,562.7)	-	(1,562.7)	145.5	-	145.5	(1,170.3)	-	(1,170.3)
Operating (loss) / profit		(1,275.9)	(147.6)	(1,423.5)	508.8	-	508.8	(492.3)	-	(492.3)
Interest expense	3	(141.9)	-	(141.9)	(146.6)	-	(146.6)	(324.4)	-	(324.4)
Interest income	3	22.5	-	22.5	12.8	-	12.8	29.4	-	29.4
		(1,395.3)	(147.6)	(1,542.9)	375.0	-	375.0	(787.3)	-	(787.3)
Share of the loss of an associate undertaking (post-tax)		(2.0)	-	(2.0)	-	-	-	(0.5)	-	(0.5)
Share of the losses of joint ventures (post-tax)	11	(192.3)	-	(192.3)	(9.8)	-	(9.8)	(101.0)	-	(101.0)
(Loss) / profit before tax	2	(1,589.6)	(147.6)	(1,737.2)	365.2	-	365.2	(888.8)	-	(888.8)
Income tax (expense) / credit	5	(2.9)	-	(2.9)	(8.2)	-	(8.2)	10.5	-	10.5
(Loss) / profit for the financial period from continuing activities		(1,592.5)	(147.6)	(1,740.1)	357.0	-	357.0	(878.3)	-	(878.3)
Discontinued operations	12	14.7	-	14.7	10.0	-	10.0	47.5	-	47.5
(Loss) / profit for the financial period attributable to equity shareholders	16	(1,577.8)	(147.6)	(1,725.4)	367.0	-	367.0	(830.8)	-	(830.8)
<b>(Loss) / earnings per share</b>										
Basic (loss) / earnings per share <sup>#</sup>	7			(375.10p)			76.43p			(188.80p)
Diluted (loss) / earnings per share <sup>#</sup>	7			(375.10p)			76.22p			(188.80p)

\* Group revenue excludes the share of joint ventures' income of £39.3m (30 September 2007: £72.9m, 31 March 2008: £111.6m) (see note 11)

<sup>#</sup> adjusted (loss) / earnings per share are given in note 7

Unaudited consolidated statement of recognised income and expense for the six months ended 30 September 2008

	Six months ended 30 September 2008 £m	Six months ended 30 September 2007 £m	Year ended 31 March 2008 £m
Actuarial (losses) / gains on defined benefit pension schemes	(10.2)	(1.1)	15.8
Deferred tax charge on actuarial gains on defined benefit pension schemes	-	-	(0.9)
Fair value movement on cash flow hedges taken to equity – Group	(1.9)	0.2	(3.2)
– joint ventures	1.4	2.4	(3.5)
Net (expense) / income recognised directly in equity	(10.7)	1.5	8.2
(Loss) / profit for the financial period	(1,725.4)	367.0	(830.8)
Total recognised income and expense attributable to equity shareholders	(1,736.1)	368.5	(822.6)



## Unaudited consolidated balance sheet at 30 September 2008

	Notes	30 September 2008 £m	30 September 2007 £m	31 March 2008 £m
<b>Non-current assets</b>				
Investment properties	9	10,834.7	13,879.4	12,296.7
Operating properties	9	521.0	536.0	544.8
Other property, plant and equipment	9	69.3	75.0	73.6
	9	11,425.0	14,490.4	12,915.1
Net investment in finance leases	10	351.4	296.2	333.7
Investments in Public Private Partnership contracts		8.2	21.0	25.4
Goodwill		-	129.6	148.6
Investment in an associate undertaking		42.0	-	42.9
Investments in joint ventures	11	1,320.6	1,361.2	1,410.6
Net pension benefit assets	14	3.4	-	11.0
<b>Total non-current assets</b>		<b>13,150.6</b>	<b>16,298.4</b>	<b>14,887.3</b>
<b>Current assets</b>				
Trading properties and long-term development contracts		183.1	175.2	173.0
Derivative financial instruments	13	-	11.5	4.3
Trade and other receivables		567.6	635.7	838.0
Cash and cash equivalents		35.4	31.4	48.4
<b>Total current assets (excluding non-current assets classified as held for sale)</b>		<b>786.1</b>	<b>853.8</b>	<b>1,063.7</b>
<b>Non-current assets classified as held for sale</b>	12	<b>283.5</b>	<b>2,568.9</b>	<b>664.1</b>
<b>Total current assets</b>		<b>1,069.6</b>	<b>3,422.7</b>	<b>1,727.8</b>
<b>Total assets</b>		<b>14,220.2</b>	<b>19,721.1</b>	<b>16,615.1</b>
<b>Current liabilities</b>				
Short-term borrowings and overdrafts		(96.5)	(1,258.7)	(794.0)
Derivative financial instruments	13	(7.9)	-	(10.7)
Trade and other payables		(907.4)	(956.1)	(927.2)
Provisions		(43.3)	(39.2)	(40.9)
Current tax liabilities		(161.0)	(187.4)	(161.0)
<b>Total current liabilities (excluding liabilities directly associated with non-current assets classified as held for sale)</b>		<b>(1,216.1)</b>	<b>(2,441.4)</b>	<b>(1,933.8)</b>
<b>Liabilities directly associated with non-current assets classified as held for sale</b>	12	<b>(117.6)</b>	<b>(1,655.9)</b>	<b>(427.7)</b>
<b>Total current liabilities</b>		<b>(1,333.7)</b>	<b>(4,097.3)</b>	<b>(2,361.5)</b>
<b>Non-current liabilities</b>				
Provisions		(40.9)	(41.7)	(36.7)
Borrowings	13	(5,140.4)	(4,648.6)	(4,632.5)
Net pension benefit obligations	14	-	(6.2)	-
Deferred tax liabilities	15	(1.1)	(4.3)	(1.5)
<b>Total non-current liabilities</b>		<b>(5,182.4)</b>	<b>(4,700.8)</b>	<b>(4,670.7)</b>
<b>Total liabilities</b>		<b>(6,516.1)</b>	<b>(8,798.1)</b>	<b>(7,032.2)</b>
<b>Net assets</b>		<b>7,704.1</b>	<b>10,923.0</b>	<b>9,582.9</b>
<b>Equity</b>				
Ordinary shares	16	47.1	47.1	47.1
Own shares	16	(18.0)	(22.0)	(22.3)
Share-based payments	16	11.4	8.3	11.3
Share premium	16	58.3	52.9	56.6
Capital redemption reserve	16	30.5	30.5	30.5
Retained earnings	16	7,574.8	10,806.2	9,459.7
<b>Total shareholders' equity</b>		<b>7,704.1</b>	<b>10,923.0</b>	<b>9,582.9</b>

The financial statements on pages 40 to 64 were approved by the Board of Directors on 11 November 2008 and were signed on its behalf by:

F W Salway

M F Greenslade

Directors

## Unaudited consolidated cash flow statement for the six months ended 30 September 2008

		30 September 2008		30 September 2007		31 March 2008	
	Notes	£m	£m	£m	£m	£m	£m
<b>Net cash generated from operations</b>							
Cash generated from operations	17	247.8		282.6		696.5	
Interest paid		(150.3)		(163.9)		(338.3)	
Interest received		4.8		8.5		10.7	
Employer contributions to pension scheme		(3.0)		(1.1)		(2.0)	
Taxation (corporation tax paid)		(3.3)		(356.3)		(367.7)	
<b>Net cash inflow / (outflow) from operations</b>		<b>96.0</b>		<b>(230.2)</b>		<b>(0.8)</b>	
<b>Cash flows from investing activities</b>							
Investment property development expenditure		(126.9)		(246.2)		(415.3)	
Acquisition of investment properties		(32.4)		(552.7)		(722.6)	
Other investment property related expenditure		(67.4)		(63.2)		(80.0)	
Acquisition of properties by Trillium		(0.8)		(153.0)		(158.3)	
Capital expenditure by Trillium		(17.9)		(9.5)		(35.0)	
Capital expenditure on properties		(245.4)		(1,024.6)		(1,411.2)	
Disposal of non-current investment properties		212.5		799.4		1,047.0	
Disposal of non-current operating properties		30.5		30.6		33.7	
Net expenditure on properties		(2.4)		(194.6)		(330.5)	
Net expenditure on non-property related non-current assets		(4.7)		(5.3)		(15.4)	
Net cash outflow from capital expenditure		(7.1)		(199.9)		(345.9)	
Receivable finance leases acquired		(20.7)		(35.8)		(82.1)	
Receipts in respect of receivable finance leases		1.2		1.4		0.8	
Receipts from the disposal of discontinued activities		103.0		25.3		424.9	
Net loans from / (to) joint ventures and cash contributed		149.5		(83.0)		(75.3)	
Distributions from joint ventures and associates		13.7		53.2		75.1	
Investment in PPPs		-		-		(8.2)	
Net cash received from / (advanced to) disposal group		1.4		(61.0)		296.5	
Acquisitions of Group undertakings (net of cash acquired)		-		-		(158.5)	
<b>Net cash received from / (used in) investing activities</b>		<b>241.0</b>		<b>(299.8)</b>		<b>127.3</b>	
<b>Cash flows from financing activities</b>							
Issue of shares		1.7		1.5		5.2	
Purchase of own share capital		-		(81.1)		(87.6)	
(Decrease) / increase in debt		(200.4)		693.5		260.6	
Decrease in finance leases payable		(1.1)		(1.0)		(2.0)	
Dividends paid to ordinary shareholders		(148.8)		(159.5)		(308.4)	
<b>Net cash (outflow) / inflow from financing activities</b>		<b>(348.6)</b>		<b>453.4</b>		<b>(132.2)</b>	
<b>Decrease in cash and cash equivalents for the period</b>		<b>(11.6)</b>		<b>(76.6)</b>		<b>(5.7)</b>	

## Notes to the Financial Statements

## 1. Basis of preparation

The condensed financial information comprises the consolidated balance sheets as at 30 September 2008, 30 September 2007 and 31 March 2008 and related consolidated statements of income, cash flow, and recognised income and expense and the related notes for periods then ended. The condensed financial information contained in this Half Yearly report is unaudited and does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The Annual Report and Accounts for the year ended 31 March 2008, which were prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union, received an unqualified auditors' report and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985, or include a reference to any matter to which the auditors drew attention by way of emphasis without qualifying their report, and have been filed with the Registrar of Companies. The unaudited condensed financial information has been prepared in accordance with Disclosure and Transparency Rules of the Financial Services Authority and with IAS34 'Interim Financial Reporting', as adopted by the EU, and on the basis of the accounting policies, significant judgements, key assumptions and estimates as set out in notes 2 and 3 of the Group's Annual Report and Accounts for the year ended 31 March 2008, as amended to reflect the adoption of new Standards, Amendments to Standards and Interpretations which are mandatory for the year ended 31 March 2009. The new requirements arising from IFRIC 12 'Service Concession Arrangements' and IFRIC 14 'IAS 19 The limit on a defined benefit asset, minimum funding requirements and their interaction' are not relevant for the Group. The Group's financial performance does not suffer materially from seasonal fluctuations. The Group has reviewed its management structure and reduced the number of business segments from four to three. The assets, liabilities, income and expenses of Other Investment Portfolio have been reallocated to Retail Portfolio and London Portfolio on the basis of how they are now managed.

