Half-yearly results for the six months ended 30 September 2012

Thursday, 8 November 2012

Forward-looking statements

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

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

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

Half-yearly results for the six months ended 30 September 2012

"Our clear plan is driving high levels of activity as we secure lettings and progress our development programme. In uncertain market conditions we remain well positioned"

Results summary

	30 September 2012	31 March 2012	Change
Valuation deficit (1)	£10.9m	N/A	Down 0.1%
Basic NAV per share	922p	921p	Up 0.1%
Adjusted diluted NAV per share (2)	864p	863p	Up 0.1%
Group LTV ratio (1)	36.2%	38.0%	
	Six months ended 30 September 2012	**Six months ended 30 September 2011**	**Change**
Profit before tax	£131.4m	£378.9m	Down 65.3%
Revenue profit (1)	£143.7m	£159.3m	Down 9.8%
Basic EPS	16.8p	50.0p	Down 66.4%
Adjusted diluted EPS	18.4p	20.5p	Down 10.2%
Dividend	14.8p	14.4p	Up 2.8%

1. Including share of joint ventures
2. Our key valuation measure

Resilient performance in challenging market

- Total property return 2.7%, ahead of IPD Quarterly Universe at 1.1%
- Adjusted diluted NAV per share up 1p since March 2012
- Revenue profit of £143.7m, down 9.8% on the six months ended 30 September 2011 following disposals and development starts
- 33,410 sq m of new retail space opened since 1 April 2012 through new formats for John Lewis and Debenhams plus two new Primark stores
- £14.6m of development lettings since 1 April 2012 with a further £9.1m in solicitors' hands
- £15.1m of investment lettings across the portfolio at 2.8% below ERV due to pre-development properties
- Like-for-like voids down at 2.6% from 2.9% since March 2012. Retail at 3.1% from 3.4% and London at 2.0% from 2.4%
- Units in administration down in Retail at 1.8% from 2.8%, with London unchanged at 0.1%
- Weighted average unexpired lease term across the like-for-like portfolio, completed developments and acquisitions of 9.0 years (31 March 2012: 9.2 years)

Development programme continues to deliver

- Developments continue to contribute positively to returns – with a valuation surplus of 8.2% in the six month period
- £9.1m of London Portfolio development lettings since 1 April 2012
    - 20 Fenchurch Street, EC3, now 23% pre-let with a further 11% in solicitors' hands
    - 123 Victoria Street, SW1, practical completion achieved with the building now 53% let with a further 20% in solicitors' hands

- £5.5m of Retail Portfolio development lettings since 1 April 2012
    - Trinity Leeds development now 76% pre-let with a further 8% in solicitors' hands and on schedule to open on 21 March 2013
    - 185-221 Buchanan Street, Glasgow 92% pre-let with a further 7% in solicitors' hands and on schedule to open on 22 March 2013
- Our 11,000 sq m out-of-town development at Crawley, 94% pre-let, has commenced
- Work starts this month on the £350m Zig Zag Building and Kings Gate development on Victoria Street, SW1, with completion due in January 2015
- Demolition has started at Victoria Circle, SW1, our proposed 84,660 sq m mix of retail, residential, office and public amenity space

Strong financial position

- Group LTV ratio including share of joint ventures at 36.2% (38.0% at 31 March 2012)
- Weighted average maturity of debt at 10.9 years
- Cash and undrawn facilities of £1.2bn

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

"We continue to deliver on a clear plan, and this is driving high levels of activity across the business. Having reduced our vacancy rates, and with encouraging interest in our developments, we have added more schemes to our development programme.

"Our plan is based on a realistic outlook allied to a strong balance sheet. Every part of the business is focused on protecting and creating value for shareholders. In challenging market conditions, we remain confident in our position and in our ability to deliver."

Chief Executive's statement

In 2009 Land Securities set out a clear plan for recovery and growth. We have followed that plan, we are on track and we see no reason to deviate.

Our plan was not built on a bull-market strategy and we said that growth would not be in a straight line. Our action to increase our development activity has improved our property returns, though funding this activity through sales rather than increased debt has, as expected, had a short term impact on earnings. Revenue profit was £143.7m, down 9.8% compared to the first half last year. Although our combined portfolio saw a small 0.1% fall in value, we delivered a total property return of 2.7% which outperformed the IPD Quarterly Universe at 1.1%. Adjusted diluted NAV per share was up 1p at 864p and, with our LTV down to 36.2% and £1.2bn of available facilities, we have plenty of capacity to invest in new opportunities.

Over the first six months of this year we continued to reduce voids, while achieving lettings broadly in line with valuers' estimates. Development lettings exceeded our expectations in terms of rent, timing and incentives.

We have positioned the business to operate efficiently and effectively in a low-growth environment. Tight financial discipline directs every decision. We have a clear plan for every asset and are constantly looking for smart ways to protect and add value. We are reallocating capital realised from sales to make our shareholders' money work harder elsewhere. We will not allow capital to languish in under-performing assets.

The high levels of activity within our portfolio give us confidence that we are well placed for the next six months and beyond.

Pockets of opportunity

Over the past six months, our development programme has outperformed the rest of the portfolio. We expect development activity to continue to generate higher returns for us over the short to medium term. The next six months will see us increase activity, with the start of construction on two buildings to replace Kingsgate House, SW1, and retail developments in Crawley and Taplow as well as demolition works at Victoria Circle, SW1. We have further schemes ready to start when we feel it is appropriate. We will continue to be risk aware but not risk averse.

In the London Portfolio, we are confident we are delivering the right space at the right time. Despite wider business confidence remaining subdued, relatively low levels of development and evolving occupier needs are combining to increase interest in our schemes, as we demonstrate that more efficient new space can reduce overall occupancy cost. With finance for property development still tough to secure, the supply of new office space will remain relatively restricted. As a result, the window for development is likely to be open for longer than we originally thought. We have the schemes and we have the financial capability to deliver them.

In the face of tough conditions and gloomy sentiment, our performance in Retail has been ahead of the market. While retailers are generally not hungry for new units, the most successful operators do have an appetite for the right space in the right location. We continue to evolve our portfolio so that it meets the changing needs of retailers and the changing expectations of shoppers. Leisure is increasingly important so we were pleased to add Nottingham's Cornerhouse leisure complex to our portfolio in May 2012, and since the half year we have also acquired The Printworks, Manchester's dominant leisure destination.

Long-term approach

Our lifeblood comes from achieving planning consents so we can provide better places for people to live, work, shop and play. We aspire for people to be pleased that it is Land Securities investing and developing in their area, not someone else. The quality of our schemes and our strong relationships with local communities are central to improving returns for shareholders. Our approach has enabled us to develop and improve major schemes in sensitive and highly prized city centre locations.

For us, development is about placemaking, not simply putting up buildings. By working to draw people together before, during and after construction, we add vibrancy. This makes our schemes more attractive and more successful and it also brings more opportunities our way.

Consistent outlook

Nothing we have seen in the last six months leads us to change our outlook. Wider economic uncertainty continues to restrain business confidence but take-up of new space is coming through and the interest we have in our schemes is encouraging.

Within our market, we expect to see a divergence in rental levels between the best properties and the rest. In retail, rental growth is most likely to come from assets that have a dominant position in a thriving location. In London, rental growth is likely to come from new buildings that meet occupier needs in terms of technical performance. Value creation will come from responsible and well financed property companies who are best able to develop winning schemes profitably and manage mature assets proactively.

Over the next six months you will see this business stick to its plan. Every part of the business is focused on protecting and creating value for shareholders through an uncertain period in the economy. We will exert tight financial discipline, progress development ahead of our peers and work hard to maximise returns through active asset management.

Robert Noel
Chief Executive

Financial review

Overview and headline results

The Group's profit before tax was £131.4m, compared to £378.9m for the six months ended 30 September 2011. Revenue profit was £143.7m, down from £159.3m in the comparable period. Basic earnings per share were 16.8p compared to 50.0p for the six months ended 30 September 2011. Adjusted diluted earnings per share were 18.4p (2011: 20.5p), down 10.2% on the comparable period.

Despite a small underlying fall in values of £10.9m, our combined portfolio increased in value from £10.33bn to £10.58bn, due to capital expenditure on developments and acquisitions. Net assets per share increased by 1p from 921p at 31 March 2012 to 922p at 30 September 2012. Adjusted diluted net assets per share also increased by 1p from 863p at 31 March 2012 to 864p.

Revenue profit

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

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

Table 1: Revenue profit

	Retail Portfolio £m	London Portfolio £m	30 September 2012 £m	Retail Portfolio £m	London Portfolio £m	30 September 2011 £m	Change £m
Gross rental income*	148.2	138.5	286.7	156.1	153.0	309.1	(22.4)
Net service charge expense	(0.6)	(0.4)	(1.0)	(1.6)	(1.8)	(3.4)	2.4
Direct property expenditure (net)	(14.2)	(1.4)	(15.6)	(13.6)	1.6	(12.0)	(3.6)
Net rental income	133.4	136.7	270.1	140.9	152.8	293.7	(23.6)
Indirect costs	(11.7)	(8.2)	(19.9)	(12.6)	(8.5)	(21.1)	1.2
Segment profit before interest	**121.7**	**128.5**	**250.2**	**128.3**	**144.3**	**272.6**	**(22.4)**
Unallocated expenses (net)			(16.7)			(18.8)	2.1
Net interest – Group			(75.2)			(78.4)	3.2
Net interest – joint ventures			(14.6)			(16.1)	1.5
Revenue profit			**143.7**			**159.3**	**(15.6)**

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

Revenue profit declined by £15.6m from £159.3m in the comparative period to £143.7m for the six months ended 30 September 2012. The 9.8% decrease was mainly due to a reduction in net rental income, which was down £23.6m, partly offset by lower indirect and net interest costs. The decline in net rental income is due to disposals we made last year and the cessation of income on properties in our development pipeline. Further information on the net rental income performance of the London and Retail portfolios is given in the respective business reviews.

The aggregate of indirect costs of London and Retail and net unallocated expenses represent the net indirect expenses of the Group including joint ventures. The £3.3m reduction in these costs is largely due to lower staff costs and professional fees. Net interest expenditure was £4.7m lower due to higher capitalised interest as we invested capital in our development programme.

Valuation movement

A key component of our pre-tax profit is the movement in the values of our investment properties and any profits or losses on disposals. Over the last six months we saw a small valuation deficit of £10.9m, or 0.1%, and our profit on disposals was £1.8m, down from £25.4m in the comparable period. A breakdown of the valuation deficit by category is shown in table 2 below.

Table 2: Valuation analysis

	Market value 30 September 2012	Valuation (deficit)/surplus	Rental value change*	Net initial yield	Equivalent yield	Movement in equivalent yield
	£m	%	%	%	%	bps
Shopping centres and shops	2,193.3	(3.7)	(2.5)	6.2	6.4	5
Retail warehouses and food stores	1,141.6	(2.9)	0.3	5.3	5.8	16
London offices	3,587.3	-	0.4	5.0	5.6	-
Central London shops	775.7	1.2	(0.7)	4.0	5.4	(11)
Other	777.3	1.0	0.4	6.1	6.8	(13)
Total like-for-like portfolio	**8,475.2**	**(1.2)**	**(0.7)**	**5.4**	**5.9**	**1**
Proposed developments	223.4	4.7	n/a	-	n/a	n/a
Completed developments	733.4	0.4	(0.2)	3.5	5.2	(2)
Acquisitions	96.1	(3.8)	n/a	5.1	5.6	n/a
Development programme	1,050.4	8.2	n/a	0.7	5.4	n/a
Total investment portfolio	**10,578.5**	**(0.1)**	**(0.6)**	**4.7**	**5.8**	**(4)**

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

In aggregate, the like-for-like portfolio saw a 1.2% decline in value over the six months to September 2012 on the back of rental values down by 0.7% with little change in yields.

Shopping centres and shops saw a 3.7% valuation decline, largely due to a 2.5% fall in rental values. Values in retail warehouses and food stores were down by 2.9% due to an outward movement in equivalent yields particularly for larger lot sizes. London offices saw little overall change in value while central London shops saw a 1.2% valuation surplus as equivalent yield compression more than offset the decline in rental values.

Outside the like-for-like portfolio, completed developments saw little valuation movement while proposed developments were up 4.7% due to lower than expected construction costs following receipt of tenders.

Purchase costs accounted for the 3.8% valuation decline of acquisitions while the development programme was up by 8.2% as risk reduced on some of our major schemes through pre-letting and construction progress.

Earnings per share

Basic earnings per share were 16.8p, compared to 50.0p for the six months ended 30 September 2011, the reduction being predominantly due to a small valuation deficit compared to a surplus for the comparable period and lower profits on investment property disposals.

In a similar way that we adjust profit before tax to remove capital and one-off items to give revenue profit, we also report an adjusted earnings per share figure. Adjusted diluted earnings per share reduced by 10.2% from 20.5p for the six months ended 30 September 2011 to 18.4p per share for the current period, reflecting the reduction in revenue profit.

Total dividend

We will be paying a second quarterly dividend of 7.4p per share on 10 January 2013. Taken together with the first quarterly dividend of 7.4p paid on 12 October 2012, this makes a first half dividend of 14.8p. Shareholders continue to have the opportunity to participate in our scrip dividend scheme and receive their dividend in the form of Land Securities shares (a scrip dividend alternative) as opposed to cash. The take-up for the dividends paid on 26 April 2012 and 26 July 2012 was 22.7% and 17.2% respectively. This resulted in the issue of 3.1m new shares at between 726p and 735p per share and £22.8m of cash being retained in the business.

All of the cash dividends paid and payable in respect of the six months ended 30 September 2012 comprise Property Income Distributions (PID) from REIT qualifying activities. In contrast to the cash dividends, none of the scrip dividends paid to date have been PIDs and therefore they have not been subject to the 20% withholding tax requirement which applies to PIDs for certain classes of shareholders. The latest date for election for the non-PID scrip dividend alternative in respect of the second interim dividend will be 10 December 2012 and the calculation price will be announced on 18 December 2012.

The purpose of the scrip dividend alternative is to enable shareholders to select the distribution they prefer. While the scrip dividend alternative results in cash being retained in the business, it also results in new shares being issued. If the new shares are issued at a time when the share price is below our adjusted net asset value per share, there will be a small dilution to existing shareholders from this discount. As announced at the year end, rather than suspend the scrip dividend alternative when the discount is material, the Company intends to buy back an equivalent number of shares to those issued in connection with the scrip dividend, thereby retaining choice for shareholders but minimising any dilution associated with issuing shares. In accordance with this approach, during the period the Company bought back 3.1m shares at a cost of £23.1m.

Net assets

At 30 September 2012, our net assets per share were 922p, an increase of 1p from 31 March 2012.

In common with other property companies, we calculate an adjusted measure of net assets which we believe better reflects the underlying net assets attributable to shareholders. Our adjusted net assets are lower than our reported net assets primarily due to an adjustment to include our debt at its nominal value. At 30 September 2012, adjusted diluted net assets per share were 864p per share, an increase of 1p from 31 March 2012.

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

Table 3: Net assets attributable to owners of the Parent

	Six months ended 30 September 2012 £m	Year ended 31 March 2012 £m
Net assets at the beginning of the period	**7,155.4**	6,811.5
Adjusted earnings	**143.4**	298.3
Valuation (deficit)/surplus on investment properties	**(10.9)**	190.9
Profit on disposal of investment properties	**1.8**	46.4
Profit on disposal of trading properties	**1.0**	5.2
Other	**(4.2)**	(17.9)
Profit after tax attributable to owners of the Parent	**131.1**	522.9
Dividends	**(90.8)**	(154.8)
Purchase of treasury and own shares	**(23.8)**	(18.5)
Other reserve movements	**0.2**	(5.7)
Net assets at the end of the period	**7,172.1**	7,155.4
Fair value of interest-rate swaps	**21.4**	20.8
Debt adjusted to nominal value	**(442.1)**	(450.9)
Adjusted net assets at the end of the period	**6,751.4**	6,725.3

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

Net pension deficit

The Group operates a defined benefit pension scheme which is closed to new members. At 30 September 2012, the scheme was in a net deficit position of £4.3m compared to a deficit of £2.4m at 31 March 2012. The change is primarily due to lower than expected returns on scheme assets.

Cash flow

A summary of the Group's cash flow for the six months is set out in table 4 below.

Table 4: Cash flow and net debt

	Six months ended 30 September 2012 £m	Year ended 31 March 2012 £m
Operating cash inflow after interest and tax	**66.5**	254.1
Dividends paid	**(90.9)**	(153.1)
Non-current assets:		
Acquisitions	**(73.7)**	(107.3)
Disposals	**396.6**	513.7
Capital expenditure	**(143.5)**	(307.0)
	179.4	99.4
Loans repaid by third parties	**0.8**	22.8
Net payments to joint ventures	**(101.9)**	(45.5)
Fair value movement of interest-rate swaps	**(1.6)**	(4.5)
Purchase of own shares and treasury shares	**(19.8)**	(18.5)
Other movements	**(6.7)**	(24.3)
Decrease in net debt	**25.8**	130.4
Net debt at the beginning of the period	**(3,183.2)**	(3,313.6)
Net debt at the end of the period	**(3,157.4)**	(3,183.2)

The main cash flow items are typically operating cash flows, the dividends we pay and the capital transactions we undertake. Operating cash inflows after interest and tax were £66.5m for the six months ended 30 September 2012.

Although we did not make any disposals during the six months, we received £396.6m from sales recognised in the prior period, including the disposals of Arundel Great Court, WC2, St Johns Centre, Liverpool and 50% of our interest in Victoria Circle, SW1. We spent £217.2m on assets: investment property acquisitions cost £73.7m and capital expenditure totalled £143.5m, principally on our developments at Trinity Leeds, 123 Victoria Street, SW1 and 62 Buckingham Gate, SW1. Our largest investment property acquisition in the period was The Cornerhouse, Nottingham which cost £50.0m.

