Press Release

Land Securities Group PLC ("Land Securities"/ "Group")
Preliminary results for the year ended 31 March 2007

Highlights

- Excellent progress on the development programme
  - Lettings totalling 1.5 million sq ft
  - Valuation surplus on development of £454m
- Land Securities Trillium new business
  - £1.4bn invested
  - 45% growth in floor space under management
- Conversion to REIT status on 1 January 2007, removing latent capital gains tax liability of £1.3bn
- Combined portfolio valuation of £14.8bn - 10.6% valuation surplus
- Pre-tax profit of £1,979.1m (2006:£2,359.2m)
- Revenue profit up by 0.2% at £392.2m
- Net assets per share up
  - Basic NAV up 44.3% to 2304.00p
  - Adjusted diluted NAV up 14.1% to 2181p (up 17.6% excluding conversion charge)
- Earnings per share
  - Basic eps at 753.59p up 110.5%
  - Adjusted diluted eps marginally down by 0.4% at 70.20p.
- Final dividend of 34.0p per share, giving a full year dividend of 53.0p (13.5% increase)
- Move from bi-annual to quarterly dividend payments in 2007/08 at 16.0p per share for the first three quarters, implying a further increase of over 20%
- Leading the sector in environmental achievements
  - First property company to achieve ISO14001 accreditation for Environmental Management System across entire property business
  - Only property company to participate in voluntary UK Emissions Trading Scheme, saving 11,145 tonnes of CO_2 emissions over five years
  - Zero net carbon emissions for 2005/06 from own occupied offices and mall areas of shopping centres

Commenting on the results, Francis Salway, Chief Executive of Land Securities said: “We have delivered a total business return, in the form of growth in NAV and dividend, of 16.6%, demonstrating strong growth in the underlying value of the business for shareholders.

“We have had particular success in meeting our two key objectives for the year – leasing 1.5 million sq ft from our development programme and growing our property partnerships business, Land Securities Trillium, with £1.4bn invested and 45% growth in floor space under management.

“Land Securities’ successful conversion to REIT status in January 2007 has enabled us to announce a substantial increase in the dividend. In addition, with tax considerations no longer constraining our investment decision making, we have sold or marketed for sale some £1.1bn worth of property since 1 January. As we expected, growth is slowing across some segments of the traditional property investment markets, endorsing our decision to focus on development activity and the expansion of our property outsourcing business.”

-Ends-

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Notes to editors

Land Securities is the UK’s leading real estate investment trust. Our national portfolio of commercial property, worth many billions of pounds, includes some of Britain’s best-known shopping centres, such as the Birmingham Bullring and Gunwharf Quays in Portsmouth, as well as London landmarks such as the Piccadilly Lights and Westminster City Hall. We are leading urban renaissance through our billion pound development programme, transforming Exeter, Bristol and Cardiff city centres as well as key sites in Central London. We are also one of the leading names in property outsourcing and through urban community development are involved in long-term, large-scale regeneration projects in the south-east.

Chairman's statement

This is my first statement to you as Chairman of Land Securities. My predecessor, Peter Birch, stepped down from the Board on 1 January 2007. Peter led a period of substantial change that has left the Group in good shape. The Board and I would like to thank him for his contribution.

Land Securities invests in property to generate returns in excess of our weighted average cost of capital. Our total business return for the year of 16.6% compares with an average weighted cost of capital of 6.75%. Over a six year period, Land Securities has delivered a total shareholder return of 206.3% compared to 36.1% for the FTSE 100 and 194.8% for the FTSE Real Estate Index. We have announced a substantial increase in our dividend, with the proposed full year dividend representing a 13.5% increase over the preceding year. We have also announced a further significant increase for the current year.

Our business activities comprise property investment, development and property outsourcing. Each presents different risks and opportunities and provides a different level of return. It is our challenge to maximise return taking into account our risk assessment for each activity.

For property investment, this means adding value by active management and judging the right moment to buy or sell. For development, it means creating the right product and delivering it on time and on budget, at the right moment in the market cycle. For property outsourcing it means accessing new markets and new income streams profitably.

I have been impressed by the people at Land Securities. We have a substantial pool of talent to draw from, encompassing a wide range of skills. Attracting, retaining and developing this talent is fundamental to our success.

As a capital intensive business, access to capital, and its efficient use, is critical. Our debt structure is an important element. In the past year we raised £800m of publicly listed notes with an average coupon of 5.03%, refinanced our corporate banking facility of £1.5bn, arranged a £1.0bn acquisition facility and launched our £750m Euro Commercial Paper Programme. We used these funds to invest £1.9bn in Land Securities Trillium and development, which the Board identified 12 months ago as key drivers of future value. That decision was timely, given the lower levels of growth now evident across the investment market.

My first day as Chairman of the company coincided with our conversion to Real Estate Investment Trust (REIT) status. This eliminated the double taxation of company and shareholder, which has been an impediment for the quoted property sector. REITs now offer tax equivalence to direct ownership of property, but with substantially greater liquidity and professional management.

Since becoming Chairman, the Board and I have identified three key issues facing our business. The first I have already alluded to: generating returns from investment property. The era of valuation gains driven by market re-pricing is largely over. Our challenge will be to deliver returns through the application of our skills and the identification of new growth markets. We have demonstrated the latter through our move into the Public Private Partnership (PPP) and Private Finance Initiative (PFI) markets this year with the acquisition of SMIF.

The second issue is transparency. Land Securities is recognised as a leader in this area. Under the new Transparency Directive all companies have to produce Interim Management Statements. We will be doing so, but will not be moving to quarterly reporting or quarterly valuations. The Board believes that the link between strategy and financial returns in the property sector is only evident over a longer time frame.

The third issue is how we do things. We have a good reputation for the way in which we address the impact of our activities on communities and the environment. As one of the UK's leading developers, we are committed to providing attractive buildings and spaces that enhance the quality of the built environment, for the benefit of both occupiers and the wider community. We have led the property sector in being a voluntary participant in the UK Emissions Trading Scheme (UKETS) since its inception in 2002 and have reduced carbon emissions by three times the target set for us.

The Board would like to thank our colleagues, customers and suppliers for helping to deliver another year of strong growth for Land Securities. Thanks to you the business is prospering and we can look to the future with confidence.

Chief Executive's Report

I am delighted that we achieved considerable success in implementing the two key objectives we set for the year. The first was to meet letting targets across our development programme. We exceeded our targets in leasing up some 143,000m². The second objective was to grow Land Securities Trillium. We secured substantial new business opportunities resulting in floor space under management increasing by 45% over the year.

The ungeared total property return on our investment portfolio was 16.2%, as compared to 15.8% on the Investment Property Databank (IPD) Quarterly Index. The ungeared return on capital employed on our property outsourcing business (excluding acquisitions made in the last two months of the year) was 16.9%. The Group pre-tax return on equity was 21.1%.

Our pre-tax profit, which includes revaluation surpluses, profits on disposals and exceptional items, was £1,979.1m (2006: £2,359.2m). The reduction in pre-tax profit is explained by the slightly lower revaluation surplus in the current year, and the exceptional profit of £293.0m in the prior year from the sale of our interest in the Telereal joint venture. Revenue profit, our measure of underlying or recurring profit, was up marginally by 0.2% at £392.2m (2006: £391.3m). We achieved this despite both the expected reduction in profit on our largest property outsourcing contract with the Department for Work and Pensions (DWP) and the loss of rental income on a number of substantial investment properties being vacated prior to redevelopment.

Our conversion to REIT status, which brings tax exemption on approximately 90% of our current activities, will result in us paying a REIT conversion charge in July this year estimated at £315.0m. The benefits of REIT conversion are the elimination of a latent capital tax liability of £1,327m and the boosting of post-tax earnings through exemption from corporation tax on qualifying activities. We will remit this saving in corporation tax to shareholders by way of an increased dividend. As such, we have announced a substantial increase to our final dividend payment, giving a full year dividend of 53.0p per share, up 13.5% (2006: 46.7p per share). The increase in dividend over three years has been 42.9%. In recognition of the importance of income distributions in a REIT environment, we will move to quarterly dividend payments. The first three payments, at 16.0p per share, will be payable in October 2007, January 2008 and April 2008. These quarterly dividend payments imply a further dividend increase for 2007/08 of over 20%.

We have demonstrated strong execution in leasing up our development programme. In London, we have let, or agreed terms to pre-let, approximately 95,000sq m of offices since 1 April 2006. Our project at Cardinal Place in Victoria is now almost fully let, re-establishing Victoria as a location for major corporates, and substantially improving the future redevelopment prospects for our other extensive holdings in the area.

In retail, we have made good progress on leasing up our six projects now under construction with 82,000sq m of development lettings during the year. Our shopping centre scheme in Exeter will open in the autumn and is already 85% pre-let or agreed to be pre-let. This scheme is breaking the mould both through its low carbon footprint and our commitment to let one of the streets to independent retailers.

For Land Securities Trillium, 2006/07 has been a year of exceptional growth and achievement. We have consolidated our position in the infrastructure market through our £910.5m acquisition of SMIF, which now has equity stakes in 85 PPP contracts. We intend to secure third party investment into these assets by the end of calendar year 2007 while retaining asset management responsibilities. We have also concluded a property outsourcing contract with Royal Mail and, in partnership with QinetiQ, were appointed preferred bidder on a major Ministry of Defence (MoD) outsourcing contract. This phase of growth for Land Securities Trillium is significant because property outsourcing and PPP bring greater benefits from economies of scale than property investment.

The UK economy is performing strongly. We expect growth in rental values across our investment portfolio to be slightly above trend in the short-term, driven particularly by buoyant leasing conditions in the London office market.

However, the year end valuation of our investment portfolio showed a slowing in the rate of growth in capital values in the second half of the year. This is consistent with our view that the yield re-pricing of UK property assets is close to having run its course and, indeed, lesser quality property investments in the retail sector have seen weaker yield pricing and a fall in values over the last six to nine months.

Against this background, we expect our property investment business to achieve outperformance on a relative basis primarily through our development capabilities and the scale of our development programme. We are also pleased to be investing substantial capital in property outsourcing and PPP/PFI (PPP) contracts, which offer attractive return prospects with low volatility.

Business review

Introduction

Over the year we made excellent progress with our development programme. We also delivered on our aspiration to grow Land Securities Trillium by committing in excess of £1.4bn to acquisitions and new contracts for this business unit.

Most notably during the period we converted to REIT status. This beneficial change in tax status for the Group is explained in more detail later in this review. Following conversion and our exemption from future capital gains tax, we have accelerated our sales programme, particularly in the retail sector. The low level of prevailing yields relative to our marginal cost of debt means that this sales programme will be accretive to earnings.

Our combined portfolio delivered a total property return of 16.2%, outperforming the IPD Quarterly Index by 0.3%. This outperformance was attributable to our significant exposure to the buoyant London office market and also to development activities. The valuation surplus on our developments was £453.9m, which represented 33% of the overall valuation surplus on 17% of the assets. At the sector level, our assets underperformed their IPD sector benchmarks. This is largely explained by less positive rental value growth on our retail warehouse portfolio and the older office buildings in our Victoria estate.

The growth in Land Securities Trillium came from the £910.5m acquisition of SMIF (the largest PPP investment business in the UK); the £439.0m acquisition of a hotel portfolio from Accor involving the provision of maintenance services, and a £71.1m property outsourcing contract with Royal Mail. In addition, our Metrix joint venture with QinetiQ was selected as preferred bidder on Package 1 of the MoD training outsourcing contract and provisional preferred bidder on Package 2.

Regulatory

The most important change in our regulatory environment was the new legislation introducing REITs in the UK from 1 January 2007 and, on that day, we elected to convert to REIT status. A REIT is a listed entity, whose main business is to invest in property and which enjoys exemption from UK corporation tax on income and capital gains from qualifying property. In return, a REIT is required to distribute to shareholders a minimum of 90% of its taxable profits from qualifying properties. Conversion to REIT status eliminated our latent capital gains tax liability on qualifying assets, which stood at £1,327m. This represents a 282p per share increase in our net asset value. However, this is partially offset by our liability on REIT conversion to a one-off tax charge calculated at 2% of the gross value of our qualifying properties. This tax charge is expected to be approximately £315.0m or 67p per share. Although it will be payable in July 2007 it has been recognised in this year's results.

REIT conversion is not expected to constrain our business operations but rather provide some significant benefits which relate predominantly to tax. As we will no longer be subject to capital gains tax on the disposal of qualifying properties, this removes tax considerations in respect of selling property assets from the investment portfolio. In addition, our new tax status has boosted our post-tax returns relative to our weighted average cost of capital.

As expected, our tax exempt activities include the majority of our property outsourcing business and also development activities if the developments are subsequently held as investments. For the full year, almost 90% of the income generated by the Group came from qualifying activities. A REIT is permitted to have up to 25% of its business, measured by both profits and gross assets, in non-qualifying taxable activities. We intend to use this capacity where we can identify opportunities which produce post-tax returns that are attractive relative to the untaxed returns from qualifying activities. An example of this is the PPP business, SMIF, which we acquired in February of this year and will be tax paying.

We have also announced a substantial increase in our dividend, which reflects the increased tax savings we will enjoy as a REIT. This is covered in more detail on page 13.

Competitive landscape

Land Securities operates principally in the UK commercial property market. We were the world's third largest REIT as measured by market capitalisation at 31 March 2007, which at £10.1bn represented 28.5% of the UK REIT sector. We have a diversified business model focused on retail property, London offices and property outsourcing. Within these core sectors, our activities include property management, investment, development and the provision of property related services. We are the only REIT to operate on a significant scale in the property outsourcing market.

Since 1 January, 61.0% of the UK quoted property sector has elected for REIT status and this emerging sector now has a total market capitalisation of £35.3bn. We expect further growth in the sector over time with the flotation of new REITs.

The UK commercial property market has an estimated total value of £710bn, excluding Government-owned property, with approximately half of this market held by owner occupiers. Of the balance, which comprises the property investment market, only 16% is held in REITs. Experience in other countries following the introduction of REIT structures indicates that it is reasonable to anticipate a substantial growth in the size of the quoted REIT sector in the medium-term even if, as we expect, only a small proportion of pension funds and other property investors move their holdings from direct property to REITs.

Over the second half of the financial year we have seen a moderation in the level of investor demand for commercial property investments. Demand for London office investments is still strong, albeit less so, and the retail property investment market has seen a return to equilibrium conditions. However, the fundamental attractions of the UK commercial property markets remain. These include economic and political stability together with the UK's long-term lease structure. The reduction in investor demand has made the investment market less competitive in certain sectors, but property yields are still at a level which makes acquisitions less attractive than development and property outsourcing. This is where we continue to focus our activities while remaining alert to selective property acquisitions.

The scale of our business continues to be a source of competitive advantage, as demonstrated by our ability to finance large scale development and investment acquisitions at a lower cost of debt than many others in the industry. We also have a relatively large market share of the sectors in which we invest, which provides competitive advantage in terms of relationship management with key customers. We plan to continue capitalising on this to increase market share in each of our core markets.

Headline results

Profit before tax was £1,979.1m, down from £2,359.2m a year ago. Revenue profit, our measure of underlying profit before tax, increased from £391.3m to £392.2m. Earnings per share more than doubled to 753.59p (2006: 357.95p) with adjusted diluted earnings per share showing a 0.4% decrease on last year to 70.20p (2006: 70.47p).

The impact of conversion to REIT status has resulted in three exceptional items, two of which affect our post-tax results. The first is the £315.0m conversion charge payable in July this year. The second is the release of a £2,309.2m deferred tax provision, a non-cash item, relating primarily to the accumulated valuation surplus on the investment portfolio. The third is a net exceptional tax credit of £98.0m in respect of joint ventures, which is disclosed within profit before tax as part of our share of the joint ventures post-tax profits. The net effect of these three exceptional items is to increase profit after tax by £2,092.2 to £3,528.3m and a 110.5% increase in earnings per share. Adjusted diluted earnings per share, which is based on revenue profit and removes the effect of the exceptional items related to REIT conversion, showed a marginal decrease of 0.4%.

The combined portfolio rose in value from £12.9bn to £14.8bn. This included a valuation surplus of £1,396.3m or 10.6%. Net assets per share rose by 44.3% to 2304p from 1597p, with adjusted diluted net assets per share rising by 14.1% to 2181p (2006: 1912p).

Profit before tax

The main drivers of our profit before tax performance are the change in value of our investment portfolio (including any profits or losses on disposal of properties), our net rental income, the performance of our Property Partnerships business, Land Securities Trillium, and the amount of interest we paid. The degree to which movement on these and other items led to the reduction against last year in our profit before tax to £1,979.1m (2006: £2,359.2m) is explained in Table 1 below:

Table 1: Principal changes in profit before tax and revenue profit

	Profit before tax £m	Revenue profit £m
Year ended 31 March 2006	2,359.2	391.3
Valuation surplus	(302.3)	-
Profit on disposal of Telereal (1)	(293.0)	-
Distributions received from Telereal (2)	(11.7)	-
Impact of Telereal sale 30 September 2005 (2)	-	(16.1)
Profit on disposal of non-current properties	44.0	-
Profit on sale of trading properties	(3.9)	-
Increase in capitalised interest	7.7	7.7
Amortisation of bond de-recognition (3)	11.0	-
Long-term development contract profits (4)	(7.6)	-
Goodwill impairment (5)	64.5	-
Property outsourcing profit (6)	(2.0)	(2.0)
Net rental and service charge income (7)	60.5	60.5
Indirect costs (8)	(2.5)	(2.5)
Interest on increased debt	(46.7)	(46.7)
Debt restructuring charges	(19.2)	-
Exceptional deferred tax release following REIT conversion within the joint ventures (9)	98.0	-
Other	23.1	-
Year ended 31 March 2007	1,979.1	392.2

(1) The disposal of our interest in the Telereal joint venture was completed on 30 September 2005.
(2) Distributions/profits from Telereal ceased on 30 September 2005 following its disposal, although this has been largely mitigated by the Telereal II contract and interest on the disposal proceeds.
(3) The debt instruments issued as part of the refinancing in November 2004 do not meet the requirements of IAS39 as they are not deemed to be substantially different from the debt they replaced. As a result, the book value of the new instruments is reduced to the book value of the debt it replaced and the difference is amortised over the life of the new instruments. The decrease in amortisation over the comparable period is a reflection of the maturity profile of debt replaced.
(4) Lower levels of activity, with the recognition of profits on the development contract at Broadcasting House being below the profit recognised on Bankside 1 in the previous year.
(5) Goodwill arising on the acquisition of Tops Estates PLC in June 2005 was impaired in the year ended 31 March 2006. There was no goodwill impairment in the current year.
(6) Lower profits on DWP following increased vacation, offset by increases in Telereal II and Norwich Union.
(7) Increase in rental income and service charge income is largely driven by acquisitions made in the year ended 31 March 2006.
(8) Primarily due to higher staff costs for existing employees and increased employee numbers following acquisitions.
(9) The results of joint ventures are reported post-tax.

Revenue profit

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

Revenue profit for the year grew by 0.2% from £391.3m to £392.2m. An explanation of the year on year change is also given in Table 1.

While Land Securities Trillium's operating profit is at a similar level to last year, at the revenue profit level there has been a decline of £21.5m, largely attributable to the SMIF acquisition interest and the anticipated decline in profitability on the DWP contract. In addition, while operating profits have increased on certain contracts so too has the associated capital employed, and allocated interest cost, leading to a smaller pre-tax profit increase. Within London Portfolio, we have lost rental income as we freed up properties for redevelopment with no associated reduction in interest costs. At a Group level, the decline in underlying pre-tax profits in Land Securities Trillium and the loss of rental income in London have been offset by an increase in passing rents in our Retail Portfolio leading to the small increase in revenue profit over last year.

Towards the end of the financial year, Land Securities Trillium purchased SMIF, a business which owns and provides management services to PPP projects. It has been our intention from the outset to divest the PPP investments by transferring them to a fund and bringing in outside investors while maintaining a minority interest. We have therefore accounted for these assets as a disposal group. The implications of this are that we do not consolidate the individual assets and liabilities of the PPP investments. Instead, they are held in the balance sheet at fair value less costs to sell and we do not recognise our share of the underlying net income of the PPP projects. However, we do include the interest cost of the loan associated with acquiring SMIF in Group revenue profit.

Reconciliation between profit before tax and revenue profit is shown in Table 2.

Table 2: Reconciliation of profit before tax to revenue profit

	Year ended 31/03/07 £m	Year ended 31/03/06 £m
Profit before tax	1,979.1	2,359.2
Valuation surplus – Group	(1,307.6)	(1,579.5)
– joint ventures	(75.1)	(105.5)
Non-current property disposals	(118.4)	(75.3)
Goodwill impairment	-	64.5
Mark-to-market adjustment on interest rate swaps	(17.4)	2.2
Eliminate effect of bond exchange de-recognition	17.1	28.1
Debt restructuring charges	19.2	-
Credit arising from change in pension scheme benefits	-	(8.3)
Profit on disposal of Telereal joint venture	-	(293.0)
Adjustment to restate the Group's share of Telereal earnings from a distribution basis to an equity basis	-	5.0
Joint venture tax adjustment	(76.8)	37.5
Profit on sale of trading properties	(13.6)	(21.7)
Long-term development contract profits	(14.3)	(21.9)
Revenue profit	392.2	391.3

Earnings per share

Basic earnings per share grew by 110.5% to 753.59p (2006: 357.95p), the increase predominantly relating to the one-off tax items associated with our adoption of REIT status, together with the reasons set out in more detail in **Taxation** below.