## 2. Segmental information

	Six months ended 30 September 2008				Six months ended 30 September 2007				Year ended 31 March 2008			
	Retail Portfolio £m	London Portfolio £m	Trillium £m	Total £m	Retail Portfolio (restated) £m	London Portfolio (restated) £m	Trillium £m	Total £m	Retail Portfolio (restated) £m	London Portfolio (restated) £m	Trillium £m	Total £m
<b>Income statements</b>												
Rental income	136.5	171.8	-	308.3	131.8	159.1	-	290.9	274.7	335.2	-	609.9
Service charge income	21.3	29.7	-	51.0	22.5	22.3	-	44.8	47.5	53.7	-	101.2
Property services income	-	-	364.3	364.3	-	-	380.6	380.6	-	-	761.0	761.0
Trading property sale proceeds	6.9	-	-	6.9	-	-	-	-	1.3	42.3	-	43.6
Long-term development contract income	-	20.1	-	20.1	-	13.9	-	13.9	-	26.3	-	26.3
Finance lease interest	1.4	2.9	6.7	11.0	1.6	2.9	-	4.5	2.9	5.9	10.4	19.2
<b>Revenue</b>	<b>166.1</b>	<b>224.5</b>	<b>371.0</b>	<b>761.6</b>	<b>155.9</b>	<b>198.2</b>	<b>380.6</b>	<b>734.7</b>	<b>326.4</b>	<b>463.4</b>	<b>771.4</b>	<b>1,561.2</b>
Rents payable	(5.9)	(2.3)	(87.6)	(95.8)	(6.0)	(2.6)	(83.8)	(92.4)	(11.0)	(5.3)	(175.1)	(191.4)
Other direct property or contract expenditure	(31.5)	(38.6)	(185.6)	(255.7)	(30.7)	(30.1)	(210.7)	(271.5)	(64.8)	(73.5)	(403.6)	(541.9)
Indirect property or contract expenditure	(18.0)	(16.7)	(8.4)	(43.1)	(18.9)	(16.4)	(8.2)	(43.5)	(35.7)	(30.3)	(13.7)	(79.7)
Long-term development contract expenditure	-	(18.4)	-	(18.4)	-	(12.9)	-	(12.9)	-	(24.3)	-	(24.3)
Bid costs	-	-	(11.8)	(11.8)	-	-	(3.1)	(3.1)	-	-	(11.9)	(11.9)
Cost of sales of trading properties	(6.1)	(0.3)	-	(6.4)	-	-	-	-	(0.9)	(39.9)	-	(40.8)
Depreciation	(1.1)	(3.0)	(16.6)	(20.7)	(1.2)	(2.6)	(17.0)	(20.8)	(2.3)	(5.5)	(38.0)	(45.8)
<b>Underlying operating profit</b>	<b>103.5</b>	<b>145.2</b>	<b>61.0</b>	<b>309.7</b>	<b>99.1</b>	<b>133.6</b>	<b>57.8</b>	<b>290.5</b>	<b>211.7</b>	<b>284.6</b>	<b>129.1</b>	<b>625.4</b>
Profit / (loss) on disposal of non-current properties	1.2	(1.9)	2.2	1.5	25.0	38.9	15.1	79.0	16.4	40.9	18.1	75.4
Goodwill impairment	-	-	(147.6)	(147.6)	-	-	-	-	-	-	-	-
Net (deficit) / surplus on revaluation of investment properties	(727.7)	(789.0)	(46.0)	(1,562.7)	(128.9)	283.2	(8.8)	145.5	(680.7)	(464.7)	(24.9)	(1,170.3)
<b>Segment result</b>	<b>(623.0)</b>	<b>(645.7)</b>	<b>(130.4)</b>	<b>(1,399.1)</b>	<b>(4.8)</b>	<b>455.7</b>	<b>64.1</b>	<b>515.0</b>	<b>(452.6)</b>	<b>(139.2)</b>	<b>122.3</b>	<b>(469.5)</b>
Demerger costs				(16.4)				-				(9.8)
Unallocated expenses				(8.0)				(6.2)				(13.0)
<b>Operating (loss) / profit</b>				<b>(1,423.5)</b>				<b>508.8</b>				<b>(492.3)</b>
Net interest expense (note 3)				(119.4)				(133.8)				(295.0)
				(1,542.9)				375.0				(787.3)
Share of the (losses) / profits of joint ventures (post-tax)												
- Retail Portfolio				(181.8)				(9.9)				(86.7)
- London Portfolio				(10.2)				-				(14.4)
- Trillium				(0.3)				0.1				0.1
				(192.3)				(9.8)				(101.0)
Share of the loss of an associate undertaking				(2.0)				-				(0.5)
<b>(Loss) / profit before tax from continuing activities</b>				<b>(1,737.2)</b>				<b>365.2</b>				<b>(888.8)</b>

Included within rents payable is finance lease interest payable of **£1.3m** (30 September 2007: £0.9m; 31 March 2008: £2.0m) and **£1.2m** (30 September 2007: £1.5m; 31 March 2008: £2.8m) respectively for Retail Portfolio and London Portfolio.

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

## 2. Segmental information continued

	At 30 September 2008				At 30 September 2007				At 31 March 2008			
	Retail Portfolio £m	London Portfolio £m	Trillium £m	Total £m	Retail Portfolio (restated) £m	London Portfolio (restated) £m	Trillium £m	Total £m	Retail Portfolio (restated) £m	London Portfolio (restated) £m	Trillium £m	Total £m
<b>Balance sheets</b>												
Investment properties	4,068.1	6,238.1	528.5	10,834.7	5,215.8	8,093.0	572.2	13,881.0	4,664.7	7,069.6	562.4	12,296.7
Operating properties	-	-	521.0	521.0	-	-	534.4	534.4	-	-	544.8	544.8
Other property, plant and equipment	4.6	9.7	55.0	69.3	7.7	11.9	55.4	75.0	8.0	11.7	53.9	73.6
Net investment in finance leases	53.2	103.5	194.7	351.4	57.5	102.7	136.0	296.2	53.2	104.8	175.7	333.7
Investments in Public Private Partnerships	-	-	8.2	8.2	-	-	21.0	21.0	-	-	25.4	25.4
Goodwill	-	-	-	-	-	-	129.6	129.6	-	-	148.6	148.6
Investments in equity accounted joint ventures	1,267.3	48.3	5.0	1,320.6	1,342.8	13.4	5.0	1,361.2	1,377.4	28.1	5.1	1,410.6
Investment in an equity accounted associate	-	-	42.0	42.0	-	-	-	-	-	-	42.9	42.9
Trading properties and long-term development contracts	10.5	170.7	1.9	183.1	12.6	161.1	1.5	175.2	16.5	152.5	4.0	173.0
Trade and other receivables	166.4	212.6	188.6	567.6	157.0	249.9	228.8	635.7	205.2	411.2	221.3	837.7
Non-current assets classified as held for sale	-	-	283.5	283.5	-	-	2,568.9	2,568.9	-	-	664.1	664.1
<b>Segment assets</b>	<b>5,570.1</b>	<b>6,782.9</b>	<b>1,828.4</b>	<b>14,181.4</b>	<b>6,793.4</b>	<b>8,632.0</b>	<b>4,252.8</b>	<b>19,678.2</b>	<b>6,325.0</b>	<b>7,777.9</b>	<b>2,448.2</b>	<b>16,551.1</b>
Unallocated assets				38.8				42.9				64.0
<b>Total assets</b>				<b>14,220.2</b>				<b>19,721.1</b>				<b>16,615.1</b>
Trade and other payables	(248.9)	(286.4)	(320.8)	(856.1)	(311.3)	(241.3)	(380.8)	(933.4)	(282.6)	(243.9)	(338.2)	(864.7)
Provisions	-	-	(84.2)	(84.2)	-	-	(80.9)	(80.9)	-	-	(77.6)	(77.6)
Liabilities directly associated with non-current assets classified as held for sale	-	-	(117.6)	(117.6)	-	-	(1,655.9)	(1,655.9)	-	-	(427.7)	(427.7)
<b>Segment liabilities</b>	<b>(248.9)</b>	<b>(286.4)</b>	<b>(522.6)</b>	<b>(1,057.9)</b>	<b>(311.3)</b>	<b>(241.3)</b>	<b>(2,117.6)</b>	<b>(2,670.2)</b>	<b>(282.6)</b>	<b>(243.9)</b>	<b>(843.5)</b>	<b>(1,370.0)</b>
Unallocated liabilities				(5,458.2)				(6,127.9)				(5,662.2)
<b>Total liabilities</b>				<b>(6,516.1)</b>				<b>(8,798.1)</b>				<b>(7,032.2)</b>

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

3. Net interest expense	Six months ended 30 September 2008 £m	Six months ended 30 September 2007 £m	Year ended 31 March 2008 £m
Interest expense			
Bond and debenture debt	(97.7)	(97.9)	(195.1)
Bank borrowings	(53.1)	(65.0)	(136.4)
Other interest payable	(1.5)	(0.5)	(2.2)
Fair value losses on interest rate swaps	-	(4.2)	(21.9)
Provision discounting	(0.7)	(0.8)	(1.6)
Amortisation of bond exchange de-recognition (note 13)	(5.9)	(2.3)	(7.6)
Interest on pension scheme liabilities	(4.2)	(3.9)	(8.1)
	(163.1)	(174.6)	(372.9)
Interest capitalised in relation to properties under development	21.2	28.0	48.5
<b>Total interest expense</b>	<b>(141.9)</b>	<b>(146.6)</b>	<b>(324.4)</b>
Interest income			
Short-term deposits	2.3	1.1	4.1
Other interest receivable	0.6	0.8	1.3
Interest receivable from joint ventures	10.4	6.6	15.0
Fair value gains on interest rate swaps	4.7	-	-
Expected return on pension scheme assets	4.5	4.3	9.0
<b>Total interest income</b>	<b>22.5</b>	<b>12.8</b>	<b>29.4</b>
<b>Net interest expense</b>	<b>(119.4)</b>	<b>(133.8)</b>	<b>(295.0)</b>

Included within rents payable (note 2) is finance lease interest payable of £2.5m (30 September 2007: £2.4m; 31 March 2008: £4.8m).

4. Exceptional items	Six months ended 30 September 2008 £m	Six months ended 30 September 2007 £m	Year ended 31 March 2008 £m
Goodwill impairment	147.6	-	-
Exceptional items before tax	147.6	-	-
Taxation on goodwill impairment	-	-	-
	147.6	-	-

The reduction in the availability of long-term debt funding at a reasonable cost has had an adverse impact on Trillium's new business prospects, and as a result triggered an impairment review as required by IAS 36 Impairment of Assets. The goodwill carried in the Group's balance sheet relates entirely to the acquisition of the Group's Trillium business and subsequent acquisitions by Trillium, which together form a single cash generating unit.

Impairment has been tested by comparing the carrying amount of the business' assets and liabilities with their recoverable amount, in this case being their value in use. The latter has been calculated by reference to the cash flow projections for the entire term of each of Trillium's contracts. The cash flow projections have been prepared on the basis of strategic plans, knowledge of the market and management's views on achievable new business gains over the longer term.

The main assumptions underlying the forecasts are the relative inflation rates applying to costs and revenues, and the amount of expenditure required to fulfil the service level commitments, the vacation rate under the DWP contract, and the value of new business from Property Partnerships and PPP. The cash flows are discounted using Trillium's weighted average cost of capital of 9.0% (31 March 2008: 7.5%).

As a result of the review of Trillium's recoverable amount, an impairment loss of £147.6m has been recognised in the Income Statement. A sensitivity analysis has been performed on the base case assumptions used for assessing the goodwill and management have concluded there are no changes in key assumptions which are reasonably likely and that would cause the value in use to exceed the carrying amount of the assets (including goodwill) and liabilities.

5. Income tax (credit) / expense	Six months ended 30 September 2008 £m	Six months ended 30 September 2007 £m	Year ended 31 March 2008 £m
<b>Current tax</b>			
Corporation tax expense for the period	4.3	6.7	10.3
Adjustment in respect of prior periods	(1.0)	1.2	(17.9)
Corporation tax in respect of property disposals	-	-	0.5
<b>Total current tax expense / (credit)</b>	<b>3.3</b>	<b>7.9</b>	<b>(7.1)</b>
<b>Deferred tax</b>			
Origination and reversal of timing differences	(0.4)	0.3	(3.4)
<b>Total deferred tax (credit) / expense</b>	<b>(0.4)</b>	<b>0.3</b>	<b>(3.4)</b>
<b>Total income tax expense / (credit) in the income statement</b>	<b>2.9</b>	<b>8.2</b>	<b>(10.5)</b>

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

(Loss) / profit on activities before taxation	(1,737.2)	365.2	(888.8)
(Loss) / profit on activities multiplied by rate of corporation tax in the UK of 28% (31 March 2008: 30%)	(486.4)	109.6	(266.7)
Effects of:			
Corporation tax on disposal of non-current assets	0.9	-	6.3
Goodwill impairment	41.3	-	-
Joint venture accounting adjustments	-	7.1	0.9
Prior period corporation tax adjustments	(1.0)	1.2	(17.9)
Prior period deferred tax adjustments	(0.2)	-	(2.9)
Non-allowable expenses and non-taxable items	11.8	12.6	19.8
Exempt property rental profits in the period	437.6	(99.6)	278.9
Exempt property gains in the period	(1.1)	(22.7)	(28.9)
<b>Total income tax expense / (credit) in the income statement (as above)</b>	<b>2.9</b>	<b>8.2</b>	<b>(10.5)</b>

Land Securities Group PLC elected for group Real Estate Investment Trust (REIT) status with effect from 1 January 2007. As a result the Group no longer pays UK corporation tax on the profits and gains from qualifying rental business in the UK provided it meets certain conditions. Non-qualifying profits and gains of the Group continue to be subject to corporation tax as normal.

The calculation of the Group's tax expense and liability necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until a formal resolution has been reached with the relevant tax authorities. If all such issues are resolved in the Group's favour, provisions established in previous periods of up to £218.0m could be released in the future.