The net payment of £101.9m to our joint ventures is largely the result of a partner loan to The Scottish Retail Property Limited Partnership, which was used to repay external debt, development funding for 20 Fenchurch Street, EC3 and further partner loans to the St. David's Limited Partnership.

Net debt and gearing

As a result of the cash flows described above, our IFRS net debt decreased by £25.8m to £3,157.4m, while the reduction in borrowings in our joint ventures led to our IFRS net debt (including joint ventures) falling by £81.1m to £3,470.2m (£3,551.3m at 31 March 2012). Adjusted net debt, which includes our joint ventures and the nominal value of our debt but excludes the mark-to-market on our swaps, was down £90.5m at £3,890.9m (31 March 2012: £3,981.4m).

Table 5 below sets out various measures of our gearing.

Table 5: Gearing

	30 September 2012 %	31 March 2012 %
Adjusted gearing* – including notional share of joint venture debt	**57.6**	59.2
Group LTV	**39.0**	40.4
Group LTV – including share of joint ventures	**36.2**	38.0
Security Group LTV	**36.8**	37.6

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

The measure most widely used in our industry is loan-to-value (LTV). We focus most on Group LTV including our notional share of joint venture debt, despite the fact that lenders to our joint ventures have no recourse to the Group for repayment.

Group LTV (including joint ventures) declined from 38.0% at March 2012 to 36.2% at September 2012. This reflects proceeds received this year relating to sales recognised prior to 31 March 2012.

Our interest cover, excluding our share of joint ventures, has reduced from 2.7 times in the comparative period to 2.3 times, as a result of the decline in revenue profit and an increase in interest margins on our revolving credit facility. Under the rules of the REIT regime, we need to maintain an interest cover in the exempt business of at least 1.25 times to avoid paying tax. As calculated under the REIT regulations, our interest cover of the exempt business for the six months to 30 September 2012 was 2.0 times.

Financing structure and strategy

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

Table 6: Financing structure

	30 September 2012			31 March 2012		
	Group	Joint ventures	Combined	Group	Joint ventures	Combined
	£m	£m	£m	£m	£m	£m
Bond debt	3,358.8	-	3,358.8	3,363.5	-	3,363.5
Bank borrowings	255.0	329.4	584.4	300.0	393.4	693.4
Amounts payable under finance leases	24.2	4.6	28.8	23.3	4.5	27.8
Less: cash and restricted deposits	(46.6)	(34.5)	(81.1)	(59.2)	(44.1)	(103.3)
Adjusted net debt	3,591.4	299.5	3,890.9	3,627.6	353.8	3,981.4
Non-controlling interests	0.1	-	0.1	0.2	-	0.2
Adjusted equity attributable to owners of the Parent	6,738.1	13.3	6,751.4	6,711.0	14.3	6,725.3
Total adjusted equity	6,738.2	13.3	6,751.5	6,711.2	14.3	6,725.5
Total capital	10,329.6	312.8	10,642.4	10,338.8	368.1	10,706.9

In general, we follow a secured debt strategy as we believe that this gives the Group and joint ventures better access to borrowings and at lower cost. Other than our finance leases, all our borrowings at 30 September 2012 were secured.

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

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

The weighted average duration of the Group's debt (including joint ventures) is 10.9 years with a weighted average cost of debt of 5.1%.

Hedging

We use derivative products to manage our interest-rate exposure, and have a hedging policy which generally requires at least 80% of our existing debt plus increases in debt associated with net committed capital expenditure to be at fixed interest rates for the coming five years. Specific interest-rate hedges are also used within our joint ventures to fix the interest exposure on limited-recourse debt. At 30 September 2012, Group debt (including joint ventures) was 95.3% fixed (31 March 2012: 94.8%) and the notional amount of outstanding interest-rate swaps (including joint ventures) was £1,057.8m (31 March 2012: £618.9m).

Taxation

As a consequence of the Group's conversion to REIT status, income and capital gains from our qualifying property rental business are now exempt from UK corporation tax. No tax charge arose in the period. The Group holds provisions of £21.3m for interest on overdue tax in relation to a matter in dispute with HMRC, which will become payable if it is not settled in our favour. The provision will be released, and the tax paid to date of £60.7m recovered, if the Group's claim is successful.

Martin Greenslade
Chief Financial Officer

London Portfolio

Highlights

- Valuation surplus of 2.0% since March 2012
- £7.1m of investment lettings in the period, at 8.5% below ERV, but 4.5% ahead of ERV excluding pre-development properties. A further £2.1m in solicitors' hands
- £9.1m of development lettings since 1 April 2012, with a further £5.1m in solicitors' hands
- Like-for-like voids down from 2.4% to 2.0%
- 20 Fenchurch Street, EC3, now 34% let or in solicitors' hands
- Construction to commence at The Zig Zag Building and Kings Gate, SW1, and demolition started at Victoria Circle, SW1

Our market

Overall the dynamics of our market remain unchanged: a market structurally undersupplied with new space despite below-average levels of take-up.

The period January to June saw muted take-up of new office space. However, in July to September we saw a marked improvement in active demand which has continued. As active demand is a lead indicator of take-up, this is encouraging and we are particularly pleased by the level of enquiries, active discussions and transactions under way in our schemes.

The supply of new office developments in central London remains relatively low. CB Richard Ellis forecast that an average of 0.4m sq m of new space will be delivered per year between 2012 and 2015, less than half the long run average take-up rate of 1.1m sq m per year. Furthermore, of the total 1.6m sq m due in this timeframe, only half is actually under construction and 0.2m sq m is already pre-let. This supply is less than we envisaged in 2010 primarily due to the lack of available development finance. As a consequence, our window for development has been extended and we are well placed to take advantage of this.

The property investment market remains competitive as London's qualities as a leading financial and commercial centre continue to attract investors from overseas. We will maintain a disciplined approach to buying given the relative attraction of the opportunities within our portfolio.

London's population is rising and demand for central London residential space remains strong. All of the units at Wellington House, SW1, were sold ahead of completion of the building. We expect this demand to continue, particularly in our core area of activity.

Our performance

Our London Portfolio, valued at £5,807.0m at 30 September 2012, produced a valuation surplus for the period of 2.0%. West End offices were up 3.1%; City offices were up 2.6%; and central London shops up 1.9% with inner London down 2.1%. Included within these figures are properties in the development programme, with a surplus of 13.4%.

The portfolio produced a total property return of 4.4%, compared to its sector benchmark in the IPD Quarterly Universe of 4.3%. Offices outperformed their benchmark by 0.5%, while our central London shops under performed their benchmark by 2.5%.

Rental values in our like-for-like portfolio (excluding units materially altered during the period and Queen Anne's Gate, SW1) increased marginally by 0.2%. Like-for-like voids were 2.0%, compared to 2.4% at March 2012. Void levels on the like-for-like central London shops were 0.6% (March 2012: 1.2%) and London offices were 2.4% (March 2012: 2.6%).

Table 7: Net rental income

	30 September 2012 £m	30 September 2011 £m	Change £m
Like-for-like investment properties	120.9	119.2	1.7
Proposed developments	1.5	3.5	(2.0)
Development programme	1.0	5.4	(4.4)
Completed developments	9.7	8.0	1.7
Acquisitions since 1 April 2011	-	-	-
Sales since 1 April 2011	0.8	14.5	(13.7)
Non-property related income	2.8	2.2	0.6
Net rental income	**136.7**	**152.8**	**(16.1)**

Net rental income reduced by £16.1m to £136.7m. The main reason behind this reduction is £13.7m of net rental income foregone on the properties we sold in the prior year, which included Eland House, SW1, 50% of Victoria Circle, SW1, Arundel Great Court, WC2 and Bonhill Street, EC2. Overall, like-for-like investment properties showed a small increase in net rental income, largely due to higher income from Piccadilly Lights, W1, and the newly refurbished 40 Strand, WC2. Completed developments saw net rental income increase by £1.7m reflecting lettings at One New Change, EC4, while the development programme is down by £4.4m, driven by the expiry of rental income at Kingsgate House, SW1 prior to demolition. Our two proposed developments, Victoria Circle, SW1 and 1 & 2 New Ludgate, EC4, both saw income decline as leases ended in preparation for redevelopment.

Acquisitions

We have secured two predominantly vacant strategic sites for £35.9m: we purchased St James's Park Centre in Victoria, SW1, an important extension to our masterplan for Victoria; and, since the half year, we acquired 19-23 Shaftesbury Avenue, W1, completing the freehold island site behind Piccadilly Lights, W1 and opening up a number of reconfiguration options.

Asset management

We have continued to focus on asset management to lengthen and strengthen income. During the period we let or restructured 25,320 sq m of space. £7.1m of new lettings were completed at 8.5% below ERV but 4.5% ahead of ERV excluding pre-development properties, where we seek to maintain full occupancy with flexibility for development. Our weighted average unexpired lease term on the like-for-like portfolio, completed developments and acquisitions is now 9.8 years (31 March 2012: 9.9 years).

Key activity during the period included:

- One New Change, EC4

In the retail element of this scheme we completed lettings to Boots and Bang & Olufsen, both ahead of ERV. With 3,230 sq m of office space let to Panmure Gordon and bwin in the period, the scheme is now 95% let overall.

- 47 Mark Lane, EC3

We restructured the leases with AXA Insurance UK, securing an additional five years of income on 1,460 sq m of space. In addition, a letting to Jubilee Insurance Services was secured ahead of Marsh vacating the building.

- Times Square, EC4

This building is now fully let following the 4,800 sq m lettings to Research Now and National Institute of Clinical Excellence.

- Cardinal Place, SW1

We completed the lease restructure and additional letting to Ruffer, who have doubled their occupancy to 4,150 sq m and extended their lease from 2016 to 2021. A part surrender and part lease re-structure with 3i was completed in June 2012, securing one of the largest tenants until 2025. As part of this transaction we took back 1,910 sq m of space which has since been refurbished and for which we have good interest. In a small but significant letting, KPI Oil have taken part of the 4th floor at £65 psf setting a new rental tone for the six-year-old building. Through negotiating the surrender of the Thorntons unit and the simultaneous letting to Space NK, we have further strengthened the retail offer.

- Oriana, W1

Primark opened their new flagship store on 20 September 2012 at the east end of Oxford Street at our Oriana scheme jointly owned with Frogmore. The joint venture has submitted a planning application for Phase II of the scheme which will add an additional 6,950 sq m of retail space along with 18 residential apartments.

Development

We have maintained good momentum on our development pipeline since March with a total of 21,900 sq m of development lettings and have progressed our plans for transforming Victoria.

- 123 Victoria Street, SW1

Practical completion was achieved in August 2012. Jimmy Choo increased its occupancy by 1,070 sq m to 4,450 sq m and a further 2,870 sq m has been let to CDC Group plc taking the percentage let to 53%. A further 20% is in solicitors’ hands.

- 62 Buckingham Gate, SW1

This 24,160 sq m office and 1,450 sq m retail development is the next development we will complete in Victoria and is slightly ahead of programme for completion in spring next year. As we approach completion, we have strong interest in the floorspace.

- 20 Fenchurch Street, EC3

We continue to be encouraged by the interest in this world class 63,980 sq m office building being developed with our partner Canary Wharf Group for spring 2014. During the period we saw our first pre-letting, to Markel International for 4,730 sq m, followed by Kiln Group who have taken 7,270 sq m. Since September we have pre-let a further 2,730 sq m to Ascot Underwriting. The development is now 23% pre-let with a further 11% in solicitors’ hands. All of the deals completed have been ahead of our expectations in terms of rental level, lease length and incentives.

- The Zig Zag Building and Kings Gate, SW1 (formerly Kingsgate House)

Construction of two new developments will start this month on Victoria Street. The £350m scheme comprises The Zig Zag Building, a 17,450 sq m office building over 12 floors, and Kings Gate, a 14 storey building comprising 100 residential apartments. Both buildings will provide a new enhanced retail and leisure offer with 4,150 sq m of space. The estimated completion of the buildings is January 2015.

- 1 & 2 New Ludgate, EC4

With demolition completed and a construction time of approximately 22 months from instruction, we expect to start this 35,210 sq m development of high quality office, restaurant and retail accommodation, in early 2013.

- Victoria Circle, SW1

We are working with our partner Canada Pension Plan Investment Board to deliver this proposed scheme of six new buildings occupying an island site opposite Victoria station. The completed scheme will provide a spectacular 84,660 sq m mix of retail, residential, office and public amenity space. As planned, by 30 September, we had secured vacant possession from around 170 leasehold interests at below cost estimates. Demolition work started immediately on the site in tandem with Transport for London works on the Victoria station upgrade.

Other development projects in the course of design include 20 Eastbourne Terrace, W2; Portland House, SW1; and Oxford House, W1.

Looking ahead

We continue to deliver on the plan we set out when we restarted our development programme. The key drivers of supply and demand are broadly consistent with those set out at that time. Although take-up of office space has been slower than originally expected, there have been fewer development starts.

We are confident about the prospects for new, efficient, well configured office space which is evidenced by the strength of interest we are seeing on our schemes. While we remain of the view that delivering developments early in the cycle is preferable, we believe that the period of opportunity will last longer than we had anticipated in 2010 as completions of new space over the next three years will be insufficient to meet demand. We are able to take advantage of this with our pipeline of oven-ready schemes.

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We outline our development pipeline in table 8.

Table 8: London development pipeline at 30 September 2012

Property	Description of use	Ownership interest %	Size sq m	Planning status	Letting status %	Market value £m	Net income/ ERV £m	Estimated/ actual completion date	Total development costs to date £m	Forecast total development cost £m
Developments after practical completion										
123 Victoria Street, SW1*	Office	100	18,490		42	212	13.5	Aug 2012	155	155
	Retail		2,620		100					
Developments approved or in progress										
62 Buckingham Gate, SW1	Office	100	24,160		-	203	17.6	May 2013	139	178
	Retail		1,450		-					
20 Fenchurch Street, EC3	Office	50	62,890		19	136	21.0	Apr 2014	110	239
	Retail		1,090		-					
The Zig Zag Building and Kings Gate, SW1 (formerly Kingsgate House)	Office	100	17,450		-	124	16.2	Jan 2015	111	343
	Retail		4,150		-					
	Residential		10,090		-					
Proposed developments										
1 & 2 New Ludgate, EC4	Office	100	32,180	PR	-	n/a	n/a	2015	n/a	n/a
	Retail		3,030		-					
Victoria Circle, SW1	Office	50	57,480	PR	-	n/a	n/a	2016-18	n/a	n/a
	Retail		8,490		-					
	Residential		18,690		-					

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

Developments let and transferred or sold

One New Change, EC4	Office	100	31,990		92	490	27.6	Oct 2010	530	530
	Retail		20,160		99					

Where the property is not 100% owned, floor areas shown above represent the full scheme whereas all other figures represent our proportionate share. Letting % is measured by ERV and shows letting status at 30 September 2012. Trading property development schemes (e.g. Wellington House, SW1) are excluded from the development pipeline.

Planning status for proposed developments

PR – Planning received

Total development cost

Total development cost refers to the book value of the land at the commencement of the project, the estimated capital expenditure required to develop the scheme from the start of the financial year in which the property is added to our development programme, together with capitalised interest, being the Group's borrowing costs associated with direct expenditure on the property under development. Interest is also capitalised on the purchase cost of land or property where it is acquired specifically for redevelopment. Of the properties in the development pipeline at 30 September 2012, there were no properties on which interest was capitalised on the land cost. The figures for total development costs include £152.0m for the residential elements of Kings Gate, SW1.

Net income/ERV

Net income/ERV represents net headline annual rent on let units plus ERV at 30 September 2012 on unlet units.

Retail Portfolio

Highlights

- Valuation deficit of 2.5% since March 2012
- £8.0m of investment lettings in the period, 2.9% ahead of ERV, with a further £3.0m in solicitors’ hands
- £5.5m of development lettings since 1 April 2012, with a further £4.0m in solicitors’ hands
- Like-for-like voids down from 3.4% to 3.1% and units in administration down from 2.8% to 1.8%
- Trinity Leeds 84% pre-let or in solicitors’ hands
- Crawley development started with Taplow expected to start soon

Our market

Although there has been no let-up in the pressure on consumers and the challenges for retailers, there continues to be demand for space in the right locations as retailers respond to the growth of multi-channel retailing and the evolution of consumer shopping habits.

With consumer weakness continuing to hold back rental growth, retail property owners must keep ahead of the changing trends. For both retailers and consumers, the leisure and food and beverage offer in retail centres, together with convenience, continue to be important drivers of behaviour. As a result, retailers retain a preference for larger shopping centres and out-of-town locations. Our portfolio is positioned to take advantage of this.

Consumers also appear to favour shopping less often but taking longer and spending more per trip. This shift is something our own portfolio has mirrored in the period with footfall down but retailer sales up.

Retailers continue to look for new ways to respond to the challenge of attracting customers to their brands both physically and on-line and our scale allows us to be in constant touch with their thinking on new store strategies and new format ideas. The new Debenhams at Chesterfield is an example of this as is our work with John Lewis to develop a new format shop in Exeter following on from us delivering their first ‘at home’ shop in Poole.

We continue to stay at the forefront of the use of digital technology to support retailers and shoppers. The local product search trial with Google at the White Rose Centre has now been rolled out to our other shopping centres and extended to include other landlords and retailers.

Our performance

Our Retail Portfolio, valued at £4,771.5m at 30 September 2012, produced a valuation deficit of 2.5% overall, with shopping centres and shops down 3.1% and retail warehouses and food stores down 2.7%. Included within these figures are our current development projects which were down 0.3%. Our portfolio of Accor hotels showed a valuation surplus of 0.4%, driven by the London properties. Rental values on our like-for-like portfolio (excluding units materially altered during the period) decreased by 2.5% for our shopping centres and shops, and increased by 0.3% for our retail warehouses and food stores.