In the same way that we adjust profit before tax to remove capital and one-off items to give revenue profit, we also report an adjusted earnings per share figure. This is a post-tax measure and includes some additional adjustments to revenue profit. The adjustments to earnings per share are set out in note 7 to the financial statements. They are based on the guidance given by European Public Real Estate Association (EPRA), with a limited number of further adjustments to reflect better our underlying earnings. Adjusted diluted earnings per share declined from 70.47p per share in 2006 to 70.20p per share in 2007, a 0.4% decrease. The decline in adjusted earnings per share is attributable to a reduction in profits on long-term development contracts and trading property sales, largely offset by a lower tax rate following REIT conversion.

Total dividend

We are recommending a final dividend payment of 34.0p per share. Taken together with the interim dividend of 19.0p, this makes a full year dividend of 53.0p per share (2006: 46.7p), which represents a 13.5% increase. Part of this substantial increase is attributable to the tax we have saved by being a REIT for the final quarter of this financial year.

REIT conversion also impacts on the make-up of the Group's dividend, which now consists of two components: a property income distribution (PID) from the REIT qualifying activities and a dividend distribution from the non-qualifying activities (non-PID). The aggregate of these two components will still be referred to as our total dividend. We are obliged for certain shareholders to withhold tax, currently at a rate of 22% (decreasing to 20% from 6 April 2008), from the PID element of the dividend. Our total dividend is therefore a gross dividend.

Since Land Securities only became a REIT on 1 January 2007, three-quarters of this financial year fell outside REIT status. While only one payment will be made on 23 July 2007, shareholders will find an explanation of the individual components of the total dividend on the tax voucher sent out with the payment. A note on the tax consequences for shareholders and forms to enable certain classes of shareholder to claim exemption from withholding tax are available on our website at www.landsecurities.com.

Of the proposed final dividend of 34.0p, only 10.0p is a PID. This is subject to 22% withholding tax for relevant shareholders. Next year we expect a far higher proportion of the total dividend payments to be in the form of a PID.

The full year dividend distribution is covered 1.3 times by adjusted earnings (2006: 1.5 times). Subject to approval by shareholders at the Annual General Meeting to be held on 17 July 2007, the final dividend will be paid on 23 July 2007 to shareholders on the Register on 22 June 2007.

For the 2007/08 financial year, we will be making four dividend payments, in October 2007, January 2008 and April 2008, and (subject to shareholder approval) in July 2008. The first three quarterly payments will be 16.0p per share, implying an increase of over 20% on the 2006/07 year dividend on an annualised basis. The first three quarterly dividends will be 80% PIDs, with the final dividend to be confirmed at the time.

Table 3: Total dividend

	Interim Dividend p	Final Dividend p	Total Dividend p
Property income distribution	-	10.0	10.0
Non-property income distribution	19.0	24.0	43.0
Total	19.0	34.0	53.0

Balance of business tests

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

Table 4: REIT balance of business tests

	For the three months ended / as at 31 March 2007			For the year ended 31 March 2007		
	Tax-Exempt Business	Residual Business	Adjusted Results	Tax-Exempt Business	Residual Business	Adjusted Results
Adjusted profit before tax (£m)	104.5	4.1	108.6	358.3	42.9	401.2
Balance of business – 75% profits test	96.2%	3.8%		89.3%	10.7%	
Adjusted total assets (£m)	15,695.8	2,111.6	17,807.4			
Balance of business – 75% assets test	88.1%	11.9%				

Net assets

At the financial year end, net assets per share were 2304p, an increase of 707p over the year. A significant part of this increase resulted from our conversion to REIT status, as we were able to release all accumulated deferred tax on revaluation surpluses to 31 December 2006. The impact of this, less our REIT conversion charge, amounted to 447p per share.

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. In previous years, the main adjustment to net assets has been to remove the deferred tax on revaluations. Since we no longer provide for deferred tax on revaluations due to our REIT status, this adjustment is no longer required. As a result, our adjusted net assets are now lower than our reported net assets primarily due to the debt adjustment we continue to make. Under IFRS, we do not show our debt at its nominal value, although we believe it would be more appropriate to do so and we therefore adjust our net assets accordingly. At the year end, adjusted diluted net assets per share were 2181p per share, an increase of 14.1% from last year end despite the conversion charge of 67p per share. Excluding the conversion charge, adjusted net assets per share would have risen by 17.6%.

Table 5: Net assets

	Year ended 31/03/07 £m	Year ended 31/03/06 £m
Net assets at the beginning of the year	7,493.9	6,050.3
Profit after tax	3,528.3	1,675.9
Dividends paid	(223.0)	(238.9)
Other	(7.9)	6.6
Net assets at the end of the year	10,791.3	7,493.9
Deferred tax on investment properties	-	145.0
Deferred tax on net revaluation surpluses	-	1,739.7
Mark-to-market on interest rate hedges	(23.6)	8.6
Debt adjusted to nominal value	(519.1)	(375.3)
Adjusted net assets at the end of the year	10,248.6	9,011.9

Drivers of performance

A key driver of the increase in our net assets is the underlying performance of the combined portfolio, which includes our share of joint ventures (see Table 6). This year, the combined portfolio saw a 10.6% valuation surplus. At 31 March 2007 the portfolio was valued at £14.8bn (2006: £12.9bn). Part of the increase in value is due to our net expenditure arising from purchases, sales and developments, with the balance comprising the valuation surplus.

On the like-for-like portfolio, which allows for performance comparison of income growth and yield change over time, the valuation surplus for the year was £735.8m or 9.3%, of which £219.0m or 2.9% occurred in the six months since 30 September 2006. As expected, we saw a notable slowing of yield shift in the second half of the year and this is reflected in the lower rate of valuation growth. It is in these circumstances that our value creation capabilities can provide a point of differentiation, for example through leasing, development and refurbishment activities.

Table 6: Valuation and rental income summary

	Open market value at 31/03/07 £m	Open market value at 31/03/06 £m	Valuation surplus [1] %	Rental income for the year ended 31/03/07 £m	Rental income for the year ended 31/03/06 £m	Rental income change %
Shopping centres and shops	2,829.4	2,591.9	7.8	162.1	152.3	6.4
Retail warehouses	1,474.8	1,431.6	2.0	61.8	56.7	9.0
London retail	932.6	853.1	7.2	47.2	43.4	8.8
London offices	3,202.2	2,773.7	15.1	164.2	165.2	(0.6)
Other	347.2	309.1	11.6	15.4	15.6	(1.2)
Like-for-like investment portfolio [2]	8,786.2	7,959.4	9.3	450.7	433.2	4.0
Completed developments	320.5	306.2	3.4	14.0	10.5	33.3
Purchases	3,092.5	2,278.0	6.8	133.1	67.3	97.8
Disposals and restructured interests	-	930.4	-	33.9	67.8	(50.0)
Development programme [3]	2,553.3	1,418.9	21.9	48.0	35.2	36.9
Combined portfolio	14,752.5	12,892.9	10.6	679.7	614.0	10.7
Adjustment for finance leases	-	-	-	(12.6)	(13.2)	4.5
Combined portfolio[4]	14,752.5	12,892.9	10.6	667.1	600.8	11.0

(1) The valuation surplus and rental income value are stated after adjusting for the effect of spreading rents and rent free periods over the duration of leases in accordance with IFRS but before restating for finance leases.
(2) Properties that have been in the combined portfolio for the whole of the current and previous financial periods.
(3) Development programme comprising projects which are completed but less than 95% let, developments on site, committed developments (approved projects with the building contract let), and authorised developments (projects approved by the Board, but for which the contract has not yet been let).
(4) The combined portfolio includes our proportionate share of the assets and rental income of our joint ventures.

Table 7 details the top six performing properties over £50m in each sector by revaluation surplus together with an explanation of the key drivers of their performance. Yield shift played only a part in the creation of shareholder value. This analysis also demonstrates the strong contribution from London developments.

Table 7: Top six performing properties over £50m for Retail Portfolio and London Portfolio

Retail Portfolio	Valuation surplus %	Description	London Portfolio	Valuation surplus %	Description
Lewisham Shopping Centre	21.1	Rental value growth and yield shift	Dashwood House, EC2	64.7	Development
Gunwharf Quays, Portsmouth	15.5	Rental value growth and yield shift	Bankside 2&3, SE1	61.3	Development
Queslett Road, Birmingham	15.3	Rental value growth and yield shift	New Street Square, EC4	41.9	Development
The Mall, Stratford	13.3	Reconfiguration and new lettings	Selborne House, SW1	27.7	Potential development opportunity
High Street, Exeter	13.1	Impact of our adjoining development	New London House, EC3	26.9	Potential refurbishment opportunity
Poole Road, Poole	11.0	Development	Cardinal Place, SW1	26.8	Development

Future drivers of performance

A key driver of our performance is development. We have a large and profitable development programme. Including our share of joint ventures and those properties completed and let in the year, our development programme produced a valuation surplus of 21.9% or £453.9m, of which £198.1m occurred in the second half of the year. We have an estimated further spend of £1,162m on the projects currently underway which, when complete and fully let, will produce £218m of annual income (at today's estimated rental value). Capital expenditure on proposed developments could total £597m if we proceed with these schemes, which are held as part of the investment portfolio and have a current carrying value of £329.3m. The figures given for capital expenditure represent the Group's actual or forecast cash outlays on developments, excluding land values and capitalised interest. Including these, the total development cost for the full development pipeline is £3.8bn, of which £2.9bn relates to our current development programme.

Further details of our development pipeline are contained in the Retail Portfolio and London Portfolio sections of this review.

Now that yield shift has slowed, rental value growth and minimising void levels are again becoming more important determinants of performance. Rental values on our like-for-like portfolio increased by 4.9% over the year, and the net reversionary potential of the like-for-like portfolio at the year end was 10.4% compared to 7.7% 12 months ago. Void levels on our like-for-like Retail portfolio have reduced slightly over the year from 3.4% to 3.3%. On our like-for-like London offices, void levels have increased from 3.2% to 8.1%, which is attributable to pre-development properties where we have intentionally been seeking vacant possession.

Cash flow and net debt

Cash receipts during the year totalled £841.0m from investment portfolio property disposals, which included Devonshire House, W1, Regis House, EC4, and White City Retail Park, Manchester. In total, we invested £1,497.0m in our properties including £523.7m on investment property acquisitions, £416.5m by Land Securities Trillium (primarily Accor hotels £305.2m and Royal Mail £77.8m) and £429.4m on development. The development expenditure, which includes land acquisitions but excludes capitalised interest and our share of joint ventures (which expended £70.1m on shopping centre developments in Bristol and Cardiff), was spent principally on New Street Square, EC4, Bankside 2&3, SE1, in London and shopping centre developments in Exeter and Livingston. As part of our strategy to expand Land Securities Trillium into the PPP market, we spent £919.0m acquiring SMIF and the remaining 50% of Investors in the Community (IIC). Further details are given in the Property Partnerships section.

From our joint ventures, we received a net £50.0m, largely as a result of an equalisation receipt from the St David's Limited Partnership. At 31 March 2007, the Group's net debt was £5,087.9m, some £1,402.0m higher than 2006 (£3,685.9m). The factors contributing to this increase in net debt are shown in Table 8.

Table 8: Cash flow and net debt

	Year ended 31/03/07 £m	Year ended 31/03/06 £m
Operating cash inflow after interest and tax	361.5	375.9
Dividends paid	(223.0)	(238.9)
Investment property acquisitions	(523.7)	(2,008.3)
Property Partnerships property acquisitions	(416.5)	(6.8)
Development and refurbishment capital expenditure	(532.6)	(338.3)
Investment in properties	(1,472.8)	(2,353.4)
Acquisition of SMIF and IIC	(919.0)	-
Other capital expenditure	(18.8)	(26.9)
Total capital expenditure	(2,410.6)	(2,380.3)
Disposals (including Telereal in 2005/06)	869.8	972.6
Joint ventures	50.0	133.8
Other movements	(49.7)	(110.9)
Increase in net debt	(1,402.0)	(1,247.8)
Opening net debt	(3,685.9)	(2,438.1)
Closing net debt	(5,087.9)	(3,685.9)

Details of the Group's gearing are set out in Table 9, which includes the effects of our share of joint venture debt, although the lenders to our joint ventures have no recourse to the wider Group for repayment.

Table 9: Gearing

	At 31/03/07 %	At 31/03/06 %
Gearing – on book value of balance sheet debt	47.1	49.2
Adjusted gearing *	54.7	46.9
Adjusted gearing * – as above plus notional share of joint venture debt	58.8	51.1

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

Financing strategy and financial structure

Our financing strategy is to maintain an appropriate net debt to equity ratio (gearing). This ensures that asset-level performance is translated into enhanced returns for shareholders while maintaining an appropriate risk reward balance. One feature of our REIT status is that the effective cost of our debt has risen significantly for our REIT qualifying activities. As we no longer pay tax on these activities, we no longer benefit from the tax shield provided by the tax deductibility of interest charges. This results in a higher effective cost of debt, although it remains an attractive source of capital for us due to its ready availability and flexibility. However, in an environment of low capital returns and low to negative yield spreads (the difference between income on the investment and the cost of debt), underlying asset returns become a more important determinant of performance than levels of financial gearing.

As previously stated, the Group made significant investment in property related activities, and net debt has grown by 38.0% from £3.7bn to £5.1bn. However, gearing has decreased from 49.2% to 47.1% due to the £2.3bn deferred tax release and the strong valuation growth of our portfolio. Looking ahead, we have to pay our REIT entry charge (£315.0m), complete the final phase of the Accor hotel acquisition (£150m) and satisfy the capital expenditure requirements of our development programme.

Despite the increase in our year end net debt, our interest cover ratio, excluding our share of joint ventures, has fallen only marginally from 2.65 times in 2006 to 2.43 times in 2007. Under the rules of the REIT regime, we need to maintain an interest cover ratio in the exempt business of at least 1.25 times to avoid paying tax. As calculated under the REIT regulations, our interest cover ratio for the exempt business for the three months to 31 March 2007, the period for which we were a REIT in this financial year, was approximately 2.25 times.

As well as having the right level of debt in the business, we also need to ensure that we have a financing structure that is both flexible and cost effective. Both of these issues were addressed in the 2004/05 year with the introduction of a new secured funding structure. Under this structure, we benefit from a lower cost of finance by utilising the credit strength of our investment portfolio without the more onerous restrictions of individually collateralised obligations. Operational flexibility is maintained through provisions which allow us to buy and sell assets, without restriction, and undertake development. At 31 March 2007, our debt investors had security over £11.6bn of investment properties in this structure against loans of £5.1bn, representing a loan to value ratio of 44.0%.

As part of the funding structure, a committed revolving credit facility provides us with the financial flexibility to draw and repay loans at will, and react swiftly to investment opportunities. In August 2006, the Group replaced its existing five year £2.0bn revolving credit facility with a new seven year £1.5bn facility. The new facility carries lower margins, reduced commitment fees, a reduced and more focused bank group and extends the maturity by nearly four years. In October we also took the opportunity to diversify further and reduce the cost of our short-term debt by establishing a £750m Euro Commercial Paper Programme.

During the course of the year, we increased the size of our Irish listed Note programme from £4bn to £6bn and issued two further Sterling bonds. The first was an issue of £300m with a fixed coupon of 4.875% and an expected maturity of 2023. The second was a £500m 5.125% fixed rate bond with an expected maturity of 2034. As a result of our flexible funding structure both deals were priced within four working days of announcement.

In December 2006, we arranged a one year acquisition facility with an option to extend it by a further year, to provide funding for the purchase of SMIF. In the same month Land Securities Trillium refinanced its limited recourse DWP bank loan with a new secured facility which offers a lower margin and increased operational flexibility. The new facility matures in 2017 to coincide with the end of the underlying DWP contract.

At 31 March 2007, Land Securities' total borrowings (including joint ventures) amounted to £6,096.0m, of which £183.0m was drawn under our £1.5bn secured bank facility and £71.0m related to finance leases. Committed but undrawn facilities amounted to £1,319.0m. The Group also has £238.5m of uncommitted facilities. The majority of debt due in less than one year relates to drawings under the £1.0bn committed acquisition facility.

Hedging

We use derivative products to manage our interest rate exposure, and have a hedging policy which requires at least 80% of our existing debt plus our net committed capital expenditure to be at fixed interest rates for the coming five years. Specific hedges are also used in geared joint ventures to fix the interest exposure on limited recourse debt. At the year end we had £1.8bn of hedges in place, and our debt was 96% fixed. Consequently, based on year end debt levels, a 1% rise in interest rates would increase full year interest charges by less than £3m.

Future funding

The Group's modest gearing levels and robust interest cover provide significant debt capacity to meet its projected capital requirements. Market capacity remains in Sterling and the Group has the flexibility, if necessary, to tap other markets such as the Euro. With £1.3bn of committed but undrawn facilities, the Group is confident that it will be able to finance its planned capital commitments.

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. This has had a major impact on our tax position, and for the year, we had a net tax credit of £1,549.2m (2006: £683.3m charge) comprised of the following items:

- £99.4m corporation tax and £345.6m deferred tax on income and gains arising in the nine months to 31 December 2006 and on non-exempt (residual) income and gains for the three months to 31 March 2007; and
- Two exceptional items: the £315.0m REIT conversion charge and a £2,309.2m release of deferred tax on revaluation reserves, capital allowances and other temporary differences which will no longer be taxed when they reverse as a consequence of our REIT status.

Excluding the exceptional items and adjusting for prior year tax credits and non-allowable IFRS bond amortisation, the effective cash tax rate on our profit before revaluations, joint venture income and disposals was 17.6% (2006: 23.2%). This reduction is largely due to REIT tax exemption for the final quarter.

Pension schemes

The Group operates a number of defined benefit pension schemes which are closed to new members. At 31 March 2007 the schemes had a combined deficit, net of deferred tax, of £5.3m (2006: £4.5m). During the year we made a further special contribution of £1.5m (2006: £1.5m) to the principal defined benefit pension scheme and we are maintaining our enhanced contribution rate to address this relatively small deficit.

Retail Portfolio

Introduction

Our Retail Portfolio business represents 49.0% of the combined portfolio and produced £273.0m of the Group's underlying operating profit. We own 1.8 million sq m of retail accommodation including 29 shopping centres and 31 retail parks. This represents a core market share of 5.8% and we have approximately 1,700 occupiers across this portfolio. Many of our retail properties form the central shopping districts of major cities and towns across the UK and we estimate that 300 million visits are made by consumers to our retail destinations each year. We are also investing £1.1bn to create the next generation of retail locations through a 255,000sq m development pipeline.

The retail market

The overall economic backdrop is favourable and the UK has seen continuing growth in like-for-like retail sales, which were 3.5% higher in the quarter to 31 March 2007 compared with the same period in 2006. Absolute sales growth continues at 5.7% per annum. For us this is the most important measure of retailer confidence since it includes the effect of retailers taking on new or improved floor space to grow market share.

Over the past year the winners versus losers trend, identified by us some time ago, became increasingly apparent. Supermarkets and internet retailers have generally been the winners along with some major store groups, such as Marks and Spencer, John Lewis and Primark. Smaller retailers have found it harder to combat rising costs and price deflation, particularly in sectors impacted by online competition. The popularity of out-of-town shopping continues, driven by convenience, accessibility and plentiful car parking. The bulky goods sector, which has been depressed for two years, is now showing signs of improving trade.

Across our like-for-like portfolio we saw rental income growth of 6.5% over the year and, in total we let retail units with an annual rent roll of £29.7m - equivalent to 8.8% of our current retail rent roll. This was in some 350 transactions involving approximately 180,000sq m of retail accommodation. This demonstrates an active leasing market and it has resulted in a reduction in the void levels across our like-for-like Retail Portfolio over the year. On our development projects, demand remains good and the trend of increasing lease incentives such as rent free periods has now stabilised.

Following several years of strong favourable yield shift, the past 12 months have, as expected, seen the investment market for retail property returning to equilibrium. After a period of convergence between prime and secondary yields, we are now starting to see the yield gap widening again particularly in the retail warehouse sector.

Our strategy

We will seek to strengthen our position as a leading owner of retail property through:

- Investment in dominant retail assets and application of our skills to create value
- Development
- Provision of market leading levels of customer service and property management

Our focus this year has been more on development and asset management activities, rather than on acquisitions and disposals. However, towards the end of the financial year and following the elimination of latent capital gains tax liabilities upon REIT conversion, we sold a number of assets where we felt that opportunity to grow value was restricted. In the year to 31 March 2007, we made £62.8m of acquisitions and sold £417.1m of properties (based on the net effect of asset transfers into the St David's partnership), and since the year end we have sold or exchanged contracts for a further £233.5m of properties. In a year of consolidation, we restructured our property management activities to allow us to improve service delivery across the portfolio. We also invested £286.6m (2006: £76.9m) in the development programme, further details of which are contained later in this review.

