Full Year Report
for the year ended 31 March 2009

Thursday, 18 June 2009

Please note that there have been some minor changes to the historic dividend per share as restated for the bonus element of the rights issue and to the table on page 64. These changes have no impact on earnings or the balance sheet. Please refer to the on-line annual report for the updated information including a 5 year history on page 139.

Preliminary results for the year ended 31 March 2009 4
Our Chairman's message 6
Chief Executive's Statement 8
Rapidly evolving market 8
Successful Rights Issue 9
Spreading risk through a diverse tenant mix 9
Pragmatic timing on development 9
Adding value for customers 10
Sustainability remains a priority 10
Outlook 10
Business Unit Review – Retail Portfolio 12
Key objectives for 2008/09 12
How we create value 12
Our market 12
Market outlook 12
Overview 13
Sales and acquisitions 13
Asset management 13
Development 14
Looking ahead 15
Key objectives for 2009/10 15
Business Unit Review – London Portfolio 17
Key objectives for 2008/09 17
How we create value 17
Our market 17
Market outlook 17
Overview 18
Sales and acquisitions 18
Asset management 19
Development 19
Planning 20
Strategic land portfolio 20
Looking ahead 21
Key objectives for 2009/10 21
Our risks and how we manage them 23
An overview from the Group Finance Director 26
Financial review 27
Headline results 27
Loss before tax 27
Valuation deficit 28
Impairment of trading properties 28
Interest-rate swaps 28
Revenue profit 28
(Loss) / earnings per share 29
Total dividend 29
Net assets 29
Net pension surplus 30
Cash flow, net debt and gearing 30
Financing strategy 32
Rights Issue 32
Financing and capital 32
Hedging 33

Taxation ... 33
Statement of directors' responsibilities in respect of the annual report and the financial statements ... 34
Financial Statements ... 36
Income statement for the year ended 31 March 2009 ... 36
Statement of recognised income and expense for the year ended 31 March 2009 ... 37
Balance sheets at 31 March 2009 ... 38
Cash flow statements for the year ended 31 March 2009 ... 39
Notes to the Financial Statements ... 40
Business Analysis ... 61
Investment Portfolio ... 61
The like-for-like portfolio ... 64
Glossary ... 68

Forward-looking statements

This document may contain certain "forward-looking statements" with respect to Land Securities Group PLC's financial condition, results of operations and business, and certain of Land Securities Group PLC's plans and objectives with respect to these items.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as "anticipates", "aims", "due", "could", "may", "should", "expects", "believes", "intends", "plans", "targets", "goal" or "estimates". By their very nature forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future.

There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, changes in the economies and markets in which the Group operates; changes in the regulatory and competition frameworks in which the Group operates; changes in the markets from which the Group raises finance; the impact of legal or other proceedings against or which affect the Group; and changes in interest and exchange rates.

Any written or verbal forward-looking statements, made in this document or made subsequently, which are attributable to Land Securities Group PLC or any other member of the Group or persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. Land Securities Group PLC does not intend to update any forward-looking statements.

Preliminary results for the year ended 31 March 2009

"Our full year results reflect the unprecedented market conditions experienced in the property industry. The year saw some of the most rapid falls in values seen on record with the second half of the year characterised by the dramatic reaction to the worsening financial and economic conditions."

Results Summary[1]

	2009	2008	Change
Valuation deficit	**£(4,743.7)m**	£(1,292.6)m	**n/a**
Basic NAV	**639p**	1862p	**Down 65.7%**
Adjusted diluted NAV[2]	**593p**	1763p	**Down 66.4%**
Pre-tax loss[3]	**£(4,773.2)m**	£(988.0)m	**n/a**
Revenue profit	**£314.9m**	£284.8m	**Up 10.6%**
Basic EPS[4]	**(918.04)p**	(188.43)p	**n/a**
Adjusted diluted EPS[4]	**62.57p**	60.79p	**Up 2.9%**
Dividend	**56.5p**	64.0p	**Down 11.7%**
Dividend restated[4]	**51.1p**	57.0p	**Down 10.4%**

[1]Continuing activities [2]Our key valuation measure [3]Includes revaluation deficit and profits/loss on disposals [4] Restated for the Rights Issue

2008/09 Key Points

- Unprecedented market conditions leading to 34.2% valuation fall
- Over £1.1 billion of disposals
- Successful £756m Rights Issue and recapitalisation of the balance sheet

Performance

- Revenue profit increased by 10.6% due to reduced interest payments
- £527.5m of property investment sales at 18.5% below March 2008 valuation (before disposal costs)
- 1.2 million sq ft of development space completed and 72% let
- Net debt down £1,460.9m or 27.1% to £3,923.6m
- Small increase in like-for-like voids to 4.6% (3.5% in 2008)
- Exposure to administrations stands at a moderate 3.8% of income
    - 60.1% still trading and 15.4% still paying rent
    - Resilience of income in our London office portfolio counterbalancing rising administrations in the retail sector

London Portfolio

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

Retail Portfolio

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

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

“This year the UK commercial property sector saw the sharpest fall in capital values on record as the full severity of the economic downturn hit the sector. Our portfolio was not immune to the market correction and we moved quickly to take the necessary actions to strengthen our balance sheet and create resilience in a difficult and deteriorating environment.

“While the market may see some pockets of stabilisation for certain asset types, we expect conditions to remain challenging in a weak economic environment, with vacancy rates rising and rental values weakening, putting pressure on rental income. For all these reasons we continue to be patient and focus on those matters within our control such as balance sheet strength and maximising income.

“This has been an exceptionally turbulent period in our market, but our actions have given us protection from the downside of further significant falls in values and, with our belief that out of adversity comes opportunity, we have the flexibility to react to market opportunities.”

Our Chairman's message

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

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

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

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

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

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

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

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

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

Alison Carnwath

Chief Executive's Statement

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

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

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

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

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

Rapidly evolving market

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

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

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

Successful Rights Issue

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

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

Spreading risk through a diverse tenant mix

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

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

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

Pragmatic timing on development

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

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

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

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

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

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

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

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

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

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

In the meantime, we will continue to take a positive and pragmatic approach to managing through the downturn – acting decisively, protecting value and planning for the future. We will respond to changing conditions quickly. We

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

will take difficult decisions as and when required. And we will use our strengthened balance sheet to address future growth opportunities at the right point in the cycle.

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

Francis Salway

Business Unit Review – Retail Portfolio

Key objectives for 2008/09

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

How we create value

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

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

Our market

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

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

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

Market outlook

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

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

Overview

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

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

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

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

Sales and acquisitions

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

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

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

Asset management

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

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

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

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

Development

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

Cabot Circus, Bristol

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

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

The Elements, Livingston

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

St David's 2, Cardiff

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

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

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

Looking ahead

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

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

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

Key objectives for 2009/10

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

We outline our development pipeline in Table 1.

Table 1: Retail development pipeline at 31 March 2009

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

Floor areas shown above represent the full scheme whereas the cost represents our share of costs. Letting % is measured by ERV and shows letting status at 31 March 2009. Trading property development schemes are excluded from the development pipeline. Cost figures for proposed schemes are not given as these could still be subject to material change prior to final approval.