Overall, the portfolio produced a total property return of 0.5%, compared to its sector benchmark in the IPD Quarterly Universe of 0.0%. Our shopping centres outperformed their IPD sector benchmark by 0.1% and retail warehouses outperformed their sector benchmark by 0.3%.

Voids across our like-for-like Retail Portfolio reduced from 3.4% at 31 March 2012 to 3.1% at 30 September, of which 1.1% are subject to temporary lettings. Units in administration were 1.8%, down from 2.8% at 31 March 2012. Of these units in administration, 0.8% were still trading and, including these and our temporary lettings, our overall level of occupancy was 97.0%.

Footfall in our shopping centre portfolio in the period was down 2.6% on the same period in the prior year against the national benchmark which was down 2.7%. Our measured same store like-for-like sales were up 1.3% against the British Retail Consortium (BRC) benchmark which was down 0.2%. Our same centre sales, taking into account new lettings and tenant changes, were up 3.7%. Our measured retailer rent/sales ratio for the year ended 30 September 2012 was 10.0%. Total occupancy costs (including rent, rates, service charge and insurance) represented 17.5% of sales.

Table 9: Net rental income

	30 September 2012 £m	30 September 2011 £m	Change £m
Like-for-like investment properties	123.9	123.7	0.2
Proposed developments	(0.3)	0.4	(0.7)
Development programme	1.2	1.8	(0.6)
Completed developments	4.1	4.0	0.1
Acquisitions since 1 April 2011	2.2	0.4	1.8
Sales since 1 April 2011	0.6	8.6	(8.0)
Non-property related income	1.7	2.0	(0.3)
Net rental income	**133.4**	**140.9**	**(7.5)**

Net rental income is down by £7.5m to £133.4m, the primary driver being the properties we sold in the prior year, which included St Johns Centre, Liverpool and Corby Town Centre. Acquisitions have contributed £2.2m of net rental income, mainly due to The Cornerhouse, Nottingham and Kingsmead, Bath.

The rest of the portfolio is broadly flat with small declines due to proposed and current developments. At the Bishop Centre, Taplow, almost all income has now ceased in advance of redevelopment.

Acquisitions and sales

Acquisitions in the period totalled £63.7m at an average yield of 5.0%. In line with our belief in the growing importance of leisure, the key transaction was the off-market acquisition of The Cornerhouse leisure complex in Nottingham for £50.0m. This acquisition further strengthens our excellent relationships with leisure operators across the portfolio.

We also made a number of smaller acquisitions including site assembly in Crawley for £6.0m and Europa House, Portsmouth, for £3.3m delivering an empty office block, now with planning permission for a 170 bedroom hotel, and 400 car park spaces close to Gunwharf Quays. To complement our Kingsmead leisure asset, Bath, we forward purchased a 108 bedroom Premier Inn hotel on the adjacent site.

Since the half year, we have acquired a further city centre leisure scheme, The Printworks in Manchester, for £93.9m. Also, we have satisfied the planning conditions relating to the sale of land at Banbridge, NI, and we completed the sale of 12 acres to Tesco after the half year for £17.5m.

Asset management

Whilst the retail environment remains challenging, we continue to utilise our asset management skills to drive new lettings and provide the space retailers want. We continue to execute plans for every asset.

<u>Bringing in major new occupiers</u>

Our work to bring in major new occupiers is resulting in 27,930 sq m of new openings this autumn.

- John Lewis Partnership

We have worked with John Lewis to create its first flexible format department shop at Sidwell Street in Exeter. The shop opened on 12 October and occupies 10,080 sq m over five floors, offering the full John Lewis range by maximising the opportunity for "omnichannel" shopping. John Lewis is a significant addition to the retail offer in Exeter and complements our other holdings in the city including our Princesshay shopping centre, which together with the new shop, are held jointly with the Crown Estate.

- Primark

On 1 October we opened a new 6,500 sq m Primark store at Westwood Cross, Thanet. The new store is the latest addition to the shopping park and joins M&S, Debenhams, H&M, Topshop and Next in providing an exciting fashion offer. At The Bridges shopping centre in Sunderland, Primark will open a 5,550 sq m store this month providing a major new anchor for the centre.

- Debenhams

At the Ravenside Retail Park in Chesterfield, we worked with Debenhams to open a department store which extends to 5,800 sq m including its mezzanine floor. The new store replaces the former Focus unit and further cements the park as a stand-alone shopping destination. Since the half year, we have also entered into an agreement for lease for a 7,600 sq m department store at Southside, Wandsworth, part of our Metro joint venture with Delancey.

<u>Improving leisure and food and beverage provision</u>

- Kingsmead, Bath

This 8,400 sq m leisure and restaurant complex in the heart of Bath is now 100% let following the opening of Frankie & Benny's. Our forward purchase of a 108 bedroom Premier Inn hotel next to the centre complements our existing ownership and improves Bath's under-provided budget hotel offer.

- The O2 Centre, Finchley Road

Work is under way to significantly enhance the retail and leisure offer at this centre. Space has been reconfigured to create four new retail units with lettings to Oliver Bonas, Paperchase and Bo Concept. Planning permission has been granted for improvements to the frontage and increasing the first floor restaurant space and in addition, Vue Cinemas have completed work to add four new screens.

<u>Retail warehouse asset management activity</u>

- Ravenside Retail Park, Chesterfield

Planning consent has been granted for the construction of an additional 2,460 sq m of floorspace in 2 new stores, pre-let to Asda Living and Hobbycraft, due to open in November 2013.

- Nene Valley Retail Park, Northampton

We have lengthened income at this retail park through lease restructuring. As a result, the average unexpired lease term on the park moved from 3.5 years at 31 March 2012 to 8.1 years at 30 September 2012. A further letting, currently in solicitors' hands, will take this to 9.2 years when completed.

- Bexhill Retail Park

We secured planning permission in August for the 4,920 sq m M&S store at this park. Works are due to start later this month, with completion in August 2013.

Development

- Trinity Leeds

Further letting progress has moved Trinity Leeds from 65% pre-let at March 2012 to 76% with Urban Outfitters and Victoria's Secret taking the final major stores. A further 8% is in solicitors' hands. Trinity Leeds is the only major new shopping centre under construction in the UK and is due to open on 21 March 2013. Other occupiers already signed up to the scheme include M&S, Primark, Cult, Hollister, Next, River Island, H&M, and Topshop/Topman. The Topshop store fronting Briggate opened on 4 October 2012. An amendment to the scheme has been implemented, restructuring the existing Boots store and creating a new food service area, extending and improving the food and beverage offer in the scheme in line with greater demand from this sector. This has added £15m to total development costs.

- 185-221 Buchanan Street, Glasgow

Work is on schedule to complete this scheme in March next year. The retail element of the scheme is 92% pre-let to occupiers including Forever21, Paperchase, Gap, Fat Face and Watches of Switzerland. A further 7% is in solicitors' hands.

- Bishop Centre, Taplow

In September, full planning consent was secured for redevelopment of the existing shopping centre. The new 12,260 sq m development is 51% pre-let to Tesco with a further 17% in solicitors' hands. We are engaged in detailed design at the moment and aim to be on site in early 2013.

- Crawley

We have commenced development of the 7,000 sq m supermarket, pre-let to Morrisons, 600 sq m of restaurant space and a 110 bedroom Travelodge hotel. The scheme is 94% pre-let.

- Whalebone Lane, Chadwell Heath

Having pre-let this 4,470 sq m development to Asda, we expect to start on site by the end of the year.

- Meteor Centre, Derby

We are not planning to start development here until we have a pre-let for the major store. This scheme has therefore been removed from our proposed developments for the time being.

Looking ahead

Overall, the retail market is characterised by a continuing tough environment and evolving consumer and retailer demand.

Our asset management actions and our targeted, de-risked development schemes help us to deliver the right assets in the right locations. The quality of our portfolio and the relationships we have with retailers will be increasingly important in the current environment as retailers continue to take space, but in formats and locations which meet their new requirements.

As technology advances, new ways will emerge for consumers to shop and stay informed. Successful retail centres will increasingly polarise into those which are destination centres with a strong leisure component and those which are convenience-led in great locations. Our strategy is well placed to respond to these trends.

We outline our development pipeline in table 10.

Table 10: Retail development pipeline at 30 September 2012

Property	Description of use	Ownership interest %	Size sq m	Planning status	Letting status %	Market value £m	Net income/ ERV £m	Estimated/ actual completion date	Total development costs to date £m	Forecast total development cost £m
Developments approved or in progress										
Trinity Leeds	Retail	100	75,900		72	305	29.5	Feb 2013	256	378
185-221 Buchanan Street, Glasgow	Retail	100	10,700		92	60	4.7	Mar 2013	39	61
	Residential		4,200							
Crawley	Retail	100	11,000		94	11	2.6	Dec 2013	12	39
Proposed developments										
Bishop Centre, Taplow	Retail	100	12,260	PR	51	n/a	n/a	2014	n/a	n/a
Whalebone Lane, Chadwell Heath	Retail	100	4,470	PR	100	n/a	n/a	2013	n/a	n/a

Where the property is not 100% owned, floor areas shown above represent the full scheme whereas all other figures represent our proportionate share. Letting % is measured by ERV and shows letting status at 30 September 2012. Trading property development schemes are excluded from the development pipeline.

Planning status for proposed developments

PR – Planning received

Total development cost

Total development cost refers to the book value of the land at the commencement of the project, the estimated capital expenditure required to develop the scheme from the start of the financial year in which the property is added to our development programme, together with capitalised interest, being the Group's borrowing costs associated with direct expenditure on the property under development. Interest is also capitalised on the purchase cost of land or property where it is acquired specifically for redevelopment. Of the properties in the development pipeline at 30 September 2012, interest was capitalised on the land cost at Trinity Leeds and 185-221 Buchanan Street, Glasgow. The figures for total development costs include £12.9m for the residential elements of 185-221 Buchanan Street, Glasgow.

Net income/ERV

Net income/ERV represents net headline annual rent on let units plus ERV at 30 September 2012 on unlet units.

Principal risks and uncertainties

The principal risks of the business are set out on pages 41-43 of the 2012 Annual report alongside their potential impact and related mitigations. These risks fall into four categories: financial (including liability structure), property investment (including customers, composition of our property portfolio and acquisition), development and regulatory (including health and safety and environment). The Board has reviewed the principal risks in the context of the second half of the current financial year.

The Board believes that the risks outlined in the Annual Report have not changed and that the existing mitigation measures within the business remain relevant for the risks highlighted.

Statement of directors' responsibilities

The Directors confirm to the best of their knowledge that the condensed interim financial statements have been prepared in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union and that the interim management report herein includes a fair review of the information required by Disclosure and Transparency Rules 4.2.7 and DTR 4.2.8, namely:

- An indication of important events that have occurred during the first six months ended 30 September 2012 and their impact on the condensed interim financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- Any material related party transactions in the first six months ended 30 September 2012 and any material changes in the related party transactions described in the last Annual Report.

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

Alison Carnwath, Chairman
David Rough*
Sir Stuart Rose*
Kevin O'Byrne*
Chris Bartram*
Simon Palley*
Stacey Rauch*

Robert Noel, Chief Executive
Martin Greenslade, Chief Financial Officer
Richard Akers, Executive Director

* Non-executive directors

A list of the current Directors is maintained on the Land Securities Group PLC website at: www.landsecurities.com.

By order of the Board

Adrian de Souza
Group General Counsel and Company Secretary
7 November 2012

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 results for the six months ended 30 September 2012, which comprises the unaudited consolidated income statement, unaudited statement of comprehensive income, unaudited consolidated balance sheet, unaudited consolidated statement of changes in equity, unaudited consolidated statement of cash flows and related notes. We have read the other information contained in the half-yearly results 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 results are the responsibility of, and have been approved by, the directors. The directors are responsible for preparing the half-yearly results 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 the half-yearly results 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 results based on our review. This report, including the conclusion, has been prepared for and only for the Company 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 results for the six months ended 30 September 2012 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
London
7 November 2012

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 financial statements since they were initially presented on the website.

2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Financial Statements

Unaudited consolidated income statement for the six months ended 30 September 2012	Notes	Six months ended 30 September 2012 £m	2011 £m
Group revenue [1]	4	**303.6**	339.0
Costs		**(102.4)**	(114.8)
		201.2	224.2
Profit on disposal of investment properties	3	**1.8**	24.4
Net (deficit)/surplus on revaluation of investment properties	3	**(4.2)**	172.3
Impairment release/(charge) on trading properties	3	**3.1**	(1.6)
Operating profit		**201.9**	419.3
Interest expense	5	**(98.0)**	(99.3)
Interest income	5	**14.0**	12.8
Fair value movement on interest-rate swaps	5	**(1.6)**	(3.9)
		116.3	328.9
Share of post tax profit from joint ventures	10	**15.1**	50.0
Profit before tax		**131.4**	378.9
Income tax		**-**	8.0
Profit for the period		**131.4**	386.9
Attributable to:			
Owners of the Parent		**131.1**	386.3
Non-controlling interests		**0.3**	0.6
Profit for the period		**131.4**	386.9
Earnings per share attributable to the owners of the Parent (pence)			
Basic earnings per share	7	**16.8**	50.0
Diluted earnings per share	7	**16.8**	49.9

1. Group revenue excludes the share of joint ventures' revenue of **£59.1m** (30 September 2011: £50.2m).

Unaudited consolidated statement of comprehensive income for the six months ended 30 September 2012	Notes	Six months ended 30 September 2012 £m	2011 £m
Profit for the period		**131.4**	386.9
Other comprehensive income consisting of:			
Actuarial losses on defined benefit pension scheme		**(4.1)**	(8.6)
Share of joint ventures' fair value movement on interest-rate swaps treated as cash flow hedges	10	**(1.2)**	3.9
Other comprehensive expense for the period		**(5.3)**	(4.7)
Total comprehensive income for the period		**126.1**	382.2
Attributable to:			
Owners of the Parent		**125.8**	381.6
Non-controlling interests		**0.3**	0.6
Total comprehensive income for the period		**126.1**	382.2

Unaudited consolidated balance sheet at 30 September 2012	Notes	30 September 2012 £m	31 March 2012 £m
Non-current assets			
Investment properties	9	**8,672.3**	8,453.2
Other property, plant and equipment		**8.7**	8.8
Net investment in finance leases		**184.7**	185.0
Loan investments		**50.0**	50.8
Investments in joint ventures	10	**1,210.5**	1,137.6
Other investments		**32.4**	32.3
Total non-current assets		**10,158.6**	9,867.7
Current assets			
Trading properties and long-term development contracts	11	**147.2**	133.1
Trade and other receivables		**416.9**	759.6
Monies held in restricted accounts and deposits	12	**27.3**	29.5
Cash and cash equivalents	13	**19.3**	29.7
Total current assets		**610.7**	951.9
Total assets		**10,769.3**	10,819.6
Current liabilities			
Borrowings	14	**(11.3)**	(10.8)
Trade and other payables		**(349.9)**	(361.3)
Provisions		**(7.8)**	(8.6)
Current tax liabilities		**(20.4)**	(21.6)
Total current liabilities		**(389.4)**	(402.3)
Non-current liabilities			
Borrowings	14	**(3,184.6)**	(3,225.1)
Derivative financial instruments		**(8.1)**	(6.5)
Pension deficit		**(4.3)**	(2.4)
Trade and other payables		**(10.7)**	(27.7)
Total non-current liabilities		**(3,207.7)**	(3,261.7)
Total liabilities		**(3,597.1)**	(3,664.0)
Net assets		**7,172.2**	7,155.6
Equity			
Capital and reserves attributable to the owners of the Parent			
Ordinary shares		**78.9**	78.5
Share premium		**787.4**	786.2
Capital redemption reserve		**30.5**	30.5
Share-based payments		**5.1**	6.8
Retained earnings		**6,279.3**	6,271.2
Own shares		**(9.1)**	(17.8)
Equity attributable to the owners of the Parent		**7,172.1**	7,155.4
Non-controlling interests		**0.1**	0.2
Total equity		**7,172.2**	7,155.6