6. Dividends	Six months ended 30 September 2008 £m	Six months ended 30 September 2007 £m	Year ended 31 March 2008 £m
<b>Ordinary dividends paid</b>			
Final dividend for the year ended 31 March 2007 (34.00p per share)	-	159.5	159.5
First quarterly dividend for the year ended 31 March 2008 (16.00p per share)	-	-	74.5
Second quarterly dividend for the year ended 31 March 2008 (16.00p per share)	-	-	74.4
Third quarterly dividend for the year ended 31 March 2008 (16.00p per share)	74.4	-	-
Final quarterly dividend for the year ended 31 March 2008 (16.00p per share)	74.4	-	-
	<b>148.8</b>	<b>159.5</b>	<b>308.4</b>

The Board has proposed a second quarterly dividend of **16.50p** per share in addition to the first quarterly dividend of **16.50p** paid on 24 October 2008 (first quarterly dividend for the year ended 31 March 2008: 16.00p, second quarterly dividend for the year ended 31 March 2008: 16.00p). It will be paid on 12 January 2009 to shareholders who are on the Register of Members on 5 December 2008.

7. (Loss) / earnings per share	Six months ended 30 September 2008 £m	Six months ended 30 September 2007 £m	Year ended 31 March 2008 £m
<b>(Loss) / profit for the financial period</b>	<b>(1,740.1)</b>	357.0	(878.3)
Revaluation deficits / (surpluses) – Group	1,562.7	(145.5)	1,170.3
– joint ventures	206.4	23.5	134.2
(Profits) / losses on non-current property disposals after current and deferred tax – Group	(1.5)	(79.0)	(74.9)
– joint ventures	(1.9)	7.3	7.1
Goodwill impairment	147.6	-	-
Demerger costs (net of taxation)	16.4	-	6.9
Prior year non-revenue tax adjustments	-	-	(16.2)
Mark-to-market adjustment on interest rate swaps	(0.9)	4.2	22.4
<b>EPRA adjusted earnings</b>	<b>188.7</b>	167.5	371.5
Eliminate effect of debt restructuring charges (net of taxation)	(0.3)	1.0	1.9
Eliminate effect of bond exchange de-recognition	5.9	2.3	7.6
<b>Adjusted earnings</b>	<b>194.3</b>	170.8	381.0

	No. m	No. m	No. m
<b>Weighted average number of ordinary shares</b>	<b>471.0</b>	470.4	470.6
Effect of own shares and treasury shares	(7.1)	(3.3)	(5.4)
<b>Weighted average number of ordinary shares after adjusting for own shares</b>	<b>463.9</b>	467.1	465.2
Effect of dilutive share options	0.6	1.3	1.1
<b>Weighted average number of ordinary shares adjusted for dilutive instruments</b>	<b>464.5</b>	468.4	466.3

	pence	pence	pence
<b>Basic (loss) / earnings per share</b>	<b>(375.10)</b>	76.43	(188.80)
<b>Diluted (loss) / earnings per share</b>	<b>(375.10)</b>	76.22	(188.80)
<b>Adjusted earnings per share</b>	<b>41.88</b>	36.57	81.90
<b>Adjusted diluted earnings per share</b>	<b>41.83</b>	36.46	81.71
<b>EPRA adjusted diluted earnings per share</b>	<b>40.62</b>	35.76	79.67

Management have chosen to disclose adjusted earnings per share in order to provide an indication of the Group's underlying business performance. Accordingly, it excludes the effect of all exceptional items, debt and other restructuring charges, and other items of a capital nature (other than trading properties and long-term contract profits) as indicated above. An EPRA measure has been included to assist comparison between European property companies. We believe our measure of adjusted diluted earnings per share is more appropriate than the EPRA measure in the context of our business.

8. Net assets per share	30 September 2008 £m	30 September 2007 £m	31 March 2008 £m
<b>Net assets attributable to equity shareholders</b>	<b>7,704.1</b>	10,923.0	9,582.9
Cumulative mark-to-market adjustment on interest rate swaps – Group	<b>7.9</b>	(10.4)	10.7
– joint ventures	<b>1.9</b>	(4.1)	1.5
– an associate undertaking	<b>2.5</b>	-	0.5
<b>EPRA adjusted net assets</b>	<b>7,716.4</b>	10,908.5	9,595.6
Reverse bond exchange de-recognition adjustment	<b>(505.6)</b>	(516.8)	(511.5)
<b>Adjusted net assets attributable to equity shareholders</b>	<b>7,210.8</b>	10,391.7	9,084.1
Reinstate bond exchange de-recognition adjustment	<b>505.6</b>	516.8	511.5
Cumulative mark-to-market adjustment on interest rate swaps – Group	<b>(7.9)</b>	10.4	(10.7)
– joint ventures	<b>(1.9)</b>	4.1	(1.5)
– an associate undertaking	<b>(2.5)</b>	-	(0.5)
Excess of fair value of debt over book value (note 13)	<b>45.5</b>	(341.4)	(208.7)
<b>EPRA triple net assets value</b>	<b>7,749.6</b>	10,581.6	9,374.2
	<b>No. m</b>	<b>No. m</b>	<b>No. m</b>
<b>Number of ordinary shares</b>	<b>471.1</b>	470.5	470.9
Effect of own shares and treasury shares	<b>(6.9)</b>	(6.9)	(7.2)
<b>Number of ordinary shares after adjusting for own shares</b>	<b>464.2</b>	463.6	463.7
Effect of dilutive share options	<b>0.3</b>	1.1	0.7
<b>Number of ordinary shares adjusted for dilutive instruments</b>	<b>464.5</b>	464.7	464.4
	<b>pence</b>	<b>pence</b>	<b>pence</b>
<b>Net assets per share</b>	<b>1660</b>	2356	2067
<b>Diluted net assets per share</b>	<b>1659</b>	2351	2064
<b>Adjusted net assets per share</b>	<b>1553</b>	2242	1959
<b>Adjusted diluted net assets per share</b>	<b>1552</b>	2236	1956
<b>EPRA measure – adjusted diluted net assets per share</b>	<b>1661</b>	2347	2066
– diluted triple net assets per share	<b>1668</b>	2277	2019

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



9. Non-current assets							
	Portfolio management £m	Development programme £m	Trillium £m	Total investment properties £m	Operating properties £m	Other property, plant and equipment £m	Total £m
<b>Net book value at 31 March 2007</b>	10,607.4	2,284.3	427.6	13,319.3	551.5	78.2	13,949.0
Properties transferred from portfolio management into the development programme during the period (at 1 April 2007 valuation)	(21.9)	21.9	-	-	-	-	-
Developments completed, let and transferred from the development programme into portfolio management during the period	1,230.5	(1,230.5)	-	-	-	-	-
Property acquisitions	546.2	-	149.4	695.6	3.6	-	699.2
Capital expenditure	62.7	301.7	3.0	367.4	9.4	5.3	382.1
Capitalised interest	-	26.6	-	26.6	-	-	26.6
Disposals	(652.2)	-	(0.6)	(652.8)	(16.9)	-	(669.7)
Transferred to trading properties	-	(17.4)	-	(17.4)	(0.8)	-	(18.2)
Surrender premiums received	(3.3)	-	-	(3.3)	-	-	(3.3)
Depreciation	(1.5)	-	-	(1.5)	(10.8)	(8.5)	(20.8)
(Deficit) / surplus on revaluation	(23.0)	177.3	(8.8)	145.5	-	-	145.5
<b>Net book value at 30 September 2007</b>	<b>11,744.9</b>	<b>1,563.9</b>	<b>570.6</b>	<b>13,879.4</b>	<b>536.0</b>	<b>75.0</b>	<b>14,490.4</b>
Properties transferred from portfolio management into the development programme during the period (at 1 April 2007 valuation)	(196.8)	196.8	-	-	-	-	-
Developments completed, let and transferred from the development programme into portfolio management during the period	261.0	(261.0)	-	-	-	-	-
Property acquisitions	168.0	0.2	-	168.2	5.3	-	173.5
Capital expenditure	54.8	165.6	3.8	224.2	23.0	10.8	258.0
Capitalised interest	1.4	17.1	-	18.5	-	-	18.5
Disposals	(447.2)	(2.2)	-	(449.4)	-	(0.7)	(450.1)
Transfers to joint ventures	(228.2)	-	-	(228.2)	-	-	(228.2)
Transfers to trading properties	-	-	-	-	(3.3)	-	(3.3)
Reclassifications	-	-	4.1	4.1	(4.1)	-	-
Surrender premiums received	(2.9)	-	-	(2.9)	-	-	(2.9)
Depreciation	(1.4)	-	-	(1.4)	(12.1)	(11.5)	(25.0)
Deficit on revaluation	(1,015.3)	(284.4)	(16.1)	(1,315.8)	-	-	(1,315.8)
<b>Net book value at 31 March 2008</b>	<b>10,338.3</b>	<b>1,396.0</b>	<b>562.4</b>	<b>12,296.7</b>	<b>544.8</b>	<b>73.6</b>	<b>12,915.1</b>
Developments completed, let and transferred from the development programme into portfolio management during the period	256.2	(256.2)	-	-	-	-	-
Property acquisitions	93.4	-	-	93.4	0.8	-	94.2
Capital expenditure	63.0	147.2	8.8	219.0	11.1	5.3	235.4
Capitalised interest	6.1	13.5	-	19.6	-	-	19.6
Disposals	(46.3)	-	(10.6)	(56.9)	(11.3)	(0.6)	(68.8)
Transfers to joint ventures	(186.3)	-	-	(186.3)	-	-	(186.3)
Transfers to trading properties	-	-	13.9	13.9	(14.1)	(0.2)	(0.4)
Surrender premiums received	(0.4)	-	-	(0.4)	-	-	(0.4)
Depreciation	(1.6)	-	-	(1.6)	(10.3)	(8.8)	(20.7)
Deficit on revaluation	(1,381.1)	(135.6)	(46.0)	(1,562.7)	-	-	(1,562.7)
<b>Net book value at 30 September 2008</b>	<b>9,141.3</b>	<b>1,164.9</b>	<b>528.5</b>	<b>10,834.7</b>	<b>521.0</b>	<b>69.3</b>	<b>11,425.0</b>

**9. Non-current assets continued**

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

	Portfolio management £m	Development programme £m	Property investment Total investment properties £m
Net book value at 30 September 2007	11,744.9	1,563.9	13,308.8
Plus: amount included in prepayments in respect of lease incentives	144.8	15.0	159.8
Less: head leases capitalised	(66.8)	(3.3)	(70.1)
Plus: properties treated as finance leases	151.6	-	151.6
<b>Market value at 30 September 2007 – Group</b>	<b>11,974.5</b>	<b>1,575.6</b>	<b>13,550.1</b>
– plus: share of joint ventures (note 11)			1,493.1
<b>Market value at 30 September 2007 – Group and share of joint ventures</b>			<b>15,043.2</b>
Net book value at 31 March 2008	10,338.3	1,396.0	11,734.3
Plus: amount included in prepayments in respect of lease incentives	156.3	24.3	180.6
Less: head leases capitalised	(65.3)	(2.0)	(67.3)
Plus: properties treated as finance leases	149.2	-	149.2
<b>Market value at 31 March 2008 – Group</b>	<b>10,578.5</b>	<b>1,418.3</b>	<b>11,996.8</b>
– plus: share of joint ventures (note 11)			1,589.9
<b>Market value at 31 March 2008 – Group and share of joint ventures</b>			<b>13,586.7</b>
Net book value at 30 September 2008	9,141.3	1,164.9	10,306.2
Plus: amount included in prepayments in respect of lease incentives	139.3	31.7	171.0
Less: head leases capitalised	(75.2)	(2.0)	(77.2)
Plus: properties treated as finance leases	131.0	-	131.0
<b>Market value at 30 September 2008 – Group</b>	<b>9,336.4</b>	<b>1,194.6</b>	<b>10,531.0</b>
– plus: share of joint ventures (note 11)			1,586.9
<b>Market value at 30 September 2008 – Group and share of joint ventures</b>			<b>12,117.9</b>

Included in investment properties are leasehold properties with a net book value of **£1,338.8m** (30 September 2007: £2,004.1m; 31 March 2008: £1,368.1m).

In accordance with IFRS 1 'First time adoption of International Reporting Standards' and IAS 17 'Leases', the Group reviewed the classification of all leases at the opening balance sheet date of 1 April 2004. In reviewing leases of land and buildings in accordance with IAS 17 the land and buildings elements of the lease need to be considered separately. On this basis, leases on 43 properties entered into between 1923 and 2003 were reclassified as finance leases in these accounts. This resulted in an increase in fixed assets of £77.2m and a finance lease creditor of the same amount at first time adoption on 1 April 2004. At 30 September 2008 leases on 28 properties (30 September 2007: 30; 31 March 2008: 25) entered into between 1960 and 2008 were classified as finance leases. The corresponding increase in fixed assets and finance lease creditor was **£77.2m** (30 September 2007: £70.1m; 31 March 2008: £67.3m). Operating lease expense has reduced by **£3.6m** (30 September 2007: £3.4m; 31 March 2008: £6.7m).