Planning status for proposed developments
PR – Planning Received
Total development cost (£m)
Total development cost refers to the book value of the land at the commencement of the project, the estimated capital expenditure required to develop the scheme from the start of the financial year in which the property is added to our development programme, together with finance charges.
Net income/ERV
Net income/ERV represents headline annual rent payable on let units plus ERV at 31 March 2009 on unlet units.

Business Unit Review – London Portfolio

Key objectives for 2008/09

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

How we create value

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

- Investing in and disposing of assets early in the cycle to maximise returns and minimise risk
- Ensuring we understand our customers' changing circumstances, so we can adapt and evolve our products to meet their needs
- Using a mixed-use, high-quality approach to mitigate risk, generate strong demand and achieve improved rental performance
- Focusing on major development projects located in central locations to ensure we attract strong demand from tenants
- Clustering properties so our existing assets gain from our development work on new schemes

Our market

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

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

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

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

Market outlook

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

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

Overview

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

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

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

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

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

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

Sales and acquisitions

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

Important sales this year included:

Turnstile House, WC1

We completed this sale in May 2008. The property had produced good returns for us since its conversion to an apart-hotel but it no longer fits our main focus of activity.

Empress State Building, SW6, 50% share

In August we completed the sale of our holding to a 50:50 joint venture with Liberty International. We have held the asset for a number of years but saw limited asset management opportunities in the near future. The joint venture with Liberty International reduces our stake while enabling us to realise further value over time.

New Scotland Yard, SW1

In December we sold our freehold interest to the Metropolitan Police Authority. As there was limited potential for us to add value to this property over the next few years, and no further rent reviews until 2028, a release of capital offered good value.

Fleet Street Estate, EC4

In January 2009 we exchanged contracts for the sale of the majority of the estate with the rest to complete late 2009. A substantial part of the site is occupied by the Office of Fair Trading (OFT) and we recently added value with the extension of the OFT lease.

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

Asset management

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

Development

Having completed a number of large projects in 2007 and spring 2008, our current development pipeline is well matched to the current economic cycle. The balance of expenditure committed to current schemes is £258m. We have 244,950m² of development potential available to us over time through consented planning applications.

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

At Dashwood House, EC2, we had planned to complete the refurbishment in December 2008 but, again, responded to worsening market conditions by accelerating work and achieving completion early, in October. Dashwood House is not a big liability relative to the size of our portfolio and it is our only development completed asset with significant space to let (13,290m² or 2.1% of our total London office income).

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

One New Change, EC4

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

Wilton Plaza, SW1

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

30 Eastbourne Terrace, W2

Another completion expected in May 2009, this scheme is part of our extensive holdings opposite Paddington Station and has been refurbished to provide 4,470m^2 of prime office space.

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

Park House, W1

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

20 Fenchurch Street, EC3

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

Planning

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

Our VTI2 scheme received a resolution to grant permission in February 2009, giving us the go-ahead to create some 83,200m^2 of space in six buildings next to Victoria Station, SW1. Our 'Vision for Victoria' is to replace outdated pockets of post-war buildings with new offices, shops, restaurants, public amenities, open spaces and homes. In March 2009 we received permission for two further schemes in Victoria – Selborne House and Wellington House. Our success in Victoria is particularly exciting as we believe this is one of the areas likely to recover quickly as we move into the next phase of the cycle.

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

Strategic land portfolio

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

Our biggest project in this sector is the urban regeneration programme at Ebbsfleet Valley, Kent. This will ultimately transform 420 hectares of land into a vibrant mix of residential, business, retail, leisure and public space over 25 years. Outline planning permissions have been granted for the whole of the project. The completed development will provide 10,000 new homes, over 640,000m^2 of offices and over 320,000m^2 of mixed-use space in total. This is a scheme with immense potential but, for now, the pragmatic decision has been taken to pause work. The economic environment has hit the housing and leasing markets hard and we have had to adjust our targets and expectations accordingly. We have progressed infrastructure work in preparation for the next cycle, but we will wait for signs of better economic conditions before starting on detailed design. We remain confident that the general lack of supply in the southeast means demand for housing will remain strong and, as and when finance is available for homebuyers, will begin to translate to active purchasing.

Looking ahead

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

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

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

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

Key objectives for 2009/10

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

We outline our development pipeline in Table 2.

Table 2: London development pipeline at 31 March 2009

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

Floor areas shown above represent the full scheme whereas the cost represents our share of costs. Letting % is measured by ERV and shows letting status at 31 March 2009. Trading property development schemes are excluded from the development pipeline. Cost figures for proposed schemes are not given as these could still be subject to material change prior to final approval.

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

Total development cost (£m)
Total development cost refers to the book value of the land at the commencement of the project, the estimated capital expenditure required to develop the scheme from the start of the financial year in which the property is added to our development programme, together with finance charges less residential costs (totalling £109m across all categories of development).

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

Our risks and how we manage them

The tables below show the principal risks we face.

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

Property investment risks		
Occupier market conditions • Prolonged downturn in tenant demand.	• Threat of voids in the portfolio.	• Committed development exposure limited to remaining space in St David's 2 in Cardiff together with One New Change (due to complete in 2010) and Dashwood House in London. Other proposed developments are not committed and will only commence when market conditions are favourable or a pre-let of part is in place. • Void management through temporary lettings and void mitigation strategies. Large portfolio allows portfolio leasing deals and flexibility to further reduce voids.
• Reduced consumer spending leading to lower retail sales.	• Cutbacks in retailer opening programme.	• Pre-letting of key units before committing to development. Limited development pipeline concentrated primarily in Cardiff; most other schemes completed and substantially let already. • Ongoing sales programme to divest schemes and locations most likely to suffer adverse impact.
Market cycles • Property markets are cyclical.	• Risk of negative interaction between falling property values and balance sheet gearing.	• Target ranges for balance sheet gearing. • Secure income flows under UK lease structure.
Property risk • Asset value concentration.	• Poor performance of a single asset having material impact on overall performance.	• Large multi-asset portfolio. • Largest property (Cardinal Place) represents only 5.8% of combined portfolio. • Average investment property lot size of £44.6m. • Retail assets combine a range of highly diversified income streams in all major sub-sectors of retail property.
• Increased cost exposure on voids.	• Increase in void costs.	• Void management and empty rates mitigation.
Tenant risk • Tenant concentration and failures.	• Impact on revenue if a major occupier fails or does not renew leases.	• Diversified tenant base. • Strong established locations and relationships with occupiers. • Government largest single customer representing 9.5% of gross rents, the next largest represents 4.2%. • Of our income, 72% is derived from tenants who make less than a 1% contribution to rent roll. • Regular credit review of major tenants.
Health, safety and environmental risk • Responsibility for the safety of visitors to our properties and our environmental performance.	• Impact on reputation or potential criminal proceedings resulting in financial impact.	• Annual cycle of health and safety audits. • Quarterly Board reporting. • Dedicated specialist personnel for environment and health and safety. • Established policy and procedures including award-winning health and safety system and ISO 14001 certified environmental system. • Active environmental programme addressing key areas of impact (energy and waste).