Unaudited consolidated statement of changes in equity

	Attributable to owners of the Parent								
	Ordinary shares	Share premium	Capital redemption reserve	Share-based payments	Retained earnings [1]	Own shares	Total	Non-controlling interest	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 April 2011	77.6	785.5	30.5	7.2	5,914.3	(3.6)	6,811.5	0.8	6,812.3
Profit for the financial period	-	-	-	-	386.3	-	386.3	0.6	386.9
Other comprehensive income:									
Actuarial loss on pension scheme	-	-	-	-	(8.6)	-	(8.6)	-	(8.6)
Share of joint ventures' fair value movement on interest-rate swaps treated as cash flow hedges	-	-	-	-	3.9	-	3.9	-	3.9
Total comprehensive income for the six months ended 30 September 2011	-	-	-	-	381.6	-	381.6	0.6	382.2
Transactions with owners:									
Exercise of options	-	0.5	-	-	0.1	-	0.6	-	0.6
New share capital subscribed	0.5	42.0	-	-	-	-	42.5	-	42.5
Transfer to retained earnings in respect of shares issued in lieu of cash dividends	-	(42.0)	-	-	42.0	-	-	-	-
Fair value of share-based payments	-	-	-	2.3	-	-	2.3	-	2.3
Release on exercise/forfeiture of share options	-	-	-	(2.7)	2.7	-	-	-	-
Settlement and transfer of shares to employees on exercise of share options net of proceeds	-	-	-	-	(1.8)	1.8	-	-	-
Dividends to owners of the Parent	-	-	-	-	(109.5)	-	(109.5)	-	(109.5)
Distribution paid to non-controlling interests	-	-	-	-	-	-	-	(1.0)	(1.0)
Acquisition of own shares	-	-	-	-	-	(14.8)	(14.8)	-	(14.8)
Total transactions with owners of the Parent	0.5	0.5	-	(0.4)	(66.5)	(13.0)	(78.9)	(1.0)	(79.9)
At 30 September 2011	78.1	786.0	30.5	6.8	6,229.4	(16.6)	7,114.2	0.4	7,114.6
Profit for the financial period	-	-	-	-	136.6	-	136.6	0.2	136.8
Other comprehensive income:									
Actuarial loss on pension scheme	-	-	-	-	(7.5)	-	(7.5)	-	(7.5)
Share of joint ventures' fair value movement on interest-rate swaps treated as cash flow hedges	-	-	-	-	1.0	-	1.0	-	1.0
Total comprehensive income for the six months ended 31 March 2012	-	-	-	-	130.1	-	130.1	0.2	130.3
Transactions with owners:									
Exercise of options	-	0.2	-	-	(0.1)	-	0.1	-	0.1
New share capital subscribed	0.4	23.7	-	-	-	-	24.1	-	24.1
Transfer to retained earnings in respect of shares issued in lieu of cash dividends	-	(23.7)	-	-	23.7	-	-	-	-
Fair value of share-based payments	-	-	-	2.5	-	-	2.5	-	2.5
Release on exercise/forfeiture of share options	-	-	-	(2.5)	2.5	-	-	-	-
Settlement and transfer of shares to employees on exercise of share options net of proceeds	-	-	-	-	(2.5)	2.5	-	-	-
Dividends to owners of the Parent	-	-	-	-	(111.9)	-	(111.9)	-	(111.9)
Distribution paid to non-controlling interests	-	-	-	-	-	-	-	(0.4)	(0.4)
Acquisition of own shares	-	-	-	-	-	(3.7)	(3.7)	-	(3.7)
Total transactions with owners of the Parent	0.4	0.2	-	-	(88.3)	(1.2)	(88.9)	(0.4)	(89.3)
At 31 March 2012	78.5	786.2	30.5	6.8	6,271.2	(17.8)	7,155.4	0.2	7,155.6
Profit for the financial period	**-**	**-**	**-**	**-**	**131.1**	**-**	**131.1**	**0.3**	**131.4**
Other comprehensive income:									
Actuarial loss on pension scheme	**-**	**-**	**-**	**-**	**(4.1)**	**-**	**(4.1)**	**-**	**(4.1)**
Share of joint ventures' fair value movement on interest-rate swaps treated as cash flow hedges	**-**	**-**	**-**	**-**	**(1.2)**	**-**	**(1.2)**	**-**	**(1.2)**
Total comprehensive income for the six months ended 30 September 2012	**-**	**-**	**-**	**-**	**125.8**	**-**	**125.8**	**0.3**	**126.1**
Transactions with owners:									
Exercise of options	**-**	**1.2**	**-**	**-**	**-**	**-**	**1.2**	**-**	**1.2**
New share capital subscribed	**0.4**	**22.4**	**-**	**-**	**-**	**-**	**22.8**	**-**	**22.8**
Transfer to retained earnings in respect of shares issued in lieu of cash dividends	**-**	**(22.4)**	**-**	**-**	**22.4**	**-**	**-**	**-**	**-**
Fair value of share-based payments	**-**	**-**	**-**	**1.8**	**-**	**-**	**1.8**	**-**	**1.8**
Release on exercise/forfeiture of share options	**-**	**-**	**-**	**(3.5)**	**3.5**	**-**	**-**	**-**	**-**
Settlement and transfer of shares to employees on exercise of share options net of proceeds	**-**	**-**	**-**	**-**	**(6.9)**	**9.4**	**2.5**	**-**	**2.5**
Dividends to owners of the Parent	**-**	**-**	**-**	**-**	**(113.6)**		**(113.6)**	**-**	**(113.6)**
Distribution paid to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(0.4)**	**(0.4)**
Acquisition of own shares and treasury shares	**-**	**-**	**-**	**-**	**(23.1)**	**(0.7)**	**(23.8)**		**(23.8)**
Total transactions with owners of the Parent	**0.4**	**1.2**	**-**	**(1.7)**	**(117.7)**	**8.7**	**(109.1)**	**(0.4)**	**(109.5)**
At 30 September 2012	**78.9**	**787.4**	**30.5**	**5.1**	**6,279.3**	**(9.1)**	**7,172.1**	**0.1**	**7,172.2**

1. Included within retained earnings are cumulative losses in respect of cash flow hedges (interest-rate swaps) of **£4.2m** (30 September 2011: £4.0m, 31 March 2012: £3.0m).

Unaudited consolidated statement of cash flows for the six months ended 30 September 2012	Notes	Six months ended 30 September 2012 £m	2011 £m
Net cash generated from operations			
Cash generated from operations	17	**144.3**	189.3
Interest paid		**(79.6)**	(93.4)
Interest received		**4.1**	6.9
Employer contributions to defined benefit pension scheme		**(2.2)**	(2.5)
Corporation tax paid		**(0.1)**	(1.1)
Net cash inflow from operations		**66.5**	99.2
Cash flows from investing activities			
Investment property development expenditure		**(114.0)**	(65.3)
Acquisition of investment properties and other investments		**(73.7)**	(55.6)
Other investment property related expenditure		**(28.4)**	(50.5)
Capital expenditure on properties		**(216.1)**	(171.4)
Disposal of investment properties		**396.6**	185.2
Net proceeds on properties		**180.5**	13.8
Expenditure on non-property related non-current assets		**(1.1)**	-
Net cash inflow from capital expenditure		**179.4**	13.8
Receipts/(payments) in respect of finance lease receivables		**0.2**	(14.5)
Loans repaid by third parties		**0.8**	1.4
Cash contributed to joint ventures	10	**(1.4)**	(2.1)
Loan advances to joint ventures	10	**(116.8)**	(10.4)
Loan repayments by joint ventures	10	**3.2**	10.0
Distributions from joint ventures	10	**13.1**	7.4
Net cash inflow from investing activities		**78.5**	5.6
Cash flows from financing activities			
Cash received on issue of shares arising from exercise of share options		**3.7**	0.5
Purchase of own shares and treasury shares		**(19.8)**	(14.8)
Proceeds from new loans (net of finance fees)		**35.0**	-
Repayment of loans	14	**(85.2)**	(46.1)
Decrease in monies held in restricted accounts and deposits	12	**2.2**	5.0
Decrease in finance leases payable		**-**	(0.1)
Dividends paid to owners of the Parent	6	**(90.9)**	(66.9)
Distributions paid to non-controlling interests		**(0.4)**	(1.0)
Net cash outflow from financing activities		**(155.4)**	(123.4)
Decrease in cash and cash equivalents for the period		**(10.4)**	(18.6)
Cash and cash equivalents at the beginning of the period		**29.7**	37.6
Cash and cash equivalents at the end of the period	13	**19.3**	19.0

Notes to the Financial Statements

1. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 September 2012 has been prepared on a going concern basis and in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34 'Interim Financial Reporting' as adopted by the European Union (EU). In order to satisfy themselves that the Group has adequate resources to continue in operational existence for the foreseeable future the Directors have reviewed an 18 month forecast extracted from the Group's current five year plan, which includes assumptions about future trading performance, valuation projections and debt requirements. This, together with available market information and experience of the Group's property portfolio and markets, has given them sufficient confidence to adopt the going concern basis in preparing the financial statements.

The condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2012 were approved by the Board of Directors on 15 May 2012 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006. The condensed consolidated interim financial information has been reviewed, not audited.

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2012, which have been prepared in accordance with IFRSs as adopted by the EU.

This condensed consolidated interim financial information was approved for issue on 7 November 2012.

2. Significant accounting policies

Except as described below, the condensed consolidated interim financial information has been prepared 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 for the year ended 31 March 2012. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

There are no accounting standards or interpretations that have been adopted since 1 April 2012 which have had a material impact on the Group's financial statements. The following accounting standards or interpretations were effective for the financial year beginning 1 April 2012 but have not had a material impact on the Group:

IAS 12 (amendment) 'Income taxes' on deferred tax (not yet endorsed by the EU)
IFRS 1 (amendment) 'First Time Adoption' on hyperinflation and fixed dates (not yet endorsed by the EU)
IFRS 7 (amendment) 'Financial Instruments' on transfers of financial assets

The following IFRS accounting standards and interpretations have been issued but are not yet effective. None of these standards or interpretations have been early adopted by the Group. The Group is in the process of assessing the impact of these new standards and interpretations on its financial reporting.

IAS 1 (amendment) 'Presentation of Financial Statements' on OCI (endorsed by the EU)
IAS 19 (revised) 'Employee Benefits' (endorsed by the EU)
IAS 27 (revised) 'Separate Financial Statements'
IAS 28 (revised) 'Investments in Associates and Joint Ventures'
IFRS 1 (amendment) 'First Time Adoption' on government grants
IFRS 7 (amendment) 'Financial Instruments' on financial instruments asset and liability offsetting
IFRS 9 'Financial Instruments'
IFRS 10 'Consolidated Financial Statements'
IFRS 11 'Joint Arrangements'
IFRS 12 'Disclosure of Interests in Other Entities'
IFRS 13 'Fair Value Measurements'
IFRIC 20 'Stripping costs in the production phase of a surface mine'

3. Segmental information

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

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

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

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

The Group’s financial performance is not impacted by seasonal fluctuations.

3. Segmental information continued

The segmental information provided to senior management for the reportable segments for the six months ended 30 September 2012 is as follows:

	Six months ended 30 September 2012								
	Retail Portfolio			London Portfolio			Total		
Revenue profit	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m
Rental income	121.0	32.3	153.3	126.6	9.1	135.7	247.6	41.4	289.0
Finance lease interest	0.9	0.2	1.1	4.5	-	4.5	5.4	0.2	5.6
Gross rental income (before rents payable)	121.9	32.5	154.4	131.1	9.1	140.2	253.0	41.6	294.6
Rents payable (1)	(5.0)	(1.2)	(6.2)	(1.7)	-	(1.7)	(6.7)	(1.2)	(7.9)
Gross rental income (after rents payable)	116.9	31.3	148.2	129.4	9.1	138.5	246.3	40.4	286.7
Service charge income (2)	15.5	5.0	20.5	19.2	0.6	19.8	34.7	5.6	40.3
Service charge expense	(15.6)	(5.5)	(21.1)	(19.6)	(0.6)	(20.2)	(35.2)	(6.1)	(41.3)
Net service charge expense	(0.1)	(0.5)	(0.6)	(0.4)	-	(0.4)	(0.5)	(0.5)	(1.0)
Other property related income (2)	5.6	0.5	6.1	8.6	0.2	8.8	14.2	0.7	14.9
Direct property expenditure	(14.8)	(5.5)	(20.3)	(9.4)	(0.8)	(10.2)	(24.2)	(6.3)	(30.5)
Net rental income	107.6	25.8	133.4	128.2	8.5	136.7	235.8	34.3	270.1
Indirect property expenditure (2)	(10.2)	(1.4)	(11.6)	(7.6)	(0.2)	(7.8)	(17.8)	(1.6)	(19.4)
Depreciation	(0.1)	-	(0.1)	(0.4)	-	(0.4)	(0.5)	-	(0.5)
Segment profit before interest	97.3	24.4	121.7	120.2	8.3	128.5	217.5	32.7	250.2
Joint venture net interest expense	-	(8.5)	(8.5)	-	(6.1)	(6.1)	-	(14.6)	(14.6)
Segment profit	97.3	15.9	113.2	120.2	2.2	122.4	217.5	18.1	235.6
Group services – income							1.3	-	1.3
– expense							(18.0)	-	(18.0)
Interest expense							(98.0)	-	(98.0)
Interest income							14.0	-	14.0
Eliminate effect of bond exchange de-recognition							8.8	-	8.8
Revenue profit							125.6	18.1	143.7

1. Included within rents payable is finance lease interest payable of £0.9m and £0.2m for the Retail and London portfolios, respectively.
2. Indirect property expenditure, group services expense and depreciation together comprise the administration costs of the business. In relation to some of these, the Group receives fee income from joint ventures and third parties for work on asset, property and development management, as well as corporate services. These fees are included in service charge income, other property related income and group services income. Net administration costs (after deducting related income) amounted to £28.9m.

	Retail Portfolio			London Portfolio			Total		
Reconciliation to profit before tax	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m
Segment profit before interest	97.3	24.4	121.7	120.2	8.3	128.5	217.5	32.7	250.2
Trading properties sale proceeds	-	3.2	3.2	0.4	3.6	4.0	0.4	6.8	7.2
Carrying value of trading properties disposals	-	(2.7)	(2.7)	-	(3.5)	(3.5)	-	(6.2)	(6.2)
Profit on disposal of trading properties	-	0.5	0.5	0.4	0.1	0.5	0.4	0.6	1.0
Long-term development contract income	-	0.9	0.9	-	-	-	-	0.9	0.9
Long-term development contract expenditure	-	(0.9)	(0.9)	-	-	-	-	(0.9)	(0.9)
Profit on long-term development contracts	-	-	-	-	-	-	-	-	-
	97.3	24.9	122.2	120.6	8.4	129.0	217.9	33.3	251.2
Investment property disposal proceeds	0.7	-	0.7	1.1	-	1.1	1.8	-	1.8
Carrying value of investment property disposals (including lease incentives)	-	-	-	-	-	-	-	-	-
Profit on disposal of investment properties	0.7	-	0.7	1.1	-	1.1	1.8	-	1.8
Net (deficit)/surplus on revaluation of investment properties	(90.6)	(27.7)	(118.3)	86.4	21.0	107.4	(4.2)	(6.7)	(10.9)
Impairment release /(charge) on trading properties	-	(0.1)	(0.1)	3.1	1.0	4.1	3.1	0.9	4.0
	7.4	(2.9)	4.5	211.2	30.4	241.6	218.6	27.5	246.1
Group services – income							1.3	-	1.3
– expense							(18.0)	-	(18.0)
Operating profit							201.9	27.5	229.4
Interest expense							(98.0)	(14.6)	(112.6)
Interest income							14.0	-	14.0
Fair value movement on interest-rate swaps							(1.6)	2.2	0.6
Joint venture tax adjustment							-	-	-
Joint venture net liabilities adjustment							-	-	-
Profit before tax							116.3	15.1	131.4

3. Segmental information continued

Six months ended 30 September 2011

Revenue profit	Retail Portfolio Group £m	Retail Portfolio Joint ventures £m	Retail Portfolio Total £m	London Portfolio Group £m	London Portfolio Joint ventures £m	London Portfolio Total £m	Total Group £m	Total Joint ventures £m	Total Total £m
Rental income	128.1	32.9	161.0	148.0	5.2	153.2	276.1	38.1	314.2
Finance lease interest	1.2	0.2	1.4	1.8	-	1.8	3.0	0.2	3.2
Gross rental income (before rents payable)	129.3	33.1	162.4	149.8	5.2	155.0	279.1	38.3	317.4
Rents payable [1]	(5.4)	(0.9)	(6.3)	(2.0)	-	(2.0)	(7.4)	(0.9)	(8.3)
Gross rental income (after rents payable)	123.9	32.2	156.1	147.8	5.2	153.0	271.7	37.4	309.1
Service charge income [2]	16.5	3.6	20.1	22.5	0.1	22.6	39.0	3.7	42.7
Service charge expense	(16.7)	(5.0)	(21.7)	(24.3)	(0.1)	(24.4)	(41.0)	(5.1)	(46.1)
Net service charge expense	(0.2)	(1.4)	(1.6)	(1.8)	-	(1.8)	(2.0)	(1.4)	(3.4)
Other property related income [2]	6.6	0.5	7.1	12.2	-	12.2	18.8	0.5	19.3
Direct property expenditure	(15.5)	(5.2)	(20.7)	(10.2)	(0.4)	(10.6)	(25.7)	(5.6)	(31.3)
Net rental income	114.8	26.1	140.9	148.0	4.8	152.8	262.8	30.9	293.7
Indirect property expenditure [2]	(11.7)	(0.9)	(12.6)	(8.0)	(0.3)	(8.3)	(19.7)	(1.2)	(20.9)
Depreciation	-	-	-	(0.2)	-	(0.2)	(0.2)	-	(0.2)
Segment profit before interest	103.1	25.2	128.3	139.8	4.5	144.3	242.9	29.7	272.6
Joint venture net interest expense	-	(10.8)	(10.8)	-	(5.3)	(5.3)	-	(16.1)	(16.1)
Segment profit	103.1	14.4	117.5	139.8	(0.8)	139.0	242.9	13.6	256.5
Group services – income							1.7	-	1.7
– expense							(20.5)	-	(20.5)
Interest expense							(99.3)	-	(99.3)
Interest income							12.8	-	12.8
Eliminate effect of bond exchange de-recognition							8.1	-	8.1
Revenue profit							145.7	13.6	159.3

1. Included within rents payable is finance lease interest payable of £0.7m and £0.3m for the Retail and London portfolios, respectively.
2. Indirect property expenditure, group services expense and depreciation together comprise the administration costs of the business. In relation to some of these, the Group receives fee income from joint ventures and third parties for work on asset, property and development management, as well as corporate services. These fees are included in service charge income, other property related income and group services income. Net administration costs (after deducting related income) amounted to £31.4m.