Our performance

The valuation surplus on our Retail Portfolio was £368.1m or 5.4% over the year. However, the slowing of growth rates in recent months is evident from the fact that the valuation surplus in the second half of the year was only 0.3%. These lower levels of performance compared to the prior year primarily reflect the impact of reduced yield shift and also lower levels of like-for-like rental value growth of 1.7% (2006: 4.3%).

Table 10: Retail Portfolio valuation and performance summary

	31/03/07	31/03/06
Total retail*		
Combined portfolio valuation	£7,226.2m	£6,899.1m
Like-for-like investment portfolio valuation	£4,561.1m	£4,254.2m
Rental income	£237.8m	£223.2m
Gross estimated rental value	£266.5m	£258.9m
Voids by estimated rental value	£8.7m	£8.8m
Gross income yield	5.0%	5.0%
Shopping centres		
Combined portfolio valuation	£4,157.9m	£3,823.3m
Like-for-like investment portfolio valuation	£2,537.8m	£2,318.8m
Rental income	£147.5m	£137.5m
Gross estimated rental value	£163.3m	£154.8m
Voids by estimated rental value	£5.4m	£4.4m
Gross income yield	5.5%	5.6%
Retail warehouses		
Combined portfolio valuation	£2,306.9m	£2,314.6m
Like-for-like investment portfolio valuation	£1,474.8m	£1,431.6m
Rental income	£61.8m	£56.7m
Gross estimated rental value	£71.8m	£71.0m
Voids by estimated rental value	£1.3m	£1.9m
Gross income yield	4.3%	4.1%

Combined portfolio and by reference to the Reconciliation Tables (in the Business Analysis Section).
* Retail includes shopping centres, retail warehouses, shops outside London, shops held through the Metro Shopping Fund LP, regional offices and sundry other properties outside London.

Future growth will come from our significant reversionary potential of 10.9%, as rent reviews are settled, and from rental value growth. In mature centres and parks, rental value growth can only be achieved if void levels are low and so we are particularly pleased that our strong performance on leasing (£20.0m of rent secured excluding development) has kept voids to 4.6% in our shopping centre portfolio and reduced them to 1.6% in our retail warehouses.

Over the past few years we have restructured the shopping centre element of our retail portfolio to respond to longer-term trends in the retail markets, particularly retailers' desire for more efficient retail units. Over the coming year we will be looking to restructure our retail park portfolio, now that REIT status has eliminated our latent capital gains tax position, which has previously inhibited trading of this portfolio. We have already sold two retail parks at Erdington, Birmingham and White City, Manchester for an aggregate of £127.2m and, since the year end, we have exchanged contracts on two more retail warehouse assets for £40.1m.

Application of skills to create value in investment properties

Across the shopping centre portfolio, we focused on adding value through asset management activities. At Gunwharf Quays we have driven financial performance through innovative consumer marketing events, a long-term approach to tenant mix (where the optimum balance does not always lead to the highest level of rent) and exemplary on-site customer service. During the year 10 new lettings improved the overall attraction of the centre. Through Gunwharf Quays, we have gained invaluable experience of Factory Outlet Centre model, and are now rolling out these management techniques to Hatfield Galleria and the recently opened Banbridge in Northern Ireland.

At our shopping centre in Stratford we are repositioning the tenant mix of the scheme to optimise trading in the lead up to the Olympics and beyond. Our asset management has improved both the fashion and food offer, and rental growth has been immediately achieved, with rental values up 11.8% over the year.

In our retail warehouse portfolio, we continue to reconfigure space to provide the right size of units for retailers. In Edmonton we have agreed to relocate Wickes into the former Courts store and we have refurbished it for them. We have secured planning consent for the redevelopment of the former Wickes into five units of 700sq m, each with mezzanines, and are currently discussing terms with potential occupiers. As part of the refurbishment of our scheme in Poole, we have exchanged contracts with Homebase to surrender their existing lease, which had five years to run, for a new 20 year lease. Homebase will completely re-image the external elevations to match the new scheme design and extend into the former Comet unit. Comet also relocated within the scheme.

As demonstrated by the examples above, we aim to create a strong platform from which our retail customers can trade profitably and an attractive environment for shoppers visiting our properties. It is our responsibility to make sure that our retail environments remain safe and clean and to provide relevant promotion and marketing activities. To some extent we can assess the success of these activities through the number of visitors to the portfolio, which is measured for us by a third party provider and then compared to a national index. In the year to December 2006, the number of visitors to our portfolio increased by 1.0%, as compared to a 5.1% fall in the national index. This increase can partially be explained by the completion of our development in Canterbury, the success of which is reflected in much higher visitor numbers. It can also be explained by the success we have had in identifying and acquiring those centres which provide a rewarding experience and therefore attract a greater number of visits.

We also work closely with our retailers to monitor sales trends at each of our centres. Last year we introduced a new trading index at the St David's Centre. This innovative use of technology provides retailers with weekly trading trends across a number of categories, so that they can compare their trading with competitors in the Centre. It also provides feedback on consumer spending patterns.

Development

We have continued with our extensive development programme and have made good progress. We have achieved our letting targets for all our developments on site, achieving 82,300sq m of lettings during the year, with a further 22,700sq m under offer or in solicitors' hands. This represents future cash rental income of £15.3m (our share).

In Exeter we have had a very encouraging response from both retailers and customers to the first phase of Princesshay which opened in April. The development reflects our objective to create vital and vibrant mixed use destinations and is framed around high quality public spaces, adopting an innovative design approach to produce a number of individual and distinctive buildings. In a challenging market we are pleased to now have some 80% of the scheme let and a further 5% in solicitors hands, including a strong line up of national retail brands and restaurants. To create a point of differentiation and a local identity, we have also reserved an element of the scheme for independent retailers. The scheme is scheduled for completion in autumn 2007.

Cabot Circus in Bristol, which we are developing in partnership with Hammerson, is proceeding on programme and is due for completion in September 2008. It has a wide range of uses and the tenant mix has been carefully planned to create areas within the scheme with a distinct appeal, such as the mid to upper market in Quakers Friars with lettings to Harvey Nichols and Ted Baker. The scheme is now 47% let with a further 8% in solicitors hands.

At St David's 2 in Cardiff, which we are developing in partnership with Capital Shopping Centres, we have started on the main building contract after a series of demolition and enabling works, and completion is due in autumn 2009. The scheme is to be anchored by Debenhams and a 24,150sq m store for John Lewis, their first in Wales.

In addition to our committed schemes we have recently submitted a planning application for an extension to Buchanan Galleries, Glasgow. This will be undertaken in partnership with Henderson Global Investors and will double the size of the scheme to 120,000sq m.

We are also conducting feasibility studies for a number of other major schemes including a substantial refurbishment of St John's Centre, Liverpool, and a second phase of development in Corby.

Last year we reported that we had agreed a forward purchase of a retail park development site in Banbridge, Northern Ireland, immediately adjacent to our factory outlet development. A planning application for 33,450sq m has now been submitted for the retail park scheme and a conditional land sale deal signed with Tesco for approximately 40% of the site.

We outline our development pipeline in Table 11.

Table 11: Retail development pipeline at 31 March 2007

Property	Description of use	Size sq m	Planning status	Letting status	Estimated/ actual completion date	Cost £m
SHOPPING CENTRES AND SHOPS						
Developments approved and those in progress						
Cabot Circus, Bristol - The Bristol Alliance - a limited partnership with Hammerson plc	Retail	83,610		43%	Sep 2008	215
	Leisure	9,000				
	Offices	28,000				
	Residential	18,740				
Christ's Lane, Cambridge	Retail	5,800		84%	Dec 2007	27
	Residential	1,350				
Princesshay, Exeter	Retail	37,360		76%	Jul 2007	160
	Residential	7,200				
Willow Place, Corby	Retail	16,260		34%	Oct 2007	34
St David's, Cardiff – St David's Partnership - a limited partnership with Capital Shopping Centres	Retail/leisure	89,900		7%	Sep 2009	294
	Residential	16,500				
The Elements, Livingston	Retail	32,000		17%	Sep 2008	130
	Leisure	5,670				
RETAIL WAREHOUSES						
Developments, let and transferred or sold						
Kingsway Retail Park, Dundee, Phase II	Retail	8,650		64%	May 2004	16
Developments completed						
Commerce Centre, Poole	Retail	19,100		76%	Aug 2006	22
Developments approved and those in progress						
Maskew Avenue, Peterborough	Retail	13,380		91%	Sep 2007	32
Thanet Leisure, Thanet	Leisure	8,970		100%	Aug 2007	24
Proposed developments						
Almondvale South Phase II b, Livingston	Retail	4,180	PR		2008	

Cost (£m) refers to 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. Finance charges are excluded from cost. Floor areas shown above represent the full scheme whereas the cost represents our share of costs. Letting % is measured by ERV and shows letting status at 31 March 2007. Trading property development schemes are excluded from the development pipeline.

Planning status
PR – Planning Received

London Portfolio

Introduction

Our London Portfolio represents 50.6% of the combined portfolio and produced £270.5m of the Group's underlying operating profit. We own 929,000sq m of office accommodation and 101,000sq m of retail floorspace. Our office portfolio represents approximately 4.5% of the total London office floorspace with over 400 occupiers accommodating more than 50,000 people. We are investing £2.7bn on development, to meet demand for effective modern business accommodation.

London office market

The London office market has been historically more volatile than the retail market. This reflects its economy and particularly its dependence in the City on the financial services industry. It is also affected by the supply of new development stock. Market letting conditions today are favourable with lower vacancy levels across the core markets, as we anticipated last year. The West End is demonstrating significant under supply and the City is also now under supplied and will remain so for the short-term as limited new office development stock is delivered. We are cautious about the future supply of offices in the City of London in the medium-term and will be monitoring new development starts over the next 12 months, although we are confident in the timing and scale of the development programme we have under way already. We believe the opportunities in the West End for new development are more limited and therefore expect continuing robust market conditions.

London investment market

The trading of investment properties in London has been at an historic high, with yields reducing and capital values rising significantly during the year. There is a sense of 'overheating' in some market segments but, for the time being, prime London assets continue to attract buyers at strong prices.

Our strategy

Four years ago we set our strategy for the London Portfolio to address the more cyclical nature of the operating environment in London. We stated that we would seek to create value through:

- Focus on geographic areas of activity – clustering
- Development activity, particularly mixed use
- Active asset management
- Leveraging strong relationships with occupiers

In the past 12 months we acquired £478.7m and sold £480.5m of property, including the £275.3m sale of Devonshire House, W1. We made substantial progress on our development programme; spending £315.7m on development, started 72,300sq m of new projects, achieved 60,700sq m of lettings and submitted planning applications for a further 89,700sq m of commercial accommodation.

Our performance

Our London Portfolio grew in size over the year from £5.9bn to £7.5bn, showing a 16.2% valuation surplus. Our development activities showed a £425.8m or 28.4% surplus and our like-for-like investment holdings a £476.3m or 13.4% surplus.

Table 12: London Portfolio valuation and performance

	31/03/07	31/03/06
London Portfolio*		
Combined portfolio valuation	£7,461.3m	£5,932.4m
Like-for-like investment portfolio valuation	£4,160.1m	£3,645.8m
Rental income	£209.2m	£206.2m
Gross estimated rental value	£236.4m	£218.9m
Voids by estimated rental value	£16.2m	£6.2m
Gross income yield	4.3%	5.2%
London offices		
Combined portfolio valuation	£6,081.8m	£4,788.2m
Like-for-like investment portfolio valuation	£3,185.6m	£2,760.1m
Rental income	£162.7m	£163.8m
Gross estimated rental value	£186.0m	£169.9m
Voids by estimated rental value	£15.2m	£5.4m
Gross income yield	4.3%	5.4%
London shops		
Combined portfolio valuation	£1,182.6m	£1,053.8m
Like-for-like investment portfolio valuation	£879.2m	£805.3m
Rental income	£42.3m	£38.6m
Gross estimated rental value	£45.2m	£44.4m
Voids by estimated rental value	£0.9m	£0.7m
Gross income yield	4.4%	4.8%

Combined portfolio and by reference to the Reconciliation Table (in the Business Analysis Section).
*The London Portfolio includes London offices, London shops (with the exception of shops held through the Metro Shopping Fund LP) and sundry other properties in London

Unique opportunities exist within our portfolio to exploit London's attractiveness as a place to visit and live. We are looking to redevelop and improve the environment in key areas of the West End and Bankside/South Bank which will not only assist the performance of our commercial holdings but also drive additional value from residential and retail development. This diversity has strong defensive qualities against a cyclical office market.

Future growth in income comes from rent reviews, lease renewals and new lettings. During the year we achieved lease renewals and new lettings (including developments) for £26.9m of income and settled 36 rent reviews achieving or exceeding estimated rental value. We have managed to reduce the over-rented element of the portfolio from 6.2% to 2.0%, predominantly as a result of our investment activities and as a result of the strong rental growth across all our core markets. The reversionary potential of the London Portfolio has therefore improved from 6.7% to 8.6%. Void levels have increased, but this is a temporary issue explained by the emptying of major holdings prior to redevelopment. London retail like-for-like is 14.6% reversionary and void levels remain low at 2.0% on a like-for-like basis with new developments offering the prospect of good growth in the future as new locations develop and attract more customers.

In 2003 we started a development programme which has delivered some £765m of value during this time. This was in anticipation of the improved market conditions that we foresaw in the London commercial property markets. From 2004 we started a substantial restructuring of the portfolio, which has seen the acquisition of £1.5bn of investment properties let at low rents averaging £278.2sq m. We have now commenced a sales programme for selected buildings where we are able to secure a premium in today's strong investment market.

Active asset management and recycling of capital

Across the London Portfolio, we focused on adding value through asset management activities. Two examples of this are:

Devonshire House, W1
Devonshire House had been in Land Securities' portfolio since 1955, but we took the decision to sell it last year. We assessed the demand from investors for premium large scale property assets to be reaching a peak during the second half of 2006. Devonshire House needed significant refurbishment and capital expenditure, so we undertook to refurbish one floor in order to demonstrate the strength of demand in the underlying occupational market and to assist with selling the asset. We secured £1,184 per m^2 rent on the refurbished floor and achieved a significant premium (21%) to book value on the disposal.

Dashwood House, EC2
Dashwood House is a recognisable City landmark which was reaching the end of its occupational leases (2010/11). While full redevelopment was a possibility, our approach has been to secure early vacant possession and accelerate a planning application for a major refurbishment including some additional office floors. By adopting this strategy we have targeted completion at an earlier date which we expect to be at a strong point in the City occupational market.

Focus on geographic areas of activity – clustering

We have been developing this policy for a number of years. The principle is to develop and invest in geographic locations where the performance of the investment holdings can benefit from active asset management or development in the immediate locality. We have benefited from significant performance of our assets around New Street Square as well as a strong performance of the development itself. It has also enabled us to hold constructive discussions with occupiers in the area to manage their medium and long term occupational requirements using our substantial holdings.

The extent of our ownerships in Victoria Street and the immediate vicinity have enabled us to bring forward two significant redevelopment proposals. We have achieved this in a timely manner while managing the risk these assets pose as dominant holdings in the area. In addition we have been able to relocate occupiers within the portfolio, for example the Department for Constitutional Affairs shortly to become the Ministry of Justice, will be moving to 50 Queen Anne's Gate from our holdings on Victoria Street. Meanwhile the redevelopment of Cardinal Place has demonstrated the attractiveness of comprehensive redevelopment providing a mix of uses and open space. It has also secured some very high profile occupiers such as 3i, P&O, Wellington Management and Microsoft in a location not previously recognised for this type of occupier. We expect this to have an ongoing benefit when redeveloping and re-leasing accommodation in this location.

The retail accommodation at Cardinal Place has demonstrated a strength of demand for good quality units and for food and beverage outlets. We anticipate this will continue, given the volume of people passing through Victoria Station (approximately 100 million per annum).

We have also invested significantly on the South Bank around our developments at Bankside 1&3, the cultural hub of Tate Modern and the new residential activity that is ongoing.

Development activity including a focus on mixed use

We have continued to deliver substantial value from our development activities with a valuation surplus of £425.8m over the 12 months. We believe we have achieved our objective of delivering our developments early in the cycle to ensure lease-up and strong performance. Our developments have also largely been mixed use, which helps to mitigate risk exposure to any one particular sector.

Within the next 12 months we will complete significant amounts of office floor space at Bankside 2&3 in Southwark, New Street Square in Mid-town and Wood Street in the City. During the development phase we have been securing pre-lettings and pre-commitments on a progressive basis with a view to improving returns while managing risk. We now have approximately 80% of this office floorspace either pre-let or in solicitors' hands. We have also been able to secure good rental growth in these developments as the leasing programme has progressed.

We have also started One New Change, EC4, which is a mixed use scheme of 19,830sq m retail and 31,660sq m office accommodation.

Planning consents are important to the underlying value of the assets we hold in our investment portfolio. We have secured a number of new planning consents this year including:

- Dashwood House

We have now started our scheme at Dashwood House, EC2, as described above with a view to completing it by November 2008.

- Park House

Park House, Oxford Street, W1, is awaiting the outcome of a Judicial Review. Its associated development at Wilton Plaza will be providing student housing and affordable housing together with a small component of private residential flats which will be completed in the early part of 2009.

- 20 Fenchurch Street

The scheme at 20 Fenchurch Street, EC3, received planning consent from the City of London in November last year. Unfortunately it was called in for a planning inquiry by the Secretary of State, despite no stakeholders or statutory consultees referring it to the Minister. The planning inquiry has now been held and we await the Planning Inspector's decision.

These schemes are innovative in terms of design and environmental features and attractive in terms of commercial floor space layout and the mix of uses appropriate to their locations.

We have also advanced our plans for Victoria Transport Interchange and Victoria Masterplan which will be a coordinated yet comprehensive redevelopment of a significant number of our holdings in Victoria over the next decade. We believe Victoria is an area of the West End office market with potential for significant growth and it also offers substantial retail and residential potential. It is one of the busiest transport nodes in London and it is adjacent to one of the highest value residential districts. We are confident that Victoria will become a core market within the West End over the next 10 years providing exciting new and prestigious residential and commercial floor space.

Table 13: London Portfolio development pipeline at 31 March 2007

Property	Description of use	Size	Planning status	Letting status	Estimated/ actual completion date	Cost £m
CENTRAL AND INNER LONDON PROPERTIES						
Developments approved and those in progress						
Cardinal Place, SW1	Offices	51,130		93%	Jan 2006	270
	Retail	9,420		100%		
Bankside 2&3, SE1	Offices	35,550		*	Aug 2007	121
	Retail/leisure	3,170		10%		
1 Wood Street, EC2	Offices	15,020		100%	Sep 2007	103
	Retail	1,500				
New Street Square, EC4	Offices	62,340		61%	Apr 2008	312
	Retail	2,980				
50 Queen Anne's Gate, SW1	Offices	30,140		100%	Dec 2007	127
10 Eastbourne Terrace, W2	Offices	6,150			May 2008	23
Dashwood House, EC2	Offices	13,870			Nov 2008	62
	Retail	740				
One New Change, EC4	Offices	31,660			Sep 2010	340
	Retail	19,830		1%		
Proposed developments						
Park House, W1	Offices	15,550	PI		2010	
	Retail	8,470				
	Residential	11,890				
20 Fenchurch Sreet, EC3	Offices	54,810	PI		2011	
	Retail	560				

* 100% of the office space was placed in solicitors hands after 31 March 2007

Cost (£m) refers to 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. Finance charges are excluded from cost. Floor areas shown above represent the full scheme whereas the cost represents our share of costs. Letting % is measured by ERV and shows letting status at 31 March 2007. Trading property development schemes are excluded from the development pipeline.

Planning status
PI – Planning Inquiry

Property Partnerships

Introduction

A year ago we stated that Land Securities Trillium was positioned for a phase of further growth. This happened in the second half of the financial year under review. As a result this business has grown from 3.3 million sq m to 4.8 million sq m of floorspace, with eight clients and 105 PPP contracts. We now provide accommodation services to more than 450,000 people.

Property Partnership markets

Property Partnership markets encompass both the property outsourcing and PPP markets. Our target markets are public and private sector organisations and we estimate the potential property values which could be accessed through Property Partnership contracts at in excess of £100bn, excluding any leasehold property which may also be transferred in a property outsourcing contract.

A year ago we described the changes that have taken place in the Property Partnership markets and the actions we were taking in response to these changes. In summary, we recognised that the market for major property outsourcing projects, which began in earnest in 1998 with the DWP contract, was constrained in terms of the number of organisations with portfolios suitable for a full outsourcing contract. In recognition of this we evolved our business model to respond to our clients' need for smaller, tailored property outsourcing contracts, such as those undertaken by the DVLA and Norwich Union. We also recognised that PPP projects are a form of property outsourcing. As a result we decided to focus on this area, in particular on defence, education and community assets.

The PPP market was established in 1992 and has since grown to a substantial and increasingly global method for Governments to procure capital projects for accommodation and infrastructure. In the UK alone, nearly £50bn of projects have been completed and some £5bn per annum of new projects are anticipated. This market is expanding in Continental Europe and shows strong growth potential and demonstrate good resilience to downturns in the economic cycle.