Property development risks		
Site assembly risk • Third-party interests in part of site cannot be acquired.	• Unable to progress development either in time, at all, or in budget.	• Policy of buying into all or part of future development sites early as income-producing investments. • Experience of Compulsory Purchase Order procedures.
Planning risk • Development proposals fail to gain sufficient support and, therefore, planning consent.	• Unable to progress developments in a timely manner.	• Development expertise including: Skilled development management teams. Public consultation capabilities. Long-standing relationships with key development stakeholders. Reputation.
Construction risk • Construction cost overruns or poor management of construction. • New and different procurement methodologies and contract forms for London. • Supplier capacity, capability and financial stability.	• Returns are eroded by cost overruns or project completion is delayed. • Different risk profiles and unfamiliar terms and conditions. • Cost in excess of assumptions in appraisal. • Lack of competition in tendering process. • Poor supplier performance.	• Transfer of risk to specialist contractors. • Skilled in-house project management teams. • Use of specialist advisers. • Contingency provision in appraisals. • Forward purchase of high inflation risk items. • Closer, more open relationship with the supply chain.
Letting risk • Development remains unlet after completion or fails to meet lettings target. • Tenant requirement for incentive packages, including capital increasing.	• Impact on income and valuation.	• Experienced and skilled in-house leasing teams. • Risk evaluation model to assess earnings impact of developments remaining unlet.

An overview from the Group Finance Director

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

While our numbers demonstrate the challenging year we have had, they also reflect a strong and decisive response from management. Rapidly deteriorating market conditions required us to take tough decisions, and by acting quickly we mitigated the very worst effects of the current market. These actions included: the drawing down of our bank facilities, which ensured that funds remained available to us even if property values continued to fall; the disposal of Trillium, which, although at a loss, raised additional cash at a critical time; and the re-basing of our quarterly dividend from 14.7p per share (restated) to a final proposed dividend of 7.0p per share, reflecting a realistic view of the pressure on income ahead.

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

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

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

The pages that follow provide you with a detailed review of our figures. Given the scale of events during the year, this overview is intended to help put the results in context and convey a clear picture of current financial dynamics.

Martin Greenslade

Financial review

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

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

Headline results

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

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

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

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

Loss before tax

The main drivers of our loss before tax from continuing activities were the change in value of our investment portfolio (including any profits or losses on disposal of properties), impairment of our trading properties and the impact of interest-rate swaps. The degree to which movement on these and other items led to the increase in our loss before tax from £988.0m last year to a loss of £4,773.2m this year, is explained in Table 3 below.

Table 3: Principal changes in loss before tax from continuing activities and revenue profit

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

Valuation deficit

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

Impairment of trading properties

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

Interest-rate swaps

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

Revenue profit

Revenue profit is our measure of the underlying pre-tax profit of the Group, which we use internally to assess our performance. It includes the pre-tax results of our joint ventures but excludes capital and other one-off items.

Table 4 shows the composition of our revenue profit including the contributions from London and Retail.

Table 4: Revenue profit

	Retail Portfolio £m	London Portfolio £m	31 March 2009 £m	Retail Portfolio £m	London Portfolio £m	31 March 2008 £m
Gross rental income[1]	374.6	352.8	727.4	370.6	342.5	713.1
Ground rents	(12.1)	(4.6)	(16.7)	(11.3)	(5.3)	(16.6)
Net service charge and property costs	(44.0)	(18.6)	(62.6)	(25.3)	(19.8)	(45.1)
Indirect costs	(38.9)	(35.8)	(74.7)	(40.7)	(36.0)	(76.7)
Combined segment profit	279.6	293.8	573.4	293.3	281.4	574.7
Unallocated expenses			(14.2)			(13.0)
Net interest – Group			(217.9)			(255.9)
– joint ventures			(26.4)			(21.0)
Revenue profit			314.9			284.8

[1] Includes finance lease interest.

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

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

(Loss) / earnings per share
The basic loss per share from continuing activities was 918.0p, compared to a loss per share of 188.4p last year, the change being predominantly due to the revaluation deficit on the investment property portfolio (791.7p per share).

In the same way that we adjust profit before tax to remove capital and one-off items to give revenue profit, we also report an adjusted earnings per share figure. Adjusted diluted earnings per share from continuing activities increased by 2.9% from 60.8p per share for the year ended 31 March 2008 to 62.6p per share in the current period. This increase was largely attributable to reduced interest on borrowings but was lower than the increase in revenue profit due to a prior year tax benefit in last year's results.

Total dividend
We are recommending a final dividend payment of 7.0p per share. Taken together with the three quarterly dividends of 14.7p, our full year dividend will be 51.1p per share (2008: 57.0p) which represents a 10.4% reduction. These amounts have been restated to include the bonus factor inherent in the Rights Issue. Table 5 shows the dividend per share at the time of payment as well as the restated amount.

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

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

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

Table 5: Dividends

	Property income distribution (PID) pence	Non-property income distribution pence	Total pence	Total pence restated
First quarterly dividend (paid on 24 October 2008)	14.85	1.65	16.50	14.69
Second quarterly dividend (paid on 12 January 2009)	16.50	-	16.50	14.69
Third quarterly dividend (paid on 24 April 2009)	16.50	-	16.50	14.69
Final dividend (payable on 24 July 2009)	7.00	-	7.00	7.00
Total	54.85	1.65	56.50	51.07

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

In common with other property companies, we calculate an adjusted measure of net assets which we believe better reflects the underlying net assets attributable to shareholders. Our adjusted net assets are lower than our reported net assets primarily due to an adjustment to our debt. Under IFRS we do not show our debt at its nominal value, although we believe it would be more appropriate to do so, and we therefore adjust our net assets accordingly. At

31 March 2009, adjusted diluted net assets per share were 593p per share, a decrease of 1170p or 66.4% from 31 March 2008.

Table 6 summarises the main differences between net assets and our adjusted measure together with the key movements over the year.

Table 6: Net assets attributable to equity holders of the Company

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

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

Net pension surplus

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

Cash flow, net debt and gearing

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

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

Table 7: Cash flow and net debt

	Year ended 31 March 2009 £m	Year ended 31 March 2008 £m
Operating cash inflow after interest and tax (excluding REIT conversion charge)	367.2	315.4
REIT conversion charge	-	(316.2)
Dividends paid	(302.4)	(308.4)
Non-current assets:		
Acquisitions	(86.1)	(1,192.1)
Disposals	823.0	1,080.7
Investment in finance leases	-	(82.1)
Capital expenditure	(429.8)	(545.7)
	307.1	(739.2)
Trillium disposal:		
Gross proceeds	444.0	-
Net debt divested	48.6	-
	492.6	-
Loans advanced to third parties	(50.0)	-
Receipts from discontinued activities	-	424.9
Receipts from the disposal group (part of Trillium's PPP activities)	113.5	441.0
Joint ventures and associates	(117.0)	(0.2)
Purchase of own share capital	-	(87.6)
Proceeds from the Rights Issue	755.7	-
Fair value of interest-rate swaps	(105.6)	(21.0)
Other movements	(0.2)	(5.3)
Decrease / (increase) in net debt	1,460.9	(296.6)
Opening net debt	(5,384.5)	(5,087.9)
Closing net debt	(3,923.6)	(5,384.5)

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

Although net debt has decreased, gearing has increased, principally due to the impact of falling property values on our equity. Details of the Group's gearing are set out in Table 8, which also shows the impact of joint venture debt, although the lenders to our joint ventures have no recourse to the Group for repayment.