The fair value of the Group's investment properties at 30 September 2008 has been arrived at on the basis of a valuation carried out at that date by Knight Frank LLP, external valuers. The valuation by Knight Frank LLP, which conforms to Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors and with IVA 1 of the International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties. Fixed asset properties include capitalised interest of **£176.5m** (30 September 2007: £194.0m; 31 March 2008: £211.7m). The average rate of capitalisation is **5.5%** (30 September 2007: 5.5%; 31 March 2008: 5.5%). The historical cost of investment properties is **£7,996.2m** (30 September 2007: £7,829.0m; 31 March 2008: £7,813.2m).

The current value of investment properties in respect of proposed developments is **£480.4m** (30 September 2007: £554.9m; 31 March 2008: £639.6m). Developments are transferred out of the development programme when physically complete and 95% let. The schemes completed during the period were 10 Eastbourne Terrace, W2 and 50 Queen Anne's Gate, SW1.

<b>10. Net investment in finance leases</b>	<b>30 September 2008 £m</b>	<b>30 September 2007 £m</b>	<b>31 March 2008 £m</b>
<b>Non-current</b>			
Finance leases – gross receivables	708.0	621.4	692.8
Unearned finance income	(383.1)	(351.7)	(385.6)
Unguaranteed residual value	26.5	26.5	26.5
	351.4	296.2	333.7
<b>Current</b>			
Finance leases – gross receivables	31.0	16.6	27.4
Unearned finance income	(22.1)	(12.3)	(20.3)
	8.9	4.3	7.1
<b>Total net investment in finance leases</b>	<b>360.3</b>	<b>300.5</b>	<b>340.8</b>

## 11. Investments in joint ventures

Period ended 30 September 2008 and at 30 September 2008

Summary financial information of Group's share of joint ventures	The Scottish Retail Property Limited Partnership £m	Metro Shopping Fund Limited Partnership £m	Buchanan Partnership £m	St. David's Limited Partnership £m	The Bull Ring Limited Partnership £m	Bristol Alliance Limited Partnership £m	The Harvest Limited Partnership £m	The Oriana Limited Partnership £m	Other <sup>(1)</sup> £m	Total £m
<b>Income statement</b>										
Rental income	4.7	6.0	4.2	2.5	8.0	1.9	1.9	2.2	1.9	33.3
Service charge income	0.8	1.3	0.9	0.4	1.2	-	-	0.1	0.1	4.8
Property services income	-	-	-	-	-	-	-	-	-	-
Trading property sale proceeds	-	-	-	-	-	-	-	-	1.2	1.2
<b>Revenue</b>	<b>5.5</b>	<b>7.3</b>	<b>5.1</b>	<b>2.9</b>	<b>9.2</b>	<b>1.9</b>	<b>1.9</b>	<b>2.3</b>	<b>3.2</b>	<b>39.3</b>
Rents payable	(0.2)	-	-	-	-	-	-	-	-	(0.2)
Other direct property expenditure	(1.7)	(1.9)	(1.6)	(0.8)	(2.6)	(0.6)	-	(0.2)	(0.4)	(9.8)
Indirect property expenditure	(0.2)	(0.5)	(0.1)	(0.1)	(0.2)	-	(0.1)	(0.5)	(0.4)	(2.1)
Cost of sales of trading properties	-	-	-	-	-	-	-	-	(1.1)	(1.1)
	3.4	4.9	3.4	2.0	6.4	1.3	1.8	1.6	1.3	26.1
Profit on disposal of non-current properties	-	0.1	-	-	-	1.1	-	-	0.7	1.9
Net deficit on revaluation of investment properties	(20.2)	(25.1)	(27.2)	(54.1)	(43.5)	(22.4)	(1.6)	(0.4)	(11.9)	(206.4)
<b>Operating (loss) / profit</b>	<b>(16.8)</b>	<b>(20.1)</b>	<b>(23.8)</b>	<b>(52.1)</b>	<b>(37.1)</b>	<b>(20.0)</b>	<b>0.2</b>	<b>1.2</b>	<b>(9.9)</b>	<b>(178.4)</b>
Net finance (costs) / income	(1.5)	(5.3)	(1.8)	0.1	-	-	-	(2.9)	(1.6)	(13.0)
<b>(Loss) / profit before tax</b>	<b>(18.3)</b>	<b>(25.4)</b>	<b>(25.6)</b>	<b>(52.0)</b>	<b>(37.1)</b>	<b>(20.0)</b>	<b>0.2</b>	<b>(1.7)</b>	<b>(11.5)</b>	<b>(191.4)</b>
Income tax expense	(0.2)	(0.7)	-	-	-	-	-	-	-	(0.9)
<b>Share of (losses) / profits of joint ventures after tax</b>	<b>(18.5)</b>	<b>(26.1)</b>	<b>(25.6)</b>	<b>(52.0)</b>	<b>(37.1)</b>	<b>(20.0)</b>	<b>0.2</b>	<b>(1.7)</b>	<b>(11.5)</b>	<b>(192.3)</b>
<b>Balance sheet</b>										
Investment properties <sup>(2)</sup>	110.2	223.4	150.5	229.4	244.7	317.4	78.7	87.9	133.4	1,575.6
Current assets	8.8	6.6	3.9	119.8	10.6	19.7	4.5	2.0	75.9	251.8
	119.0	230.0	154.4	349.2	255.3	337.1	83.2	89.9	209.3	1,827.4
Current liabilities	(2.1)	(6.6)	(1.7)	(18.5)	(9.5)	(19.9)	(1.0)	(13.5)	(17.2)	(90.0)
Non-current liabilities	(61.9)	(176.9)	-	(0.5)	-	(2.4)	-	(69.2)	(105.9)	(416.8)
	(64.0)	(183.5)	(1.7)	(19.0)	(9.5)	(22.3)	(1.0)	(82.7)	(123.1)	(506.8)
<b>Net assets</b>	<b>55.0</b>	<b>46.5</b>	<b>152.7</b>	<b>330.2</b>	<b>245.8</b>	<b>314.8</b>	<b>82.2</b>	<b>7.2</b>	<b>86.2</b>	<b>1,320.6</b>
<b>Capital commitments</b>	<b>1.6</b>	<b>1.3</b>	<b>1.3</b>	<b>90.9</b>	<b>-</b>	<b>8.7</b>	<b>0.2</b>	<b>-</b>	<b>2.3</b>	<b>106.3</b>
<b>Market value of investment properties <sup>(2)</sup></b>	<b>109.4</b>	<b>224.4</b>	<b>154.0</b>	<b>229.3</b>	<b>250.0</b>	<b>319.9</b>	<b>78.9</b>	<b>88.0</b>	<b>133.0</b>	<b>1,586.9</b>
<b>Net (debt) / cash</b>	<b>(55.0)</b>	<b>(173.1)</b>	<b>0.4</b>	<b>4.2</b>	<b>0.5</b>	<b>8.9</b>	<b>2.4</b>	<b>(67.7)</b>	<b>(90.5)</b>	<b>(369.9)</b>
<b>Net investment</b>										
At 1 April 2008	73.0	69.9	179.6	346.7	289.3	284.4	64.5	9.0	94.2	1,410.6
Properties contributed	-	-	-	-	-	-	-	-	215.5	215.5
Cash contributed	-	1.8	1.0	-	-	-	17.5	-	3.2	23.5
Share of post-tax results	(18.5)	(26.1)	(25.6)	(52.0)	(37.1)	(20.0)	0.2	(1.7)	(11.5)	(192.3)
Distributions	-	-	(2.3)	-	-	-	-	(0.1)	(9.3)	(11.7)
Fair value movement on cash flow hedges taken to equity	0.5	0.9	-	-	-	-	-	-	-	1.4
Loan advances	-	-	-	35.5	-	50.7	-	-	0.2	86.4
Loan repayments	-	-	-	-	(6.4)	(0.3)	-	-	(188.2)	(194.9)
Disposals	-	-	-	-	-	-	-	-	(17.9)	(17.9)
<b>At 30 September 2008</b>	<b>55.0</b>	<b>46.5</b>	<b>152.7</b>	<b>330.2</b>	<b>245.8</b>	<b>314.8</b>	<b>82.2</b>	<b>7.2</b>	<b>86.2</b>	<b>1,320.6</b>

Notes:

- Other principally includes the The Martineau Galleries Limited Partnership, the Ebbsfleet Limited Partnership, Millshaw Property Co. Limited, The Empress State Limited Partnership and Countryside Land Securities (Springhead) Limited.
- 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.

## 11. Investments in joint ventures continued

Period ended 30 September 2007 and at 30 September 2007

Summary financial information of Group's share of joint ventures	The Scottish Retail Property Limited Partnership £m	Metro Shopping Fund Limited Partnership £m	Buchanan Partnership £m	St. David's Limited Partnership £m	The Bull Ring Limited Partnership £m	Bristol Alliance Limited Partnership £m	The Harvest Limited Partnership £m	The Oriana Limited Partnership £m	Other <sup>(1)</sup> £m	Total £m
<b>Income statement</b>										
Rental income	7.6	6.8	4.8	2.5	7.4	1.7	-	-	1.6	32.4
Service charge income	1.6	1.5	0.3	0.4	1.3	-	-	-	0.3	5.4
Property services income	-	-	-	-	-	-	-	-	0.1	0.1
Trading property sale proceeds	-	-	-	-	-	-	-	-	35.0	35.0
<b>Revenue</b>	<b>9.2</b>	<b>8.3</b>	<b>5.1</b>	<b>2.9</b>	<b>8.7</b>	<b>1.7</b>	<b>-</b>	<b>-</b>	<b>37.0</b>	<b>72.9</b>
Rents payable	(0.1)	-	-	-	-	-	-	-	-	(0.1)
Other direct property expenditure	(3.0)	(1.8)	(0.7)	(0.6)	(2.2)	(0.1)	-	-	(0.7)	(9.1)
Indirect property expenditure	(0.6)	(0.5)	-	-	-	-	-	-	-	(1.1)
Cost of sales of trading properties	-	-	-	-	-	-	-	-	(26.8)	(26.8)
	5.5	6.0	4.4	2.3	6.5	1.6	-	-	9.5	35.8
(Loss) / profit on disposal of non-current properties	(7.7)	-	-	-	-	-	-	-	0.4	(7.3)
Net (deficit) / surplus on revaluation of investment properties	(10.9)	(5.1)	2.0	-	(5.1)	(2.9)	-	-	(1.5)	(23.5)
<b>Operating (loss) / profit</b>	<b>(13.1)</b>	<b>0.9</b>	<b>6.4</b>	<b>2.3</b>	<b>1.4</b>	<b>(1.3)</b>	<b>-</b>	<b>-</b>	<b>8.4</b>	<b>5.0</b>
Net finance (costs) / income	(4.2)	(6.4)	(1.7)	0.3	-	-	-	-	0.2	(11.8)
<b>(Loss) / profit before tax</b>	<b>(17.3)</b>	<b>(5.5)</b>	<b>4.7</b>	<b>2.6</b>	<b>1.4</b>	<b>(1.3)</b>	<b>-</b>	<b>-</b>	<b>8.6</b>	<b>(6.8)</b>
Income tax expense	-	(0.6)	-	-	-	-	-	-	(2.4)	(3.0)
<b>Share of (losses) / profits of joint ventures after tax</b>										
	(17.3)	(6.1)	4.7	2.6	1.4	(1.3)	-	-	6.2	(9.8)
<b>Balance sheet</b>										
Investment properties <sup>(2)</sup>	143.8	298.3	187.8	239.7	314.9	236.9	-	-	63.1	1,484.5
Current assets	15.6	9.0	7.0	127.1	10.6	15.1	-	-	53.6	238.0
	159.4	307.3	194.8	366.8	325.5	252.0	-	-	116.7	1,722.5
Current liabilities	(3.5)	(7.2)	(4.6)	(20.9)	(9.6)	(15.6)	-	-	(11.9)	(73.3)
Non-current liabilities	(61.8)	(210.1)	-	(0.2)	-	(2.4)	-	-	(13.5)	(288.0)
	(65.3)	(217.3)	(4.6)	(21.1)	(9.6)	(18.0)	-	-	(25.4)	(361.3)
<b>Net assets</b>	<b>94.1</b>	<b>90.0</b>	<b>190.2</b>	<b>345.7</b>	<b>315.9</b>	<b>234.0</b>	<b>-</b>	<b>-</b>	<b>91.3</b>	<b>1,361.2</b>
<b>Capital commitments</b>	<b>0.2</b>	<b>1.0</b>	<b>1.4</b>	<b>50.5</b>	<b>53.0</b>	<b>7.4</b>	<b>-</b>	<b>-</b>	<b>0.9</b>	<b>114.4</b>
<b>Market value of investment properties <sup>(2)</sup></b>	<b>142.6</b>	<b>296.5</b>	<b>192.0</b>	<b>239.8</b>	<b>320.0</b>	<b>239.8</b>	<b>-</b>	<b>-</b>	<b>62.4</b>	<b>1,493.1</b>
<b>Net (debt) / cash</b>	<b>(48.2)</b>	<b>(203.5)</b>	<b>0.7</b>	<b>9.7</b>	<b>0.7</b>	<b>(0.6)</b>	<b>-</b>	<b>-</b>	<b>8.9</b>	<b>(232.3)</b>
<b>Net investment</b>										
At 1 April 2007	145.8	95.3	188.6	308.1	321.1	198.6	-	-	81.3	1,338.8
Cash contributed	-	1.5	0.3	-	-	-	-	-	9.5	11.3
Share of post-tax results	(17.3)	(6.1)	4.7	2.6	1.4	(1.3)	-	-	6.2	(9.8)
Distributions	(37.5)	-	(3.4)	-	-	-	-	-	(5.7)	(46.6)
Fair value movement on cash flow hedges taken to equity	3.1	(0.7)	-	-	-	-	-	-	-	2.4
Loan advances	-	-	-	35.0	-	38.4	-	-	-	73.4
Loan repayments	-	-	-	-	(6.6)	(1.7)	-	-	-	(8.3)
<b>At 30 September 2007</b>	<b>94.1</b>	<b>90.0</b>	<b>190.2</b>	<b>345.7</b>	<b>315.9</b>	<b>234.0</b>	<b>-</b>	<b>-</b>	<b>91.3</b>	<b>1,361.2</b>