Our strategy

Our strategy remains the same:

- Access new opportunities for property partnerships in existing and new markets
- Grow our business with existing and new clients
- Lead innovation in the outsourcing industry

Through the acquisition of SMIF and IIC, Land Securities Trillium has positioned itself as the clear market leader in the UK and has unrivalled capability in the primary and secondary PPP markets (the primary market involving bidding for new contracts and the secondary market being the acquisition of existing contracts). At the same time, Land Securities Trillium has remained at the forefront of the property outsourcing market as demonstrated by the Royal Mail and Accor transactions and, our appointment as Preferred Bidder on the MoD Defence Training Review Package 1 in the last quarter of this financial year.

We are now seeking to exploit the advantages of scale and diversity created over the past year to access UK and Continental European PPP markets. In the UK, primary bidding activity for new contracts will focus upon sectors where we have competitive advantage, for example the Building Schools for the Future programme, using the service skills within our organisation. In Europe, we will target countries where we can both quickly acquire diversified portfolios of existing contracts at attractive returns and look over the medium-term to develop our partnering and primary bidding strategies.

All our targets have common characteristics. They generate high prospective cashflows that:

- Have good credit quality – being generated from either an investment grade or Government counter-party
- Are often inflation linked
- Have low volatility – reflecting performance and availability risk which Land Securities Trillium is very competent at managing

We are very pleased with the progress we have made to deliver against our strategy.

Our new contracts

The Land Securities Trillium business has evolved substantially in the past year, developing from being market leader in property outsourcing to being market leader in both property outsourcing and the PPP market.

The second half of the year was notable for the high level of acquisitions and new business activity. We made acquisitions totalling £1.4bn, including the £910.5m acquisition of SMIF, the £439.0m acquisition of the Accor hotel portfolio (including eight properties yet to complete), the £71.1m acquisition of Royal Mail and with our purchase of the remaining 50% of IIC for £8.5m. Our Metrix joint venture with QinetiQ was appointed preferred bidder on Package 1 of the Defence Training Review and provisional preferred bidder on Package 2.

- SMIF

Land Securities Trillium completed the acquisition of SMIF in February 2007. Togther with our outright acquisition of IIC, the joint venture set up with Mill Group in 2006, this establishes us as the leader in the UK market for PPP projects. We have equity and/or management interests in 105 projects and offer a market leading bidding and business development capability across key target sectors of community infrastructure. This includes education, health, security and general accommodation. At the time of acquiring SMIF we stated our intention to divest the underlying projects by transferring them to a fund and bringing in third party investors, while maintaining a minority interest. We have appointed an Investment Bank to execute this strategy and anticipate its successful implementation by the end of 2007.

- Metrix

In January 2007, the Secretary of State for Defence announced that the Metrix consortium was awarded preferred bidder status for Package 1 (Technical training) and provisional preferred bidder status for Package 2 (Non-technical training) of the Defence Training Review (DTR) programme. The DTR will provide the best possible specialist training for all three Armed Services by creating National Centres of Excellence, through a programme of investment, rationalisation and modernisation.

We are a 50% shareholder in the successful Metrix consortium with leading defence service provider QinetiQ and we will also provide full construction management and facilities management services to Metrix. This project will be one of the largest PPP projects yet undertaken and involves the building, maintenance and operation of a new Defence Training Academy at RAF St Athan in South Wales. Improvements and investments also planned at a number of other training sites.

- Accor Hotels

In February 2007, we agreed terms for the purchase of 30 Ibis and Novotel hotels in the UK from Accor, the fourth largest hotel chain in the world. The consideration was £439m with a commitment to contribute £35m towards improvement works over four years and to assist Accor in locating and acquiring new sites. The current hotels, primarily in major city centre locations, are leased back to Accor for 84 years with 12 yearly tenant break clauses. The rent is set as a percentage of the hotels' turnover. We also provide maintenance services for the external fabric of the hotels. The partnership model adopted here is important to Accor's expansion strategy and exemplifies our property partnership approach.

- Royal Mail

In March 2007, Land Securities Trillium completed the acquisition of a portfolio of 295 properties from Royal Mail for a net consideration of £71.1m. This includes 114 vacant, surplus leasehold properties on which we have taken full risk transfer and operational responsibility, 176 freehold properties occupied by Royal Mail under a 15 year leaseback, and five investment properties not occupied by Royal Mail. Royal Mail occupies only the space it requires in these buildings and we manage both sub-tenants and vacant space. This transaction represents just 3% of the operational space of Royal Mail and is a key element in their drive to increase efficiency, with scope to grow the partnership in future.

- Workplace 2010

Land Securities Trillium has reached the Best and Final Offer stage of the Workplace 2010 procurement. This is a 20 year full property outsourcing contract by the Northern Ireland Civil Service (NICS), involving significant new build and refurbishment across an initial estate of 270,000 sq m (77 properties), with potential for expansion at phase 2. This programme is a major element in the adoption of modern working practices by NICS. If successful, initial investment would be up to £300m in freehold purchases and capital spend on building improvements.

Our performance

Land Securities Trillium produced an underlying operating profit of £98.8m excluding IIC (2006: £96.6m). This performance reflected our expectations for growth in profits across all contracts except the DWP.

Table 14: Land Securities Trillium financial results

	Year ended 31/03/2007 £m	Year ended 31/03/2006 £m
Contract level operating profit		
– Barclays	3.3	2.5
– BBC	2.8	0.5
– Driver and Vehicle Licensing Agency (DVLA)	1.7	1.0
– Department for Work and Pensions (DWP)	81.0	97.7
– Norwich Union	9.2	5.0
– Telereal II*	16.1	6.9
– Accor	1.5	-
Bid costs	(2.8)	(7.4)
Central costs	(14.0)	(9.6)
Underlying operating profit	98.8	96.6
Profit on sale of non-current properties	7.5	1.0
Net (deficit) / surplus on revaluation of investment properties	(13.6)	1.9
Profit on disposal of joint venture (Telereal)	-	293.0
Segment profit	92.7	392.5
Share of loss from Investors in the Community (IIC) joint venture	(3.0)	-
Distribution received from Telereal	-	11.7

* The operating profit for Telereal II for the year to 31 March 2006 related to a six month period only.

The reduction in DWP profitability is in line with expectations and reflects the full year impact of prior year vacations plus further vacations during 2006/07 in accordance with their contractual entitlement of 220,500sq m. The improved profit contributions from both DVLA and Norwich Union reflect the increases in income as more space is occupied by our clients as further phases of refurbishment work are completed. The BBC contract concluded in June 2006, and Telereal II reflects a full year's result. One month of Accor profitability is included.

The increase in central costs primarily reflects the increase in overheads associated with new business and also the costs associated with the implementation of new systems. The majority of the bid costs associated with DTR were incurred in the prior year. The deficit on revaluation reflects the impact of stamp duty and other purchase costs on the Accor and Royal Mail portfolios which were acquired close to the year end. The IIC losses reflect the high level of new business activity, much of which continued over the year end, which is expensed prior to selection as preferred bidder.

Land Securities Trillium business model

We have integrated IIC and the management of our SMIF investments into Land Securities Trillium and organised the business into four core operating areas, supported by Finance and Human Resource functions. These four areas are:

Origination

We now have unrivalled business development capability in both the PPP and property outsourcing markets. The focus is on long-term customer focused partnerships generating high quality cash flows with significant enhancement prospects through our asset management skills and the application of economies of scale. The opportunities could be in either the primary market, in which we are currently active in bidding on the NICS outsourcing contract and various Building Schools for the Future projects, or the secondary market. The key areas of focus are health, education and office accommodation, but we will consider assets in other sectors in the UK and continental Europe that meet our return criteria and where we can deploy our expertise.

Partnerships delivery

The role of partnerships delivery is to provide excellent customer service across all elements of our offering and to manage our operational risks. If achieved effectively, this leads to strong partnering relationships in which customers are keen to expand the services and risks we manage on their behalf, secure in the knowledge that we are providing high quality, value for money solutions.

Over the past 12 months we have again achieved very high levels of customer satisfaction in our DWP operation, securing a 91% rating, while continuing to work in a flexible and responsive manner with this customer to help it meet its business challenges. As predicted, the rate at which DWP has utilised its free flexible vacation allowance has continued to increase over the past 12 months. In all, DWP vacated 220,500m^2 during the year, and over the same period we mitigated our exposure by letting or otherwise disposing of 148,800m^2 of vacant space from across our portfolio.

In other key contracts, we are continuing to deliver our successful refurbishment project at the Norwich Union headquarters. At the DVLA in Swansea our relationship has grown to the extent that we have now more than doubled the capital we will invest in refurbishment and new build projects. These projects are playing their part in transforming the way in which the DVLA carries out its business.

We continue to focus on the environmental aspects of our business and we were very pleased to retain our ISO:14001 accreditation for the Environmental Management System we operate across the DWP contract. In addition to this continued external recognition, we identified and trained a number of people as ‘Environmental Champions’ throughout our business. With their support, we undertook a series of biodiversity surveys, sustainable catering and eco-friendly cleaning initiatives across our estate. Together with our supply chain we continue to focus on environmental initiatives and we set challenging targets aimed at continuing to improve our collective performance.

Commercial and business strategy

Commercial and Business strategy has overall responsibility for the profitability of our partnerships and for developing business plans across Land Securities Trillium. It owns and drives value enhancement plans which allow us to leverage our scale and achieve aggregation benefits in areas such as refinancing, insurance pooling and life cycle expenditure.

Investment capital group

Following the completion of the SMIF acquisition and as part of the general reorganisation of Land Securities Trillium, a new division, the Investment Capital Group (ICG) was established. ICG's principal activities are the recycling and management of equity capital utilised within Land Securities Trillium's ongoing PPP activities.

ICG is committed to reduce substantially the capital invested in SMIF by the end of calendar year 2007, while retaining a significant management role and a minority equity holding in its existing PPP portfolio. The market and investor appetite for mature, long dated PPP investment is strong and we are evaluating a number of options to access it. These options include the establishment of a fund that should enable Land Securities Trillium to achieve its capital recycling objectives as we continue to acquire new contracts in the PPP market in line with our business plan.

Urban Community Development

Urban Community Development seeks to generate high long-term returns from large scale mixed use residential led development projects. The continuing imbalance between supply and demand is creating strong growth in the residential markets within London and the South East, to our benefit.

Kent Thameside

Our primary area of activity is Kent Thameside where we own or have development rights over approximately 512 hectares of development land.

Early in the first half of the year, we completed the sale of the remainder of our land interests at Crossways Business Park, generating overall profits of approximately £5.7m. We also completed a 2,380sq m office building forward sold to Moat Housing Association.

At Waterstone Park, substantial progress has been made on the delivery of the second phase of this development which is being led by our development partner, Countryside Properties. This award winning residential scheme in a contemporary style has achieved strong sales over the year with over 32 houses and 58 apartments completed.

Our principal holdings in Kent Thameside are Eastern Quarry and Ebbsfleet. Together these form Ebbsfleet Valley, the 420 hectare mixed use development located north of the A2, between the Bluewater Shopping Centre and the new Ebbsfleet International High Speed Rail Station. This area has seen a step change in activity as the opening of the station for international services in November 2007 draws closer.

At Eastern Quarry, we are making gradual progress towards concluding an agreement with the Highways Agency on the transport measures required to accommodate our development proposals for some 6,250 new homes and space totalling 232,000 million sq m for employment, retail, leisure and other uses. We remain confident that it will be possible for planning permission to be granted in the near future. We have almost completed the first phase of the earth works needed to create the development platform for the first residential village in Eastern Quarry.

At Ebbsfleet, outline planning permission has already been obtained and work during the year has concentrated on the detailed master planning studies needed to deliver development in the period up to the commencement of high speed domestic rail services into London St Pancras in 2009. These will significantly reduce current train travel times from Ebbsfleet to London from approximately 50 minutes to 17 minutes.

At Springhead Park, within the Ebbsfleet site, we proposed some 600 new homes and approximately 46,500sq m of new business space. Detailed planning permission has been obtained for the first phase of 383 new homes, which is to be undertaken in our second joint venture with Countryside Properties. Work started on this phase in March 2007.

The delivery of this scale of development over a 25 year period as proposed at Ebbsfleet Valley requires innovation, commitment and partnership with other key stakeholders. During the year, strategic alliances have been created to ensure the most cost effective delivery of the utilities infrastructure that will be needed. Heads of Terms have been entered into with Thames Water and EDF to create the Ebbsfleet Valley Multi Utility Company which, subject to the approval of the Regulator, will deliver the full range of utility services needed. Heads of Terms have also been reached with British Telecom and Sky to deliver a fibre optic network providing state of the art telephony and entertainment services to new homes and businesses throughout Ebbsfleet Valley.

Stansted

At Easton Park, our 650 hectare landholding adjacent to Stansted Airport, we have submitted further representations as part of the review of the Regional Spatial Strategy for the East of England. These have identified the potential of the site to help accommodate the growth forecast for the region and in the event that permission for a second runway is granted on expansion of Stansted Airport.

As part of our strategy to maximise medium-term income from the Easton Park estate, we have submitted a planning application together with Aggregate Industries to seek approval for the extraction of some four million tons of sand and gravel.

Business Analysis

Portfolio valuation

The market value of the investment property interests in the combined portfolio, including a pro-rata share of our property joint ventures totalled £14,752.5m at 31 March 2007 (31 March 2006: £12,892.9m). Detailed breakdowns by sector, including comprehensive analyses of the Group's valuation, rental income and yield profiles, follow in the investment portfolio analysis. The aggregate of the market values of those investment properties held by the Group, excluding joint ventures and Land Securities Trillium, as at 31 March 2007 was £13,114.8m (31 March 2006: £11,619.0m).

The valuation of the freehold and leasehold investment properties in the combined portfolio at 31 March 2007 was undertaken by Knight Frank LLP as External Valuer. The valuations were in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Standards and the International Valuation Standards. The valuation of each property was on the basis of market value, subject to the assumptions that investment properties would be sold subject to any existing leases and that properties held for development would be sold with vacant possession in existing condition. The External Valuer's opinion of market value was primarily derived using comparable recent market transactions on arm's length terms.

Combined portfolio analysis

Table 15: Top 12 property holdings (by market value)

Total value £4.1bn (28.1% of combined portfolio) Values in excess of £240.0m
Cardinal Place, SW1
New Street Square, EC4
White Rose Centre, Leeds
50 Queen Anne's Gate, SW1
Bullring, Birmingham
Arundel Great Court and The Howard Hotel, WC2
Gunwharf Quays, Portsmouth
Almondvale Centre, Livingston
Portland House, SW1
Retail World, Gateshead
The Bridges, Sunderland
Eland House, SW1

Investment property business valuation analysis

Combined portfolio reconciliation

Table 16: Income statement – gross rental income reconciliation

	Retail Portfolio £m	London Portfolio £m	Other Investment Portfolio £m	Year ended 31/03/07 £m	Retail Portfolio £m	London Portfolio £m	Other Investment Portfolio £m	Year ended 31/03/06 £m
Combined portfolio	389.3	261.0	27.1	677.4	356.8	236.9	18.5	612.2
Central London shops (excluding Metro Shopping Fund LP)	(52.5)	52.5	-	-	(47.1)	47.1	-	-
Inner London offices in Metro Shopping Fund LP	1.5	(1.5)	-	-	1.5	(1.5)	-	-
Rest of UK offices	2.3	-	-	2.3	1.8	-	-	1.8
Allocation of other	10.6	7.8	(18.4)	-	10.1	4.2	(14.3)	-
	351.2	319.8	8.7	679.7	323.1	286.7	4.2	614.0
Less finance lease adjustment	(4.4)	(8.2)	-	(12.6)	(5.1)	(8.2)	0.1	(13.2)
Total rental income	346.8	311.6	8.7	667.1	318.0	278.5	4.3	600.8

Table 17: Open market value reconciliation

	Retail Portfolio £m	London Portfolio £m	Other Investment Portfolio £m	Year ended 31/03/07 £m	Retail Portfolio £m	London Portfolio £m	Other Investment Portfolio £m	Year ended 31/03/06 £m
Combined portfolio	8,060.7	6,102.9	498.8	14,662.4	7,590.1	4,806.5	408.3	12,804.9
Central London shops (excluding Metro Shopping Fund LP)	(1,182.6)	1,182.6	-	-	(1,053.8)	1,053.8	-	-
Inner London offices in Metro Shopping Fund LP	21.0	(21.0)	-	-	18.3	(18.3)	-	-
Rest of UK offices	90.1	-	-	90.1	88.0	-	-	88.0
Allocation of other	237.0	196.8	(433.8)	-	256.5	90.4	(346.9)	-
Combined portfolio	7,226.2	7,461.3	65.0	14,752.5	6,899.1	5,932.4	61.4	12,892.9

Table 18: Gross estimated rental value reconciliation

	Retail Portfolio £m	London Portfolio £m	Other Investment Portfolio £m	Year ended 31/03/07 £m	Retail Portfolio £m	London Portfolio £m	Other Investment Portfolio £m	Year ended 31/03/06 £m
Combined portfolio	512.4	394.3	23.4	930.1	470.3	344.4	26.3	841.0
Central London shops (excluding Metro Shopping Fund LP)	(70.7)	70.7	-	-	(57.5)	57.5	-	-
Inner London offices in Metro Shopping Fund LP	1.0	(1.0)	-	-	0.9	(0.9)	-	-
Rest of UK offices	4.7	-	-	4.7	5.0	-	-	5.0
Allocation of other	8.5	10.7	(19.2)	-	15.3	6.7	(22.0)	-
Combined portfolio	455.9	474.7	4.2	934.8	434.0	407.7	4.3	846.0

Table 19: Top 12 occupiers

	Current gross rent roll %
Central Government	10.1
Deloitte	2.0
J Sainsbury PLC	1.8
DSG International PLC	1.8
Taveta Limited (Arcadia Group)	1.7
The Boots Company PLC	1.6
The Home Retail Group PLC (Argos and Homebase)	1.2
Metropolitan Police Authority	1.1
M&S Group PLC	1.1
Next PLC	1.1
Lloyds TSB Group PLC	1.0
Virgin Group Investments Limited	1.0
Total	25.5

Table 20: % Portfolio by value and number of property holdings at 31 March 2007

£m	Value %	Number of properties
0 – 9.99	1.4	60
10 – 24.99	3.7	32
25 – 49.99	10.2	39
50 – 99.99	17.0	38
100 – 149.99	18.3	22
150 – 199.99	11.1	9
Over 200	38.3	19
Total	100.0	219

Note: Includes share of joint venture properties.

Table 21: Combined portfolio value by location

	Shopping centres and shops %	Retail warehouses %	Offices %	Other %	Total %
Central inner and outer London	10.5	0.7	43.8	0.6	55.6
South East and Eastern	6.2	3.8	-	0.6	10.6
Midlands	3.6	2.0	-	-	5.6
Wales and South West	4.8	1.4	0.1	-	6.3
North, North West, Yorkshire and Humberside	8.1	6.1	0.3	0.1	14.6
Scotland and Northern Ireland	5.4	1.7	-	0.2	7.3
Total	38.6	15.7	44.2	1.5	100.0

% figures calculated by reference to the combined portfolio value of £14.8bn.

Table 22: Average rents as at 31 March 2007

	Average rent £/sq m	Average ERV £/sq m
Retail		
Shopping centres and shops	392	460
Retail warehouses (including supermarkets)	304	358
Offices		
Central and inner London	404	550

Source IPD

Notes: This is not a like-for-like analysis with the previous year. The shopping centres and shops average rent is an overall rent and are not Zone A rents.

Excludes properties in the development programme and voids

Table 23: Like-for-like reversionary potential as at 31 March 2007

Reversionary potential	31/03/07 % of rent roll	31/03/06 % of rent roll
Gross reversions	12.2	11.1
Over-rented	(1.8)	(3.4)
Net reversionary potential	10.4	7.7

Notes:

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 combined portfolio analysis.

Of the over-rented income, 65.2% is subject to a lease expiry or break clause in the next five years.

Reversionary potential excludes additional income from the letting of voids.