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

Table 8: Gearing

	31 March 2009 %	31 March 2008 %
Gearing – on book value of balance sheet debt	81.4	56.2
Adjusted gearing*	96.4	64.9
Adjusted gearing* – as above plus notional share of joint venture debt	105.9	67.6
Group LTV	52.0	42.6

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

Financing strategy

The Group monitors and adjusts its capital structure with a view to promoting the long-term success of the business and maintaining sustainable returns for shareholders. A key element of the Group's capital structure is that the majority of its borrowings are secured against a large pool of our assets (the Security Group). Our secured debt structure provides for different operating environments which apply in "tiers" determined by levels of LTV and Interest Cover Ratios (ICR), although it is LTV which is the more likely determinant of which operating environment applies. These ratios do not trigger an event of default until LTV exceeds 100% or historic or projected ICR is less than 1.0 times. However, our operating environment becomes more restrictive at higher levels of LTV / lower levels of ICR. There are minimal operational restrictions on the Group in Tier 1 (LTV below 55%) and Tier 2 (LTV: 55% to 65%). The main additional operating restriction in Tier 2 is the requirement to maintain a level of prescribed liquidity or prepay debt by amortisation (includes actual repayment and collateralisation), calculated on a 25-year mortgage annuity basis. In Initial Tier 3 (LTV: 65% to 80%), our operating environment would be more restrictive with provisions designed to encourage a reduction in gearing including mandatory debt amortisation. Furthermore, none of the Group's credit facilities permit the drawing of additional funds if the Group is in Initial Tier 3. As there was a risk of our moving into Initial Tier 3 if property values continued to decline rapidly, we took the decision to draw down our available facilities in early 2009 as outlined in more detail below.

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

Rights Issue

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

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

As the Land Securities closing share price on 9 March (380p) exceeded the subscription price of 270p, the Rights Issue is deemed to include a bonus element of 11.0%. As a result, all "per share" information which pre-dates the rights issue is reduced by 9.9% (ignoring the restatement of the 2008 results due to the disposal of Trillium).

Financing and capital

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

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

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

Hedging
We use derivative products to manage our interest-rate exposure, and have a hedging policy which requires at least 80% of our existing debt plus our net committed capital expenditure to be at fixed interest rates for the coming five years. Specific hedges are also used in geared developments or joint ventures to fix the interest exposure on limited-recourse debt. At 31 March 2009, we had £2,672.0m of hedges in place. Our debt (net of cash and cash equivalents and including joint ventures) was 107% fixed. The slightly over-hedged position at the year end arose due to the receipt in March 2009 of the Rights Issue proceeds of £755.7m. Without the Rights Issue proceeds, we would have been 93.0% hedged.

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

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

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. In preparing these financial statements, the Directors have also elected to comply with IFRSs issued by the International Accounting Standards Board (IASB). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of the profit or loss of the Group for that period.

In preparing those financial statements the Directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRSs as adopted by the European Union; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website www.landsecurities.com. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

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

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

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

The Board of Directors

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

** Non-executive Directors*

By order of the Board
P M Dudgeon
Secretary
12 May 2009

Financial Statements

Income statement for the year ended 31 March 2009

Group	Notes	2009 £m	2008 restated[1] £m
Continuing activities			
Group revenue[2]	2	**821.2**	818.0
Costs		**(326.4)**	(317.4)
		494.8	500.6
(Loss) / profit on disposal of non-current properties	2	**(130.8)**	57.3
Net deficit on revaluation of investment properties	2	**(4,113.4)**	(1,158.4)
Impairment of trading properties	2	**(92.3)**	-
Operating loss		**(3,841.7)**	(600.5)
Interest expense	3	**(365.0)**	(312.3)
Interest income	3	**32.5**	25.9
		(4,174.2)	(886.9)
Share of the loss of joint ventures (post-tax)	10	**(599.0)**	(101.1)
Loss before tax		**(4,773.2)**	(988.0)
Income tax	4	**(0.5)**	15.1
Loss for the financial year from continuing activities		**(4,773.7)**	(972.9)
Discontinued operations	20	**(420.9)**	142.1
Loss for the financial year		**(5,194.6)**	(830.8)
Attributable to:			
Equity holders of the Company	16	**(5,191.3)**	(830.8)
Minority interests		**(3.3)**	-
Loss for the financial year		**(5,194.6)**	(830.8)
(Loss) / earnings per share attributable to the equity holders of the Company (pence)[3][4]			
Basic (loss) / earnings per share	6	**(999.04)**	(160.90)
of which from: continuing activities	6	**(918.04)**	(188.43)
of which from: discontinued operations	6	**(81.00)**	27.53
Diluted (loss) / earnings per share	6	**(999.04)**	(160.90)
of which from: continuing activities	6	**(918.04)**	(188.43)
of which from: discontinued operations	6	**(81.00)**	27.53

(1) Restated to reclassify the results of Trillium from continuing activities to discontinued operations.
(2) Group revenue excludes the share of joint ventures' income of **£103.3m** (2008: £111.6m) (see note 10).
(3) Adjusted earnings per share from continuing activities is given in note 6.
(4) The (loss) / earnings per share figures for the year ended 31 March 2008 have been restated to reflect the bonus share element inherent in the Rights Issue that was approved on 9 March 2009.

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

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

Balance sheets at 31 March 2009

Group	Notes	2009 £m	2008 £m
Non-current assets			
Investment properties	8	**7,929.4**	12,296.7
Operating properties		**-**	544.8
Other property, plant and equipment		**14.3**	73.6
Net investment in finance leases	9	**116.3**	333.7
Goodwill		**-**	148.6
Investments in Public Private Partnerships		**-**	25.4
Investment in an associate undertaking		**-**	42.9
Loans to third parties		**50.0**	-
Investments in joint ventures	10	**930.8**	1,410.6
Pension surplus	14	**3.0**	11.0
Deferred tax assets		**1.9**	0.9
Total non-current assets		**9,045.7**	14,888.2
Current assets			
Trading properties and long-term development contracts	11	**94.9**	173.0
Derivative financial instruments	13	**-**	4.3
Trade and other receivables		**392.1**	838.0
Cash and cash equivalents		**1,639.0**	48.4
Total current assets (excluding non-current assets classified as held for sale)		**2,126.0**	1,063.7
Non-current assets classified as held for sale		**-**	664.1
Total current assets		**2,126.0**	1,727.8
Total assets		**11,171.7**	**16,616.0**
Current liabilities			
Short-term borrowings and overdrafts	12	**(1.1)**	(794.0)
Derivative financial instruments	13	**(112.0)**	(10.7)
Trade and other payables		**(625.8)**	(927.2)
Provisions		**-**	(40.9)
Current tax liabilities		**(161.5)**	(161.0)
Total current liabilities (excluding liabilities directly associated with non-current assets classified as held for sale)		**(900.4)**	(1,933.8)
Liabilities directly associated with non-current assets classified as held for sale		**-**	(427.7)
Total current liabilities		**(900.4)**	(2,361.5)
Non-current liabilities			
Provisions		**-**	(36.7)
Borrowings	12	**(5,449.5)**	(4,632.5)
Deferred tax liabilities	15	**(1.6)**	(2.4)
Total non-current liabilities		**(5,451.1)**	(4,671.6)
Total liabilities		**(6,351.5)**	(7,033.1)
Net assets		**4,820.2**	9,582.9
Equity			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares	16	**76.2**	47.1
Share premium	16	**785.2**	56.6
Capital redemption reserve	16	**30.5**	30.5
Share-based payments	16	**8.1**	11.3
Retained earnings	16	**3,935.9**	9,459.7
Own shares		**(12.4)**	(22.3)
Equity attributable to equity holders of the Company		**4,823.5**	9,582.9
Minority interest in equity		**(3.3)**	-
Total equity		**4,820.2**	9,582.9