Notes:

- Other principally includes The Martineau Galleries Limited Partnership, the Ebbsfleet Limited Partnership, the A2 Limited Partnership, Parc Tawe and Investors in the Community (IIC).
- 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.

## 11. Investments in joint ventures continued

Year ended 31 March 2008 and at 31 March 2008

Summary financial information of Group's share of joint ventures	The Scottish Retail Property Limited Partnership £m	Metro Shopping Fund Limited Partnership £m	Buchanan Partnership £m	St. David's Limited Partnership £m	The Bull Ring Limited Partnership £m	Bristol Alliance Limited Partnership £m	The Harvest Limited Partnership £m	The Oriana Limited Partnership £m	Other <sup>(1)</sup> £m	Total £m
<b>Income statement</b>										
Rental income	12.5	14.0	9.9	5.4	14.7	3.4	1.4	1.4	3.4	66.1
Service charge income	2.5	3.0	0.7	0.7	2.7	-	-	-	0.7	10.3
Property services income	-	-	-	-	-	-	-	-	0.1	0.1
Trading property sale proceeds	-	-	-	-	-	-	-	-	35.1	35.1
<b>Revenue</b>	<b>15.0</b>	<b>17.0</b>	<b>10.6</b>	<b>6.1</b>	<b>17.4</b>	<b>3.4</b>	<b>1.4</b>	<b>1.4</b>	<b>39.3</b>	<b>111.6</b>
Rents payable	(0.2)	-	-	-	-	-	-	-	(0.1)	(0.3)
Other direct property expenditure	(4.6)	(3.8)	(1.9)	(1.2)	(4.1)	(0.2)	-	-	(1.4)	(17.2)
Indirect property expenditure	(0.6)	(1.1)	(0.1)	(0.3)	(0.2)	(0.2)	(0.1)	(0.2)	(0.1)	(2.9)
Cost of sales of trading properties	-	-	-	-	-	-	-	-	(26.8)	(26.8)
	9.6	12.1	8.6	4.6	13.1	3.0	1.3	1.2	10.9	64.4
(Loss) / profit on disposal of non-current properties	(7.6)	0.6	-	-	-	-	-	-	(0.1)	(7.1)
Net (deficit) / surplus on revaluation of investment properties	(28.4)	(12.1)	(11.5)	(21.8)	(31.5)	6.3	(9.7)	(15.6)	(9.9)	(134.2)
<b>Operating (loss) / profit</b>	<b>(26.4)</b>	<b>0.6</b>	<b>(2.9)</b>	<b>(17.2)</b>	<b>(18.4)</b>	<b>9.3</b>	<b>(8.4)</b>	<b>(14.4)</b>	<b>0.9</b>	<b>(76.9)</b>
Net interest (expense) / income	(5.6)	(12.5)	(3.5)	0.4	0.1	0.4	-	-	(0.3)	(21.0)
<b>(Loss) / profit before tax</b>	<b>(32.0)</b>	<b>(11.9)</b>	<b>(6.4)</b>	<b>(16.8)</b>	<b>(18.3)</b>	<b>9.7</b>	<b>(8.4)</b>	<b>(14.4)</b>	<b>0.6</b>	<b>(97.9)</b>
Income tax expense	(0.1)	(0.6)	-	-	-	-	-	-	(2.4)	(3.1)
<b>Share of (losses) / profits of joint ventures after tax</b>	<b>(32.1)</b>	<b>(12.5)</b>	<b>(6.4)</b>	<b>(16.8)</b>	<b>(18.3)</b>	<b>9.7</b>	<b>(8.4)</b>	<b>(14.4)</b>	<b>(1.8)</b>	<b>(101.0)</b>
<b>Balance sheet</b>										
Investment properties <sup>(2)</sup>	126.7	246.4	176.0	244.1	288.4	291.5	62.7	87.3	55.9	1,579.0
Current assets	11.2	38.3	6.1	118.7	9.1	12.4	2.3	1.5	73.7	273.3
	137.9	284.7	182.1	362.8	297.5	303.9	65.0	88.8	129.6	1,852.3
Current liabilities	(2.9)	(4.9)	(2.5)	(15.7)	(8.2)	(17.2)	(0.5)	(79.7)	(10.7)	(142.3)
Non-current liabilities	(62.0)	(209.9)	-	(0.4)	-	(2.3)	-	(0.1)	(24.7)	(299.4)
	(64.9)	(214.8)	(2.5)	(16.1)	(8.2)	(19.5)	(0.5)	(79.8)	(35.4)	(441.7)
<b>Net assets</b>	<b>73.0</b>	<b>69.9</b>	<b>179.6</b>	<b>346.7</b>	<b>289.3</b>	<b>284.4</b>	<b>64.5</b>	<b>9.0</b>	<b>94.2</b>	<b>1,410.6</b>
<b>Capital commitments</b>	<b>2.9</b>	<b>0.6</b>	<b>2.9</b>	<b>127.4</b>	<b>-</b>	<b>27.7</b>	<b>-</b>	<b>-</b>	<b>8.3</b>	<b>169.8</b>
<b>Market value of investment properties <sup>(2)</sup></b>	<b>125.9</b>	<b>246.6</b>	<b>180.0</b>	<b>244.0</b>	<b>293.3</b>	<b>294.5</b>	<b>62.8</b>	<b>87.3</b>	<b>55.5</b>	<b>1,589.9</b>
<b>Net (debt) / cash</b>	<b>(53.1)</b>	<b>(205.6)</b>	<b>0.7</b>	<b>5.3</b>	<b>3.1</b>	<b>(0.3)</b>	<b>1.5</b>	<b>1.4</b>	<b>(6.5)</b>	<b>(253.5)</b>
<b>Net investment</b>										
At 1 April 2007	145.8	95.3	188.6	308.1	321.1	198.6	-	-	81.3	1,338.8
Properties contributed	-	-	-	-	-	-	39.7	205.8	-	245.5
Cash contributed	-	6.6	3.4	-	-	-	33.2	-	26.3	69.5
Share of post-tax results	(32.1)	(12.5)	(6.4)	(16.8)	(18.3)	9.7	(8.4)	(14.4)	(1.8)	(101.0)
Distributions	(42.5)	(14.2)	(6.0)	-	-	-	-	(0.8)	(11.6)	(75.1)
Fair value movement on cash flow hedges taken to equity	1.8	(5.3)	-	-	-	-	-	-	-	(3.5)
Loan advances	-	-	-	55.4	-	79.5	-	-	-	134.9
Loan repayments	-	-	-	-	(13.5)	(3.4)	-	(181.6)	-	(198.5)
<b>At 31 March 2008</b>	<b>73.0</b>	<b>69.9</b>	<b>179.6</b>	<b>346.7</b>	<b>289.3</b>	<b>284.4</b>	<b>64.5</b>	<b>9.0</b>	<b>94.2</b>	<b>1,410.6</b>

Notes:

- Other principally includes The Martineau Galleries Limited Partnership, the Ebbsfleet Limited Partnership, the A2 Limited Partnership, Parc Tawe and Investors in the Community (IIC).
- 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.

12. Non-current assets classified as held for sale	30 September 2008 £m	30 September 2007 £m	31 March 2008 £m
Non-current assets classified as held for sale	283.5	2,568.9	664.1
Liabilities directly associated with non-current assets classified as held for sale	(117.6)	(1,655.9)	(427.7)
	165.9	913.0	236.4

Non current assets and liabilities held for sale at 30 September 2008 represents a number of PPP investments which will be sold to Trillium Investment Partners LP or to third parties. The net carrying value of the disposal group is based on its fair value less costs to sell at the date of acquisition, as adjusted to reflect cash advanced and cash returned from the disposal group. The disposal group represents a discontinued operation. The Group has not recognised any profits or losses in respect of this discontinued operation (other than the £17.3m profit on disposal of 13 projects sold to Trillium Investment Partners LP and a £2.6m impairment charge) in the six months ended 30 September 2008. The disposal group is held in the Trillium segment.

Set out below is an analysis of the movements within the disposal group for the six months ended 30 September 2008:

	£m
Book value at 1 April 2008	236.4
Projects transferred from Investments in Public Private Partnership contracts	17.2
Projects sold to Trillium Investment Partners LP	(83.7)
Impairments	(2.6)
Cash received from the disposal group	(1.4)
	165.9

**13. Borrowings**

At 30 September 2008									
	Nominal value <sup>(7)</sup> £m	Secured £m	Unsecured £m	Book value Total £m	Fixed / floating <sup>(9)</sup>	Effective interest rate %	Weighted average time for which interest rate is fixed Years	Fair value <sup>(10)</sup> £m	Excess / (deficit) of fair value over book value £m
<b>Sterling</b>									
4.625 per cent Notes due 2013 <sup>(1)</sup>	300.0	299.8	-	299.8	Fixed	4.7	2.3	288.1	(11.7)
5.292 per cent Notes due 2015 <sup>(1)</sup>	391.5	391.0	-	391.0	Fixed	5.3	5.2	365.1	(25.9)
4.875 per cent Notes due 2019 <sup>(1)</sup>	400.0	396.3	-	396.3	Fixed	5.0	9.1	347.4	(48.9)
5.425 per cent Notes due 2022 <sup>(1)</sup>	255.3	254.6	-	254.6	Fixed	5.5	11.5	223.3	(31.3)
4.875 per cent Notes due 2025 <sup>(1)</sup>	300.0	297.1	-	297.1	Fixed	4.9	15.0	237.2	(59.9)
5.391 per cent Notes due 2026 <sup>(1)</sup>	210.7	209.8	-	209.8	Fixed	5.4	15.4	173.0	(36.8)
5.391 per cent Notes due 2027 <sup>(1)</sup>	611.2	608.5	-	608.5	Fixed	5.4	16.5	496.7	(111.8)
5.376 per cent Notes due 2029 <sup>(1)</sup>	317.9	316.3	-	316.3	Fixed	5.4	19.0	252.7	(63.6)
5.396 per cent Notes due 2032 <sup>(1)</sup>	322.9	321.1	-	321.1	Fixed	5.4	21.8	258.4	(62.7)
5.125 per cent Notes due 2036 <sup>(1)</sup>	500.0	498.5	-	498.5	Fixed	5.1	25.4	384.5	(114.0)
DWP term loan <sup>(3)</sup>	101.3	101.3	-	101.3	Floating	6.6	0.2	101.3	-
Syndicated bank debt <sup>(4)</sup>	1,243.4	1,239.6	-	1,239.6	Floating	6.1	-	1,243.4	3.8
Bilateral facilities <sup>(5)</sup>	625.0	625.0	-	625.0	Floating	6.1	0.1	625.0	-
Acquisition loan notes <sup>(6)</sup>	106.4	-	106.4	106.4	Floating	5.1	-	106.4	-
	5,685.6	5,558.9	106.4	5,665.3				5,102.5	(562.8)
<b>Amounts payable under finance leases</b>	77.2	77.2	-	77.2	Fixed	5.5	93.4	88.9	11.7
	5,762.8	5,636.1	106.4	5,742.5				5,191.4	(551.1)
<b>Fair value of derivative instruments</b>									
Interest rate swaps									
Qualifying hedges	274.3	2.2	-	2.2		5.2	5.6	2.2	-
Non-qualifying hedges	2,130.0	5.2	-	5.2		5.2	1.6	5.2	-
Foreign currency swaps – qualifying hedges	25.6	0.5	-	0.5		-	1.5	0.5	-
	2,429.9	7.9	-	7.9				7.9	-
Bond exchange de-recognition <sup>(8)</sup>		(505.6)	-	(505.6)				-	505.6
<b>Total borrowings</b>		5,138.4	106.4	5,244.8				5,199.3	(45.5)
Less: borrowings falling due within one year				(106.4)					
Less: derivative financial instruments - liabilities				(7.9)					
Plus: bond exchange de-recognition falling due within one year				12.2					
Less: amounts payable under finance leases falling due within one year				(2.3)					
<b>Non-current borrowings</b>				5,140.4					