Table 24: Combined Portfolio Analysis

Year ended 31 March 2007

	Open Market Value (7)		Valuation Surplus (1)		Gross Rental Income (1)		Annual Net Rent (8)		Annual Net Estimated Rental Value (9)		Gross Income Yield (10)		Equivalent Yield (11)		Annual Gross Estimated Rental Value (12)		Voids (by ERV) (13)		Lease Length as at 31/03/07 (14)	
	31/03/07 £m	31/03/06 £m	Surp/(def) £m	Surp/(def) %	12 mths to 31/03/07 £m	12 mths to 31/03/06 £m	31/03/07 £m	31/03/06 £m	31/03/07 £m	31/03/06 £m	31/03/07 %	31/03/06 %	31/03/07 %	31/03/06 %	31/03/07 £m	31/03/06 £m	31/03/07 %	31/03/06 %	Median Years (i)	Mean Years (ii)
The like for like portfolio (2)																				
Shopping centres and shops																				
Shopping centres	2,537.8	2,318.8	192.8	8.3	147.5	137.5	139.6	128.9	154.9	146.2	5.5	5.6	5.0	5.3	163.3	154.8	3.3	2.8	8.0	9.4
Central London shops	932.6	853.1	62.5	7.2	47.2	43.4	41.3	41.4	48.0	46.3	4.4	4.9	4.8	5.0	48.2	47.4	1.9	1.7	5.0	7.0
Other in-town shops	291.6	273.1	9.5	3.5	14.6	14.8	13.4	13.0	16.3	15.7	4.6	4.8	5.0	5.2	17.8	17.4	6.2	4.6	8.3	12.8
	3,762.0	3,445.0	264.8	7.6	209.3	195.7	194.3	183.3	219.2	208.2	5.2	5.3	4.9	5.3	229.3	219.6	3.2	2.7	7.5	9.1
Retail warehouses																				
Retail parks	1,269.4	1,225.6	33.7	2.8	52.0	46.9	53.9	50.3	61.4	60.5	4.2	4.1	4.6	4.7	61.4	60.5	0.8	2.0	12.3	11.9
Other	205.4	206.0	(4.5)	(2.2)	9.8	9.8	9.0	8.5	10.4	10.5	4.4	4.1	4.7	4.8	10.4	10.5	7.7	6.7	14.3	12.5
	1,474.8	1,431.6	29.2	2.0	61.8	56.7	62.9	58.8	71.8	71.0	4.3	4.1	4.6	4.7	71.8	71.0	1.8	2.7	12.8	12.0
Total retail	5,236.8	4,876.6	294.0	6.0	271.1	252.4	257.2	242.1	291.0	279.2	4.9	5.0	4.9	5.1	301.1	290.6	2.9	2.7	8.3	9.8
London offices																				
West End	1,726.8	1,501.5	232.0	15.6	88.9	84.5	82.5	80.8	98.8	89.4	4.8	5.4	5.1	5.6	99.9	90.8	1.2	3.0	4.8	7.9
City	575.6	479.1	87.1	17.8	35.3	38.5	22.0	32.5	33.6	30.7	3.8	6.8	5.1	5.6	35.7	31.8	26.3	8.2	3.0	3.3
Mid-town	396.8	341.6	46.0	16.9	13.0	13.4	19.3	19.3	20.8	18.6	4.9	5.6	4.9	5.2	21.2	19.1	-	-	2.3	10.1
Inner London	503.0	451.5	41.0	9.4	27.0	28.8	13.7	16.6	30.1	29.2	2.7	3.7	5.4	5.8	30.1	29.2	15.3	0.7	6.0	5.5
Total London offices	3,202.2	2,773.7	406.1	15.1	164.2	165.2	137.5	149.2	183.3	167.9	4.3	5.4	5.1	5.6	186.9	170.9	8.1	3.2	4.5	7.2
Rest of UK	54.0	51.3	2.2	4.3	2.2	1.9	3.4	3.3	4.4	4.3	6.3	6.4	7.1	7.7	4.6	4.4	19.6	22.7	1.8	5.3
Total offices	3,256.2	2,825.0	408.3	14.9	166.4	167.1	140.9	152.5	187.7	172.2	4.3	5.4	5.2	5.6	191.5	175.3	8.4	3.7	4.5	7.2
Other	293.2	257.8	33.5	13.1	13.2	13.7	12.8	11.7	14.4	15.8	4.4	4.5	5.6	6.2	14.5	16.0	2.1	4.4	5.3	13.9
Like-for-like portfolio (2)	**8,786.2**	**7,959.4**	**735.8**	**9.3**	**450.7**	**433.2**	**410.9**	**406.3**	**493.1**	**467.2**	**4.7**	**5.1**	**5.0**	**5.3**	**507.1**	**481.9**	**4.9**	**3.1**	**6.5**	**9.0**
Completed developments (3)	320.5	306.2	10.2	3.4	14.0	10.5	14.5	10.8	17.2	17.0	4.5	3.5	4.9	4.9	18.3	17.7	1.1	3.4	12.8	13.8
Total	**9,106.7**	**8,265.6**	**746.0**	**9.1**	**464.7**	**443.7**	**425.4**	**417.1**	**510.3**	**484.2**	**4.7**	**5.0**	**5.0**	**5.3**	**525.4**	**499.6**	**4.8**	**3.1**	**6.8**	**9.3**
Acquisitions (4)	3,092.5	2,278.0	196.4	6.8	133.1	67.3	143.4	103.7	169.0	131.9	4.6	4.6	5.0	5.3	172.3	133.4	5.7	7.1	9.0	12.3
Sales and restructured interests (5)	-	930.4	-	-	33.9	67.8	-	48.2	-	55.5	-	5.2	-	5.1	n/a	n/a	n/a	n/a	n/a	n/a
Total development programme (6)	2,553.3	1,418.9	453.9	21.9	48.0	35.2	15.7	29.1	236.6	156.6	0.6	2.1	4.6	5.6	n/a	n/a	n/a	n/a	n/a	n/a
Combined portfolio	**14,752.5**	**12,892.9**	**1,396.3**	**10.6**	**679.7**	**614.0**	**584.5**	**598.1**	**915.9**	**828.2**	**4.0**	**4.6**	**5.0**	**5.3**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
Properties treated as finance leases			**(12.5)**	**n/a**	**(12.6)**	**(13.2)**														
Combined portfolio			**1,383.8**	**10.6**	**667.1**	**600.8**														

Total portfolio analysis	Open Market Value 31/03/07 £m	Open Market Value 31/03/06 £m	Valuation Surplus £m	Valuation Surplus %	Gross Rental Income 31/03/07 £m	Gross Rental Income 31/03/06 £m	Annual Net Rent 31/03/07 £m	Annual Net Rent 31/03/06 £m	Annual Net ERV 31/03/07 £m	Annual Net ERV 31/03/06 £m	Gross Income Yield 31/03/07 %	Gross Income Yield 31/03/06 %	Equivalent Yield 31/03/07 %	Equivalent Yield 31/03/06 %
Shopping centres and shops														
Shopping centres	4,157.9	3,823.3	251.8	6.5	214.4	192.8	200.2	193.9	287.4	255.5	4.8	5.1	5.0	5.3
Central London shops	1,236.0	1,101.5	105.0	9.3	57.4	51.9	47.9	51.3	71.1	58.9	3.9	4.7	4.8	5.1
Other in-town shops	359.9	350.7	10.8	3.2	18.0	24.5	16.3	17.1	22.3	22.9	4.5	4.9	5.0	5.2
	5,753.8	5,275.5	367.6	6.9	289.8	269.2	264.4	262.3	380.8	337.3	4.6	5.0	5.0	5.3
Retail warehouses														
Retail parks	1,872.7	1,904.9	59.5	3.3	77.8	68.2	79.4	75.0	94.8	95.3	4.2	3.9	4.6	4.8
Other	434.2	409.7	21.3	5.5	21.7	19.4	17.0	17.6	22.1	23.9	3.9	4.3	4.5	4.9
	2,306.9	2,314.6	80.8	3.7	99.5	87.6	96.4	92.6	116.9	119.2	4.2	4.0	4.6	4.8
Total retail	8,060.7	7,590.1	448.4	6.0	389.3	356.8	360.8	354.9	497.7	456.5	4.5	4.7	4.9	5.1
London offices														
West End	2,721.3	2,416.4	403.3	17.5	134.1	102.8	97.6	97.4	168.6	156.4	3.6	4.0	4.9	5.5
City	1,200.4	1,059.7	172.1	16.6	70.0	88.7	38.1	71.3	87.0	74.3	3.2	6.7	5.0	5.6
Mid-town	1,253.3	654.8	187.0	19.1	20.6	13.7	40.0	26.9	77.4	57.2	3.2	4.1	5.0	5.4
Inner London	927.9	675.6	152.3	20.3	36.3	31.7	24.0	25.7	57.2	52.8	2.6	3.8	5.2	5.8
Total London offices	6,102.9	4,806.5	914.7	18.1	261.0	236.9	199.7	221.3	390.2	340.7	3.3	4.6	5.0	5.5
Rest of UK	90.1	88.0	1.7	1.9	2.3	1.8	3.5	3.9	4.6	4.9	3.9	4.4	6.9	7.4
Total offices	6,193.0	4,894.5	916.4	17.8	263.3	238.7	203.2	225.2	394.8	345.6	3.3	4.6	5.0	5.6
Other	498.8	408.3	31.5	6.8	27.1	18.5	20.5	18.0	23.4	26.1	4.1	4.4	5.6	5.9
Combined portfolio	**14,752.5**	**12,892.9**	**1,396.3**	**10.6**	**679.7**	**614.0**	**584.5**	**598.1**	**915.9**	**828.2**	**4.0**	**4.6**	**5.0**	**5.3**
Properties treated as finance leases			**(12.5)**	**n/a**	**(12.6)**	**(13.2)**								
Combined portfolio			**1,383.8**	**10.6**	**667.1**	**600.8**								
Represented by:														
Investment portfolio	13,114.8	11,619.0	1,309.3	11.4	599.5	538.7	509.2	515.0	791.0	718.3	3.9	4.4	5.0	5.3
Total share of joint ventures	1,637.7	1,273.9	74.5	4.8	67.6	62.1	75.3	83.1	124.9	109.9	4.6	6.5	4.8	5.2
Combined portfolio	**14,752.5**	**12,892.9**	**1,383.8**	**10.6**	**667.1**	**600.8**	**584.5**	**598.1**	**915.9**	**828.2**	**4.0**	**4.6**	**5.0**	**5.3**

Notes

(1) The valuation surplus and rental income values are stated after adjusting for the effect of SIC 15 under IFRS, but before restating for finance leases.

(2) The like-for-like portfolio includes all properties which have been in the portfolio since 1 April 2005 but excluding those which were acquired, sold or included in the development programme at any time during that period. Capital expenditure on refurbishments, acquisition of head leases and similar capital expenditure has been allocated to the like-for-like portfolio in preparing this table. Changes in valuation from period-to-period reflect this capital expenditure as well as the disclosed valuation surplus.

(3) Completed developments represent those properties, previously included in the development programme, which have been completed, let and removed from the development programme in the period since 1 April 2005.

(4) Includes all properties acquired in the period since 1 April 2005, other than those included in the development programme.

(5) Includes all properties sold (other than directly out of the development programme), or where the ownership interest has been restructured, in the period since 1 April 2005.

(6) Ongoing developments are properties in the development programme. They exclude completed developments as defined in note (3) above.

(7) The open market value figures include the group share of the various joint ventures and exclude properties owned by Land Securities Trillium.

(8) Annual net rent is annual rents in payment at 31 March 2007 after deduction of ground rents. It excludes the value of voids and current rent free periods.

(9) Annual net estimated rental value includes vacant space, rent-frees and future estimated rental values for properties in the development programme and is calculated after deducting expected ground rents.

(10) The gross income yield represents the annual net rent expressed as a percentage of the market value ignoring costs of purchase or sale.

(11) The net nominal equivalent yield has been calculated on the gross outlays for a purchase of the property (including purchase costs) and assuming that rent is received annually in arrears.

(12) Annual gross estimated rental value is calculated in the same way as net estimated rental value before the deduction of ground rents.

(13) Voids represent all unlet space in the properties, including voids where refurbishment work is being carried out and voids in respect of pre-development properties. Voids are calculated based on their gross estimated rental value as defined in (12) above

(14) The definition for the figures in each column is:
(i) Median is the number of years until half of income is subject to lease expiry / break clauses.
(ii) Mean is rent-weighted average remaining term on leases subject to lease expiry/break clauses.

Table 25: Development pipeline financial summary

	Cumulative movements on the development programme to 31/03/07						Total scheme details				
	Market value at start of scheme £m	Capital expenditure incurred to date £m	Capitalised interest to date £m	Revaluation surplus/ (deficit) to date (note 1) £m	Disposals, SIC15 rent and other adjustments £m	Market value at 31/03/07 £m	Estimated total capital expenditure (note 4) £m	Estimated total capitalised interest £m	Estimated total cost less proceeds (note 2) £m	Net income/ ERV (note 3) £m	Valuation surplus / (deficit) for year ended 31/03/07 (note 1) £m
Development programme let, transferred or sold											
Retail warehouses	5	16	1	11	-	33	16	1	22	2	(2)
Development programme completed, approved or in progress											
Shopping centres and shops	110	328	18	53	(5)	504	860	63	963	63	32
Retail warehouses	31	54	1	6	3	95	78	3	112	7	6
London Portfolio	387	752	55	719	41	1,954	1,358	126	1,871	148	421
	528	1,134	74	778	39	2,553	2,296	192	2,946	218	459
	Movement on proposed developments for the year ended 31/03/07										
Proposed developments											
Shopping centres and shops											
Retail warehouses	6	-	-	-	-	6	4	-	10	1	-
London Portfolio	281	14	-	26	2	323	617	51	827	58	26
	287	14	-	26	2	329	621	51	837	59	26

NOTES

1) Includes profit realised on the disposal of property.

2) Includes the property at the market valuation at the start of the financial year in which the property was added to the development programme together with estimated capitalised interest. For proposed development properties, the market value of the property at 31 March 2007 is included in the estimated total cost. Estimated total cost is stated net of residential proceeds for shopping centres and shops of £70m for developments in progress. The London Portfolio proposed developments are stated net of residential proceeds of £122m. Allowances for rent free periods are excluded from cost.

3) Net headline annual rental payable on let units plus net ERV at 31 March 2007 on unlet units.

4) For those schemes transferred or sold, completed or in progress the cost for each scheme is shown on the preceding pages. The costs of the proposed development properties are not shown on a scheme by scheme basis as the schemes have not yet been finalised and could still be subject to material change. For proposed development properties the estimated total capital expenditure represents the outstanding costs required to complete the scheme as at 31 March 2007 together with pre-development costs incurred prior to that date if the benefit of that expenditure has been excluded from the valuation as at 31 March 2007. Such pre-development costs are included in the accounts as prepayments and are not included in the property additions.

Table 26: Land Securities Trillium contract analysis

Year ended 31/03/07	Contract									
	DWP	BBC	Norwich Union	DVLA	Barclays	Telereal II	Other [3]	Total		IIC (50%) [2]
Contract length										
Term (years) [1]	20.0	5.0	25.0	20.0	20.0	4.5				
Expiry date	Mar 2018	Jun 2006	Jun 2029	Mar 2025	Dec 2024	Mar 2010				
Income statement	£m	£m	£m	£m	£m	£m	£m	£m		£m
Unitary charge	519.8	16.4	12.3	8.3	2.1	-	-	558.9		-
Third party (sublet) income	8.0	-	0.9	-	1.6	-	0.9	11.4		-
Capital projects	129.4	10.5	0.5	6.6	-	-	0.5	147.5		-
Other revenue	10.6	6.4	0.9	1.2	-	44.9	2.9	66.9		1.6
Proceeds of sales of trading properties	-	-	1.7	-	-	-	-	1.7		-
Finance lease income	-	-	5.1	1.0	-	-	-	6.1		-
Gross property income	667.8	33.3	21.4	17.1	3.7	44.9	4.3	792.5		1.6
Rents payable	(174.4)	-	(3.7)	(1.8)	-	-	-	(179.9)		-
Service partners (maintenance, facilities, etc)	(155.8)	(11.7)	(3.6)	(4.0)	-	-	(1.0)	(176.1)		-
Life cycle maintenance costs	(23.0)	-	(1.1)	(0.7)	-	-	-	(24.8)		-
Capital projects	(126.1)	(8.6)	(0.5)	(6.3)	-	-	(0.5)	(142.0)		-
Cost of sale of trading properties	-	-	(0.5)	-	-	-	-	(0.5)		-
Other costs, including overheads	(82.7)	(10.2)	(2.1)	(2.2)	(0.4)	(28.8)	(14.8)	(141.2)		(3.6)
Bid costs	-	-	-	-	-	-	(2.8)	(2.8)		(0.9)
Depreciation	(24.8)	-	(0.7)	(0.4)	-	-	(0.5)	(26.4)		(0.1)
Underlying operating profit / (loss)	81.0	2.8	9.2	1.7	3.3	16.1	(15.3)	98.8		(3.0)
Profit on sale of non-current assets	2.8	4.7	-	-	-	-	-	7.5		-
Net surplus / (deficit) on revaluation of investment properties	-	-	-	-	0.8	-	(14.4)	(13.6)		-
Segment profit / (loss)	83.8	7.5	9.2	1.7	4.1	16.1	(29.7)	92.7		(3.0)
Capital expenditure										
Life cycle maintenance costs capitalised	(18.7)	-	(0.2)	-	-	-	(0.1)	(19.0)		
Estates costs capitalised	(7.6)	-	-	-	-	-	(0.3)	(7.9)		
Book value of assets at 31 March 2007										
Investment in associate	-	-	-	-	-	-	5.0	5.0		
Investment properties	-	-	-	-	27.9	-	399.7	427.6		
Operating properties	507.5	-	43.4	-	-	-	0.6	551.5		

(1) Barclays contract is a sale and leaseback term
(2) IIC includes the results for which it was a joint venture
(3) Other includes:
  i. Royal Mail – Revaluation deficit of £6.1m in relation to acquisition costs
  ii. Accor – One month trading £1.5m and revaluation deficit of £11.7m in relation to stamp duty and other acquisition costs
  iii. Other – revaluation surplus of £3.4m

Table 27: Land Securities Trillium contract analysis at 31 March 2007

Floor space	DWP 000sq m	Norwich Union 000sq m	DVLA 000sq m	Barclays 000sq m	Telereal II 000sq m	Royal Mail 000sq m	Accor 000sq m	Other 000sq m	Total 000sq m
Client occupied	1,996.0	107.0	16.2	11.4	-	92.7	251.0	14.2	2,488.5
Third party (sublet)	81.0	5.3	-	18.1	-	94.1	-	11.0	209.5
Vacant	244.2	2.7	-	7.5	-	68.5	-	-	322.9
Total	2,321.2	115.0	16.2	37.0	-	255.3	251.0	25.2	3,020.9
Freeholds / valuable leaseholds	840.0	40.0	-	11.3	-	128.5	251.0	25.2	1,296.0
Leaseholds	1,481.2	75.0	16.2	25.7	-	126.8	-	-	1,724.9
Total	2,321.2	115.0	16.2	37.0	-	255.3	251.0	25.2	3,020.9
Estate managed but not transferred	78.7	8.7	86.7	-	150.0	-	-	-	324.1

PPP assets held for sale – 1,458,000sq m

Table 28: Land Securities Trillium vacation allowance and portfolio activity – DWP

000sq m	31/03/06	Acquisitions	Vacations *	Lettings	Disposals	31/03/07
Client occupied	2,216.2	0.3	(220.5)	-	-	1,996.0
Third party (sublet)	66.4	-	(9.0)	34.6	(11.0)	81.0
Vacant	163.5	-	229.5	(34.6)	(114.2)	244.2
Total	2,446.1	0.3	-	-	(125.2)	2,321.2
Freeholds / valuable leaseholds	861.5	0.3	-	-	(21.8)	840.0
Leaseholds	1,584.6	-	-	-	(103.4)	1,481.2
Total	2,446.1	0.3	-	-	(125.2)	2,321.2
Estate managed but not transferred	93.1	-	(14.4)	-	-	78.7
					31/03/06	31/03/07
Vacation allowance used to date		-	-	-	234.1	392.7
Available allowance		-	-	-	289.7	130.5
Future allowance		-	-	-	198.2	164.4

* Includes core vacations

Table 29: Land Securities Trillium portfolio activity – Barclays

000sq m	31/03/06	Acquisitions	Vacations	Lettings	Disposals *	31/03/07
Client occupied	11.4	-	-	-	-	11.4
Third party (sublet)	14.8	-	(0.1)	3.4	-	18.1
Vacant	23.9	-	0.1	(3.4)	(13.1)	7.5
Total	50.1	-	-	-	(13.1)	37.0
Freeholds / valuable leaseholds	11.3	-	-	-	-	11.3
Leaseholds	38.8	-	-	-	(13.1)	25.7
Total	50.1	-	-	-	(13.1)	37.0

* Includes lease surrenders, lease expiries and disposals.

Table 30: Land Securities Trillium portfolio activity – Royal Mail

000sq m	31/03/07
Client occupied	92.7
Third party (sublet)	94.1
Vacant	68.5
Total	255.3
Freeholds / valuable leaseholds	128.5
Leaseholds	126.8
Total	255.3

Since acquisition (07/03/07) there has been no change in the portfolio.