Reconciliation to profit before tax	Retail Portfolio Group £m	Retail Portfolio Joint ventures £m	Retail Portfolio Total £m	London Portfolio Group £m	London Portfolio Joint ventures £m	London Portfolio Total £m	Total Group £m	Total Joint ventures £m	Total Total £m
Segment profit before interest	103.1	25.2	128.3	139.8	4.5	144.3	242.9	29.7	272.6
Trading properties sale proceeds	-	3.7	3.7	-	3.2	3.2	-	6.9	6.9
Carrying value of trading properties disposals	-	(3.5)	(3.5)	-	(3.0)	(3.0)	-	(6.5)	(6.5)
Profit on disposal of trading properties	-	0.2	0.2	-	0.2	0.2	-	0.4	0.4
Long-term development contract income	-	0.8	0.8	0.4	-	0.4	0.4	0.8	1.2
Long-term development contract expenditure	-	(0.8)	(0.8)	(0.3)	-	(0.3)	(0.3)	(0.8)	(1.1)
Profit on long-term development contracts	-	-	-	0.1	-	0.1	0.1	-	0.1
	103.1	25.4	128.5	139.9	4.7	144.6	243.0	30.1	273.1
Investment property disposal proceeds	75.2	26.5	101.7	93.9	-	93.9	169.1	26.5	195.6
Carrying value of investment property disposals (including lease incentives)	(64.7)	(25.5)	(90.2)	(80.0)	-	(80.0)	(144.7)	(25.5)	(170.2)
Profit on disposal of investment properties	10.5	1.0	11.5	13.9	-	13.9	24.4	1.0	25.4
Net surplus on revaluation of investment properties	39.7	13.7	53.4	132.6	25.5	158.1	172.3	39.2	211.5
Impairment (charge)/release on trading properties	-	(0.3)	(0.3)	(1.6)	1.2	(0.4)	(1.6)	0.9	(0.7)
	153.3	39.8	193.1	284.8	31.4	316.2	438.1	71.2	509.3
Group services – income							1.7	-	1.7
– expense							(20.5)	-	(20.5)
Operating profit							419.3	71.2	490.5
Interest expense							(99.3)	(16.1)	(115.4)
Interest income							12.8	-	12.8
Fair value movement on interest-rate swaps							(3.9)	(4.4)	(8.3)
Joint venture tax adjustment							-	(0.3)	(0.3)
Joint venture net liabilities adjustment							-	(0.4)	(0.4)
Profit before tax							328.9	50.0	378.9

3. Segmental information continued

30 September 2012

Balance sheet	Retail Portfolio Group £m	Retail Portfolio Joint ventures £m	Retail Portfolio Total £m	London Portfolio Group £m	London Portfolio Joint ventures £m	London Portfolio Total £m	Total Group £m	Total Joint ventures £m	Total Total £m
Investment properties	3,721.4	974.8	4,696.2	4,950.9	502.6	5,453.5	8,672.3	1,477.4	10,149.7
Other property, plant and equipment	2.1	-	2.1	6.6	-	6.6	8.7	-	8.7
Net investment in finance leases	32.9	8.3	41.2	151.8	-	151.8	184.7	8.3	193.0
Trading properties and long-term development contracts	-	5.1	5.1	147.2	15.3	162.5	147.2	20.4	167.6
Trade and other receivables	119.8	60.2	180.0	297.1	7.8	304.9	416.9	68.0	484.9
Share of joint venture cash	-	22.9	22.9	-	11.6	11.6	-	34.5	34.5
Segment assets	3,876.2	1,071.3	4,947.5	5,553.6	537.3	6,090.9	9,429.8	1,608.6	11,038.4
Unallocated:									
Cash and cash equivalents							19.3	-	19.3
Monies held in restricted accounts							27.3	-	27.3
Loan investments							50.0	-	50.0
Other investments							32.4	-	32.4
Joint venture liabilities							-	(398.1)	(398.1)
Total assets							9,558.8	1,210.5	10,769.3
Trade and other payables	(79.8)	(36.0)	(115.8)	(134.4)	(14.4)	(148.8)	(214.2)	(50.4)	(264.6)
Provisions	(0.6)	(0.4)	(1.0)	(7.2)	-	(7.2)	(7.8)	(0.4)	(8.2)
Share of joint venture borrowings	-	(202.5)	(202.5)	-	(144.8)	(144.8)	-	(347.3)	(347.3)
Segment liabilities	(80.4)	(238.9)	(319.3)	(141.6)	(159.2)	(300.8)	(222.0)	(398.1)	(620.1)
Unallocated:									
Borrowings							(3,195.9)	-	(3,195.9)
Derivative financial instruments							(8.1)	-	(8.1)
Pension deficit							(4.3)	-	(4.3)
Current tax liabilities							(20.4)	-	(20.4)
Trade and other payables							(146.4)	-	(146.4)
Joint venture liabilities to assets							-	398.1	398.1
Total liabilities							(3,597.1)	-	(3,597.1)
Other segment items									
Capital expenditure	68.5	(2.2)	66.3	70.0	31.6	101.6	138.5	29.4	167.9

31 March 2012

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

4. Group revenue	Six months ended 30 September 2012 £m	2011 £m
Rental income (excluding adjustment for lease incentives)	**241.3**	267.4
Adjustment for lease incentives	**6.3**	8.7
Rental income	**247.6**	276.1
Service charge income	**34.7**	39.0
Other property related income	**14.2**	18.8
Trading property sales proceeds	**0.4**	-
Long-term development contract income	**-**	0.4
Finance lease interest	**5.4**	3.0
Other income	**1.3**	1.7
	303.6	339.0

5. Net interest expense	Six months ended 30 September 2012 £m	2011 £m
Interest expense		
Bond and debenture debt	**(88.9)**	(89.0)
Bank borrowings	**(7.1)**	(4.0)
Other interest payable	**(0.3)**	(0.3)
Amortisation of bond exchange de-recognition	**(8.8)**	(8.1)
Interest on pension scheme liabilities	**(3.9)**	(4.0)
	(109.0)	(105.4)
Interest capitalised in relation to properties under development	**11.0**	6.1
Total interest expense	**(98.0)**	(99.3)
Interest income		
Short-term deposits	**0.1**	0.2
Interest received on loan investments	**1.3**	2.4
Other interest receivable	**3.9**	3.0
Interest receivable from joint ventures	**4.4**	2.7
Expected return on pension scheme assets	**4.3**	4.5
Total interest income	**14.0**	12.8
Fair value movement on interest-rate swaps	**(1.6)**	(3.9)
Net interest expense	**(85.6)**	(90.4)

All interest expense and interest income is included within revenue profit, with the exception of the amortisation of the bond exchange de-recognition adjustment, the fair value movement on interest-rate swaps and any interest income or expense that is considered to be one-off or exceptional.

Included within rents payable is finance lease interest payable of £0.9m (2011: £1.0m). Included within Group revenue (note 4) is finance lease interest receivable of £5.4m (2011: £3.0m).

6. Dividends Ordinary dividends paid	Payment date	Actual per share pence	Six months ended 30 September 2012 £m	2011 £m
For the year ended 31 March 2011:				
Third interim	26 April 2011	7.0	**-**	53.9
Final	28 July 2011	7.2	**-**	55.6
For the year ended 31 March 2012:				
Third interim	26 April 2012	7.2	**56.1**	-
Final	26 July 2012	7.4	**57.5**	-
Gross dividend			**113.6**	109.5

The Board has proposed a second interim dividend of **7.4p** per share (2011: 7.2p), which will be 100% PID, to the extent it is paid in cash. It will be paid on 10 January 2013 to shareholders who are on the Register of Members on 7 December 2012. The second interim dividend is in addition to the first interim dividend of **7.4p** or **£57.7m** paid on 12 October 2012 (2011: 7.2p or £55.8m).

The Company operates a scrip dividend scheme which provides shareholders with the opportunity to receive their dividend in shares as opposed to cash. Shares issued in lieu of dividends during the period, all of which were non-PID distributions, totalled £22.8m (2011: £42.5m). The difference between the gross dividend of £113.6m and the amount reported in the consolidated cash flow statement for the period of £90.9m is the shares issued in lieu of dividends (£22.8m) and the timing of the payment of the related withholding tax (£0.1m).

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

7. Earnings per share	Six months ended 30 September 2012 £m	Six months ended 30 September 2011 £m
Profit for the financial period attributable to the owners of the Parent	**131.1**	386.3
Net deficit/(surplus) on revaluation of investment properties – Group	**4.2**	(172.3)
– Joint ventures	**6.7**	(39.2)
Profit on disposal of investment properties – Group	**(1.8)**	(24.4)
– Joint ventures	**-**	(1.0)
Impairment (release)/charge on trading properties – Group	**(3.1)**	1.6
– Joint ventures	**(0.9)**	(0.9)
Profit on disposal of trading properties – Group	**(0.4)**	-
– Joint ventures	**(0.6)**	(0.4)
Fair value movement on interest-rate swaps – Group	**1.6**	3.9
– Joint ventures	**(2.2)**	4.4
Joint venture net liabilities adjustment [1]	**-**	0.4
EPRA adjusted earnings attributable to the owners of the Parent	**134.6**	158.4
Tax adjustments related to prior periods – Group	**-**	(8.0)
Eliminate profit on long-term development contracts – Group [2]	**-**	(0.1)
Eliminate amortisation of bond exchange de-recognition – Group	**8.8**	8.1
Adjusted earnings attributable to the owners of the Parent	**143.4**	158.4

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

	Six months ended 30 September 2012 million	Six months ended 30 September 2011 million
Weighted average number of ordinary shares	**787.3**	779.1
Weighted average number of treasury shares	**(7.3)**	(5.9)
Weighted average number of own shares	**(1.9)**	(0.7)
Weighted average number of ordinary shares - basic earnings per share	**778.1**	772.5
Dilutive effect of share options	**3.0**	1.0
Weighted average number of ordinary shares - diluted earnings per share	**781.1**	773.5

	Six months ended 30 September 2012 Pence	Six months ended 30 September 2011 Pence
Basic earnings per share	**16.8**	50.0
Diluted earnings per share	**16.8**	49.9
Adjusted earnings per share	**18.4**	20.5
Adjusted diluted earnings per share	**18.4**	20.5
EPRA adjusted diluted earnings per share	**17.2**	20.5

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

8. Net assets per share	30 September 2012 £m	31 March 2012 £m
Net assets attributable to the owners of the Parent	**7,172.1**	7,155.4
Fair value of interest-rate swaps – Group	**8.1**	6.5
– Joint ventures	**13.3**	14.3
EPRA adjusted net assets	**7,193.5**	7,176.2
Reverse bond exchange de-recognition adjustment	**(442.1)**	(450.9)
Adjusted net assets attributable to the owners of the Parent	**6,751.4**	6,725.3
Reinstate bond exchange de-recognition adjustment	**442.1**	450.9
Fair value of interest-rate swaps – Group	**(8.1)**	(6.5)
– Joint ventures	**(13.3)**	(14.3)
Excess of fair value of debt over book value (note 14)	**(1,103.3)**	(860.9)
EPRA triple net assets	**6,068.8**	6,294.5

	30 September 2012 million	31 March 2012 million
Number of ordinary shares in issue	**788.6**	785.1
Number of treasury shares	**(9.1)**	(5.9)
Number of own shares	**(1.2)**	(2.3)
Number of ordinary shares - basic net assets per share	**778.3**	776.9
Dilutive effect of share options	**3.3**	2.6
Number of ordinary shares - diluted net assets per share	**781.6**	779.5

	30 September 2012 Pence	31 March 2012 Pence
Net assets per share	**922.0**	921.0
Diluted net assets per share	**918.0**	918.0
Adjusted net assets per share	**867.0**	866.0
Adjusted diluted net assets per share	**864.0**	863.0
EPRA measure – adjusted diluted net assets per share	**920.0**	921.0
– diluted triple net assets per share	**777.0**	808.0

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

9. Investment properties

Group	Portfolio management £m	Development programme £m	Total £m
Net book value at 1 April 2011	8,028.0	861.0	8,889.0
Property acquisitions	54.5	-	54.5
Capital expenditure	57.7	55.7	113.4
Capitalised interest	0.5	5.1	5.6
Disposals	(93.6)	(32.3)	(125.9)
Depreciation	(0.3)	-	(0.3)
Transfer to finance leases	(89.7)	-	(89.7)
Valuation surplus	115.2	57.1	172.3
Net book value at 30 September 2011	8,072.3	946.6	9,018.9
Property acquisitions	15.2	-	15.2
Capital expenditure	82.5	86.1	168.6
Capitalised interest	1.3	6.6	7.9
Disposals	(769.9)	-	(769.9)
Depreciation	0.2	-	0.2
Transfer from trading properties	14.8	-	14.8
Valuation (deficit)/surplus	(19.6)	17.1	(2.5)
Net book value at 31 March 2012	**7,396.8**	**1,056.4**	**8,453.2**
Properties transferred into the development programme	**(101.9)**	**101.9**	**-**
Property acquisitions	**67.6**	**6.4**	**74.0**
Acquisition of finance lease	**1.1**	**-**	**1.1**
Capital expenditure	**18.1**	**120.4**	**138.5**
Capitalised interest	**0.7**	**9.2**	**9.9**
Depreciation	**(0.2)**	**-**	**(0.2)**
Valuation (deficit)/surplus	**(75.4)**	**71.2**	**(4.2)**
Completed developments transferred into portfolio management	**462.7**	**(462.7)**	**-**
Net book value at 30 September 2012	**7,769.5**	**902.8**	**8,672.3**

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

	Portfolio management £m	Development programme £m	Total £m
Net book value at 31 March 2012	7,396.8	1,056.4	8,453.2
Plus: tenant lease incentives	181.1	23.6	204.7
Less: head leases capitalised	(22.0)	(1.3)	(23.3)
Plus: properties treated as finance leases	197.4	7.8	205.2
Market value at 31 March 2012 – Group	7,753.3	1,086.5	8,839.8
– Joint ventures (note 10)	1,389.2	101.6	1,490.8
– Group and share of joint ventures	9,142.5	1,188.1	10,330.6
Net book value at 30 September 2012	**7,769.5**	**902.8**	**8,672.3**
Plus: tenant lease incentives	**213.5**	**1.1**	**214.6**
Less: head leases capitalised	**(24.2)**	**-**	**(24.2)**
Plus: properties treated as finance leases	**188.9**	**10.9**	**199.8**
Market value at 30 September 2012 – Group	**8,147.7**	**914.8**	**9,062.5**
– Joint ventures (note 10)	**1,380.4**	**135.6**	**1,516.0**
– Group and share of joint ventures	**9,528.1**	**1,050.4**	**10,578.5**

The net book value of leasehold properties where head leases have been capitalised is £886.2m (31 March 2012: £885.7m).

The fair value of the Group's investment properties at 30 September 2012 has been arrived at on the basis of a valuation carried out at that date by Knight Frank LLP, external valuers. The valuation by Knight Frank LLP, which conforms to Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors and with IVA 1 of the International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties. Fixed asset properties include capitalised interest of £199.8m (31 March 2012: £189.9m). The average rate of interest capitalisation for the period is 5.0% (31 March 2012: 5.0%). The historical cost of investment properties is £6,228.9m (31 March 2012: £6,006.5m).

The current value of investment properties, including joint ventures, in respect of proposed developments is £223.4m (31 March 2012: £212.6m). Developments are transferred out of the development programme when physically complete and 95% let, or two years after practical completion, whichever is earlier. The only scheme transferred out of the development programme during the period was One New Change, EC4.

10. Investments in joint ventures

The Group's joint ventures are described below:

Name of joint venture	Percentage owned	Business segment	Year end date	Joint venture partners
20 Fenchurch Street Limited Partnership	50.0%	London Portfolio	31 March	Canary Wharf Group plc
Metro Shopping Fund Limited Partnership	50.0%	Retail Portfolio	31 March	Delancey Real Estate Partners Limited
Buchanan Partnership	50.0%	Retail Portfolio	31 December	The Henderson UK Shopping Centre Fund
St. David's Limited Partnership	50.0%	Retail Portfolio	31 December	Capital Shopping Centres PLC
Bristol Alliance Limited Partnership	50.0%	Retail Portfolio	31 December	Hammerson plc
The Harvest Limited Partnership	50.0%	Retail Portfolio	31 March	J Sainsbury plc
The Oriana Limited Partnership	50.0%	London Portfolio	31 March	Frogmore Real Estate Partners Limited Partnership
The Scottish Retail Property Limited Partnership (1)	50.0%	Retail Portfolio	31 March	The British Land Company PLC
Westgate Oxford Alliance Limited Partnership (1)	50.0%	Retail Portfolio	31 March	The Crown Estate Commissioners
The Martineau Galleries Limited Partnership (1)	33.3%	Retail Portfolio	31 December	Hammerson plc Pearl Group Limited
The Ebbsfleet Limited Partnership (1)	50.0%	London Portfolio	31 March	Lafarge Cement UK PLC
Millshaw Property Co. Limited (1)	50.0%	Retail Portfolio	31 March	Evans Property Group Limited
The Martineau Limited Partnership (1) (3)	33.3%	Retail Portfolio	31 December	Hammerson plc Pearl Group Limited
Hungate (York) Regeneration Limited (1)	33.3%	Retail Portfolio	30 June	Crosby Lend Lease PLC Evans Property Group Limited
Countryside Land Securities (Springhead) Limited (1)	50.0%	London Portfolio	30 September	Countryside Properties PLC
Victoria Circle Limited Partnership (1)	50.0%	London Portfolio	31 March	Canada Pension Plan Investment Board
The Empress State Limited Partnership (1)	50.0%	London Portfolio	31 December	Capital & Counties PLC
HNJV Limited (1)	50.0%	London Portfolio	31 March	Places for People Group Limited
Fen Farm Developments Limited (1) (2)	50.0%	Retail Portfolio	31 March	Economic Zones World

1. Included within Other in subsequent tables.
2. Disposed of in the year to 31 March 2012.
3. Dissolved in the six months to 30 September 2012