The financial statements on pages 36 to 60 were approved by the Board of Directors on 12 May 2009 and were signed on its behalf by:

F W Salway, Director M F Greenslade, Director

Cash flow statements for the year ended 31 March 2009

Group			2009		2008
	Notes	£m	£m	£m	£m
Net cash generated from operations					
Cash generated from operations	18		**651.3**		696.5
Interest paid			**(283.6)**		(338.3)
Interest received			**10.4**		10.7
Employer contributions to pension scheme	14		**(4.2)**		(2.0)
Corporation tax paid			**(6.7)**		(367.7)
Net cash inflow / (outflow) from operations			**367.2**		(0.8)
Cash flows from investing activities					
Investment property development expenditure		**(208.6)**		(415.3)	
Acquisition of investment properties		**(85.3)**		(722.6)	
Other investment property related expenditure		**(174.1)**		(80.0)	
Acquisition of properties by Trillium		**(0.8)**		(158.3)	
Capital expenditure by Trillium		**(46.5)**		(35.0)	
Capital expenditure on properties		**(515.3)**		(1,411.2)	
Disposal of non-current investment properties		**792.7**		1,047.0	
Disposal of non-current operating properties		**30.3**		33.7	
Net proceeds / (expenditure) on properties		**307.7**		(330.5)	
Net expenditure on non-property related non-current assets		**(0.6)**		(15.4)	
Net cash inflow / (outflow) from capital expenditure		**307.1**		(345.9)	
Receivable finance leases acquired		**-**		(82.1)	
Receipts in respect of receivable finance leases		**11.7**		0.8	
Receipts from the disposal of discontinued activities		**-**		424.9	
Loans advanced to third parties		**(50.0)**		-	
Investment in joint ventures		**(21.1)**		-	
Net loans to joint ventures and cash contributed		**(117.5)**		(75.3)	
Distributions from joint ventures		**21.6**		75.1	
Acquisition of PPP investments		**-**		(8.2)	
Net cash received from disposal group		**113.5**		296.5	
Cash proceeds from disposal of Trillium (net of cash divested)	20	**392.7**		-	
Acquisitions of Group undertakings (net of cash acquired)		**-**		(158.5)	
Net cash received from investing activities			**658.0**		127.3
Cash flows from financing activities					
Proceeds from Rights Issue	16	**755.7**		-	
Issue of shares arising from exercise of share options	16	**2.0**		5.2	
Purchase of own share capital		**-**		(87.6)	
Increase in debt	12	**120.6**		260.6	
Increase in monies held in restricted accounts and deposits		**(29.9)**		-	
Decrease in finance leases payable		**(9.4)**		(2.0)	
Dividends paid to ordinary shareholders	5	**(302.4)**		(308.4)	
Net cash inflow / (outflow) from financing activities			**536.6**		(132.2)
Increase / (decrease) in cash and cash equivalents for the year(1)			**1,561.8**		(5.7)
Cash and cash equivalents at the beginning of the year(1)			**47.0**		52.7
Cash and cash equivalents at the end of the year(1)			**1,608.8**		47.0

(1) Cash and cash equivalents for the purposes of the cash flow statement excludes monies held in restricted accounts and deposits and includes overdrafts.

Group Reconciliation of cash and cash equivalents	2009 £m	2008 £m
Cash and cash equivalents (Cash flow statement)	**1,608.8**	47.0
Overdrafts	**0.3**	1.4
Monies held in restricted accounts and deposits	**29.9**	-
Cash and cash equivalents (Balance sheet)	**1,639.0**	48.4

The cash flow includes the cash flows relating to the Trillium discontinued operations up to the date of disposal on 12 January 2009. Further details are included in note 20.

Notes to the Financial Statements

1. Basis of preparation

The financial information is abridged and does not constitute the Group's full Financial Statements for the years ended 31 March 2009 and 31 March 2008, and has been prepared under International Financial Reporting Standards (IFRS).

Full Financial Statements for the year ended 31 March 2009, which were prepared under IFRS, received an unqualified auditors' report and did not contain a statement under Section 237 (2) or (3) of the Companies Act 1985, have been filed with the Registrar of Companies.

Financial Statements for the year ended 31 March 2009 will be presented to the Members at the forthcoming Annual General Meeting; the auditors' report on these Financial Statements is unqualified.

2. Segmental information

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

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

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

2. Segmental information continued

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

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

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

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

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

Included within rents payable (note 2) is finance lease interest payable of **£4.3m** (2008: £4.8m).

4. Income tax	2009 £m	2008 restated* £m
Current tax		
Corporation tax credit for the year	-	(14.9)
Adjustment in respect of prior years	**0.3**	(0.6)
Corporation tax in respect of property disposals	-	0.5
Total current tax expense / (credit)	**0.3**	(15.0)
Deferred tax		
Origination and reversal of timing differences	**0.2**	(0.1)
Total deferred tax expense / (credit)	**0.2**	(0.1)
Total income tax expense / (credit) in the income statement	**0.5**	(15.1)

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

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

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

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

The calculation of the Group's tax expense and liability necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until a formal resolution has been reached with the relevant tax authorities. If all such issues are resolved in the Group's favour, provisions established in previous periods of up to **£211.0m** (2008: £216.0m) could be released in the future.

5. Dividends	Payment date	Restated* per share Pence	Actual per share Pence	2009 £m	2008 £m
Ordinary dividends paid					
For the year ended 31 March 2007:					
Final dividend	23 July 2007	30.3	34.0	-	159.5
For the year ended 31 March 2008:					
First quarter	26 October 2007	14.2	16.0	-	74.5
Second quarter	7 January 2008	14.2	16.0	-	74.4
Third quarter	25 April 2008	14.2	16.0	**74.4**	-
Final quarter	28 July 2008	14.2	16.0	**74.4**	-
For the year ended 31 March 2009:					
First quarter	24 October 2008	14.7	16.5	**76.8**	-
Second quarter	12 January 2009	14.7	16.5	**76.8**	-
				302.4	308.4

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

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

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

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

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

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

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

	2009 No. m	2008 restated# No. m
Weighted average number of ordinary shares	**526.7**	521.8
Effect of own shares and treasury shares	**(7.1)**	(5.5)
Weighted average number of ordinary shares for calculating basic and diluted earnings per share	**519.6**	516.3
Effect of share options which are dilutive for adjusted diluted earnings per share	**0.3**	1.2
Weighted average number of ordinary shares for calculating adjusted diluted earnings per share	**519.9**	517.5

The weighted average number of ordinary shares for the year ended 31 March 2008 has been adjusted for the bonus element inherent in the Rights Issue that was approved on 9 March 2009 in compliance with IAS 33 'Earnings per Share'.