## 13. Borrowings continued

	At 30 September 2007								
	Nominal value <sup>(7)</sup> £m	Secured £m	Unsecured £m	Book value Total £m	Fixed / floating <sup>(9)</sup>	Effective interest rate %	Weighted average time for which interest rate is fixed Years	Fair value <sup>(10)</sup> £m	Excess / (deficit) of fair value over book value £m
<b>Sterling</b>									
4.625 per cent Notes due 2013 <sup>(1)</sup>	300.0	299.7	-	299.7	Fixed	4.6	3.3	287.1	(12.6)
5.292 per cent Notes due 2015 <sup>(1)</sup>	391.5	390.8	-	390.8	Fixed	5.3	6.2	378.8	(12.0)
4.875 per cent Notes due 2019 <sup>(1)</sup>	400.0	395.9	-	395.9	Fixed	4.9	10.1	366.4	(29.5)
5.425 per cent Notes due 2022 <sup>(1)</sup>	255.3	254.5	-	254.5	Fixed	5.4	12.5	245.6	(8.9)
4.875 per cent Notes due 2025 <sup>(1)</sup>	300.0	297.0	-	297.0	Fixed	4.9	16.0	271.4	(25.6)
5.391 per cent Notes due 2026 <sup>(1)</sup>	210.7	209.8	-	209.8	Fixed	5.4	16.4	200.9	(8.9)
5.391 per cent Notes due 2027 <sup>(1)</sup>	611.3	608.4	-	608.4	Fixed	5.4	17.5	582.2	(26.2)
5.376 per cent Notes due 2029 <sup>(1)</sup>	317.9	316.3	-	316.3	Fixed	5.4	20.0	303.5	(12.8)
5.396 per cent Notes due 2032 <sup>(1)</sup>	322.9	321.0	-	321.0	Fixed	5.4	22.8	307.2	(13.8)
5.125 per cent Notes due 2036 <sup>(1)</sup>	500.0	498.5	-	498.5	Fixed	5.1	26.4	464.3	(34.2)
Bank facility due 2010	15.5	15.5	-	15.5	Floating	6.5	0.1	15.5	-
Euro Commercial Paper <sup>(2)</sup>	29.7	-	29.7	29.7	Floating	6.1	0.5	29.7	-
DWP term loan <sup>(3)</sup>	134.1	134.1	-	134.1	Floating	6.1	0.3	134.1	-
Syndicated bank debt <sup>(4)</sup>	1,380.0	1,380.0	-	1,380.0	Floating	6.2	0.1	1,380.0	-
Bilateral facility <sup>(5)</sup>	855.6	855.6	-	855.6	Floating	6.3	-	855.6	-
Acquisition loan notes <sup>(6)</sup>	112.7	-	112.7	112.7	Floating	4.6	-	112.7	-
Bank overdraft	55.3	-	55.3	55.3	Floating	-	-	55.3	-
Money market borrowings	89.2	89.2	-	89.2	Floating	6.2	0.2	89.2	-
	6,281.7	6,066.3	197.7	6,264.0				6,079.5	(184.5)
<b>Euro</b>									
Syndicated bank debt	27.4	27.4	-	27.4	Floating	4.4	0.3	27.4	-
Bilateral facility	27.9	27.9	-	27.9	Floating	4.5	-	27.9	-
Euro Commercial Paper <sup>(2)</sup>	29.3	-	29.3	29.3	Floating	6.6	0.1	29.3	-
	84.6	55.3	29.3	84.6				84.6	-
<b>US Dollars</b>									
Euro Commercial Paper <sup>(2)</sup>	5.4	-	5.4	5.4	Floating	6.0	-	5.4	-
<b>Amounts payable under finance leases</b>	70.1	70.1	-	70.1	Fixed	5.5	87.8	79.2	9.1
	6,441.8	6,191.7	232.4	6,424.1				6,248.7	(175.4)
<b>Fair value of derivative instruments</b>									
Interest rate swaps									
Qualifying hedges	168.2	(2.6)	-	(2.6)		5.1	5.9	(2.6)	-
Non-qualifying hedges	1,565.0	(7.8)	-	(7.8)		5.1	3.1	(7.8)	-
Foreign currency swaps – qualifying hedges	34.7	(1.1)	-	(1.1)		6.5	0.1	(1.1)	-
	1,767.9	(11.5)	-	(11.5)				(11.5)	-
Bond exchange de-recognition <sup>(8)</sup>		(516.8)	-	(516.8)				-	516.8
<b>Total borrowings</b>		5,663.4	232.4	5,895.8				6,237.2	341.4
Less: bank overdraft				(55.3)					
Less: borrowings falling due within one year				(1,212.5)					
Plus: derivative financial instruments - assets				11.5					
Plus: bond exchange de-recognition falling due within one year				11.2					
Less: amounts payable under finance leases falling due within one year				(2.1)					
<b>Non-current borrowings</b>				4,648.6					



**13. Borrowings continued**

At 31 March 2008									
	Nominal value <sup>(7)</sup> £m	Secured £m	Unsecured £m	Book value Total £m	Fixed / floating <sup>(9)</sup>	Effective interest rate %	Weighted average time for which interest rate is fixed Years	Fair value <sup>(10)</sup> £m	Excess / (deficit) of fair value over book value £m
<b>Sterling</b>									
4.625 per cent Notes due 2013 <sup>(1)</sup>	300.0	299.7	-	299.7	Fixed	4.7	2.8	292.9	(6.8)
5.292 per cent Notes due 2015 <sup>(1)</sup>	391.5	390.9	-	390.9	Fixed	5.3	5.7	384.0	(6.9)
4.875 per cent Notes due 2019 <sup>(1)</sup>	400.0	396.1	-	396.1	Fixed	5.0	9.6	369.9	(26.2)
5.425 per cent Notes due 2022 <sup>(1)</sup>	255.3	254.5	-	254.5	Fixed	5.5	12.0	240.0	(14.5)
4.875 per cent Notes due 2025 <sup>(1)</sup>	300.0	297.0	-	297.0	Fixed	4.9	15.5	257.2	(39.8)
5.391 per cent Notes due 2026 <sup>(1)</sup>	210.7	209.8	-	209.8	Fixed	5.4	15.9	190.5	(19.3)
5.391 per cent Notes due 2027 <sup>(1)</sup>	611.2	608.5	-	608.5	Fixed	5.4	17.0	547.6	(60.9)
5.376 per cent Notes due 2029 <sup>(1)</sup>	317.9	316.3	-	316.3	Fixed	5.4	19.5	283.4	(32.9)
5.396 per cent Notes due 2032 <sup>(1)</sup>	322.9	321.0	-	321.0	Fixed	5.4	22.3	285.2	(35.8)
5.125 per cent Notes due 2036 <sup>(1)</sup>	500.0	498.5	-	498.5	Fixed	5.1	25.9	426.6	(71.9)
Bank facility due 2010	15.5	15.5	-	15.5	Floating	6.4	0.1	15.5	-
Euro Commercial Paper <sup>(2)</sup>	19.8	-	19.8	19.8	Floating	5.8	0.1	19.8	-
DWP term loan <sup>(3)</sup>	124.4	124.4	-	124.4	Floating	6.4	0.3	124.4	-
Syndicated bank debt <sup>(4)</sup>	865.0	865.0	-	865.0	Floating	5.8	-	865.0	-
Bilateral facility <sup>(5)</sup>	1,065.4	1,065.4	-	1,065.4	Floating	5.9	-	1,065.4	-
Acquisition loan notes <sup>(6)</sup>	106.4	-	106.4	106.4	Floating	5.4	0.5	106.4	-
Bank overdraft	1.4	-	1.4	1.4	Floating	-	-	1.4	-
Money market borrowings	45.0	-	45.0	45.0	Floating	5.7	0.1	45.0	-
	5,852.4	5,662.6	172.6	5,835.2				5,520.2	(315.0)
<b>Euro</b>									
Euro Commercial Paper <sup>(2)</sup>	35.5	-	35.5	35.5	Floating	4.7	0.1	35.5	-
<b>Amounts payable under finance leases</b>	67.3	67.3	-	67.3	Fixed	5.5	88.5	79.5	12.2
	5,955.2	5,729.9	208.1	5,938.0				5,635.2	(302.8)
<b>Fair value of derivative instruments</b>									
Interest rate swaps									
Qualifying hedges	145.7	0.8	-	0.8		5.1	6.3	0.8	-
Non-qualifying hedges	1,880.0	9.9	-	9.9		5.2	1.7	9.9	-
Foreign currency swaps – qualifying hedges	35.5	(4.3)	-	(4.3)		4.7	0.1	(4.3)	-
	2,061.2	6.4	-	6.4				6.4	-
Bond exchange de-recognition <sup>(8)</sup>		(511.5)	-	(511.5)				-	511.5
<b>Total borrowings</b>		5,224.8	208.1	5,432.9				5,641.6	208.7
Less: bank overdraft				(1.4)					
Less: borrowings falling due within one year				(802.1)					
Less: derivative financial instruments - liabilities				(10.7)					
Plus: derivative financial instruments - assets				4.3					
Plus: bond exchange de-recognition falling due within one year				11.7					
Less: amounts payable under finance leases falling due within one year				(2.2)					
<b>Non-current borrowings</b>				4,632.5					

**13. Borrowings continued**

1. The Notes have an anticipated maturity date of two years earlier than the legal maturity date as stated. During the two years prior to the legal maturity date, the Notes incur interest at three month LIBOR plus a margin. The maturity profiles have been calculated using the anticipated maturity date. The Notes and the committed bank facilities are secured on a fixed and floating pool of assets (the Security Group). This grants the Group's debt investors security over a pool of investment properties valued at **£9,993.3m** at 30 September 2008 (30 September 2007: £12.4bn; 31 March 2008: £11.0bn). The amount borrowed against these assets was **£5,334.5m** (30 September 2007: £5,964.2m; 31 March 2008: £5,595.2m). The secured debt structure has a tiered covenant regime which gives the Group substantial operational flexibility when the loan-to-value and interest rate cover in the Security Group are less than 65% and more than 1.45 times respectively. If these limits are exceeded, operational restrictions increase significantly and could act as an incentive to reduce gearing. At 30 September 2008 the loan-to-value ratio was 53.4%.
2. Euro Commercial Paper is unsecured. However, the amount drawn is required to be supported by an unutilised committed bank facility, which is a secured facility.
3. The DWP term loan was refinanced in December 2006 and expires in December 2017. It is secured on the freehold and long leasehold properties acquired from the Department of Work and Pensions. The carrying amount of the properties concerned was **£339.9m** at 30 September 2008 (30 September 2007: £363.4m; 31 March 2008: £364.0m).
4. At 30 September 2008, the Group had two syndicated bank facilities, being £1.5bn and £352.0m. In August 2006, the Group refinanced its £1.5bn syndicated bank facility with the effect of extending its legal final maturity to August 2013. This facility is committed and secured on the assets of the Security Group. The maturity profile has been calculated to August 2012, because of onerous operational restrictions in the twelve months prior to the legal final maturity. In May 2008, the Group entered into a five year £352.0m syndicated bank facility for the development of Leeds Trinity Quarter. This facility is committed and secured on this asset. The maturity profile is calculated on the basis that it is the Group's intention to retain the existing loan to maturity of the facility.
5. During the six months ended 30 September 2008, the Group has refinanced and extended three of the existing committed bilateral facilities and established two new committed bilateral facilities all of which are secured on the assets of the Security Group. The four drawn facilities have initial maturities in July and August 2010, with a term out option to extend for a further year. The maturity profiles have been calculated assuming the term out options are not utilised, because of onerous operational restrictions in the twelve months prior to the legal final maturity date. The fifth facility has an initial maturity of September 2009, with an option to extend for two further years. However, due to the onerous operational restrictions that arise in the last twelve months, the maturity profile has been calculated on the basis that the facility would be extended for a single year.
6. The acquisition loan notes were issued by Retail Property Holdings Trust Limited, a subsidiary of the Group, as partial consideration for the purchase of Tops Estates PLC and the LxB portfolio. The notes are unsecured, however, they have the benefit of a commercial bank guarantee. Interest is calculated with reference to six month LIBOR. Although, the notes are due to be redeemed in 2015, in September 2008, the loan note holders gave notice that they wished to redeem most of the loan notes. £105.1m have been redeemed post 30 September 2008. The balance of £1.3m will be repaid by 31 December 2008, as the Group has given notice to repay the remaining amount since the balance sheet date. Accordingly, the notes have been classified as current liabilities.
7. For foreign currency amounts, the nominal/notional value is the Sterling equivalent of the principal amount at the period end date.
8. On 3 November 2004, a debt refinancing was completed resulting in the Group exchanging all of its outstanding bond and debenture debt for new Notes. The new Notes do not meet the IAS 39 requirement to be substantially different from the debt that it replaced. Consequently the book value of the new Notes is reduced to the book value of the original debt ('the bond exchange de-recognition adjustment'). The adjustment will be amortised to zero over the life of the new Notes.
9. Before the effect of derivative instruments.
10. The Group's Notes are listed on the Irish Stock Exchange and their fair values are based on their respective market prices. The fair value of interest rate swaps is based on the market price of comparable instruments at the balance sheet date. The fair values of short-term deposits, loans and overdrafts are assumed to approximate to their book values, as are the values of longer-term, floating rate bank loans.