Table 31: Land Securities Trillium number of people by occupation

As at 31/03/07	Total
Asset management	80
Call centre	78
Capital projects	143
Quality assurance	31
Facilities management	389
HR/finance	110
Business development and commercial	88
Total	919

Table 32: Land Securities Trillium existing portfolio by use

Office	61%
Education	17%
Health	14%
Other	8%

Table 33: Land Securities Trillium existing portfolio by floor area

Business	million sq m
DWP	2,400,000
Norwich Union	116,000
DVLA	103,000
Barclays	37,300
Telereal II	150,000
IIC	12,000
SMIF	1,384,000
Leicester Grammar School	16,000
Accor	250,000
Royal Mail	251,000
SMIF (new)	41,000
DTR	660,000
Northern Ireland Civil Service	270,000

Financial Statements

Consolidated income statement

	Notes	Before exceptional items £m	Exceptional items £m	2007 Total £m	Before exceptional items £m	Exceptional items £m	2006 Total £m
Income: Group and share of joint ventures		**1,722.7**	-	**1,722.7**	1,988.2	-	1,988.2
Less: share of joint ventures' income	10	**(81.6)**	-	**(81.6)**	(159.5)	-	(159.5)
Group revenue	2	**1,641.1**	-	**1,641.1**	1,828.7	-	1,828.7
Costs	2	**(1,046.2)**	-	**(1,046.2)**	(1,267.8)	-	(1,267.8)
		594.9	-	**594.9**	560.9	-	560.9
Profit on disposal of non-current properties	2	**118.2**	-	**118.2**	74.5	-	74.5
Net surplus on revaluation of investment properties	2	**1,307.6**	**-**	**1,307.6**	1,579.5	-	1,579.5
Goodwill impairment	2,4	**-**	**-**	**-**	-	(64.5)	(64.5)
Profit on disposal of joint venture (Telereal)	2,4	**-**	**-**	**-**	-	293.0	293.0
Operating profit		**2,020.7**	**-**	**2,020.7**	2,214.9	228.5	2,443.4
Interest expense	3	**(233.3)**	-	**(233.3)**	(201.8)	-	(201.8)
Interest income	3	**12.4**	-	**12.4**	7.3	-	7.3
		1,799.8	**-**	**1,799.8**	2,020.4	228.5	2,248.9
Share of the profit of joint ventures (post-tax)	10	**81.3**	**98.0**	**179.3**	98.6	-	98.6
Distribution received from joint venture (Telereal)	10	**-**	**-**	**-**	11.7	-	11.7
Profit before tax	2	**1,881.1**	**98.0**	**1,979.1**	2,130.7	228.5	2,359.2
Income tax (expense) / credit	5	**(445.0)**	**1,994.2**	**1,549.2**	(593.3)	(90.0)	(683.3)
Profit for the financial year attributable to equity shareholders	15	**1,436.1**	**2,092.2**	**3,528.3**	1,537.4	138.5	1,675.9

Earnings per share							
Basic earnings per share *	7			**753.59p**			357.95p
Diluted earnings per share *	7			**750.54p**			356.50p

* adjusted earnings per share is given in note 7

Consolidated statement of recognised income and expense

	2007 £m	2006 £m
Actuarial losses on defined benefit pension schemes	**(1.3)**	(5.0)
Deferred tax on actuarial losses on defined benefit pension schemes	**1.0**	1.5
Fair value movement on cash flow hedges taken to equity – Group	**6.7**	(2.2)
– joint ventures	**11.8**	(2.7)
Deferred tax on fair value movement on cash flow hedges taken to equity – Group	**(1.6)**	0.6
– joint ventures	**(2.3)**	0.8
Net gains / (losses) recognised directly in equity	**14.3**	(7.0)
Profit for the financial year	**3,528.3**	1,675.9
Total recognised income and expense attributable to equity shareholders	**3,542.6**	1,668.9

Consolidated balance sheet

	Notes	2007 £m	2006 £m
Non-current assets			
Investment properties	9	**12,891.7**	11,440.5
Property, plant and equipment			
Property partnerships properties	9	**979.1**	563.2
Other property, plant and equipment	9	**78.2**	73.6
	9	**13,949.0**	12,077.3
Net investment in finance leases		**262.4**	233.9
Goodwill		**129.6**	34.3
Investments in joint ventures	10	**1,338.8**	829.5
Total non-current assets		**15,679.8**	13,175.0
Current assets			
Trading properties and long-term development contracts		**148.3**	255.9
Trade and other receivables		**641.8**	578.9
Cash and cash equivalents		**52.7**	15.6
Total current assets (excluding non-current assets classified as held for sale)		**842.8**	850.4
Non-current assets classified as held for sale	11	**2,420.3**	-
Total current assets		**3,263.1**	850.4
Total assets		**18,942.9**	14,025.4
Current liabilities			
Short-term borrowings and overdrafts		**(1,683.2)**	(163.6)
Trade and other payables		**(783.9)**	(585.0)
Current tax liabilities		**(535.8)**	(212.5)
Total non-current liabilities (excluding liabilities directly associated with non-current assets classified as held for sale)		**(3,002.9)**	(961.1)
Liabilities directly associated with non-current assets classified as held for sale	11	**(1,601.0)**	-
Total current liabilities		**(4,603.9)**	(961.1)
Non-current liabilities			
Provisions		**(80.7)**	(58.2)
Borrowings	12	**(3,457.4)**	(3,537.9)
Net pension benefit obligations	13	**(5.6)**	(6.5)
Deferred tax liabilities	14	**(4.0)**	(1,967.8)
Total non-current liabilities		**(3,547.7)**	(5,570.4)
Total liabilities		**(8,151.6)**	(6,531.5)
Net assets		**10,791.3**	7,493.9
Equity			
Ordinary shares	15	**47.0**	46.9
Own shares	15	**(14.5)**	(3.4)
Share-based payments	15	**7.9**	6.3
Share premium	15	**51.5**	43.2
Capital redemption reserve	15	**30.5**	30.5
Retained earnings	15	**10,668.9**	7,370.4
Total shareholders' equity		**10,791.3**	7,493.9

Consolidated cash flow statement

	Notes	2007 £m	2007 £m	2006 £m	2006 £m
Net cash generated from operations					
Cash generated from operations	16		**682.4**		591.5
Interest paid			**(237.5)**		(187.7)
Interest received			**12.4**		7.3
Funding pension scheme deficit			**(3.9)**		(4.9)
Taxation (corporation tax paid)			**(91.9)**		(30.3)
Net cash inflow from operations			**361.5**		375.9
Cash flows from investing activities					
Investment property development expenditure		**(429.4)**		(236.6)	
Acquisition of investment properties		**(523.7)**		(1,429.2)	
Other investment property related expenditure		**(77.2)**		(78.8)	
Acquisition of properties by Property partnerships		**(416.5)**		(6.8)	
Capital expenditure by Property partnerships		**(26.0)**		(22.9)	
Capital expenditure on properties		**(1,472.8)**		(1,774.3)	
Disposal of non-current investment properties		**841.0**		675.5	
Disposal of non-current operating properties		**28.8**		4.1	
Net expenditure on properties		**(603.0)**		(1,094.7)	
Net expenditure on non-property related non-current assets		**(18.8)**		(26.9)	
Net cash outflow from capital expenditure		**(621.8)**		(1,121.6)	
Receivable finance leases acquired		**(43.3)**		(84.8)	
Receipts in respect of receivable finance leases		**3.8**		2.3	
Net loans from / (to) joint ventures and cash contributed		**10.8**		(72.8)	
Distributions from joint ventures		**39.2**		206.6	
Net cash advanced to disposal group		**(372.6)**		-	
Proceeds from disposal of joint venture (Telereal)		**-**		293.0	
Acquisitions of Group undertakings (net of cash acquired)	17	**(521.4)**		(321.2)	
Net cash used in investing activities			**(1,505.3)**		(1,098.5)
Cash flows from financing activities					
Issue of shares		**8.4**		11.9	
Purchase of own share capital		**(36.2)**		(1.9)	
Increase in debt		**1,433.9**		1,221.2	
Debt repaid on acquisition of Group undertaking	17	**-**		(257.9)	
Decrease in finance leases payable		**(2.2)**		(1.2)	
Dividends paid to ordinary shareholders		**(223.0)**		(238.9)	
Net cash inflow from financing activities			**1,180.9**		733.2
Increase in cash and cash equivalents for the year			**37.1**		10.6

Notes to the financial statements

1. Basis of preparation

The financial information included in this Preliminary Announcement is abridged and does not constitute the Company's statutory accounts within the meaning of Section 240 of the Companies Act 1985.

The Annual Report and Accounts for the year ended 31 March 2006 have been filed with the Registrar of Companies, and the Annual Report and Accounts for the year ended 31 March 2007 will be delivered to the Registrar of Companies in due course. The auditors have reported on the Company's statutory accounts for the years ended 31 March 2006 and 31 March 2007. Their reports were unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

The financial information has been prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union. The accounting policies are consistent with those set out in the statutory accounts for the year ended 31 March 2006, as amended to reflect the adoption of new Standards, Amendments to Standards and Interpretations. There are a number of new Standards, Amendments to Standards and Interpretations which are mandatory for the year ended 31 March 2007. In most cases, these new requirements are not relevant to the Group. This is the case for the Amendments to IAS 39, IAS 21 and IFRS 4; to the new Standard IFRS 6; and to the new Interpretations IFRIC 5 and IFRIC 6. In accordance with the requirements of IFRIC 4 'Determining whether an arrangement contains a lease', the Group has reviewed its sales and purchase arrangements to ascertain whether any of them effectively contain a lease with the Group acting as either lessor or lessee. No changes to the accounting treatments of the Group's sales and purchase arrangements have been necessary.

2. Segmental information

Income statements	Retail Portfolio £m	London Portfolio £m	Other investment portfolio £m	Property Partnerships £m	2007 Total £m	Retail Portfolio £m	London Portfolio £m	Other investment portfolio £m	Property Partnerships £m	2006 Total £m
Rental income	279.2	311.6	8.7	-	599.5	255.9	278.5	4.3	-	538.7
Service charge income	46.8	48.6	0.3	-	95.7	38.3	40.0	0.2	-	78.5
Property services income	-	-	-	785.9	785.9	-	-	-	924.8	924.8
Trading property sale proceeds	-	33.1	29.0	1.7	63.8	-	93.8	5.9	-	99.7
Long-term development contract income	-	28.9	51.8	-	80.7	-	95.7	78.4	-	174.1
Finance lease interest	3.5	5.9	-	6.1	15.5	4.4	6.0	-	2.5	12.9
Revenue	329.5	428.1	89.8	793.7	1,641.1	298.6	514.0	88.8	927.3	1,828.7
Rents payable	(11.3)	(4.9)	-	(179.9)	(196.1)	(12.0)	(4.1)	-	(183.9)	(200.0)
Other direct property or contract expenditure	(67.7)	(62.1)	(0.8)	(469.0)	(599.6)	(59.7)	(47.9)	(0.9)	(610.1)	(718.6)
Indirect property or contract expenditure	(31.6)	(30.9)	(5.8)	(16.3)	(84.6)	(32.7)	(28.7)	(4.8)	(8.8)	(75.0)
Long-term development contract expenditure	-	(26.1)	(40.3)	-	(66.4)	-	(74.7)	(77.5)	-	(152.2)
Bid costs	-	-	-	(2.8)	(2.8)	-	-	-	(7.4)	(7.4)
Cost of sales of trading properties	(0.1)	(28.7)	(20.9)	(0.5)	(50.2)	-	(78.0)	(4.2)	-	(82.2)
Depreciation	(1.5)	(4.9)	(0.1)	(26.4)	(32.9)	(1.0)	(4.1)	(0.1)	(20.5)	(25.7)
Underlying operating profit	217.3	270.5	21.9	98.8	608.5	193.2	276.5	1.3	96.6	567.6
Profit on disposal of non-current properties	28.5	81.7	0.5	7.5	118.2	40.1	33.2	0.2	1.0	74.5
Net surplus / (deficit) on revaluation of investment properties	293.6	1,022.0	5.6	(13.6)	1,307.6	636.9	935.5	5.2	1.9	1,579.5
Goodwill impairment	-	-	-	-	-	(64.5)	-	-	-	(64.5)
Profit on disposal of joint venture (Telereal)	-	-	-	-	-	-	-	-	293.0	293.0
Segment result	539.4	1,374.2	28.0	92.7	2,034.3	805.7	1,245.2	6.7	392.5	2,450.1
Credit arising from change in pension scheme benefits					-					8.3
Unallocated expenses					(13.6)					(15.0)
Operating profit					2,020.7					2,443.4
Net finance costs					(220.9)					(194.5)
					1,799.8					2,248.9
Share of the profit of joint ventures (post-tax)					179.3					98.6
Distribution received from joint venture (Telereal)					-					11.7
Profit before tax from continuing activities					1,979.1					2,359.2

Included within rents payable is finance lease interest payable of **£1.9m** (2006: £1.8m) and **£3.1m** (2006: £2.8m) respectively for Retail and London Portfolio.

Of the share of the profit of joint ventures (post-tax) **£182.5m** (2006: £98.6m) is attributable to Retail, and a loss of **£3.2m** (2006: £nil) is attributable to Property Partnerships.

The distribution received from the joint venture (Telereal) for the year ended 31 March 2006 of £11.7m is attributable to Property Partnerships.

2. Segmental information continued

Balance sheets	Retail Portfolio £m	London Portfolio £m	Other investment portfolio £m	Property Partnerships £m	2007 Total £m	Retail Portfolio £m	London Portfolio £m	Other investment portfolio £m	Property Partnerships £m	2006 Total £m
Investment properties	**5,497.7**	**7,329.4**	**64.6**	**427.6**	**13,319.3**	5,514.6	5,856.5	69.4	-	11,440.5
Operating properties	**-**	**-**	**-**	**551.5**	**551.5**	-	-	-	563.2	563.2
Other property, plant and equipment	**9.3**	**8.3**	**5.0**	**55.6**	**78.2**	7.3	6.5	4.7	55.1	73.6
Net investment in finance leases	**63.0**	**104.0**	**-**	**95.4**	**262.4**	73.8	107.1	-	53.0	233.9
Goodwill	**-**	**-**	**-**	**129.6**	**129.6**	-	-	-	34.3	34.3
Investment in equity accounted joint ventures	**1,315.9**	**-**	**17.9**	**5.0**	**1,338.8**	768.5	-	41.2	19.8	829.5
Trading properties and long-term development contracts	**-**	**41.4**	**106.2**	**0.7**	**148.3**	-	150.5	104.3	1.1	255.9
Trade and other receivables	**185.9**	**220.3**	**27.7**	**207.5**	**641.4**	158.7	207.5	9.7	202.7	578.6
Non-current assets classified as held for sale	**-**	**-**	**-**	**2,420.3**	**2,420.3**	-	-	-	-	-
Segment assets	**7,071.8**	**7,703.4**	**221.4**	**3,893.2**	**18,889.8**	6,522.9	6,328.1	229.3	929.2	14,009.5
Unallocated assets					**53.1**					15.9
Total assets					**18,942.9**					14,025.4
Trade and other payables	**(286.7)**	**(160.8)**	**(20.0)**	**(281.8)**	**(749.3)**	(153.4)	(135.0)	(31.5)	(235.6)	(555.5)
Non-current payables	**-**	**-**	**-**	**(80.7)**	**(80.7)**	-	-	-	(58.2)	(58.2)
Liabilities directly associated with non-current assets classified as held for sale	**-**	**-**	**-**	**(1,601.0)**	**(1,601.0)**	-	-	-	-	-
Segment liabilities	**(286.7)**	**(160.8)**	**(20.0)**	**(1,963.5)**	**(2,431.0)**	(153.4)	(135.0)	(31.5)	(293.8)	(613.7)
Unallocated liabilities					**(5,720.6)**					(5,917.8)
Total liabilities					**(8,151.6)**					(6,531.5)
Other segment items										
Capital expenditure	**148.5**	**357.1**	**0.3**	**39.6**	**545.5**	121.3	207.8	0.6	38.7	368.4

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

3. Net finance costs

	2007 £m	2006 £m
Interest expense		
Bond and debenture debt	**(173.1)**	(143.1)
Bank borrowings	**(89.6)**	(56.8)
Other interest payable	**(1.2)**	(1.3)
Fair value profits / (losses) on interest rate swaps	**15.4**	(2.2)
Provision discounting	**(1.0)**	-
Amortisation of bond exchange de-recognition (note 12)	**(17.1)**	(26.6)
Bond exchange de-recognition adjustment written off on redemption of bonds (note 12)	**-**	(1.5)
Expected return on pension scheme assets	**8.6**	7.3
Interest on pension scheme liabilities	**(7.6)**	(7.2)
Net financing income on pension scheme	**1.0**	0.1
	(265.6)	(231.4)
Interest capitalised in relation to properties under development	**32.3**	29.6
Total interest expense	**(233.3)**	(201.8)
Interest income		
Short-term deposits	**1.5**	1.0
Other interest receivable	**2.4**	1.7
Interest receivable from joint ventures	**8.5**	4.6
Total interest income	**12.4**	7.3
Net finance (costs) / income	**(220.9)**	(194.5)

Included within rents payable (note 2) is finance lease interest payable of **£5.0m** (2006: £4.6m).

4. Exceptional items	2007 £m	2006 £m
Profit on disposal of a joint venture (Telereal)	-	293.0
Goodwill impairment	-	(64.5)
Deferred taxation released within joint ventures on conversion to a Real Estate Investment Trust	98.0	-
Exceptional items before tax	98.0	228.5
Taxation on profit on disposal of a joint venture (Telereal)	-	(90.0)
Deferred taxation released on conversion to a Real Estate Investment Trust	2,309.2	-
Real Estate Investment Trust conversion charge	(315.0)	-
	2,092.2	138.5

The exceptional items arising from the Group's conversion to a Real Estate Investment Trust are explained in note 5 below. On 30 September 2005 the Group sold its interest in the Telereal joint venture for £293.0m (net of costs), resulting in an exceptional profit of £293.0m, as the book value of the joint venture was £nil. The tax charge arising on the disposal was £90.0m. Where goodwill arises as a result of recognising deferred tax on a business combination, the goodwill is written off immediately to the income statement. The goodwill impaired arose on the acquisition of Tops Estates PLC on 10 June 2005 and on the assets acquired from Slough Estates PLC on 15 December 2004.

5. Income tax expense	2007 £m	2006 £m
Current tax		
Corporation tax expense for the year	68.8	181.6
Adjustment in respect of prior years	(0.6)	(14.7)
Corporation tax in respect of property disposals	32.0	38.0
Real Estate Investment Trust conversion charge	315.0	-
Total current tax expense	415.2	204.9
Deferred tax		
Origination and reversal of timing differences	32.9	34.6
Released in respect of property disposals	(18.8)	(30.1)
On valuation surplus	330.7	473.9
Released on conversion to a Real Estate Investment Trust	(2,309.2)	-
Total deferred tax (credit) / expense	(1,964.4)	478.4
Total income tax (credit) / expense in the income statement	(1,549.2)	683.3

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

Profit on activities before taxation	1,979.1	2,359.2
Profit on activities multiplied by rate of corporation tax in the UK of 30%	593.7	707.8
Effects of:		
Deferred tax released in respect of property disposals	(18.8)	(34.7)
Corporation tax on disposal of non-current assets	6.0	23.0
Goodwill impairment	-	19.4
Joint venture accounting adjustments	(44.2)	(26.5)
Prior year corporation tax adjustments	(0.6)	(14.7)
Prior year deferred tax adjustments	1.1	0.8
Non-allowable expenses and non-taxable items	7.9	8.2
Real Estate Investment Trust conversion charge	315.0	-
Deferred tax released on conversion to a Real Estate Investment Trust	(2,309.2)	-
Exempt property rental profits in the three months ended 31 March 2007	(89.8)	-
Exempt property gains in the three months ended 31 March 2007	(10.3)	-
Total income tax (credit) / expense in the income statement (as above)	(1,549.2)	683.3

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

The calculation of the Group's tax expense and liability necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until a formal resolution has been reached with the relevant tax authorities. If all such issues are resolved in the Group's favour, provisions established in previous periods of up to £225.0m could be released in the future.

6. Dividends	2007 £m	2006 £m
Ordinary dividends paid		
Final dividend for the year ended 31 March 2006 (28.55p per share)	**133.8**	-
Final dividend for the year ended 31 March 2005 (32.85p per share)	**-**	153.8
Interim dividend for the year ended 31 March 2007 (19.00p per share)	**89.2**	-
Interim dividend for the year ended 31 March 2006 (18.15p per share)	**-**	85.1
	223.0	238.9

The Board has proposed a final dividend of **34.00p** per share (final dividend for the year ended 31 March 2006: 28.55p) which will result in a further distribution of **£159.9m**. It will be paid on 23 July 2007 to shareholders who are on the Register of Members on 22 June 2007.