10. Investments in joint ventures continued

Six months ended 30 September 2012

Income statement	20 Fenchurch Street Limited Partnership £m	Metro Shopping Fund Limited Partnership £m	Buchanan Partnership £m	St. David's Limited Partnership £m	Bristol Alliance Limited Partnership £m	The Harvest Limited Partnership £m	The Oriana Limited Partnership £m	Other £m	Total £m
Rental income	-	3.3	4.2	8.1	9.1	2.0	3.6	11.1	41.4
Finance lease interest	-	-	0.1	-	0.1	-	-	-	0.2
Gross rental income (before rents payable)	-	3.3	4.3	8.1	9.2	2.0	3.6	11.1	41.6
Rents payable	-	-	-	(0.6)	(0.3)	-	-	(0.3)	(1.2)
Gross rental income (after rents payable)	-	3.3	4.3	7.5	8.9	2.0	3.6	10.8	40.4
Service charge income	-	0.8	0.7	1.2	1.3	-	0.1	1.5	5.6
Service charge expense	-	(0.8)	(0.8)	(1.4)	(1.2)	-	(0.1)	(1.8)	(6.1)
Net service charge expense	-	-	(0.1)	(0.2)	0.1	-	-	(0.3)	(0.5)
Other property related income	-	0.1	-	0.1	0.1	-	-	0.4	0.7
Direct property expenditure	(0.1)	(0.4)	(0.5)	(1.7)	(1.8)	(0.1)	(0.1)	(1.6)	(6.3)
Net rental (expense)/income	**(0.1)**	**3.0**	**3.7**	**5.7**	**7.3**	**1.9**	**3.5**	**9.3**	**34.3**
Indirect property expenditure	-	(0.2)	-	(0.3)	(0.3)	(0.2)	0.1	(0.7)	(1.6)
Segment profit/(loss) before interest	**(0.1)**	**2.8**	**3.7**	**5.4**	**7.0**	**1.7**	**3.6**	**8.6**	**32.7**
Net interest expense [1]	(1.6)	(1.7)	(2.1)	(2.7)	-	(0.7)	(2.5)	(4.1)	(15.4)
Capitalised interest	0.8	-	-	-	-	-	-	-	0.8
Segment profit/(loss)	**(0.9)**	**1.1**	**1.6**	**2.7**	**7.0**	**1.0**	**1.1**	**4.5**	**18.1**
Segment profit/(loss) before interest	(0.1)	2.8	3.7	5.4	7.0	1.7	3.6	8.6	32.7
Trading properties sale proceeds	-	-	-	2.2	-	-	-	4.6	6.8
Carrying value of trading properties disposals	-	-	-	(1.9)	-	-	-	(4.3)	(6.2)
Profit on disposal of trading properties	-	-	-	0.3	-	-	-	0.3	0.6
Long-term development contract income	-	-	-	-	-	0.9	-	-	0.9
Long-term development contract expenditure	-	-	-	-	-	(0.9)	-	-	(0.9)
Profit on long-term development contracts	-	-	-	-	-	-	-	-	-
Investment property disposal proceeds	-	-	-	-	-	-	-	-	-
Carrying value of investment property disposals	-	-	-	-	-	-	-	-	-
Profit on disposal of investment properties	-	-	-	-	-	-	-	-	-
Net surplus/(deficit) on revaluation of investment properties	12.9	(3.8)	(6.5)	0.5	(12.0)	(0.5)	0.2	2.5	(6.7)
Impairment release on trading properties	-	-	-	-	-	-	-	0.9	0.9
Operating profit/(loss)	**12.8**	**(1.0)**	**(2.8)**	**6.2**	**(5.0)**	**1.2**	**3.8**	**12.3**	**27.5**
Net interest expense	(0.8)	(1.7)	(2.1)	(3.1)	-	(0.7)	(1.1)	(2.9)	(12.4)
Profit/(loss) before tax	**12.0**	**(2.7)**	**(4.9)**	**3.1**	**(5.0)**	**0.5**	**2.7**	**9.4**	**15.1**
Income tax	-	-	-	-	-	-	-	-	-
	12.0	(2.7)	(4.9)	3.1	(5.0)	0.5	2.7	9.4	15.1
Net liabilities adjustment [2]	-	-	-	-	-	-	-	-	-
Share of post tax profit/(loss)	**12.0**	**(2.7)**	**(4.9)**	**3.1**	**(5.0)**	**0.5**	**2.7**	**9.4**	**15.1**

1. Excludes fair value movements on interest-rate swaps.
2. Joint ventures with net liabilities are carried at zero value in the balance sheet where there is no commitment to fund the deficit and any distributions are included in the consolidated income statement for the year.

10. Investments in joint ventures continued

Six months ended 30 September 2011

Income statement	20 Fenchurch Street Limited Partnership £m	Metro Shopping Fund Limited Partnership £m	Buchanan Partnership £m	St. David's Limited Partnership £m	Bristol Alliance Limited Partnership £m	The Harvest Limited Partnership £m	The Oriana Limited Partnership £m	Other £m	Total £m
Rental income	-	3.4	4.9	7.8	9.4	2.1	1.6	8.9	38.1
Finance lease interest	-	-	0.1	-	0.1	-	-	-	0.2
Gross rental income (before rents payable)	-	3.4	5.0	7.8	9.5	2.1	1.6	8.9	38.3
Rents payable	-	-	-	(0.6)	(0.3)	-	-	-	(0.9)
Gross rental income (after rents payable)	-	3.4	5.0	7.2	9.2	2.1	1.6	8.9	37.4
Service charge income	-	0.4	0.5	0.9	1.0	0.1	0.1	0.7	3.7
Service charge expense	-	(0.9)	(0.6)	(1.3)	(1.1)	-	(0.1)	(1.1)	(5.1)
Net service charge expense	-	(0.5)	(0.1)	(0.4)	(0.1)	0.1	-	(0.4)	(1.4)
Other property related income	-	0.2	-	0.1	0.1	-	-	0.1	0.5
Direct property expenditure	(0.4)	(0.1)	(0.7)	(1.9)	(1.4)	(0.1)	-	(1.0)	(5.6)
Net rental income	(0.4)	3.0	4.2	5.0	7.8	2.1	1.6	7.6	30.9
Indirect property expenditure	-	(0.2)	-	(0.1)	(0.2)	(0.1)	(0.3)	(0.3)	(1.2)
Segment profit/(loss) before interest	(0.4)	2.8	4.2	4.9	7.6	2.0	1.3	7.3	29.7
Net interest expense [1]	(0.5)	(2.5)	(2.0)	(3.6)	-	(1.1)	(2.6)	(4.1)	(16.4)
Capitalised interest	0.3	-	-	-	-	-	-	-	0.3
Segment profit/(loss)	(0.6)	0.3	2.2	1.3	7.6	0.9	(1.3)	3.2	13.6
Segment profit/(loss) before interest	(0.4)	2.8	4.2	4.9	7.6	2.0	1.3	7.3	29.7
Trading properties sale proceeds	-	-	-	3.0	-	-	-	3.9	6.9
Carrying value of trading properties disposals	-	-	-	(2.8)	-	-	-	(3.7)	(6.5)
Profit on disposal of trading properties	-	-	-	0.2	-	-	-	0.2	0.4
Long-term development contract income	-	-	-	-	-	0.8	-	-	0.8
Long-term development contract expenditure	-	-	-	-	-	(0.8)	-	-	(0.8)
Profit on long-term development contracts	-	-	-	-	-	-	-	-	-
Investment property disposal proceeds	-	-	-	-	-	26.2	-	0.3	26.5
Carrying value of investment property disposals	-	-	-	-	-	(25.4)	-	(0.1)	(25.5)
Profit on disposal of investment properties	-	-	-	-	-	0.8	-	0.2	1.0
Net surplus on revaluation of investment properties	9.5	2.2	-	10.4	1.9	1.9	11.2	2.1	39.2
Impairment (charge)/ release on trading properties	-	-	-	(1.1)	-	-	-	2.0	0.9
Operating profit	9.1	5.0	4.2	14.4	9.5	4.7	12.5	11.8	71.2
Net interest expense	(0.2)	(2.5)	(2.0)	(6.4)	-	(3.1)	(2.1)	(4.2)	(20.5)
Profit before tax	8.9	2.5	2.2	8.0	9.5	1.6	10.4	7.6	50.7
Income tax	-	-	-	(0.3)	-	-	-	-	(0.3)
	8.9	2.5	2.2	7.7	9.5	1.6	10.4	7.6	50.4
Net liabilities adjustment [2]	-	-	-	-	-	-	-	(0.4)	(0.4)
Share of post tax profit	8.9	2.5	2.2	7.7	9.5	1.6	10.4	7.2	50.0

1. Excludes fair value movements on interest-rate swaps.
2. Joint ventures with net liabilities are carried at zero value in the balance sheet where there is no commitment to fund the deficit and any distributions are included in the consolidated income statement for the year.

10. Investments in joint ventures continued

Net investment	20 Fenchurch Street Limited Partnership £m	Metro Shopping Fund Limited Partnership £m	Buchanan Partnership £m	St. David's Limited Partnership £m	Bristol Alliance Limited Partnership £m	The Harvest Limited Partnership £m	The Oriana Limited Partnership £m	Other £m	Total £m
At 1 April 2011	70.5	25.6	135.9	144.2	296.8	95.1	47.6	123.9	939.6
Cash contributed	-	-	0.3	-	-	0.3	-	1.5	2.1
Other contributions	0.1	-	-	-	-	-	-	-	0.1
Distributions	-	-	(1.5)	-	(5.0)	-	-	(0.9)	(7.4)
Fair value movement on cash flow hedges taken to comprehensive income	-	1.7	-	-	-	1.7	-	0.5	3.9
Loan advances	5.5	-	-	2.4	1.0	1.2	-	0.3	10.4
Loan repayments	-	-	-	(10.0)	-	-	-	-	(10.0)
Share of post tax profit	8.9	2.5	2.2	7.7	9.5	1.6	10.4	7.2	50.0
At 30 September 2011	85.0	29.8	136.9	144.3	302.3	99.9	58.0	132.5	988.7
Cash contributed	-	16.8	0.5	-	-	-	-	1.7	19.0
Property and other contributions	-	-	-	0.1	-	-	14.2	85.1	99.4
Distributions	-	(0.6)	(1.8)	-	(12.0)	-	-	(2.3)	(16.7)
Fair value movement on cash flow hedges taken to comprehensive income	-	(0.7)	-	-	-	0.4	-	1.3	1.0
Disposals	-	-	-	-	-	-	-	(1.9)	(1.9)
Loan advances	13.2	-	-	16.6	-	1.8	-	24.5	56.1
Loan repayments	-	-	-	(8.0)	-	-	-		(8.0)
Share of post tax profit/(loss)	3.5	(2.7)	3.1	(5.5)	(2.9)	(0.8)	3.8	3.7	2.2
Impairment of investment	-	-	-	-	-	-	-	(2.2)	(2.2)
At 31 March 2012	**101.7**	**42.6**	**138.7**	**147.5**	**287.4**	**101.3**	**76.0**	**242.4**	**1,137.6**
Cash contributed	**-**	**-**	**0.1**	**-**	**-**	**-**	**-**	**1.3**	**1.4**
Property and other contributions	**0.1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0.1**
Distributions	**-**	**-**	**(2.5)**	**-**	**(4.5)**	**-**	**-**	**(6.1)**	**(13.1)**
Fair value movement on cash flow hedges taken to comprehensive income	**-**	**(2.4)**	**-**	**-**	**-**	**0.3**	**-**	**0.9**	**(1.2)**
Loan advances	**20.9**	**-**	**-**	**26.6**	**-**	**2.0**	**0.8**	**66.5**	**116.8**
Loan repayments	**-**	**-**	**-**	**(0.8)**	**-**	**-**	**-**	**(2.4)**	**(3.2)**
Loan settlement through equity	**-**	**-**	**-**	**-**	**-**	**(43.0)**	**-**	**-**	**(43.0)**
Share of post tax profit/(loss)	**12.0**	**(2.7)**	**(4.9)**	**3.1**	**(5.0)**	**0.5**	**2.7**	**9.4**	**15.1**
At 30 September 2012	**134.7**	**37.5**	**131.4**	**176.4**	**277.9**	**61.1**	**79.5**	**312.0**	**1,210.5**

Balance sheet at 30 September 2012	20 Fenchurch Street Limited Partnership £m	Metro Shopping Fund Limited Partnership £m	Buchanan Partnership £m	St. David's Limited Partnership £m	Bristol Alliance Limited Partnership £m	The Harvest Limited Partnership £m	The Oriana Limited Partnership £m	Other £m	Total £m
Investment properties [1]	135.6	106.6	126.4	262.3	263.3	72.9	151.4	358.9	1,477.4
Current assets	2.1	6.2	7.5	22.5	25.6	12.5	5.5	49.3	131.2
	137.7	112.8	133.9	284.8	288.9	85.4	156.9	408.2	1,608.6
Current liabilities	(3.0)	(3.7)	(2.5)	(11.8)	(8.4)	(3.4)	(3.1)	(83.6)	(119.5)
Non-current liabilities	-	(71.6)	-	(96.6)	(2.6)	(20.9)	(74.3)	(12.6)	(278.6)
	(3.0)	(75.3)	(2.5)	(108.4)	(11.0)	(24.3)	(77.4)	(96.2)	(398.1)
Net assets	**134.7**	**37.5**	**131.4**	**176.4**	**277.9**	**61.1**	**79.5**	**312.0**	**1,210.5**
Market value of investment properties [1]	**135.6**	**107.5**	**131.0**	**273.8**	**278.2**	**73.8**	**153.9**	**362.2**	**1,516.0**
Net (debt)/cash	**2.1**	**(69.2)**	**0.5**	**(92.0)**	**2.0**	**(14.2)**	**(71.7)**	**(70.3)**	**(312.8)**

Balance sheet at 31 March 2012	20 Fenchurch Street Limited Partnership £m	Metro Shopping Fund Limited Partnership £m	Buchanan Partnership £m	St. David's Limited Partnership £m	Bristol Alliance Limited Partnership £m	The Harvest Limited Partnership £m	The Oriana Limited Partnership £m	Other £m	Total £m
Investment properties [1]	101.6	109.1	132.8	266.0	275.4	73.5	150.7	344.3	1,453.4
Current assets	1.3	5.9	8.2	22.4	23.3	52.4	3.7	58.6	175.8
	102.9	115.0	141.0	288.4	298.7	125.9	154.4	402.9	1,629.2
Current liabilities	(1.2)	(3.4)	(2.3)	(45.0)	(8.7)	(3.5)	(2.7)	(15.5)	(82.3)
Non-current liabilities	-	(69.0)	-	(95.9)	(2.6)	(21.1)	(75.7)	(145.0)	(409.3)
	(1.2)	(72.4)	(2.3)	(140.9)	(11.3)	(24.6)	(78.4)	(160.5)	(491.6)
Net assets	**101.7**	**42.6**	**138.7**	**147.5**	**287.4**	**101.3**	**76.0**	**242.4**	**1,137.6**
Market value of investment properties [1]	**98.2**	**110.0**	**138.0**	**278.1**	**290.0**	**74.3**	**151.1**	**351.1**	**1,490.8**
Net (debt)/cash	**1.3**	**(65.2)**	**1.9**	**(92.3)**	**0.7**	**(19.4)**	**(72.6)**	**(122.5)**	**(368.1)**

1. The difference between the book value and the market value is the amount included in prepayments in respect of lease incentives, head leases capitalised and properties treated as finance leases.

11. Trading properties and long-term development contracts

Group	Trading properties			
	Development land and infrastructure £m	Other £m	Long-term development contracts £m	Total £m
At 1 April 2011	107.6	15.5	6.2	129.3
Capital expenditure	8.1	2.4	-	10.5
Capitalised interest	0.5	-	-	0.5
Impairment provision	(1.6)	-	-	(1.6)
Contract costs deferred	-	-	1.0	1.0
At 30 September 2011	114.6	17.9	7.2	139.7
Transfer between categories	(39.7)	39.7	-	-
Capital expenditure	(5.9)	18.2	-	12.3
Capitalised interest	0.3	0.6	-	0.9
Transfer from investment properties	-	(14.8)	-	(14.8)
Disposals	(0.9)	(4.9)	-	(5.8)
Impairment provision	(0.4)	-	-	(0.4)
Contract costs deferred	-	-	1.2	1.2
At 31 March 2012	**68.0**	**56.7**	**8.4**	**133.1**
Capital expenditure	**1.6**	**7.5**	**-**	**9.1**
Capitalised interest	**0.4**	**0.7**	**-**	**1.1**
Impairment release	**3.1**	**-**	**-**	**3.1**
Contract costs deferred	**-**	**-**	**0.8**	**0.8**
At 30 September 2012	**73.1**	**64.9**	**9.2**	**147.2**

The realisable value of the Group's trading properties at 30 September 2012 has been based on a valuation carried out at that date by Knight Frank LLP, external valuers. The cumulative impairment provision at 30 September 2012 in respect of Development land and infrastructure was £107.4m (31 March 2012: £110.5m); and in respect of Other was £0.3m (31 March 2012: £0.3m).

12. Monies held in restricted accounts and deposits	30 September 2012 £m	31 March 2012 £m
Cash at bank and in hand	**4.0**	6.2
Fixed-term deposits	**23.3**	23.3
	27.3	29.5

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

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

	30 September 2012 £m	31 March 2012 £m
Counterparties with external credit ratings		
A+	**3.9**	23.5
A	**21.4**	4.0
BBB+	**2.0**	2.0
	27.3	29.5

13. Cash and cash equivalents	30 September 2012 £m	31 March 2012 £m
Cash at bank and in hand	**19.3**	11.5
Short-term deposits	**-**	1.0
Liquidity funds	**-**	17.2
	19.3	29.7

Liquidity funds

The liquidity funds are AAA rated cash-investment funds with constant net asset values, offering the Group same day access to the funds deposited. These investments yielded an average return of **0.5%** in the six months ended 30 September 2012 (31 March 2012: an average return of 0.6%).