**Financial risk management***Financial risk factors*

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

The Group's operations and debt financing expose it to a variety of financial risks. The main risks arising include credit risk, liquidity risk and market risk, the latter in respect of both interest rates and foreign exchange.

The exposure to each risk, how it arises and policies for managing each risk for the period is summarised below:

*Credit risk*

The Group's principal financial assets are bank balances and cash, trade and other receivables, finance lease receivables and short-term investments. The Group's credit risk is primarily attributable to its trade and finance lease receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables concerned. The balance is low relative to the scale of the balance sheet and therefore the credit risk of trade receivables is considered to be low.

Finance lease receivables relate to amounts receivable from tenants in respect of tenant finance leases. This is not considered a significant credit risk as the tenants are generally of good financial standing.

The credit risk on liquid funds and derivative financial instruments is limited due to the Group's policy of monitoring counterparty exposures. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties.

**13. Borrowings continued***Liquidity risk*

The Group actively maintains a mixture of long-term and short-term committed facilities that are designed to ensure that the Group has sufficient available funds for operations and committed investments. The Group's undrawn committed borrowing facilities are monitored against projected cash flows. The expiry periods of the Group's undrawn committed borrowing facilities in nominal terms are:

	30 September 2008 £m	30 September 2007 £m	31 March 2008 £m
More than one year but not more than two years	265.0	-	25.0
More than two years but not more than five years	608.6	2.1	2.0
More than five years	-	743.0	584.0
	<b>873.6</b>	<b>745.1</b>	<b>611.0</b>

The undrawn committed borrowing facilities are net of amounts drawn under both the syndicated bank facilities and the Euro Commercial Paper programme.

*Market risk*

The Group is exposed to market risk through interest rates, currency fluctuations and availability of liquidity.

*Interest rates*

The Group uses interest rate swaps and similar instruments (forward rate agreements, forward starting swaps, and gilt locks) to manage its interest rate exposure. With property and interest rate cycles typically of four to seven years duration, the Group's target is to have a minimum of 80% of anticipated debt at fixed rates of interest and a maximum of 20% floating over this timeframe. Due to a combination of factors, principally the high level of certainty required under IAS 39 'Financial Instruments: Recognition and Measurement', hedging instruments used in this context do not qualify for hedge accounting. Specific hedges are also used in geared joint ventures to fix the interest exposure on limited recourse debt.

At 30 September 2008 the Group (including joint ventures) had £2.8bn of hedges in place, and its debt was 81% fixed. Consequently, based on 30 September 2008 debt levels, a 1% change in LIBOR would decrease or increase the Group's annual profit before tax by £11.4m. The sensitivity has been calculated by applying the interest rate change to the variable rate borrowings, net of interest rate swaps and cash, at the period end.

*Foreign exchange*

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Group's functional currency.

The Group does not normally enter into any foreign currency transactions as it is UK based. However, the Group is able to raise debt in currencies other than Sterling, and where this occurs it is the Group's policy to hedge 100% of the exposure by entering into currency swaps to fix the sterling value of debt. Therefore the Group's foreign exchange risk is low.

*Financial maturity analysis*

The interest rate and currency profiles of the Group's undiscounted borrowings, after taking into account the effect of the foreign currency swaps and interest rate swaps, are set out below:

	30 September 2008			30 September 2007			31 March 2008		
	Fixed rate £m	Floating rate £m	Total £m	Fixed rate £m	Floating rate £m	Total £m	Fixed rate £m	Floating rate £m	Total £m
Sterling	4,561.0	1,201.8	5,762.8	5,395.2	973.6	6,368.8	4,402.5	1,552.7	5,955.2
Euro	-	-	-	-	55.3	55.3	-	-	-
	<b>4,561.0</b>	<b>1,201.8</b>	<b>5,762.8</b>	<b>5,395.2</b>	<b>1,028.9</b>	<b>6,424.1</b>	<b>4,402.5</b>	<b>1,552.7</b>	<b>5,955.2</b>

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

	30 September 2008			30 September 2007			31 March 2008		
	Fixed rate £m	Floating rate £m	Total £m	Fixed rate £m	Floating rate £m	Total £m	Fixed rate £m	Floating rate £m	Total £m
One year or less, or on demand	108.7	-	108.7	243.0	1,028.9	1,271.9	172.2	633.5	805.7
More than one year but no more than two years	116.0	511.3	627.3	2.2	-	2.2	464.4	38.0	502.4
More than two years but no more than five years	882.3	667.4	1,549.7	22.0	-	22.0	321.9	-	321.9
More than five years	3,454.0	23.1	3,477.1	5,128.0	-	5,128.0	3,444.0	881.2	4,325.2
	<b>4,561.0</b>	<b>1,201.8</b>	<b>5,762.8</b>	<b>5,395.2</b>	<b>1,028.9</b>	<b>6,424.1</b>	<b>4,402.5</b>	<b>1,552.7</b>	<b>5,955.2</b>

**13. Borrowings continued**

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

	30 September 2008			Interest rate swaps £m	30 September 2007		Interest rate swaps £m	31 March 2008	
	Interest rate swaps £m	Foreign currency £m	Total £m		Foreign currency £m	Total £m		Foreign currency £m	Total £m
One year or less, or on demand	156.1	-	156.1	299.4	34.7	334.1	178.9	35.5	214.4
More than one year but no more than two years	144.0	25.6	169.6	171.6	-	171.6	46.7	-	46.7
More than two years but no more than five years	2,026.0	-	2,026.0	1,183.5	-	1,183.5	1,721.9	-	1,721.9
More than five years	78.2	-	78.2	78.7	-	78.7	78.2	-	78.2
	<b>2,404.3</b>	<b>25.6</b>	<b>2,429.9</b>	<b>1,733.2</b>	<b>34.7</b>	<b>1,767.9</b>	<b>2,025.7</b>	<b>35.5</b>	<b>2,061.2</b>

**14. Net pension benefit (asset) / obligation**

	30 September 2008 £m	30 September 2007 £m	31 March 2008 £m
Analysis of the movement in the balance sheet asset			
At the beginning of the period	(11.0)	5.6	5.6
Charge to operating profit	0.7	1.0	2.1
Expected return on plan assets	(4.5)	(4.3)	(9.0)
Interest on schemes' liabilities	4.2	3.9	8.1
Employer contributions	(3.0)	(1.1)	(2.0)
Actuarial losses / (gains)	10.2	1.1	(15.8)
<b>At the end of the period</b>	<b>(3.4)</b>	<b>6.2</b>	<b>(11.0)</b>

**15. Deferred tax**

	30 September 2008 £m	30 September 2007 £m	31 March 2008 £m
Deferred tax is provided as follows:			
Excess of capital allowances over depreciation – operating properties	0.2	4.7	0.7
Capitalised interest – operating properties	0.9	0.9	0.9
Other temporary differences	-	(1.3)	(0.1)
<b>Total deferred tax</b>	<b>1.1</b>	<b>4.3</b>	<b>1.5</b>

16. Total shareholders' equity	Ordinary shares £m	Own shares £m	Share-based payments £m	Share premium £m	Capital redemption reserve £m	Retained earnings * £m	Total £m
At 1 April 2007	47.0	(14.5)	7.9	51.5	30.5	10,668.9	10,791.3
Exercise of options	0.1	-	-	1.4	-	-	1.5
Fair value movement on cash flow hedges – Group	-	-	-	-	-	0.2	0.2
– joint ventures	-	-	-	-	-	2.4	2.4
Fair value of share-based payments	-	-	2.3	-	-	-	2.3
Own shares acquired	-	(9.4)	-	-	-	(71.7)	(81.1)
Cost of shares awarded to employees	-	1.9	(1.9)	-	-	-	-
Actuarial losses on defined benefit pension schemes	-	-	-	-	-	(1.1)	(1.1)
Dividend paid (note 6)	-	-	-	-	-	(159.5)	(159.5)
Profit for the financial period	-	-	-	-	-	367.0	367.0
<b>At 30 September 2007</b>	<b>47.1</b>	<b>(22.0)</b>	<b>8.3</b>	<b>52.9</b>	<b>30.5</b>	<b>10,806.2</b>	<b>10,923.0</b>
Exercise of options	-	-	-	3.7	-	-	3.7
Fair value movement on cash flow hedges – Group	-	-	-	-	-	(3.4)	(3.4)
– joint ventures	-	-	-	-	-	(5.9)	(5.9)
Fair value of share-based payments	-	-	2.7	-	-	-	2.7
Own shares acquired	-	-	-	-	-	(6.5)	(6.5)
Cost of shares awarded to employees	-	(0.3)	0.3	-	-	-	-
Actuarial gains on defined benefit pension schemes	-	-	-	-	-	16.0	16.0
Dividend paid (note 6)	-	-	-	-	-	(148.9)	(148.9)
Loss for the financial period	-	-	-	-	-	(1,197.8)	(1,197.8)
<b>At 31 March 2008</b>	<b>47.1</b>	<b>(22.3)</b>	<b>11.3</b>	<b>56.6</b>	<b>30.5</b>	<b>9,459.7</b>	<b>9,582.9</b>
Exercise of options	-	-	-	1.7	-	-	1.7
Fair value movement on cash flow hedges – Group	-	-	-	-	-	(1.9)	(1.9)
– joint ventures	-	-	-	-	-	1.4	1.4
Fair value of share-based payments	-	-	4.4	-	-	-	4.4
Cost of shares awarded to employees	-	4.3	(4.3)	-	-	-	-
Actuarial losses on defined benefit pension schemes	-	-	-	-	-	(10.2)	(10.2)
Dividend paid (note 6)	-	-	-	-	-	(148.8)	(148.8)
Loss for the financial period	-	-	-	-	-	(1,725.4)	(1,725.4)
<b>At 30 September 2008</b>	<b>47.1</b>	<b>(18.0)</b>	<b>11.4</b>	<b>58.3</b>	<b>30.5</b>	<b>7,574.8</b>	<b>7,704.1</b>

\* Included within retained earnings are cumulative gains in respect of cashflow hedges (principally interest rate swaps) of £3.9m (30 September 2007: £13.7m; 31 March 2008: £4.4m).

Own shares represent the cost of shares purchased in Land Securities Group PLC by the Employee Share Ownership Plan (ESOP) which is operated by the Group in respect of its commitment to the Deferred Bonus Shares Scheme. The number of shares held by the ESOP at 30 September 2008 was **1,030,818** (30 September 2007: 1,320,086; 31 March 2008: 1,336,275).

In July 2007 and 2008 the shareholders at the Annual General Meeting authorised the acquisition of shares issued by the Company representing up to 10% of its share capital to be held as treasury shares. At 30 September 2008 the Group owned **5,896,000** (30 September 2007: 5,446,000; 31 March 2008: 5,896,000) shares with a market value of **£73.7m** (30 September 2007: £91.7m; 31 March 2008: £87.6m).