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

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

7. Net assets per share	2009 £m	2008 £m
Net assets attributable to equity holders of the company	**4,823.5**	9,582.9
Cumulative mark-to-market adjustment on interest-rate swaps – Group	**112.0**	10.7
– joint ventures	**38.2**	1.5
– an associate undertaking	**-**	0.5
EPRA adjusted net assets	**4,973.7**	9,595.6
Reverse bond exchange de-recognition adjustment	**(499.8)**	(511.5)
Adjusted net assets attributable to equity holders of the company	**4,473.9**	9,084.1
Reinstate bond exchange de-recognition adjustment	**499.8**	511.5
Cumulative mark-to-market adjustment on interest-rate swaps – Group	**(112.0)**	(10.7)
– joint ventures	**(38.2)**	(1.5)
– an associate undertaking	**-**	(0.5)
Excess of fair value of debt over book value (note 12)	**(13.4)**	(208.7)
EPRA triple net assets	**4,810.1**	9,374.2

	2009 No. m	2008 restated[1] No. m
Number of ordinary shares in issue	**761.9**	470.9
Bonus share element inherent in the Rights Issue that was approved on 9 March 2009	**-**	51.1
Number of ordinary shares in issue adjusted for bonus shares	**761.9**	522.0
Number of treasury shares	**(5.9)**	(5.9)
Number of own shares[1]	**(0.9)**	(1.5)
Number of ordinary shares used for calculating basic net assets per share	**755.1**	514.6
Dilutive effect of share options[1]	**-**	0.8
Number of ordinary shares used for calculating diluted net assets per share	**755.1**	515.4

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

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

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

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

8. Investment properties

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

8. Investment properties continued

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

	Portfolio management £m	Development programme £m	Trillium £m	Total investment properties £m
Net book value at 31 March 2008	10,338.3	1,396.0	562.4	12,296.7
Plus: amount included in prepayments in respect of lease incentives	156.3	24.3	-	180.6
Less: head leases capitalised	(65.3)	(2.0)	-	(67.3)
Plus: properties treated as finance leases	149.2	-	-	149.2
Market value at 31 March 2008 – Group	10,578.5	1,418.3	562.4	12,559.2
– plus: share of joint ventures (note 10)	1,216.5	373.4	-	1,589.9
Market value at 31 March 2008 – Group and share of joint ventures	**11,795.0**	**1,791.7**	**562.4**	**14,149.1**
Net book value at 31 March 2009	7,215.4	714.0	-	7,929.4
Plus: amount included in prepayments in respect of lease incentives	148.8	40.5	-	189.3
Less: head leases capitalised	(56.5)	(1.4)	-	(57.9)
Plus: properties treated as finance leases	104.7	-	-	104.7
Market value at 31 March 2009 – Group	7,412.4	753.1	-	8,165.5
– plus: share of joint ventures (note 10)	950.0	291.5	-	1,241.5
Market value at 31 March 2009 – Group and share of joint ventures	**8,362.4**	**1,044.6**	**-**	**9,407.0**

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

The fair value of the Group's investment properties at 31 March 2009 has been arrived at on the basis of a valuation carried out at that date by Knight Frank LLP, external valuers. The valuation by Knight Frank LLP, which conforms to Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors and with IVA 1 of the International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties. Fixed asset properties include capitalised interest of **£181.1m** (2008: £211.7m). The average rate of capitalisation is **5.5%** (2008: 5.5%). The historical cost of investment properties is **£7,721.8m** (2008: £7,813.2m).

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

9. Net investment in finance leases	**2009 £m**	2008 £m
Non-current		
Finance leases – gross receivables	**277.7**	692.8
Unearned finance income	**(187.1)**	(385.6)
Unguaranteed residual value	**25.7**	26.5
	116.3	333.7
Current		
Finance leases – gross receivables	**7.0**	27.4
Unearned finance income	**(6.2)**	(20.3)
	0.8	7.1
Total net investment in finance leases	**117.1**	340.8

10. Investments in joint ventures

Year ended 31 March 2009 and at 31 March 2009

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

[1] Other principally includes The Martineau Galleries Limited Partnership, The Ebbsfleet Limited Partnership and Millshaw Property Co. Limited.
[2] The difference between the book value and the market value is the amount included in prepayments in respect of lease incentives, head leases capitalised and properties treated as finance leases.
[3] Joint ventures with net liabilities are carried at zero value in the balance sheet where there is no commitment to fund the deficit and any distributions are included in the consolidated income statement for the year.