Short-term deposits

The effective interest rate on short-term deposits was **nil%** at 30 September 2012 (31 March 2012: 0.4%) and had an average maturity of **nil days** (31 March 2012: 2 days).

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

	30 September 2012 £m	31 March 2012 £m
Counterparties with external credit ratings		
AAA	**-**	17.2
A+	**-**	1.6
A	**19.3**	8.7
A-	**-**	2.2
	19.3	29.7

14. Borrowings

30 September 2012	Secured/ unsecured	Fixed/floating	Effective interest rate %	Nominal/ notional value £m	Fair value £m	Book value £m
Current borrowings						
Sterling						
5.253 per cent QAG Bond	Secured	Fixed	5.3	11.2	13.6	11.2
Amounts payable under finance leases	Unsecured	Fixed	7.5	0.1	0.1	0.1
Total current borrowings				**11.3**	**13.7**	**11.3**
Non-current borrowings						
Sterling						
5.292 per cent MTN due 2015	Secured	Fixed	5.3	122.7	126.7	122.7
4.875 per cent MTN due 2019	Secured	Fixed	5.0	400.0	452.4	397.6
5.425 per cent MTN due 2022	Secured	Fixed	5.5	255.3	303.0	254.7
4.875 per cent MTN due 2025	Secured	Fixed	4.9	300.0	352.5	297.6
5.391 per cent MTN due 2026	Secured	Fixed	5.4	210.7	253.5	209.9
5.391 per cent MTN due 2027	Secured	Fixed	5.4	608.7	741.3	606.3
5.376 per cent MTN due 2029	Secured	Fixed	5.4	317.6	386.7	316.1
5.396 per cent MTN due 2032	Secured	Fixed	5.4	322.7	392.8	320.9
5.125 per cent MTN due 2036	Secured	Fixed	5.1	500.0	592.5	498.5
Bond exchange de-recognition adjustment				-	-	(442.1)
				3,037.7	3,601.4	2,582.2
5.253 per cent QAG Bond	Secured	Fixed	5.3	323.3	393.0	323.3
Syndicated bank debt	Secured	Floating	LIBOR + margin	220.0	220.0	220.0
Bilateral facilities	Secured	Floating	LIBOR + margin	35.0	35.0	35.0
Amounts payable under finance leases	Unsecured	Fixed	7.5	24.1	36.1	24.1
Total non-current borrowings				**3,640.1**	**4,285.5**	**3,184.6**
Total borrowings				**3,651.4**	**4,299.2**	**3,195.9**

Medium term notes (MTN)

The MTN are secured on the fixed and floating pool of assets of the Security Group. Debt investors benefit from security over a pool of investment properties, development properties and the Group's investment in the Bristol Alliance Limited Partnership and the Westgate Oxford Alliance Limited Partnership, valued at £8.9bn at 30 September 2012 (31 March 2012: £8.8bn). The secured debt structure has a tiered operating covenant regime which gives the Group substantial flexibility when the loan to value and interest cover in the Security Group are less than 65% and more than 1.45 times respectively. If these limits are exceeded the operating environment becomes more restrictive with provisions to encourage the reduction in gearing. The interest rate is fixed until the expected maturity, being two years before the legal maturity date for each MTN, whereupon the interest rate for the last two years is LIBOR plus a step-up margin. The effective interest rate includes the amortisation of issue costs. The MTN are listed on the Irish Stock Exchange and their fair values are based on their respective market prices.

Syndicated bank debt

At 30 September 2012, the Group had a £1.085bn authorised credit facility, which was £220.0m (31 March 2012: £300.0m) drawn.

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

Bilateral facilities

Committed bilateral facilities totalling £300.0m at 30 September 2012 (31 March 2012: £300.0m) are available to the Group and are secured on the assets of the Security Group. These facilities mature in November 2014. The total amount drawn at 30 September 2012 was £35.0m (31 March 2012: £nil).

Queen Anne's Gate Bond

On 29 July 2009, the Group issued a £360.3m bond secured on the rental cash flows from the commercial lease with the UK Government over Queen Anne's Gate, London, SW1. The QAG Bond is a fully amortising bond with a final maturity in February 2027 and a fixed interest rate of 5.253% per annum. At 30 September 2012 the bond had an amortised book value of £334.5m (31 March 2012: £339.4m).

Fair values

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

14. Borrowings continued

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

Reconciliation of the movement in borrowings	30 September 2012 £m	31 March 2012 £m
At the beginning of the period	**3,235.9**	3,384.3
Repayment of loans	**(85.2)**	(461.0)
Proceeds from new loans	**35.0**	300.0
Amortisation of finance fees	**0.5**	1.1
Amortisation of bond exchange de-recognition adjustment	**8.8**	16.6
Net movement in finance lease obligations	**0.9**	(5.1)
At the end of the period	**3,195.9**	3,235.9

Bond exchange de-recognition

On 3 November 2004, a debt refinancing was completed resulting in the Group exchanging all of its outstanding bond and debenture debt for new MTN with higher nominal values. The new MTN did not meet the IAS 39 requirement to be substantially different from the debt that it replaced. Consequently the book value of the new debt is reduced to the book value of the original debt by the ‘bond exchange de-recognition’ adjustment which is then amortised to zero over the life of the new MTN. The amortisation is charged to net interest expenses in the income statement.

15. Analysis of net debt and equity

	30 September 2012			31 March 2012		
	Group £m	Joint ventures £m	Combined £m	Group £m	Joint ventures £m	Combined £m
Property portfolio						
Market value of investment properties	**9,062.5**	**1,516.0**	**10,578.5**	8,839.8	1,490.8	10,330.6
Trading properties and long-term contracts	**147.2**	**20.4**	**167.6**	133.1	23.0	156.1
	9,209.7	**1,536.4**	**10,746.1**	8,972.9	1,513.8	10,486.7
Net debt						
Borrowings	**3,195.9**	**334.0**	**3,529.9**	3,235.9	397.9	3,633.8
Cash and cash equivalents	**(19.3)**	**(32.7)**	**(52.0)**	(29.7)	(41.4)	(71.1)
Monies held in restricted accounts and deposits	**(27.3)**	**(1.8)**	**(29.1)**	(29.5)	(2.7)	(32.2)
Fair value of interest-rate swaps	**8.1**	**13.3**	**21.4**	6.5	14.3	20.8
Net debt	**3,157.4**	**312.8**	**3,470.2**	3,183.2	368.1	3,551.3
Less: Fair value of interest-rate swaps	**(8.1)**	**(13.3)**	**(21.4)**	(6.5)	(14.3)	(20.8)
Reverse bond exchange de-recognition (note 14)	**442.1**	**-**	**442.1**	450.9	-	450.9
Adjusted net debt	**3,591.4**	**299.5**	**3,890.9**	3,627.6	353.8	3,981.4
Adjusted total equity						
Total equity	**7,172.2**		**7,172.2**	7,155.6		7,155.6
Fair value of interest-rate swaps	**8.1**	**13.3**	**21.4**	6.5	14.3	20.8
Reverse bond exchange de-recognition (note 14)	**(442.1)**		**(442.1)**	(450.9)		(450.9)
Adjusted total equity	**6,738.2**	**13.3**	**6,751.5**	6,711.2	14.3	6,725.5
Gearing	**44.0%**		**48.4%**	44.5%		49.6%
Adjusted gearing	**53.3%**		**57.6%**	54.1%		59.2%
Loan to value - Group	**39.0%**		**36.2%**	40.4%		38.0%
Loan to value - Security Group			**36.8%**			37.6%
Weighted average cost of debt	**5.0%**		**5.1%**	5.0%		5.0%

16. Contingencies

The Group has contingent liabilities in respect of legal claims, guarantees, and warranties arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.

The Group has a contingent asset in respect of Bankside 4, a property previously owned by the Group. The Bankside 4 sale agreement included a profit share in relation to future sales of residential units on the site. As at 30 September 2012, the value of the potential receivable could not be reasonably estimated. Therefore no asset was recognised at this date.

17. Cash flow from operating activities

Reconciliation of operating profit to net cash inflow from operating activities:	Six months ended 30 September 2012 £m	2011 £m
Cash generated from operations		
Operating profit	**201.9**	419.3
Adjustments for:		
Depreciation	**1.2**	1.3
Profit on disposal of investment properties	**(1.8)**	(24.4)
Net valuation deficit/ (surplus) on investment properties	**4.2**	(172.3)
Impairment (release)/ charge on trading properties	**(3.1)**	1.6
Share-based payment charge	**1.8**	2.3
Defined benefit pension scheme charge	**0.5**	0.4
	204.7	228.2
Changes in working capital:		
Decrease/(increase) in trading properties and long-term development contracts	**3.6**	(7.5)
(Increase)/decrease in receivables	**(67.2)**	1.9
Increase/(decrease) in payables and provisions	**3.2**	(33.3)
Net cash generated from operations	**144.3**	189.3

18. Related party transactions

Joint ventures

As disclosed in note 10, the Group has investments in a number of joint ventures. During the period, the Group has made further loan advances to The Scottish Retail Property Limited Partnership of £59.8m, St. David's Limited Partnership of £26.6m and 20 Fenchurch Street Limited Partnership of £20.9m.

There have been no other significant related party transactions during the period that require disclosure under Section DTR 4.2.8 R of the Disclosure and Transparency Rules or under IAS 34 Interim Financial Reporting.

Business analysis

Table 11: EPRA performance measures

	Definition for EPRA measure	Notes	30 September 2012 Land Securities measure	EPRA measure
Adjusted earnings	Recurring earnings from core operational activity	7	**£143.4m**	**£134.6m**
Adjusted earnings per share	Adjusted diluted earnings per weighted number of ordinary shares	7	**18.4p**	**17.2p**(1)
Adjusted net assets	Net asset value adjusted to exclude fair value movements on interest-rate swaps	8	**£6,751.4m**	**£7,193.5m**(2)
Adjusted net assets per share	Adjusted diluted net assets per share	8	**864p**	**920p**
Triple net assets	Adjusted net assets amended to include the fair value of financial instruments and debt	8	**£6,068.8m**	**£6,068.8m**
Triple net assets per share	Diluted triple net assets per share	8	**777p**	**777p**
Net Initial Yield (NIY)	Annualised rental income less non-recoverable costs as a % of market value plus assumed purchasers' costs (3)		**4.7%**	**5.2%**
Topped-up NIY	NIY adjusted for rent free periods (3)		**5.2%**	**5.7%**
Voids/Vacancy Rate	ERV of vacant space as a % of ERV of combined portfolio excluding the development programme (4)		**2.6%**	**3.8%**

Refer to notes 7 and 8 and table 19 for further analysis.

1. EPRA adjusted earnings and EPRA adjusted earnings per share include the effect of bond exchange de-recognition charges of £8.8m.
2. EPRA adjusted net assets and adjusted diluted net assets per share include the bond exchange de-recognition adjustment of £442.1m.
3. Our NIY and Topped-up NIY relate to the combined portfolio and are calculated by our external valuers. EPRA NIY and EPRA Topped-up NIY calculations are consistent with ours, but exclude the development programme.
4. Our measure reflects voids in our like-for-like portfolio only. The EPRA measure reflects voids in the combined portfolio excluding only the development programme.

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

	As at 30 September 2012			As at 31 March 2012		
	Group (excl. Joint ventures) £m	**Joint ventures £m**	**Total £m**	Group (excl. Joint ventures) £m	Joint ventures £m	Total £m
Net book value	**8,672.3**	**1,477.4**	**10,149.7**	8,453.2	1,453.4	9,906.6
Plus: tenant lease incentives	**214.6**	**35.7**	**250.3**	204.7	33.8	238.5
Less: head leases capitalised	**(24.2)**	**(4.5)**	**(28.7)**	(23.3)	(4.5)	(27.8)
Plus: properties treated as finance leases	**199.8**	**7.4**	**207.2**	205.2	8.1	213.3
Market value	**9,062.5**	**1,516.0**	**10,578.5**	8,839.8	1,490.8	10,330.6

Table 13: Top 10 property holdings at 30 September 2012

Total value £4.05bn
(38% of combined portfolio)

Name	Principal occupiers	Ownership interest (%)		Floor area (sq m)	Annualised net rent [1] (£m)	Let by income (%)	Weighted average unexpired lease term (yrs)
Cardinal Place, SW1	Microsoft Wellington M&S	100	Retail Office	9,200 51,500	34.8	95	5.8
New Street Square, EC4	Deloitte Taylor Wessing	100	Retail Office	2,100 62,300	31.1	96	11.2
One New Change, EC4	K&L Gates CME H&M Topshop Next	100	Retail Office	20,100 32,000	15.3	95	10.2
Queen Anne's Gate, SW1	Central Government	100	Office	32,900	28.5	100	14.1
Gunwharf Quays, Portsmouth	Vue Cinema M&S Nike Gap Ted Baker	100	Retail Office Other	31,300 2,800 32,660	21.5	99	6.1
White Rose Centre, Leeds	Sainsbury's Debenhams M&S Primark H&M	100	Retail	65,000	20.9	99	7.8
Trinity Leeds	H&M Topshop Next Primark River Island	100	Retail	72,000	4.0	72	10.2
Piccadilly Lights, W1	Hyundai Barclays Boots	100	Retail Office Other	5,200 1,900 1,400	13.8	99	2.4
Bankside 2&3, SE1	Royal Bank of Scotland	100	Retail Office	3,200 35,200	16.2	100	14.7
Cabot Circus, Bristol	House of Fraser Harvey Nichols H&M Next Topshop	50	Retail Other	114,200 8,800	18.8	97	8.7

1. Group share

Table 14: Top 12 occupiers at 30 September 2012

	% of rent [1]
Central Government (including Queen Anne's Gate, SW1) [2]	5.2
Accor	5.1
Royal Bank of Scotland	2.8
Deloitte	2.7
Arcadia Group	2.6
Sainsbury's	2.0
Bank of New York Mellon	1.6
Dixons Retail	1.6
Primark	1.6
Next	1.5
Boots	1.5
Taylor Wessing	1.4
	29.6

1. Includes share of joint ventures.
2. Rent from Central Government excluding Queen Anne's Gate, SW1 is 0.1%.

Table 15: % Portfolio by value and number of property holdings at 30 September 2012

£m	Value %	Number of properties
0 – 9.99	1.8	52
10 – 24.99	3.4	23
25 – 49.99	6.7	21
50 – 99.99	16.3	23
100 – 149.99	15.4	13
150 – 199.99	9.4	6
200 +	47.0	14
Total	100.0	152

Includes share of joint ventures.

Table 16: Combined portfolio value by location at 30 September 2012

	Shopping centres and shops %	Retail warehouses %	Offices %	Other %	Total %
Central, inner and outer London	12.8	0.5	43.7	4.9	61.9
South East and East	3.4	4.5	0.1	1.9	9.9
Midlands	0.2	1.3	-	0.9	2.4
Wales and South West	6.5	0.7	-	0.1	7.3
North, North West, Yorkshire and Humberside	7.5	2.8	0.2	0.6	11.1
Scotland and Northern Ireland	5.6	1.5	-	0.3	7.4
Total	36.0	11.3	44.0	8.7	100.0

% figures calculated by reference to the combined portfolio value of £10.6bn.

Table 17: Like-for-like reversionary potential

Reversionary potential	30 September 2012 % of rent	31 March 2012 % of rent
Gross reversions	9.0	8.7
Over-rented	(6.2)	(5.8)
Net reversionary potential	2.8	2.9

The reversion is calculated with reference to the gross secure rent roll after the expiry of rent free periods on those properties which fall under the like-for-like definition as set out in the notes to the combined portfolio analysis. Reversionary potential excludes additional income from the letting of voids and the expiry of rent free periods. Of the over-rented income, £14.9m is subject to a lease expiry or break clause in the next five years.