**17. Cash flow from operating activities**

Reconciliation of operating profit to net cash inflow from operating activities:

	30 September 2008 £m	30 September 2007 £m	31 March 2008 £m
<b>Cash generated from operations</b>			
(Loss) / profit for the financial period	(1,740.1)	357.0	(878.3)
Income tax expense / (credit)	2.9	8.2	(10.5)
(Loss) / profit before tax	(1,737.2)	365.2	(888.8)
Share of losses of joint ventures (post-tax)	192.3	9.8	101.0
Share of losses of an associate undertaking (post-tax)	2.0	-	0.5
	(1,542.9)	375.0	(787.3)
Interest income	(22.5)	(8.5)	(29.4)
Interest expense	141.9	142.3	324.4
Operating (loss) / profit	(1,423.5)	508.8	(492.3)
Adjustments for:			
Depreciation	20.7	20.8	45.8
Profit on disposal of non-current properties	(1.5)	(79.0)	(75.4)
Net deficit / (surplus) on revaluation of investment properties	1,562.7	(145.5)	1,170.3
Goodwill impairment	147.6	-	-
Share-based payment charge	4.4	2.3	5.0
Pension scheme charge	0.7	1.0	2.1
Changes in working capital:			
(Increase) / decrease in trading properties and long-term development contracts	(19.1)	(9.6)	0.2
Increase in receivables	(19.8)	(52.6)	(26.3)
(Decrease) / increase in payables and provisions	(24.4)	36.4	67.1
<b>Net cash generated from operations</b>	<b>247.8</b>	<b>282.6</b>	<b>696.5</b>

**18. Related party transactions****Subsidiaries**

In accordance with IAS 27 'Consolidated and Separate Financial Statements', transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

**Joint ventures**

As disclosed in note 11, the Group has investments in a number of joint ventures. Details of transactions and balances between the Group and its joint ventures are disclosed as follows:

**18. Related party transactions continued**

	Period ended 30 September 2008 and at 30 September 2008				Period ended 30 September 2007 and at 30 September 2007			
	Revenues £m	Net investments into joint ventures £m	Amounts owed by joint ventures £m	Amounts owed to joint ventures £m	Revenues £m	Net investments into joint ventures £m	Amounts owed by joint ventures £m	Amounts owed to joint ventures £m
The Scottish Retail Property Limited Partnership	0.3	-	0.4	(5.0)	0.4	(37.5)	-	(3.5)
Metro Shopping Fund Limited Partnership	0.4	1.8	0.4	(0.1)	0.1	1.5	-	(2.6)
Buchanan Partnership	2.4	(1.3)	1.0	-	1.8	(3.1)	0.1	-
St David's Limited Partnership	3.4	35.5	7.7	(117.1)	2.4	35.0	-	(126.6)
The Martineau Galleries Limited Partnership	0.1	(5.9)	0.3	-	0.1	4.3	0.1	-
The Bull Ring Limited Partnership	-	(6.4)	-	-	-	(6.6)	-	-
Bristol Alliance Limited Partnership	6.1	50.4	10.5	-	3.9	36.7	-	(1.4)
The Martineau Limited Partnership	0.1	-	-	(0.1)	-	-	-	-
A2 Limited Partnership	-	(3.4)	-	-	-	(0.1)	-	-
Parc Tawe 1 Unit Trust	-	(17.9)	-	-	-	-	-	-
Hungate (York) Regeneration Limited	-	-	-	-	-	1.8	-	-
Countryside Land Securities (Springhead) Limited	-	3.2	-	-	-	3.4	-	-
Ebbsfleet Limited Partnership	-	-	0.2	-	-	-	0.2	-
The Harvest Limited Partnership	0.1	17.5	0.1	(2.0)	-	-	-	-
The Oriana Limited Partnership	0.1	(0.1)	11.4	(0.1)	-	-	-	-
Millshaw Property Co. Limited	-	-	-	(10.4)	-	-	-	-
Fen Farm Developments Limited	-	-	15.5	-	-	(5.6)	15.4	-
Investors in the Community	-	0.2	-	-	-	-	-	-
The Empress State Limited Partnership	-	27.3	1.6	-	-	-	-	-
HNJV Limited	-	-	1.0	-	-	-	-	-
	13.0	100.9	50.1	(134.8)	8.7	29.8	15.8	(134.1)

	Year ended 31 March 2008 and at 31 March 2008			
	Revenues £m	Net investments into joint ventures £m	Amounts owed by joint ventures £m	Amounts owed to joint ventures £m
The Scottish Retail Property Limited Partnership	0.6	(42.5)	0.9	(3.9)
Metro Shopping Fund Limited Partnership	0.9	(7.6)	0.7	(2.0)
Buchanan Partnership	3.7	(2.6)	0.5	-
St David's Limited Partnership	5.4	55.4	4.3	(116.9)
The Martineau Galleries Limited Partnership	0.2	3.1	0.3	-
The Bull Ring Limited Partnership	-	(13.5)	-	-
Bristol Alliance Limited Partnership	9.0	76.1	11.7	-
The Martineau Limited Partnership	-	-	-	(0.1)
A2 Limited Partnership	-	(2.8)	-	-
Parc Tawe 1 Unit Trust	-	(1.4)	-	-
Hungate (York) Regeneration Limited	-	1.7	-	-
Countryside Land Securities (Springhead) Limited	-	5.5	-	-
Ebbsfleet Limited Partnership	-	-	0.2	-
The Harvest Limited Partnership	0.1	72.9	0.1	(0.2)
The Oriana Limited Partnership	-	23.4	78.7	(0.3)
Millshaw Property Co. Limited	-	14.2	-	(10.8)
Fen Farm Developments Limited	0.1	(5.6)	13.7	-
Investors in the Community	-	-	-	-
The Empress State Limited Partnership	-	-	-	-
HNJV Limited	-	-	-	-
	20.0	176.3	111.1	(134.2)

Further detail of the above transactions and balances can be seen in note 11.

**Remuneration of key management personnel**

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the applicable categories specified in IAS 24 'Related Party Disclosures':

	30 September 2008 £m	30 September 2007 £m	31 March 2008 £m
Short-term employee benefits	1.5	1.4	7.7
Post-employment benefits	0.4	0.3	0.6
Share-based payments	1.2	1.1	2.8
	3.1	2.8	11.1



## Glossary

**Adjusted earnings per share (EPS)**

Earnings per share based on revenue profit plus profits on trading properties and long-term development contracts all after tax.

**Adjusted net asset value (NAV) per share**

NAV per share adjusted to add back deferred tax associated with investment properties and capitalised interest, the adjustment arising from the de-recognition of the bond exchange, together with cumulative mark-to-market adjustment arising on interest swaps and similar instruments used for hedging purposes. After REIT conversion, the adding back of deferred tax is no longer relevant.

**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 value of properties held in joint ventures, but excludes any investment properties owned by Trillium. Unless stated these are the pro-forma numbers we use when discussing the investment property business.

**Development pipeline**

The Group's development programme together with any proposed schemes that are not yet included in the development programme but which are more likely to proceed than not.

**Development programme**

The Group's development programme comprises projects which are completed but less than 95% let; developments on site; committed developments (being projects which are approved and the building contract let); and authorised developments (those projects approved by the Board for which the building contract has not yet been let). For reporting purposes we retain properties in the programme until they are 95% let.

**Development surplus**

Excess of latest valuation over the total development cost (TDC).

**Diluted figures**

Reported amount adjusted to include the effects of potential shares issuable under employee share schemes.

**Earnings per share (EPS)**

Profit after taxation attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the period.

**EPRA**

European Public Real Estate Association.

**Equivalent yield**

The internal rate of return from an investment property, based on the gross outlays for the purchase of a property (including purchase costs), reflecting reversions to current market rent, and such items as voids and expenditures but disregarding potential changes in market rents and reflecting the actual cash flow rents.

**Estimated rental value (ERV)**

The estimated market rental value of lettable space as determined biannually by the Group's valuers. This will normally be different to the rent being paid.

**Exceptional item**

An item of income or expense that is deemed to be sufficiently material, either by its size or nature, to require separate disclosure.

**Finance lease**

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

**Gearing (net)**

Total borrowings, including bank overdrafts, less short-term deposits, corporate bonds and cash, at book value, plus non-equity shareholders' funds as a percentage of equity shareholders' funds.

**Gross income yield**

The annual net rent on investment properties expressed as a percentage of the valuation ignoring costs of purchase or sale.

**Head lease**

A lease under which the Group holds an investment property.

**Initial yield**

Annualised net rents on investment properties expressed as a percentage of the acquisition cost.

**Interest rate swap**

A financial instrument where two parties agree to exchange an interest rate obligation for a predetermined amount of time. These are used by the Group to convert floating rate debt to fixed rates.

**Investment portfolio**

The investment portfolio comprises the Group's wholly-owned investment properties together with the properties held for development but excludes Trillium properties.

**Joint venture**

An entity in which the Group holds an interest on a long-term basis and is jointly controlled by the Group and one or more venturers under a contractual arrangement whereby decisions on financial and operating policies essential to the operation, performance and financial position of the venture require each venturer's consent.

**Lease incentives**

Any incentive offered to occupiers to enter into a lease. Typically the incentive will be an initial rent-free period, or a cash contribution to fit-out or similar costs. For accounting purposes, under IFRS, the value of the rent-free period is spread over the non-cancellable life of the lease.

**LIBOR**

The London Interbank Offered Rate, the interest rate charged by one bank to another for lending money.

**Like-for-like portfolio**

Properties that have been in the investment or combined portfolio for the whole of the current and previous financial year.

**Loan-to-value (LTV)**

LTV is the ratio of gross debt less cash and short-term deposits to non-current assets. For the Security Group, LTV is the ratio of debt lent to the Security Group divided by the value of secured assets.

**London Portfolio**

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

**Mark-to-market adjustment**

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

**Net asset value (NAV) per share**

Total equity divided by the number of ordinary shares in issue at the period end.

**Open market value**

Open market value is an opinion of the best price at which the sale of an interest in the property would complete unconditionally for cash consideration on the date of valuation (as determined by the Group's external valuers). In accordance with usual practice, the Group's external valuers report valuations net, after the deduction of the prospective purchaser's costs, including stamp duty, agent and legal fees.

**Operating properties**

Properties acquired and managed by Trillium as part of its property outsourcing contracts with third parties and which do not meet the accounting definition of investment property.

**Other investment portfolio**

This comprises all other investment properties not included in Retail or London Portfolio.

**Outline planning consent**

This gives consent in principle for a development, and covers matters such as use and building mass. Full details of the development scheme must be provided in an application for full planning consent, including detailed design, external appearance and landscaping before a project can proceed. An outline planning permission will lapse if full planning permission is not granted within three years.

**Private Finance Initiative (PFI)**

A particular form of PPP, that is a government or public authority initiative to acquire private financing for public sector infrastructure.

**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.

**Public Private Partnership (PPP)**

A partnership that brings together, for mutual benefit, a public body and a private company in a long-term joint venture for the purpose of delivering public projects or services.

**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.

**Retail Portfolio**

This business includes our shopping centres, shops, retail warehouse properties and assets held in retail joint ventures but not Central London retail.

**Return on average capital employed**

Group profit before interest, plus joint venture profit before tax, divided by the average capital employed (defined as shareholders' funds plus net debt).

**Return on average equity**

Group profit before tax plus joint venture tax divided by the average equity shareholders' funds.

**Revenue profit**

Profit before tax, excluding profits on the sale of non-current assets and trading properties, profits on long-term development contracts, revaluation surpluses, mark-to-market adjustments on interest rate swaps and similar instruments used for hedging purposes, the adjustment to interest payable resulting from the amortisation of the bond exchange de-recognition, debt restructuring charges and any exceptional items.

**Reversionary or under-rented**

Space where the passing rent is below the ERV.

**Reversionary yield**

The anticipated yield to which the initial yield will rise once the rent reaches the ERV.

**Total business return**

Dividend per share, plus the increase in adjusted diluted net asset value per share, divided by the adjusted diluted net asset value per share at the beginning of the period.

**Total development cost (TDC)**

All capital expenditure on a project including the opening book value of the property on commencement of development, together with all finance costs less residential costs.

**Total property return**

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

**Total shareholder return**

The growth in value of a shareholding over a specified period, assuming that dividends are reinvested to purchase additional units of the stock.

**Trading properties**

Properties held for trading purposes and shown as current assets in the balance sheet.

**Turnover rent**

Rental income which is related to an occupier's turnover.

**Underlying operating profit**

Operating profit before profit on disposal of non-current properties, revaluation of investment properties, and exceptional items stated within operating profit.

**Unitary charge**

The basic payment received by Trillium under a property outsourcing contract.

**Voids**

The area in a property or portfolio, excluding developments, which is currently available for letting.

**Weighted average cost of capital (WACC)**

Weighted average 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.