7. Earnings per share	2007 £m	2006 £m
Profit for the financial year	**3,528.3**	1,675.9
Revaluation surpluses net of deferred taxation – Group	**(976.9)**	(1,105.6)
– joint ventures	**(54.5)**	(73.8)
Profit on non-current property disposals after current and deferred tax	**(105.2)**	(66.5)
Goodwill impairment	**-**	64.5
Deferred tax arising from capital allowances on investment properties	**11.7**	12.2
Mark-to-market adjustment on interest rate swaps (net of deferred tax)	**(13.7)**	1.5
Eliminate effect of bond exchange de-recognition (net of deferred tax)	**13.3**	19.7
Eliminate effect of debt restructuring charges (net of taxation)	**13.4**	-
Deferred tax arising from capitalised interest on investment properties	**5.8**	7.2
Credit arising from change in pension scheme benefits (net of deferred tax)	**-**	(5.8)
Real Estate Investment Trust conversion charge	**315.0**	-
Deferred tax released on conversion to a Real Estate Investment Trust – Group	**(2,309.2)**	-
– joint ventures	**(98.0)**	-
Profit on disposal of joint venture (net of taxation)	**-**	(203.0)
Adjustment to restate the Group’s share of Telereal’s earnings from a distribution to an equity basis	**-**	5.0
Adjusted earnings	**330.0**	331.3

	No. m	No. m
Weighted average number of ordinary shares	**469.8**	468.5
Effect of own shares and treasury shares	**(1.6)**	(0.3)
Weighted average number of ordinary shares after adjusting for own shares	**468.2**	468.2
Effect of dilutive share options	**1.9**	1.9
Weighted average number of ordinary shares adjusted for dilutive instruments	**470.1**	470.1

	pence	pence
Basic earnings per share	**753.59**	357.95
Diluted earnings per share	**750.54**	356.50
Adjusted earnings per share	**70.48**	70.76
Adjusted diluted earnings per share	**70.20**	70.47

Management have chosen to disclose adjusted earnings per share in order to provide an indication of the Group’s underlying business performance. Accordingly, it excludes the effect of all exceptional items, debt restructuring charges, the one-off benefit from the pension scheme changes and other items of a capital nature (excluding trading properties and long-term contract profits) as indicated above. In addition, the corporation tax charge arising from the conversion to a REIT, and the deferred tax released following the conversion to a REIT, have also been excluded due to their size and incidence. Further, prior to the conversion to a REIT, the deferred tax arising on capital allowances in respect of investment properties was eliminated as experience had shown that these allowances are not in practice repayable, and deferred tax on capitalised interest was also added back as this was effectively a permanent difference.

8. Net assets per share

	2007 £m	2006 £m
Net assets attributable to equity shareholders	**10,791.3**	7,493.9
Deferred tax arising on revaluation surpluses	**-**	1,739.7
Cumulative mark-to-market adjustment on interest rate swaps (net of deferred tax) – Group	**(14.4)**	5.4
– joint ventures	**(9.2)**	3.2
Deferred tax arising from capital allowances on investment properties	**-**	116.8
Deferred tax arising from capitalised interest on investment properties	**-**	28.2
Reverse bond exchange de-recognition adjustment (net of deferred tax)	**(519.1)**	(375.3)
Adjusted net assets attributable to equity shareholders	**10,248.6**	9,011.9

	No. m	No. m
Number of ordinary shares	**470.4**	469.3
Effect of own shares and treasury shares	**(2.1)**	(0.3)
Number of ordinary shares after adjusting for own shares	**468.3**	469.0
Effect of dilutive share options	**1.6**	2.1
Number of ordinary shares adjusted for dilutive instruments	**469.9**	471.1

	pence	pence
Net assets per share	**2304**	1597
Diluted net assets per share	**2297**	1590
Adjusted net assets per share	**2188**	1920
Adjusted diluted net assets per share	**2181**	1912

Adjusted net assets per share excludes the deferred tax arising on revaluation surpluses, mark-to-market adjustments on financial instruments used for hedging purposes and the bond exchange de-recognition adjustment as management consider that this better represents the expected future cash flows of the Group. In previous years, the deferred tax arising on capital allowances in respect of investment properties was excluded as experience had shown that these allowances do not in practice crystallise. Deferred tax on capitalised interest was also added back as this was effectively a permanent difference, this is no longer the case as the Group is a REIT.

9. Non-current assets

	Property investment			Property partnerships	Other	
	Portfolio management £m	Development programme £m	Total investment properties £m	Operating and investment properties £m	Other property, plant and equipment £m	Total £m
Net book value at 1 April 2005	**7,484.5**	**755.6**	**8,240.1**	**546.3**	**57.9**	**8,844.3**
Properties transferred from portfolio management into the development programme during the year (at 1 April 2005 valuation)	(102.4)	102.4	-	-	-	-
Developments completed, let and transferred from the development programme into portfolio management during the year	271.6	(271.6)	-	-	-	-
Property acquisitions	1,414.1	24.7	1,438.8	-	-	1,438.8
Acquisitions through business combinations	592.6	-	592.6	6.8	-	599.4
Capital expenditure	78.8	239.3	318.1	22.9	27.4	368.4
Capitalised interest	-	24.5	24.5	-	-	24.5
Disposals	(641.8)	(7.8)	(649.6)	(3.1)	(0.5)	(653.2)
Transfer to trading properties	(84.7)	-	(84.7)	-	-	(84.7)
Surrender premiums received	(14.0)	-	(14.0)	-	-	(14.0)
Depreciation	(2.9)	-	(2.9)	(11.6)	(11.2)	(25.7)
Surplus on revaluation	1,215.4	362.2	1,577.6	1.9	-	1,579.5
Net book value at 31 March 2006	**10,211.2**	**1,229.3**	**11,440.5**	**563.2**	**73.6**	**12,077.3**
Properties transferred from portfolio management into the development programme during the year (at 1 April 2006 valuation)	(219.0)	219.0	-	-	-	-
Developments completed, let and transferred from the development programme into portfolio management during the year	60.8	(60.8)	-	-	-	-
Property acquisitions	510.0	13.7	523.7	440.7	-	964.4
Capital expenditure	77.2	422.1	499.3	27.2	19.0	545.5
Capitalised interest	-	29.8	29.8	-	-	29.8
Disposals	(643.5)	(5.6)	(649.1)	(23.0)	(0.2)	(672.3)
Transfer to joint ventures	(266.5)	-	(266.5)	-	-	(266.5)
Surrender premiums received	(3.9)	-	(3.9)	-	-	(3.9)
Depreciation	(3.3)	-	(3.3)	(15.4)	(14.2)	(32.9)
Surplus on revaluation	884.4	436.8	1,321.2	(13.6)	-	1,307.6
Net book value at 31 March 2007	**10,607.4**	**2,284.3**	**12,891.7**	**979.1**	**78.2**	**13,949.0**

9. Non-current assets continued

The following table reconciles the net book value of the investment properties (excluding those within Land Securities Trillium) to the market value. The components of the reconciliation are included within their relevant balance sheet headings.

	Property investment		
	Portfolio management £m	Development programme £m	Total investment properties £m
Net book value at 31 March 2006	10,211.2	1,229.3	11,440.5
Plus: amount included in prepayments in respect of lease incentives	76.8	4.6	81.4
Less: head leases capitalised	(66.1)	(8.5)	(74.6)
Plus: properties treated as finance leases	171.7	-	171.7
Market value at 31 March 2006 – Group	10,393.6	1,225.4	11,619.0
– plus: share of joint ventures (note 10)			1,273.9
Market value at 31 March 2006 – Group and share of joint ventures			**12,892.9**

	Property investment		
	Portfolio management £m	Development programme £m	Total investment properties £m
Net book value at 31 March 2007	**10,607.4**	**2,284.3**	**12,891.7**
Plus: amount included in prepayments in respect of lease incentives	**93.6**	**37.4**	**131.0**
Less: head leases capitalised	**(61.6)**	**(9.4)**	**(71.0)**
Plus: properties treated as finance leases	**163.1**	**-**	**163.1**
Market value at 31 March 2007 – Group	**10,802.5**	**2,312.3**	**13,114.8**
– plus: share of joint ventures (note 10)			1,637.7
Market value at 31 March 2007 – Group and share of joint ventures			**14,752.5**

Included in investment properties are leasehold properties with a net book value of **£1,485.5m** (2006: £1,419.8m).

In accordance with IFRS1 'First time adoption of International Reporting Standards' and IAS 17 'Leases', the Group has reviewed the classification of all leases at the opening balance sheet date of 1 April 2004. In reviewing leases of land and buildings in accordance with IAS 17 the land and buildings elements of the lease need to be considered separately. On this basis, leases on 43 properties entered into between 1923 and 2003 were reclassified as finance leases in these accounts. This resulted in an increase in fixed assets of £77.2m and a finance lease creditor of the same amount at first time adoption on 1 April 2004. At 31 March 2007 leases on **28** properties (2006: 34) entered into between 1958 and 2005 were classified as finance leases. The corresponding increase in fixed assets and finance lease creditor was **£71.0m** (2006: £74.6m). Operating lease expense has reduced by **£7.2m** (2006: £5.8m).

The fair value of the Group's investment properties at 31 March 2007 has been arrived at on the basis of a valuation carried out at that date by Knight Frank LLP, independent valuers, with the exception of properties acquired from the Royal Mail in February 2007 with a value of £97.8m, which have been valued at cost (excluding acquisition costs) by the Directors. The valuation by Knight Frank LLP, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties. Included within Property partnerships operating and investment properties are investment properties with a market value of **£427.6m** (2006: £27.1m). Fixed asset properties include capitalised interest of **£145.6m** (2006: £115.8m). The average rate of capitalisation is **5.5%** (2006: 5.5%). The historical cost of investment properties is **£7,210.6m** (2006: £6,265.5m). The current value of investment properties in respect of proposed developments is **£329.3m** (2006: £383.8m). Developments are transferred out of the development programme when physically complete and 95% let. The scheme completed during the year was Kingsway West Phase III, Dundee. The property rental income earned by the Group from its investment properties amounted to **£599.5m** (2006: £537.2m).

10. Investments in joint ventures

Year ended 31/03/07 and at 31/03/07

Summary financial information of Group's share of joint ventures	Scottish Retail Property Limited Partnership £m	Metro Shopping Fund LP £m	Buchanan Galleries Partnership £m	St David's Limited Partnership £m	Martineau Galleries Limited Partnership £m	The Bull Ring Limited Partnership £m	Bristol Alliance £m	Other[1] £m	Telereal £m	Total £m
Income statement										
Rental income	20.6	13.3	10.2	2.0	1.4	15.1	3.3	1.7	-	67.6
Service charges income	4.5	3.2	1.4	0.2	0.3	2.6	-	0.2	-	12.4
Property services income	-	-	-	-	-	-	-	1.6	-	1.6
Trading property sale proceeds	-	-	-	-	-	-	-	-	-	-
Revenue	25.1	16.5	11.6	2.2	1.7	17.7	3.3	3.5	-	81.6
Rents payable	(0.2)	-	-	-	(0.1)	-	-	-	-	(0.3)
Other direct property expenditure	(8.4)	(4.3)	(2.4)	(0.4)	(0.8)	(4.5)	(0.2)	(3.8)	-	(24.8)
Indirect property expenditure	(1.4)	(1.0)	(0.1)	-	-	(0.2)	(0.1)	(0.9)	-	(3.7)
Cost of sales of trading properties	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	(0.1)	-	(0.1)
	15.1	11.2	9.1	1.8	0.8	13.0	3.0	(1.3)	-	52.7
Profit on disposal of non-current properties	-	-	-	-	-	-	-	0.2	-	0.2
Net surplus on revaluation of investment properties	6.3	23.0	10.2	2.6	2.0	23.8	6.9	0.3	-	75.1
Operating profit / (loss)	21.4	34.2	19.3	4.4	2.8	36.8	9.9	(0.8)	-	128.0
Net finance (costs) / income	(11.7)	(10.9)	(3.4)	0.2	0.2	0.1	0.4	(0.4)	-	(25.5)
Profit / (loss) before tax	9.7	23.3	15.9	4.6	3.0	36.9	10.3	(1.2)	-	102.5
Income tax (expense) / credit										
- ordinary	(2.7)	(6.2)	(3.5)	(1.2)	(0.6)	(5.6)	(1.1)	(0.3)	-	(21.2)
- exceptional	17.7	16.9	6.9	1.2	1.9	44.9	8.1	0.4	-	98.0
Profit / (loss) after tax	24.7	34.0	19.3	4.6	4.3	76.2	17.3	(1.1)	-	179.3
Balance sheet										
Investment properties[2]	357.2	301.0	185.1	213.2	25.0	319.6	197.3	32.9	-	1,631.3
Current assets	15.2	9.8	7.5	116.3	3.0	10.7	15.5	27.1	-	205.1
	372.4	310.8	192.6	329.5	28.0	330.3	212.8	60.0	-	1,836.4
Current liabilities	(4.5)	(5.2)	(4.0)	(21.2)	(0.6)	(9.2)	(11.8)	(5.3)	-	(61.8)
Non-current liabilities	(222.1)	(210.3)	-	(0.2)	-	-	(2.4)	(0.8)	-	(435.8)
Deferred tax	-	-	-	-	-	-	-	-	-	-
	(226.6)	(215.5)	(4.0)	(21.4)	(0.6)	(9.2)	(14.2)	(6.1)	-	(497.6)
Net assets	**145.8**	**95.3**	**188.6**	**308.1**	**27.4**	**321.1**	**198.6**	**53.9**	**-**	**1,338.8**
Capital commitments	**0.6**	**1.1**	**1.3**	**1.9**	**-**	**-**	**129.3**	**-**	**-**	**134.2**
Market value of investment properties[2]	**351.4**	**299.3**	**189.3**	**213.3**	**26.2**	**325.0**	**200.5**	**32.7**	**-**	**1,637.7**
Net investment										
At 1 April 2006	105.2	81.0	173.0	0.8	23.1	259.3	118.5	68.6	-	829.5
Properties contributed	-	-	-	267.6	-	-	-	-	-	267.6
Cash contributed	9.5	6.8	1.4	35.1	-	0.3	-	2.5	-	55.6
Cost of acquisition	-	-	-	-	-	-	-	0.5	-	0.5
Share of post-tax results	24.7	34.0	19.3	4.6	4.3	76.2	17.3	(1.1)	-	179.3
Distributions	-	(29.6)	(5.1)	-	-	-	-	(4.5)	-	(39.2)
Fair value movement on cash flow hedges taken to equity	6.4	3.1	-	-	-	-	-	-	-	9.5
Transferred to goodwill	-	-	-	-	-	-	-	(12.1)	-	(12.1)
Loan advances	-	-	-	-	-	-	67.0	-	-	67.0
Loan repayments	-	-	-	-	-	(14.7)	(4.2)	-	-	(18.9)
At 31 March 2007	**145.8**	**95.3**	**188.6**	**308.1**	**27.4**	**321.1**	**198.6**	**53.9**	**-**	**1,338.8**

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

10. Investments in joint ventures continued

Year ended 31/03/06 and at 31/03/06

Summary financial information of Group's share of joint ventures	Scottish Retail Property Limited Partnership £m	Metro Shopping Fund LP £m	Buchanan Galleries Partnership £m	Parc Tawe £m	Martineau Galleries Limited Partnership £m	The Bull Ring Limited Partnership £m	Bristol Alliance £m	Other[1] £m	Telereal £m	Total £m
Income statement										
Rental income	20.8	11.8	9.1	0.5	1.3	14.6	3.5	0.5	-	62.1
Service charges income	4.8	2.3	1.5	-	0.4	2.1	-	-	-	11.1
Property services income	-	-	-	-	-	-	-	-	80.8	80.8
Trading property sale proceeds	-	-	-	-	-	-	-	-	5.5	5.5
Revenue	25.6	14.1	10.6	0.5	1.7	16.7	3.5	0.5	86.3	159.5
Rents payable	-	-	-	-	(0.1)	-	-	-	(17.1)	(17.2)
Other direct property expenditure	(8.8)	(3.2)	(2.5)	(0.1)	(1.2)	(4.0)	(0.5)	-	-	(20.3)
Indirect property expenditure	(1.0)	(0.6)	(0.1)	-	-	(0.3)	(0.3)	-	(7.6)	(9.9)
Cost of sales of trading properties	-	-	-	-	-	-	-	-	(1.3)	(1.3)
Depreciation	-	-	-	-	-	-	-	-	(7.1)	(7.1)
	15.8	10.3	8.0	0.4	0.4	12.4	2.7	0.5	53.2	103.7
Profit on disposal of non-current properties	-	-	-	-	-	(0.2)	-	0.1	0.9	0.8
Net surplus on revaluation of investment properties	20.7	23.2	14.4	0.1	(0.3)	31.3	15.7	0.4	-	105.5
Operating profit / (loss)	36.5	33.5	22.4	0.5	0.1	43.5	18.4	1.0	54.1	210.0
Net finance (costs) / income	(10.8)	(9.4)	(4.3)	-	0.1	0.1	0.3	(0.3)	(32.9)	(57.2)
Profit / (loss) before tax	25.7	24.1	18.1	0.5	0.2	43.6	18.7	0.7	21.2	152.8
Income tax (expense) / credit										
- ordinary	(6.5)	(7.8)	(4.3)	-	0.1	(9.7)	(4.7)	(0.1)	(4.5)	(37.5)
- exceptional	-	-	-	-	-	-	-	-	-	-
Profit / (loss) after tax	19.2	16.3	13.8	0.5	0.3	33.9	14.0	0.6	16.7	115.3
Adjustment due to net liabilities	-	-	-	-	-	-	-	-	(16.7)	(16.7)
Share of profits of joint ventures after tax	**19.2**	**16.3**	**13.8**	**0.5**	**0.3**	**33.9**	**14.0**	**0.6**	**-**	**98.6**
Distribution received from Telereal									11.7	11.7
Balance sheet										
Investment properties[2]	345.3	275.9	173.9	21.4	22.8	297.2	120.7	11.2	-	1,268.4
Current assets	12.0	7.8	6.6	3.9	2.0	10.6	16.3	39.0	-	98.2
	357.3	283.7	180.5	25.3	24.8	307.8	137.0	50.2	-	1,366.6
Current liabilities	(17.7)	(8.5)	(4.2)	(0.4)	(0.4)	(4.9)	(9.2)	(5.6)	-	(50.9)
Non-current liabilities	(221.2)	(184.0)	-	-	-	-	(2.4)	-	-	(407.6)
Deferred tax	(13.2)	(10.2)	(3.3)	-	(1.3)	(43.6)	(6.9)	(0.1)	-	(78.6)
	(252.1)	(202.7)	(7.5)	(0.4)	(1.7)	(48.5)	(18.5)	(5.7)	-	(537.1)
Net assets	**105.2**	**81.0**	**173.0**	**24.9**	**23.1**	**259.3**	**118.5**	**44.5**	**-**	**829.5**
Capital commitments	**-**	**-**	**-**	**-**	**-**	**-**	**153.2**	**-**	**-**	**153.2**
Market value of investment properties[2]	**339.2**	**274.1**	**177.5**	**21.4**	**23.8**	**303.0**	**123.7**	**11.2**	**-**	**1,273.9**

10. Investments in joint ventures continued

Net investment										
At 1 April 2005	293.6	39.6	163.5	-	23.5	238.2	82.0	14.5	-	854.9
Properties contributed	-	-	-	-	-	-	-	6.4	-	6.4
Cash contributed	-	24.7	-	24.8	-	-	-	0.8	-	50.3
Cost of acquisition	-	-	-	-	-	-	-	26.5	-	26.5
Share of post-tax results	19.2	16.3	13.8	0.5	0.3	33.9	14.0	0.6	16.7	115.3
Adjustment to restate the Group's share of Telereal's earnings from an equity to a distribution basis	-	-	-	-	-	-	-	-	(5.0)	(5.0)
Distributions	(185.9)	(1.5)	(4.3)	(0.4)	(1.5)	-	-	(1.3)	(11.7)	(206.6)
Fair value movement on cash flow hedges taken to equity	(1.8)	(0.1)	-	-	-	-	-	-	-	(1.9)
Loan advances	-	2.0	-	-	0.8	-	27.5	-	-	30.3
Loan repayments	(19.9)	-	-	-	-	(12.8)	(5.0)	(3.0)	-	(40.7)
At 31 March 2006	**105.2**	**81.0**	**173.0**	**24.9**	**23.1**	**259.3**	**118.5**	**44.5**	**-**	**829.5**

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

11. Non-current assets classified as held for sale

	2007 £m	2006 £m
Non-current assets classified as held for sale	**2,420.3**	-
Liabilities directly associated with non-current assets classified as held for sale	**(1,601.0)**	-
	819.3	-

SMIF was acquired on 5 February 2007 for £517.0m. SMIF includes a number of PPP contracts which the Group acquired exclusively with a view to being resold to third party investors, while maintaining a minority share. The Group announced at the time of the acquisition that these PPP contracts would be sold, and an Investment Bank has been appointed to execute the disposal strategy. The PPP contracts are available for immediate sale in their present condition, although a new fund or similar vehicle may be created for the purposes of the disposal. The expected timetable for completion of the divestment is October to December 2007. Accordingly, these PPP contracts have been designated as a disposal group. The net carrying value of the disposal group is based on its fair value less costs to sell at the date of acquisition, as adjusted to reflect cash advanced to the disposal group to enable it to repay external debt (£397.6m) and cash returned from the disposal group prior to the year end (£25.0m). The disposal group represents a discontinued operation, and the Group has not recognised any profits or losses in respect of this discontinued operation for the period from acquisition to 31 March 2007. SMIF is held in the Property Partnerships segment.