Table 18: Performance relative to IPD
Total property returns – period to 30 September 2012

	Land Securities %	IPD (1) %
Retail – Shopping centres	0.2	0.1
– Retail warehouses	0.1 (2)	(0.2)
Central London shops	3.3	6.0
Central London offices	4.6 (3)	4.1
Total portfolio (4)	2.7	1.1

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

Table 19: Combined portfolio analysis
Like-for-like segmental analysis

	Market value (1)		Valuation movement (2)		Rental income (3)		Annualised rental income (4)	Annualised net rent (5)		Net estimated rental value (6)	
	30 September 2012	31 March 2012	Surplus/ (deficit)	Surplus/ (deficit)	30 September 2012	30 September 2011	30 September 2012	30 September 2012	31 March 2012	30 September 2012	31 March 2012
	£m	£m	£m	%	£m	£m	£m	£m	£m	£m	£m
Retail Portfolio											
Shopping centres and shops	**2,193.3**	2,281.1	**(83.4)**	**(3.7)**	**84.8**	88.2	**168.7**	**159.7**	161.2	**161.9**	166.7
Retail warehouses and food stores	**1,141.6**	1,169.0	**(33.4)**	**(2.9)**	**33.2**	32.0	**67.3**	**63.7**	65.0	**71.0**	70.1
Other	**699.0**	688.5	**5.5**	**0.8**	**23.5**	23.2	**48.5**	**48.3**	48.4	**51.6**	51.5
Total Retail Portfolio	**4,033.9**	4,138.6	**(111.3)**	**(2.7)**	**141.5**	143.4	**284.5**	**271.7**	274.6	**284.5**	288.3
London Portfolio											
West End	**1,460.3**	1,460.2	**(0.3)**	**-**	**45.2**	42.2	**83.5**	**82.4**	84.9	**77.9**	78.0
City	**492.3**	483.2	**7.4**	**1.6**	**13.6**	13.4	**26.7**	**22.1**	24.2	**31.2**	31.2
Mid-town	**879.3**	875.3	**7.6**	**1.0**	**22.0**	20.9	**45.8**	**43.2**	43.3	**51.5**	51.6
Inner London	**755.4**	769.0	**(13.4)**	**(2.1)**	**24.3**	28.8	**47.5**	**45.8**	45.6	**48.6**	46.6
Total London offices	**3,587.3**	3,587.7	**1.3**	**-**	**105.1**	105.3	**203.5**	**193.5**	198.0	**209.2**	207.4
Central London shops	**775.7**	762.8	**9.3**	**1.2**	**18.4**	16.0	**38.0**	**34.3**	33.7	**46.4**	48.4
Other	**78.3**	75.9	**2.2**	**3.0**	**1.4**	1.5	**3.0**	**3.0**	2.9	**3.3**	3.3
Total London Portfolio	**4,441.3**	4,426.4	**12.8**	**0.3**	**124.9**	122.8	**244.5**	**230.8**	234.6	**258.9**	259.1
Like-for-like portfolio (10)	**8,475.2**	8,565.0	**(98.5)**	**(1.2)**	**266.4**	266.2	**529.0**	**502.5**	509.2	**543.4**	547.4
Proposed developments (3)	**223.4**	198.6	**10.1**	**4.7**	**2.0**	4.1	**0.2**	**0.2**	5.4	**7.6**	7.2
Completed developments (3)	**733.4**	726.5	**3.0**	**0.4**	**17.4**	15.2	**36.4**	**30.2**	28.8	**42.0**	42.2
Acquisitions (11)	**96.1**	30.6	**(3.8)**	**(3.8)**	**2.7**	0.3	**5.9**	**5.5**	2.0	**5.3**	1.9
Sales and restructured interests (12)	**-**	-	**-**	**-**	**1.3**	22.6	**-**	**-**	-	**-**	-
Development programme (13)	**1,050.4**	809.9	**78.3**	**8.2**	**4.8**	9.0	**10.9**	**6.9**	8.8	**105.1**	93.8
Combined portfolio	**10,578.5**	10,330.6	**(10.9)**	**(0.1)**	**294.6**	317.4	**582.4**	**545.3**	554.2	**703.4**	692.5
Properties treated as finance leases					**(5.6)**	(3.2)					
Combined portfolio					**289.0**	314.2					

Total portfolio analysis

	30 September 2012	31 March 2012	Surplus/ (deficit)	Surplus/ (deficit)	30 September 2012	30 September 2011	30 September 2012	30 September 2012	31 March 2012	30 September 2012	31 March 2012
	£m	£m	£m	%	£m	£m	£m	£m	£m	£m	£m
Retail Portfolio											
Shopping centres and shops	**2,781.9**	2,810.2	**(87.6)**	**(3.1)**	**94.3**	103.3	**185.5**	**176.4**	180.3	**212.4**	215.1
Retail warehouses and food stores	**1,198.9**	1,225.1	**(32.8)**	**(2.7)**	**34.0**	35.3	**68.8**	**65.2**	67.7	**74.7**	73.6
Other	**790.7**	715.9	**2.1**	**0.3**	**26.1**	23.8	**54.0**	**53.5**	50.1	**57.2**	53.0
Total Retail Portfolio	**4,771.5**	4,751.2	**(118.3)**	**(2.5)**	**154.4**	162.4	**308.3**	**295.1**	298.1	**344.3**	341.7
London Portfolio											
West End	**1,936.4**	1,795.7	**56.8**	**3.1**	**47.2**	55.7	**87.5**	**82.4**	87.1	**122.8**	112.9
City	**1,043.3**	986.7	**25.7**	**2.6**	**21.4**	22.9	**41.6**	**29.9**	31.5	**69.9**	70.1
Mid-town	**879.3**	875.3	**7.6**	**1.0**	**22.0**	21.0	**45.8**	**43.2**	43.3	**51.5**	51.6
Inner London	**755.4**	769.0	**(13.4)**	**(2.1)**	**24.3**	28.8	**47.5**	**45.8**	45.6	**48.6**	46.6
Total London offices	**4,614.4**	4,426.7	**76.7**	**1.8**	**114.9**	128.4	**222.4**	**201.3**	207.5	**292.8**	281.2
Central London shops	**1,028.0**	1,056.4	**19.0**	**1.9**	**23.3**	23.0	**48.7**	**45.9**	44.8	**61.8**	65.1
Other	**164.6**	96.3	**11.7**	**7.8**	**2.0**	3.6	**3.0**	**3.0**	3.8	**4.5**	4.5
Total London Portfolio	**5,807.0**	5,579.4	**107.4**	**2.0**	**140.2**	155.0	**274.1**	**250.2**	256.1	**359.1**	350.8
Combined portfolio	**10,578.5**	10,330.6	**(10.9)**	**(0.1)**	**294.6**	317.4	**582.4**	**545.3**	554.2	**703.4**	692.5
Properties treated as finance leases					**(5.6)**	(3.2)					
Combined portfolio					**289.0**	314.2					
Represented by:											
Investment portfolio	**9,062.5**	8,839.8	**(4.2)**	**-**	**253.0**	279.1	**502.0**	**469.3**	472.5	**595.0**	582.8
Share of joint ventures	**1,516.0**	1,490.8	**(6.7)**	**(0.4)**	**41.6**	38.3	**80.4**	**76.0**	81.7	**108.4**	109.7
Combined portfolio	**10,578.5**	10,330.6	**(10.9)**	**(0.1)**	**294.6**	317.4	**582.4**	**545.3**	554.2	**703.4**	692.5

Table 19: Combined portfolio analysis continued
Like-for-like segmental analysis

	Gross estimated rental value [7]		Net initial yield [8]		Equivalent yield [9]	
	30 September 2012	31 March 2012	**30 September 2012**	31 March 2012	**30 September 2012**	31 March 2012
	£m	£m	**%**	%	**%**	%
Retail Portfolio						
Shopping centres and shops	**172.4**	177.0	**6.2**	6.0	**6.4**	6.4
Retail warehouses and food stores	**71.6**	70.7	**5.3**	5.1	**5.8**	5.7
Other	**51.9**	52.0	**6.4**	6.7	**7.2**	7.3
Total Retail Portfolio	**295.9**	299.7	**6.0**	5.9	**6.4**	6.3
London Portfolio						
West End	**77.9**	78.0	**5.2**	5.5	**5.5**	5.6
City	**31.5**	31.8	**4.0**	4.3	**5.6**	5.7
Mid-town	**53.3**	53.3	**4.7**	4.8	**5.3**	5.3
Inner London	**49.4**	47.4	**5.8**	5.6	**6.0**	5.8
Total London offices	**212.1**	210.5	**5.0**	5.2	**5.6**	5.6
Central London shops	**46.7**	48.6	**4.0**	4.1	**5.4**	5.5
Other	**3.3**	3.3	**3.3**	3.3	**3.5**	3.6
Total London Portfolio	**262.1**	262.4	**4.8**	5.0	**5.5**	5.5
Like-for-like portfolio [10]	**558.0**	562.1	**5.4**	5.4	**5.9**	5.9
Proposed developments [3]	**7.6**	7.2	**-**	2.4	**n/a**	n/a
Completed developments [3]	**43.3**	43.3	**3.5**	3.2	**5.2**	5.3
Acquisitions [11]	**5.3**	1.9	**5.1**	5.8	**5.6**	n/a
Sales and restructured interests [12]	**-**	-	**-**	-	**n/a**	n/a
Development programme [13]	**105.1**	93.8	**0.7**	0.8	**5.4**	5.8
Combined portfolio	**719.3**	708.3	**4.7**	4.8	**5.8**	n/a

Total portfolio analysis

	30 September 2012	31 March 2012	**30 September 2012**	31 March 2012
	£m	£m	**%**	%
Retail Portfolio				
Shopping centres and shops	**224.0**	226.4	**5.4**	5.3
Retail warehouses and food stores	**75.3**	74.1	**5.1**	5.0
Other	**57.4**	53.3	**6.3**	6.7
Total Retail Portfolio	**356.7**	353.8	**5.5**	5.5
London Portfolio				
West End	**122.8**	112.9	**3.9**	4.6
City	**70.4**	70.9	**2.6**	2.8
Mid-town	**53.3**	53.3	**4.7**	4.8
Inner London	**49.4**	47.4	**5.8**	5.6
Total London offices	**295.9**	284.5	**4.1**	4.4
Central London shops	**62.2**	65.5	**4.0**	3.8
Other	**4.5**	4.5	**1.6**	3.6
Total London Portfolio	**362.6**	354.5	**4.0**	4.3
Combined portfolio	**719.3**	708.3	**4.7**	4.8
Represented by:				
Investment portfolio	**609.1**	597.0	**4.7**	4.9
Share of joint ventures	**110.2**	111.3	**4.4**	4.6
Combined portfolio	**719.3**	708.3	**4.7**	4.8

Notes:

1. The market value figures include the Group's share of joint ventures, and are determined by the Group's external valuers.
2. The valuation movement is stated after adjusting for the effect of SIC 15 under IFRS.
3. Refer to glossary for definition.
4. Annualised rental income is annual 'rental income' (as defined in the glossary) at the balance sheet date, except that car park and commercialisation income are included on a net basis (after deduction for operational outgoings). Annualised rental income includes temporary lettings.
5. Annualised net rent is annual cash rent, after the deduction of ground rents, as at the balance sheet date. It is calculated with the same methodology as annualised rental income but is stated net of ground rent and before SIC 15 adjustments.
6. Net estimated rental value is gross estimated rental value, as defined in the glossary, after deducting expected ground rents.
7. Gross estimated rental value (ERV) - refer to glossary for definition. The figure for proposed developments relates to the existing buildings and not the schemes proposed.
8. Net initial yield - refer to glossary for definition. This calculation includes all properties including those sites with no income.
9. Equivalent yield – refer to glossary for definition. Proposed developments are excluded from the calculation of equivalent yield on the combined portfolio.
10. The like-for-like portfolio – refer to glossary for definition. Capital expenditure on refurbishments, acquisitions of head leases and similar capital expenditure has been allocated to the like-for-like portfolio in preparing this table.
11. Includes all properties acquired since 1 April 2011.
12. Includes all properties sold since 1 April 2011.
13. The development programme - refer to glossary for definition. Net initial yield figures are only calculated for properties in the development programme that have reached practical completion.

Table 20: Lease lengths

	Unexpired lease term at 30 September 2012	
	Like-for-like portfolio Mean [1] years	Like-for-like portfolio, completed developments and acquisitions Mean [1] Years
Retail Portfolio		
Shopping centres and shops	8.1	8.0
Retail warehouses	9.0	9.1
Other	7.3	7.5
Total Retail Portfolio	8.2	8.2
London Portfolio		
West End	9.1	9.1
City	6.9	8.4
Mid-town	11.2	11.2
Inner London	11.4	11.4
Total London offices	9.8	9.9
Central London shops	9.0	8.9
Other	17.0	17.0
Total London Portfolio	9.7	9.8
Combined portfolio	9.0	9.0

1. Mean is the rent-weighted average remaining term on leases subject to lease expiry/break clauses.

Table 21: Development pipeline financial summary

	Cumulative movements on the development programme to 30 September 2012						Total scheme details[1]				
	Market value at start of scheme	Capital expenditure incurred to date	Capitalised interest to date	Valuation surplus / (deficit) to date [2]	Disposals, SIC15 rent and other adjustments	Market value at 30 September 2012	Estimated total capital expenditure [3]	Estimated total capitalised interest	Estimated total development cost [4]	Net Income / ERV [5]	Valuation surplus / (deficit) for the six months ended 30 September 2012 [2]
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Developments let and transferred or sold											
Shopping centres and shops	-	-	-	-	-	-	-	-	-	-	-
Retail warehouses and food stores	-	-	-	-	-	-	-	-	-	-	-
London Portfolio	135.0	342.3	52.6	(68.3)	28.0	489.6	342.3	52.6	529.9	27.6	5.7
	135.0	342.3	52.6	(68.3)	28.0	489.6	342.3	52.6	529.9	27.6	5.7
Developments after practical completion, approved or in progress											
Shopping centres and shops	97.5	179.6	17.8	64.4	5.7	365.0	317.4	23.8	438.7	34.2	(0.4)
Retail warehouses and food stores	-	11.5	-	(0.7)	-	10.8	38.0	1.8	39.8	2.6	(0.7)
London Portfolio	302.1	202.9	8.9	159.6	1.1	674.6	580.2	32.3	914.6	68.3	79.4
	399.6	394.0	26.7	223.3	6.8	1,050.4	935.6	57.9	1,393.1	105.1	78.3
	Movement on proposed developments for the period to 30 September 2012										
Proposed developments											
Shopping centres and shops	-	-	-	-	-	-	-	-	-	-	-
Retail warehouses and food stores	31.0	0.7	-	0.3	-	32.0	27.6	1.3	60.9	3.8	0.3
London Portfolio	167.6	13.9	0.1	9.8	-	191.4	480.7	41.0	713.1	45.7	9.8
	198.6	14.6	0.1	10.1	-	223.4	508.3	42.3	774.0	49.5	10.1

Notes:

1. Total scheme details exclude properties sold in the year.
2. Includes profit realised on the disposal of property.
3. For proposed development properties the estimated total capital expenditure represents the outstanding costs required to complete the scheme as at 30 September 2012.
4. Includes the property at its market value 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 2012 is included in the estimated total cost. Estimated total development cost includes the cost of residential properties for shopping centres and shops of £12.9m in the development programme. The London Portfolio development programme and proposed developments includes the cost of residential properties of £152.0m and £127.4m respectively. Estimated costs for proposed schemes could still be subject to material change prior to final approval.
5. Net headline annual rent on let units plus net ERV at 30 September 2012 on unlet units.

Glossary

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

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

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

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

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

BREEAM
Building Research Establishment's Environmental Assessment Method.

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

Completed developments
Completed developments consist of those properties previously included in the development programme, which have been transferred from the development programme since 1 April 2011.

Development pipeline
The development programme together with proposed developments.

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

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

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

EPRA
European Public Real Estate Association.

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

Equivalent yield
Calculated by the Group's external valuers, equivalent yield is the internal rate of return from an investment property, based on the gross outlays for the purchase of a property (including purchase costs), reflecting reversions to current market rent and such items as voids and non-recoverable expenditure but ignoring future changes in capital value. The calculation assumes rent is received annually in arrears.

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

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

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

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

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

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

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

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

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

Joint venture
An entity in which the Group holds an interest and is jointly controlled by the Group and one or more partners under a contractual arrangement. Decisions on financial and operating policies essential to the operation, performance and financial position of the venture require each partner's consent.

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

LIBOR
The London Interbank Offered Rate, the interest rate charged by one bank to another for lending money, often used as a reference rate in bank facilities.

Like-for-like portfolio
The like-for-like portfolio includes all properties which have been in the portfolio since 1 April 2011, but excluding those which are acquired, sold or included in the development pipeline at any time since that date.

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

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

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

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

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

Net asset value (NAV) per share
Equity attributable to owners of the Parent divided by the number of ordinary shares in issue at the period end.

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

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

Outline planning consent
This gives consent in principle for a development, and covers matters such as use and building mass. Full details of the development scheme must be provided in an application for 'reserved matters approval', including detailed layout, scale, appearance, access and landscaping, before a project can proceed. An outline planning permission will lapse if the submission of 'reserved matters' have not been made within three years, or if it has not been implemented within three years or within two years of the final approval of 'reserved matters', unless otherwise expressly stated within conditions attached to the permission itself or, for any permissions granted on or before 1 October 2009, a successful application has been made to extend the time within which 'reserved matters' application can be submitted, or the overall limit for commencement of development.

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

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

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

Property income distribution (PID)
A PID is a distribution by a REIT to its shareholders paid out of qualifying profits. A REIT is required to distribute at least 90% of its qualifying profits as a PID to its shareholders.

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

Qualifying activities/Qualifying assets
The ownership (activity) of property (assets) which is held to earn rental income and qualifies for tax-exempt treatment (income and capital gains) under UK REIT legislation.

Real Estate Investment Trust (REIT)
A REIT must be a publicly quoted company with at least three-quarters of its profits and assets derived from a qualifying property rental business. Income and capital gains from the property rental business are exempt from tax but the REIT is required to distribute at least 90% of those profits to shareholders. Corporation tax is payable on non-qualifying activities in the normal way.

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

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

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

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

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

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

Revenue profit
Profit before tax, excluding profits on the sale of non-current assets and trading properties, profits on long-term development contracts, valuation movements, fair value movements on interest-rate swaps and similar instruments used for hedging purposes, the adjustment to interest payable resulting from the amortisation of the bond exchange de-recognition, debt restructuring charges and any items of an unusual nature.

Reversionary or under-rented
Space where the passing rent is below the ERV.

Reversionary yield
The anticipated yield to which the initial yield will rise (or fall) once the rent reaches the ERV.

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

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

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

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

Total business return
Dividend paid per share, plus the change in adjusted diluted net asset value per share, divided by the adjusted diluted net asset value per share at the beginning of the year.

Total development cost (TDC)
Total development cost refers to the book value of the land at the commencement of the project, the estimated capital expenditure required to develop the scheme from the start of the financial year in which the property is added to our development programme, together with capitalised interest.

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

Total Shareholder Return (TSR)
The growth in value of a shareholding over a specified period, assuming that dividends are reinvested to purchase additional units of the stock.

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

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

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

Weighted average cost of capital (WACC)
Weighted average cost of debt and notional cost of equity, used as a benchmark to assess investment returns.

Yield shift
A movement (negative or positive) in the equivalent yield of a property asset.

Zone A
A means of analysing and comparing the rental value of retail space by dividing it into zones parallel with the main frontage. The most valuable zone, Zone A, is at the front of the unit. Each successive zone is valued at half the rate of the zone in front of it.