10. Investments in joint ventures continued

Year ended 31 March 2008 and at 31 March 2008

Summary financial information of Group's share of joint ventures	The Scottish Retail Property Limited Partnership £m	Metro Shopping Fund Limited Partnership £m	Buchanan Partnership £m	St. David's Limited Partnership £m	The Bull Ring Limited Partnership £m	Bristol Alliance Limited Partnership £m	The Harvest Limited Partnership £m	The Oriana Limited Partnership £m	Other £m	Total £m
Income statement										
Rental income	12.5	14.0	9.9	5.4	14.7	3.4	1.4	1.4	3.4	66.1
Service charge income	2.5	3.0	0.7	0.7	2.7	-	-	-	0.7	10.3
Property services income	-	-	-	-	-	-	-	-	0.1	0.1
Trading property sale proceeds	-	-	-	-	-	-	-	-	35.1	35.1
Revenue	15.0	17.0	10.6	6.1	17.4	3.4	1.4	1.4	39.3	111.6
Rents payable	(0.2)	-	-	-	-	-	-	-	(0.1)	(0.3)
Other direct property expenditure	(4.6)	(3.8)	(1.9)	(1.2)	(4.1)	(0.2)	-	-	(1.4)	(17.2)
Indirect property expenditure	(0.6)	(1.1)	(0.1)	(0.3)	(0.2)	(0.2)	(0.1)	(0.2)	(0.1)	(2.9)
Cost of sales of trading properties	-	-	-	-	-	-	-	-	(26.8)	(26.8)
	9.6	12.1	8.6	4.6	13.1	3.0	1.3	1.2	10.9	64.4
(Loss) / profit on disposal of non-current properties	(7.6)	0.6	-	-	-	-	-	-	(0.1)	(7.1)
Net (deficit) / surplus on revaluation of investment properties	(28.4)	(12.1)	(11.5)	(21.8)	(31.5)	6.3	(9.7)	(15.6)	(9.9)	(134.2)
Operating (loss) / profit	(26.4)	0.6	(2.9)	(17.2)	(18.4)	9.3	(8.4)	(14.4)	0.9	(76.9)
Net interest (expense) / income	(5.6)	(12.5)	(3.5)	0.4	0.1	0.4	-	-	(0.3)	(21.0)
(Loss) / profit before tax	(32.0)	(11.9)	(6.4)	(16.8)	(18.3)	9.7	(8.4)	(14.4)	0.6	(97.9)
Income tax	(0.1)	(0.6)	-	-	-	-	-	-	(2.4)	(3.1)
Share of (losses) / profits of joint ventures after tax										
-continuing activities	(32.1)	(12.5)	(6.4)	(16.8)	(18.3)	9.7	(8.4)	(14.4)	(1.9)	(101.1)
-discontinued operations	-	-	-	-	-	-	-	-	0.1	0.1
Balance sheet										
Investment properties	126.7	246.4	176.0	244.1	288.4	291.5	62.7	87.3	55.9	1,579.0
Current assets	11.2	38.3	6.1	118.7	9.1	12.4	2.3	1.5	73.7	273.3
	137.9	284.7	182.1	362.8	297.5	303.9	65.0	88.8	129.6	1,852.3
Current liabilities	(2.9)	(4.9)	(2.5)	(15.7)	(8.2)	(17.2)	(0.5)	(79.7)	(10.7)	(142.3)
Non-current liabilities	(62.0)	(209.9)	-	(0.4)	-	(2.3)	-	(0.1)	(24.7)	(299.4)
	(64.9)	(214.8)	(2.5)	(16.1)	(8.2)	(19.5)	(0.5)	(79.8)	(35.4)	(441.7)
Net assets	73.0	69.9	179.6	346.7	289.3	284.4	64.5	9.0	94.2	1,410.6
Capital commitments	2.9	0.6	2.9	127.4	-	27.7	-	-	8.3	169.8
Market value of investment properties	125.9	246.6	180.0	244.0	293.3	294.5	62.8	87.3	55.5	1,589.9
Net (debt) / cash	(53.1)	(205.6)	0.7	5.3	3.1	(0.3)	1.5	1.4	(6.5)	(253.5)
Net investment										
At 1 April 2007	145.8	95.3	188.6	308.1	321.1	198.6	-	-	81.3	1,338.8
Properties contributed	-	-	-	-	-	-	39.7	205.8	-	245.5
Cash contributed	-	6.6	3.4	-	-	-	33.2	-	26.3	69.5
Distributions	(42.5)	(14.2)	(6.0)	-	-	-	-	(0.8)	(11.6)	(75.1)
Fair value movement on cash flow hedges taken to equity	1.8	(5.3)	-	-	-	-	-	-	-	(3.5)
Loan advances	-	-	-	55.4	-	79.5	-	-	-	134.9
Loan repayments	-	-	-	-	(13.5)	(3.4)	-	(181.6)	-	(198.5)
Share of post-tax results:										
-continuing activities	(32.1)	(12.5)	(6.4)	(16.8)	(18.3)	9.7	(8.4)	(14.4)	(1.9)	(101.1)
-discontinued operations	-	-	-	-	-	-	-	-	0.1	0.1
At 31 March 2008	73.0	69.9	179.6	346.7	289.3	284.4	64.5	9.0	94.2	1,410.6

11. Trading properties and long-term development contracts

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

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

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

12. Borrowings

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

Medium term notes (MTN)

The MTN are secured on the fixed and floating pool of assets of the Security Group. Debt investors benefit from security over a pool of investment properties valued at **£7.5bn** at 31 March 2009 (2008: £11.0bn). The secured debt structure has a tiered operating covenant regime which gives the Group substantial flexibility when the loan to value and interest cover in the Security Group are less than 65% and more than 1.45 times respectively. If these limits are exceeded the operating environment becomes more restrictive with provisions to encourage the reduction in gearing (see note 13). The interest rate is fixed until the expected maturity, being two years before the legal maturity date for each MTN, whereupon the interest rate for the last two years is LIBOR plus a step-up margin. The effective interest rate includes the amortisation of issue costs. The MTN are listed on the Irish Stock Exchange and their fair values are based on their respective market prices.

Syndicated bank debt

At 31 March 2009 the Group had two syndicated bank facilities:
(1) £1.5bn authorised credit facility with a maturity of August 2013, which has been fully drawn. This facility is committed and is secured on the assets of the Security Group. The interest rates are floating at LIBOR plus a margin of between 0.15% and 0.25%; and
(2) £352.0m committed development facility with a maturity of May 2013. This facility was taken out to fund the development of Leeds Trinity Quarter and is secured on this property; this facility is currently £162.8m drawn. The interest rates are floating at LIBOR plus a margin of 2.35%. There are £5.0m of issue costs which are being written off over the life of this facility.

Bilateral facilities

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

Bond exchange de-recognition

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

Fair values

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

12. Borrowings continued

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

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

13. Financial risk management

Introduction
A review of the Group's objectives, policies and processes for managing and monitoring risk is set out in the "Financial review". This note provides further detail on financial risk management and includes quantitative information on specific financial risks.

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

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

Capital structure
The capital structure of the Group consists of shareholders' equity and net borrowings, including cash held on deposit. The type and maturity of the Group's borrowings are analysed further in note 12 and the Group's equity is analysed into its various components in note 16. Capital is managed so as to promote the long-term success of the business and to maintain sustainable returns for shareholders. The Group's objective is to navigate a prudent course through the current downturn and market volatility.

Whilst the Group is maintaining a strong focus on the business actions which are within its influence, a number of factors affecting the market in which the Group operates are beyond the Group's control. The pace of valuation decline has, in recent months, exceeded the pace at which assets can be sold to counteract the impact of falling values on the Group's balance sheet position, and this represents an ongoing risk.
Given the prevailing market conditions and the Group's financing arrangements, the Group undertook a Rights Issue in March 2009 to improve the Group's ability to preserve and create shareholder value through the downturn and into the next cycle by strengthening the Group's balance sheet and providing flexibility to react quickly to pricing and timing opportunities.

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

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

	2009	2008
	£m	£m
Adjusted net debt		
Borrowings (note 12)	**5,450.6**	5,426.5
Cash and cash equivalents	**(1,639.0)**	(48.4)
Cumulative mark-to-market adjustment on financial derivatives - Group	**112.0**	6.4
Net debt	**3,923.6**	5,384.5
Share of joint ventures' net debt (note 10)	**459.4**	253.5
Less: Cumulative mark-to-market adjustment on financial derivatives – Group	**(112.0)**	(6.4)
– joint ventures	**(38.2)**	(2.0)
Reverse bond exchange de-recognition (note 12)	**499.8**	511.5
	4,732.6	6,141.1
Adjusted total equity		
Total equity	**4,820.2**	9,582.9
Cumulative mark-to-market adjustment on financial derivatives – Group	**112.0**	6.4
– joint ventures	**38.2**	2.0
Reverse bond exchange de-recognition (note 12)	**(499.8)**	(511.5)
	4,470.6	9,079.8
Gearing	**81.4%**	56.2%
Adjusted gearing	**105.9%**	67.6%

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

Financial risk factors
(i) Credit risk
The Group's principal financial assets are cash and cash equivalents, trade and other receivables, finance lease receivables and loans to joint ventures and other third parties.