12. Borrowings

At 31/03/07

	Nominal / notional value [7] £m	Book value Secured £m	Unsecured £m	Total £m	Fixed / floating [9]	Effective interest rate %	Weighted average time for which interest rate is fixed Years	Fair value[10] £m	Excess of fair value over book value £m
Sterling									
5.016 per cent Notes due 2007 [1]	181.7	181.7	-	181.7	Fixed	5.0	0.1	181.6	(0.1)
4.625 per cent Notes due 2013 [1]	300.0	299.6	-	299.6	Fixed	4.6	5.9	288.5	(11.1)
5.292 per cent Notes due 2015 [1]	391.5	390.7	-	390.7	Fixed	5.3	8.7	384.3	(6.4)
4.875 per cent Notes due 2019 [1]	400.0	395.7	-	395.7	Fixed	4.9	12.6	379.1	(16.6)
5.425 per cent Notes due 2022 [1]	255.3	254.4	-	254.4	Fixed	5.4	15.0	255.4	1.0
4.875 per cent Notes due 2025 [1]	300.0	296.9	-	296.9	Fixed	4.9	18.0	286.2	(10.7)
5.391 per cent Notes due 2026 [1]	210.7	209.8	-	209.8	Fixed	5.4	18.9	213.2	3.4
5.391 per cent Notes due 2027 [1]	611.3	608.3	-	608.3	Fixed	5.4	20.0	614.8	6.5
5.376 per cent Notes due 2029 [1]	317.9	316.2	-	316.2	Fixed	5.4	22.5	324.5	8.3
5.396 per cent Notes due 2032 [1]	322.9	321.0	-	321.0	Fixed	5.4	25.4	331.3	10.3
5.125 per cent Notes due 2036 [1]	500.0	498.4	-	498.4	Fixed	5.1	28.9	498.0	(0.4)
Bank facility due 2010	15.5	15.5	-	15.5	Floating	5.7	0.1	15.5	-
Euro Commercial Paper [2]	139.2	-	139.2	139.2	Floating	5.4	-	139.2	-
DWP term loan [3]	173.1	173.1	-	173.1	Floating	5.7	0.5	173.1	-
Syndicated bank debt [4]	183.0	183.0	-	183.0	Floating	5.5	-	183.0	-
Bi-lateral facility [5]	885.6	885.6	-	885.6	Floating	5.9	0.4	885.6	-
Acquisition loan notes [6]	114.4	-	114.4	114.4	Floating	4.4	0.5	114.4	-
Money market borrowings	192.0	-	192.0	192.0	Floating	5.5	0.1	192.0	-
	5,494.1	5,029.9	445.6	5,475.5				5,459.7	(15.8)
Euro									
Bi-lateral facility	26.9	26.9	-	26.9	Floating	4.0	0.2	26.9	-
Euro Commercial Paper [2]	41.1	-	41.1	41.1	Floating	5.6	0.3	41.1	-
	68.0	26.9	41.1	68.0				68.0	-
Swiss Francs									
Euro Commercial Paper [2]	21.0	-	21.0	21.0	Floating	5.5	-	21.0	-
Yen									
Euro Commercial Paper [2]	38.8	-	38.8	38.8	Floating	5.4	-	38.8	-
Amounts payable under finance leases	71.0	71.0	-	71.0	Fixed	5.5	86.9	79.2	8.2
	5,692.9	5,127.8	546.5	5,674.3				5,666.7	(7.6)
Fair value of derivative instruments									
Interest rate swaps									
Qualifying hedges	195.6	-	(2.4)	(2.4)		4.9	3.2	(2.4)	-
Non-qualifying hedges	1,205.0	-	(12.0)	(12.0)		5.1	10.1	(12.0)	-
Cross-currency swaps – qualifying hedges	100.9	-	(0.2)	(0.2)		5.8	0.3	(0.2)	-
	1,501.5	-	(14.6)	(14.6)				(14.6)	-
Bond exchange de-recognition adjustment [8]		(519.1)	-	(519.1)				-	519.1
Total borrowings		4,608.7	531.9	5,140.6				5,652.1	511.5
Less: borrowings falling due within one year [5]				(1,687.4)					
Plus: bond exchange de-recognition falling due within one year				6.3					
Less: amounts payable under finance leases falling due within one year				(2.1)					
				3,457.4					

12. Borrowings continued

At 31/03/06

	Nominal / notional value [7] £m	Book value Secured £m	Book value Unsecured £m	Book value Total £m	Fixed / floating [9]	Effective interest rate %	Weighted average time for which interest rate is fixed Years	Fair value[10] £m	Excess of fair value over book value £m
Sterling									
5.016 per cent Notes due 2007 [1]	181.7	181.6	-	181.6	Fixed	5.0	1.1	186.0	4.4
4.625 per cent Notes due 2013 [1]	300.0	299.5	-	299.5	Fixed	4.6	6.9	298.2	(1.3)
5.292 per cent Notes due 2015 [1]	391.5	390.6	-	390.6	Fixed	5.3	9.7	406.4	15.8
4.875 per cent Notes due 2019 [1]	400.0	395.4	-	395.4	Fixed	4.9	13.6	404.5	9.1
5.425 per cent Notes due 2022 [1]	255.3	254.3	-	254.3	Fixed	5.4	16.0	268.3	14.0
5.391 per cent Notes due 2026 [1]	210.7	209.7	-	209.7	Fixed	5.4	19.9	226.0	16.3
5.391 per cent Notes due 2027 [1]	611.3	608.2	-	608.2	Fixed	5.4	21.0	655.3	47.1
5.376 per cent Notes due 2029 [1]	317.9	316.2	-	316.2	Fixed	5.4	23.5	343.4	27.2
5.396 per cent Notes due 2032 [1]	322.9	320.9	-	320.9	Fixed	5.4	26.4	353.2	32.3
Bank facility due 2010	15.5	15.4	-	15.4	Floating	5.3	0.1	15.4	-
DWP term loan [3]	260.0	248.8	-	248.8	Floating	4.7	0.5	260.0	11.2
Syndicated bank debt [4]	750.0	748.4	-	748.4	Floating	5.0	-	750.0	1.6
Acquisition loan notes [6]	122.8	-	122.8	122.8	Floating	4.5	0.5	122.8	-
Money market borrowings	43.6	-	43.6	43.6	Floating	5.1	-	43.6	-
	4,183.2	3,989.0	166.4	4,155.4				4,333.1	177.7
Amounts payable under finance leases	74.6	74.6	-	74.6	Fixed	5.5	85.2	85.2	10.6
	4,257.8	4,063.6	166.4	4,230.0				4,418.3	188.3
Fair value of derivative instruments									
Interest rate swaps									
Qualifying hedges	243.2	-	4.3	4.3		4.9	2.8	4.3	-
Non-qualifying hedges	615.0	-	3.4	3.4		5.1	4.3	3.4	-
	858.2	-	7.7	7.7				7.7	-
Bond exchange de-recognition		(536.2)	-	(536.2)				-	536.2
Total borrowings		3,527.4	174.1	3,701.5				4,426.0	724.5
Less: borrowings falling due within one year [5]				(176.1)					
Plus: bond exchange de-recognition falling due within one year				15.6					
Less: amounts payable under finance leases falling due within one year				(3.1)					
				3,537.9					

(1) The Notes and the committed bank facilities are secured on a fixed and floating pool of assets ('the Security Group'). This grants the Group's investors security over a pool of investment properties valued at **£11.6bn** at 31 March 2007 (2006: £9.4bn). The amount borrowed against these assets was **£5,126.9m** (2006: £3,741.3m). The secured debt structure has a tiered covenant regime which gives the Group substantial operational flexibility when the loan to value and interest rate cover in the Security Group are less than 65% and more than 1.45 times respectively. If these limits are exceeded, operational restrictions increase significantly and could act as an incentive to reduce gearing.
(2) Euro Commercial Paper is unsecured. However, the amount drawn is required to be supported by an unutilised committed bank facility, which is a secured facility.
(3) The DWP term loan was refinanced in December 2006 and expires in December 2017. It is secured on the freehold and long leasehold properties acquired from the Department for Work and Pensions. The carrying amount of the properties concerned was **£380.4m** at 31 March 2007 (2006: £388.1m).
(4) At 31 March 2007, the Group had a £1.5bn syndicated bank facility. In August 2006, the Group refinanced its syndicated bank facility with the effect of extending its maturity to August 2013. The facility is committed and secured on the assets of the Security Group. The maturity profile is calculated on the basis that it is the Group's intention to retain the existing loans or that the existing loans will be refinanced or rescheduled with the same financial institutions under the terms of the facility.
(5) In December 2006 the Group entered into a £1.0bn bi-lateral facility relating to the acquisition of SMIF, which is due to mature in December 2007, although the Group has an option to term it out for a further year. The facility is committed and secured on the assets of the Security Group. This debt has been classified as maturing within one year as this is the Group's current intention.
(6) The acquisition loan notes were issued by Retail Property Holdings Trust Limited, a subsidiary of the Group, as partial consideration for the purchase of Tops Estates PLC and the LxB portfolio. The notes are unsecured, however, they have the benefit of a commercial bank guarantee. Interest is calculated with reference to six month LIBOR. The notes are due to be redeemed in 2015, however the holders of the notes can request redemption in full at the next interest payment date with at least 30 days notice. Accordingly, the notes have been classified as current liabilities. In the prior year these notes, which had a carrying value of £122.8m, were shown as non-current liabilities but the comparatives in these accounts have been amended to show them as current.
(7) For foreign currency amounts, the nominal / notional value is the Sterling equivalent of the principal amount at 31 March.

12. Borrowings continued

(8) On 3 November 2004, a debt refinancing was completed resulting in the Group exchanging all of its outstanding bond and debenture debt for new Notes. The new Notes do not meet the IAS 39 requirement to be substantially different from the debt that it replaced. Consequently the book value of the new Notes is reduced to the book value of the original debt ('the bond exchange de-recognition adjustment'). The adjustment will be amortised to zero over the life of the new Notes.
(9) Before the effect of derivative instruments.
(10) The Group's Notes are listed on the Irish Stock Exchange and their fair values are based on their respective market prices. The fair value of interest rate swaps is based on the market price of comparable instruments at the balance sheet date. The fair values of short-term deposits, loans and overdrafts are assumed to approximate to their book values, as are the values of longer-term, floating rate bank loans.

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

			2007			2006
	Fixed rate £m	**Floating rate £m**	**Total £m**	Fixed rate £m	Floating rate £m	Total £m
Sterling	**5,439.8**	**207.6**	**5,647.4**	3,909.2	320.8	4,230.0
Euro	**-**	**26.9**	**26.9**	-	-	-
	5,439.8	**234.5**	**5,674.3**	3,909.2	320.8	4,230.0

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

			2007			2006
	Fixed rate £m	**Floating rate £m**	**Total £m**	Fixed rate £m	Floating rate £m	Total £m
One year or less, or on demand	**1,457.2**	**234.5**	**1,691.7**	12.5	166.4	178.9
More than one year but no more than two years	**2.3**	**-**	**2.3**	196.5	-	196.5
More than two years but no more than five years	**22.0**	**-**	**22.0**	71.6	-	71.6
More than five years	**3,958.3**	**-**	**3,958.3**	3,628.6	154.4	3,783.0
	5,439.8	**234.5**	**5,674.3**	3,909.2	320.8	4,230.0

The expiry periods of the Group's undrawn committed borrowing facilities are:

	Undrawn committed facilities	
	2007 £m	2006 £m
More than two years but no more than five years	**2.0**	1,252.0
More than five years	**1,317.0**	-
	1,319.0	1,252.0

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

			2007			2006
	Interest rate swaps £m	**Foreign currency swaps £m**	**Total £m**	Interest rate swaps £m	Foreign currency swaps £m	Total £m
One year or less	**274.9**	**100.9**	**375.8**	17.2	-	17.2
More than one year but no more than two years	**178.9**	**-**	**178.9**	246.7	-	246.7
More than two years but no more than five years	**867.3**	**-**	**867.3**	458.6	-	458.6
More than five years	**79.5**	**-**	**79.5**	135.7	-	135.7
	1,400.6	**100.9**	**1,501.5**	858.2	-	858.2

Financial risk management
Financial risk factors
The Group's operations and debt financing expose it to a variety of financial risks that include the effects of changes in debt market prices, credit, liquidity and currency risks, and interest rates.

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

Credit risk
The Group's principal financial assets are bank balances and cash, trade and other receivables, finance lease receivables and short-term investments. The Group's credit risk is primarily attributable to its trade and finance lease receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables concerned. The credit risk on liquid funds and derivative financial instruments is limited due to the Group's policy of monitoring counterparty exposures. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties.

12. Borrowings continued

Liquidity risk
The Group actively maintains a mixture of long-term and short-term committed facilities that are designed to ensure that the Group has sufficient available funds for operations and planned future investments.

Currency risk
The Group is able to issue Commercial Paper in currencies other than Sterling. In such cases, currency swaps are taken out to fix the Sterling value of the debt.

13. Net pension benefit obligations	2007 £m	2006 £m
Analysis of the movement in the balance sheet deficit		
At the beginning of the year	**6.5**	10.9
Charge / (credit) to operating profit	**2.7**	(4.4)
Expected return on plan assets	**(8.6)**	(7.3)
Interest on schemes' liabilities	**7.6**	7.2
Employer contributions	**(3.9)**	(4.9)
Actuarial losses	**1.3**	5.0
At the end of the year	**5.6**	6.5

14. Deferred taxation	2007 £m	2006 £m
Deferred tax is provided as follows:		
Excess of capital allowances over depreciation – investment properties	**-**	116.8
– operating properties	**4.4**	31.1
Capitalised interest – investment properties	**-**	23.9
– operating properties	**0.9**	2.6
Revaluation surpluses – own	**-**	1,580.9
– acquired	**-**	83.3
Tax losses	**-**	(12.2)
Other temporary differences	**(1.3)**	141.4
Total deferred tax	**4.0**	1,967.8

15. Total shareholders' equity

	Ordinary shares £m	Own shares £m	Share-based payments £m	Share premium £m	Capital redemption reserve £m	Retained earnings * £m	Total £m
At 1 April 2005	46.8	(2.1)	3.3	31.4	30.5	5,940.4	6,050.3
Exercise of options	0.1	-	-	11.8	-	-	11.9
Fair value movement on cash flow hedges – Group	-	-	-	-	-	(1.6)	(1.6)
– joint ventures	-	-	-	-	-	(1.9)	(1.9)
Fair value of share-based payments	-	-	3.6	-	-	-	3.6
Own shares acquired	-	(1.9)	-	-	-	-	(1.9)
Cost of shares awarded to employees	-	0.6	(0.6)	-	-	-	-
Actuarial losses on defined benefit pension schemes	-	-	-	-	-	(3.5)	(3.5)
Dividend paid (note 6)	-	-	-	-	-	(238.9)	(238.9)
Profit for the financial year	-	-	-	-	-	1,675.9	1,675.9
At 31 March 2006	**46.9**	**(3.4)**	**6.3**	**43.2**	**30.5**	**7,370.4**	**7,493.9**
Exercise of options	0.1	-	-	8.3	-	-	8.4
Fair value movement on cash flow hedges – Group	-	-	-	-	-	5.1	5.1
– joint ventures	-	-	-	-	-	9.5	9.5
Fair value of share-based payments	-	-	5.6	-	-	-	5.6
Own shares acquired	-	(15.1)	-	-	-	(21.1)	(36.2)
Cost of shares awarded to employees	-	4.0	(4.0)	-	-	-	-
Actuarial losses on defined benefit pension schemes	-	-	-	-	-	(0.3)	(0.3)
Dividend paid (note 6)	-	-	-	-	-	(223.0)	(223.0)
Profit for the financial year	-	-	-	-	-	3,528.3	3,528.3
At 31 March 2007	**47.0**	**(14.5)**	**7.9**	**51.5**	**30.5**	**10,668.9**	**10,791.3**

* Included within retained earnings is **£14.6m** (2006: £3.5m loss; 2005: £nil) of gains in respect of cash flow hedges.
Own shares represent the cost of shares purchased in Land Securities Group PLC by the Employee Share Ownership Plan ('ESOP') which is operated by the Group in respect of its commitment to the Deferred Bonus Shares Scheme. The number of shares held by the ESOP at 31 March 2007 was **895,771** (2006: 292,703).

In July 2005 and 2006 the shareholders at the Annual General Meeting authorised the acquisition of shares issued by the Company representing up to 5% of its share capital to be held as treasury shares. At 31 March 2007 the Group owned **1,225,000** (2006: nil) shares with a market value of **£25.9m** (2006: £nil).

16. Cash flow from operating activities

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

	2007 £m	2006 £m
Cash generated from operations		
Profit for the financial year	**3,528.3**	1,675.9
Income tax (credit) / expense	**(1,549.2)**	683.3
Profit before tax	**1,979.1**	2,359.2
Distribution received from joint venture (Telereal)	**-**	(11.7)
Share of profits of joint ventures (post-tax)	**(179.3)**	(98.6)
	1,799.8	2,248.9
Interest income	**(12.4)**	(7.3)
Interest expense	**233.3**	201.8
Operating profit	**2,020.7**	2,443.4
Adjustments for:		
Depreciation	**32.9**	25.7
Profit on disposal of non-current properties	**(118.2)**	(74.5)
Profit on disposal of joint venture	**-**	(293.0)
Net surplus on revaluation of investment properties	**(1,307.6)**	(1,579.5)
Goodwill impairment	**-**	64.5
Pension scheme charge / (credit)	**2.7**	(4.4)
Changes in working capital:		
Decrease / (increase) in trading properties and long-term development contracts	**110.1**	(2.1)
(Increase) / decrease in receivables	**(121.6)**	23.0
Increase / (decrease) in payables and provisions	**63.4**	(11.6)
Net cash generated from operations	**682.4**	591.5

17. Business combinations

Secondary Market Infrastructure Fund (SMIF)
The Group acquired 100% of the voting rights of SMIF on 5 February 2007 for a consideration of £517.0m, including costs. This has been accounted for as a business combination.

	£m
Fair value of net assets acquired	
Assets of the disposal group	2,445.3
Liabilities directly associated with the assets of the disposal group	(1,998.6)
Disposal group	446.7
Current assets	1.2
Cash and cash equivalents	4.1
Current liabilities	(6.5)
Net assets acquired	445.5
Fair value of consideration	
Cash	514.0
Costs	3.0
	517.0
Goodwill	(71.5)
	445.5

The disposal group comprises a number of PPP contracts which were acquired exclusively with a view to being resold to third party investors, while maintaining a minority share. The net amount attributed to the disposal group at the date of acquisition represents fair value less costs to sell. The liabilities of the disposal group reported above include external debt of £397.6m that was repaid immediately after the acquisition using cash advanced by the Group. This debt is excluded from the liabilities of the disposal group reported at 31 March 2007. The remaining assets and liabilities relate to the management companies within SMIF that are being retained. The fair values reported above in respect of these assets and liabilities equate to their book values, with the exception of goodwill of £6.3m recognised by the companies that has been excluded. The goodwill acquired is attributable to the knowledge and market expertise of the management team of the retained portion of the SMIF business.

Set out below are the results of SMIF, excluding the disposal group, from the date of acquisition (5 February 2007) to 31 March 2007 and for the period from 1 April 2006 to the date of acquisition:

	Results for SMIF from 5 February 2007 to 31 March 2007 £m	Results for the Group excluding SMIF for the year ended 31 March 2007 £m	Results for the Group for the year ended 31 March 2007 £m	Results for SMIF from 1 April 2006 to 5 February 2007 £m	Results for the Group as if SMIF had been acquired on 1 April 2006 £m
Revenue	1.7	1,639.4	1,641.1	9.5	1,650.6
Profit before tax	-	1,979.1	1,979.1	0.3	1,979.4
Taxation credit	-	1,549.2	1,549.2	(0.1	1,549.1
Profit after tax	-	3,528.3	3,528.3	0.2	3,528.5

There were no recognised income or expenses in the year other than the profit attributable to shareholders.

Investors in the Community (IIC)
The Group acquired the remaining 50% of the voting rights of IIC on 28 February 2007 for a consideration of £8.5m, including costs. This has been accounted for as a business combination.

	Fair value acquired £m
Fair value of net assets acquired (50% share)	
Current assets	1.6
Current liabilities	(4.8)
Net liabilities acquired	(3.2)
Fair value of consideration	
Cash	8.0
Costs	0.5
	8.5
Goodwill	(11.7)
	(3.2)

No fair value adjustments have been made in respect of the book value of IIC's assets and liabilities at the date of acquisition. The results of IIC from the date of acquisition (28 February 2007) to 31 March 2007 and for the period from 1 April 2006 to the date of acquisition are not material.

Glossary of terms

Adjusted diluted net asset value per share
NAV per share adjusted to add back deferred tax associated with investment properties and capitalised interest, the adjustment arising from the de-recognition of the bond exchange, together with the cumulative mark-to-market adjustment arising on interest swaps and similar instruments used for hedging purposes.

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

Combined portfolio
The combined portfolio is our wholly-owned investment property portfolio combined with our share of the value of investment properties held in joint ventures but excludes any investment properties owned by Land Securities Trillium. Unless stated these are the pro-forma numbers we use when discussing the investment property business.

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

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

Exceptional items
An item of income or expense that is deemed to be sufficiently material to require separate disclosure.

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

Initial yield
Annualised net rents on investment properties expressed as a percentage of the valuation, excluding properties acquired for development purposes.

Net asset value (NAV) per share
Total equity divided by the number of ordinary shares in issue at the period end.

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

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

Return on equity
Group profit before tax plus joint venture tax charge, divided by opening adjusted net assets.

Total property return
Valuation surplus, profit / (loss) on property sales and net rental income in respect of investment properties expressed as a percentage of opening book value of the investment property portfolio.

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

Vacation allowance
Allowance agreed between a property outsourcing client and Land Securities Trillium, to vacate a given amount of floor space or to expand over the life of the contract.