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

13. Financial risk management continued

within the Group's policy limits.

Trade and other receivables
Trade receivables
Trade receivables are presented in the balance sheet net of allowances for doubtful receivables. Impairment is made where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables concerned. The balance is low relative to the scale of the balance sheet and owing to the long-term nature and diversity of its tenancy arrangements, with central government being the largest single tenant, the credit risk of trade receivables is considered to be low. Furthermore, a credit report is obtained from an independent rating agency prior to the inception of a lease with a new counterparty. This report is used to determine the size of the deposit that is required from the tenant at inception. In general these deposits represent between three and six months rent.

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

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

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

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

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

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

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

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

The Group's objective is to navigate a prudent course through the current downturn and market volatility to avoid the Security Group moving into Final Tier 3 (80% LTV). As at 31 March 2009, as a result of the above decision to increase borrowings and fall in property values, the LTV was 76.7%. However, £1,596.5m of cash and cash equivalents was held in the Non-Restricted Group and is available to be applied within the business, including being injected into the Security Group to maintain its LTV at less than 80% if further falls in property values are experienced. The Security Group would thus avoid entering Final Tier 3 and the significant additional financial and operational restrictions that would be imposed. The Group's aim in the medium term is to return to Tier 1 or Tier 2 to allow greater access to the debt markets and avoid the restrictions imposed in Tier 3.

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

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

13. Financial risk management continued

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

(iii) Market risk
The Group is exposed to market risk through interest rates, currency fluctuations and availability of credit.

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

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

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

The Group does not normally enter into any foreign-currency transactions as it is UK based. However, where committed expenditure in foreign currencies is identified, it is the Group's policy to hedge 100% of that exposure by entering into forward purchases of foreign currency to fix the Sterling value. Therefore the Group's foreign-exchange risk is low.

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

14. Net pension surplus

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

15. Deferred taxation

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

16. Equity attributable to equity holders of the Company	Ordinary shares £m	Share premium £m	Capital redemption reserve £m	Share-based payments £m	Retained earnings * £m	Own shares £m	Total £m
At 1 April 2007	47.0	51.5	30.5	7.9	10,668.9	(14.5)	10,791.3
Exercise of options	0.1	5.1	-	-	-	-	5.2
Fair-value movement on cash flow hedges – Group	-	-	-	-	(3.2)	-	(3.2)
– joint ventures	-	-	-	-	(3.5)	-	(3.5)
Fair value of share-based payments	-	-	-	5.0	-	-	5.0
Release on exercise / forfeiture of share options	-	-	-	(1.6)	1.6	-	-
Treasury shares acquired	-	-	-	-	(78.2)	-	(78.2)
Actuarial gains on defined-benefit pension schemes (net)	-	-	-	-	14.9	-	14.9
Loss for the financial year	-	-	-	-	(830.8)	-	(830.8)
Dividends paid (note 5)	-	-	-	-	(308.4)	-	(308.4)
Own shares acquired	-	-	-	-	-	(9.4)	(9.4)
Transfer of shares to employees on exercise of share schemes	-	-	-	-	(1.6)	1.6	-
At 31 March 2008	47.1	56.6	30.5	11.3	9,459.7	(22.3)	9,582.9
Rights Issue	29.1	726.6	-	-	-	-	755.7
Exercise of options	-	2.0	-	-	-	-	2.0
Fair-value movement on cash flow hedges – Group	-	-	-	-	(0.2)	-	(0.2)
– joint ventures	-	-	-	-	(21.3)	-	(21.3)
Fair value of share-based payments	-	-	-	8.6	-	-	8.6
Release on exercise / forfeiture of share options	-	-	-	(11.8)	11.8	-	-
Actuarial losses on defined-benefit pension schemes (net)	-	-	-	-	(10.5)	-	(10.5)
Loss for the financial year	-	-	-	-	(5,191.3)	-	(5,191.3)
Dividends paid (note 5)	-	-	-	-	(302.4)	-	(302.4)
Transfer of shares to employees on exercise of share schemes	-	-	-	-	(9.9)	9.9	-
At 31 March 2009	**76.2**	**785.2**	**30.5**	**8.1**	**3,935.9**	**(12.4)**	**4,823.5**

* Included within retained earnings are cumulative losses in respect of cash flow hedges (interest rate swaps) of **£17.1m** (2008: gains of £4.4m).

17. Own shares	**2009 £m**	2008 £m
Cost at the beginning of the year	**22.3**	14.5
Acquisition of ordinary shares	**-**	9.4
Transfer of shares to employees on exercise of share schemes	**(9.9)**	(1.6)
Cost at the end of the year	**12.4**	22.3

Own shares consist of shares in Land Securities Group PLC held by the Employee Share Ownership Plan (ESOP) which is operated by the Group in respect of its commitment to the Deferred Bonus Shares Scheme.

The number of shares held by the ESOP at 31 March 2009 was **887,914** (2008: 1,336,275). The market value of these shares at 31 March 2009 was **£3.8m** (2008: £20.2m).

18. Cash flow from operating activities

Reconciliation of operating profit to net cash inflow from operating activities:	2009 £m	2008 £m
Cash generated from operations		
Loss for the financial year from continuing activities	**(4,773.7)**	(972.9)
Income tax	**0.5**	(15.1)
Loss before tax	**(4,773.2)**	(988.0)
Share of losses of joint ventures (post-tax)	**599.0**	101.1
	(4,174.2)	(886.9)
Interest income	**(32.5)**	(25.9)
Interest expense	**365.0**	312.3
Operating loss from continuing activities	**(3,841.7)**	(600.5)
Operating (loss) / profit from discontinued operations	**(79.0)**	108.2
	(3,920.7)	(492.3)
Adjustments on continuing and discontinued operations for:		
Depreciation	**24.3**	45.8
Loss / (profit) on disposal of non-current properties	**129.1**	(75.4)
Net deficit on revaluation of investment properties	**4,123.4**	1,170.3
Goodwill impairment	**148.6**	-
Impairment of trading properties	**92.3**	-
Share-based payment charge	**8.6**	5.0
Pension scheme charge	**1.3**	2.1
	606.9	655.5
Changes in working capital:		
(Increase) / decrease in trading properties and long-term development contracts	**(34.0)**	0.2
Decrease / (increase) in receivables	**69.5**	(26.3)
Increase / (decrease) in payables and provisions	**8.9**	67.1
Net cash generated from operations	**651.3**	696.5

19. Related party transactions

Subsidiaries

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

Joint ventures

As disclosed in note 10, the Group has investments in a number of joint ventures. Details of transactions and balances between the Group and its joint ventures are disclosed as follows:

	Year ended 31 March 2009 and at 31 March 2009				Year ended 31 March 2008 and at 31 March 2008			
	Revenues £m	**Net investments into joint ventures £m**	**Loans to joint ventures £m**	**Amounts owed to joint ventures £m**	Revenues £m	Net investments into joint ventures £m	Loans to joint ventures £m	Amounts owed to joint ventures £m
The Scottish Retail Property Limited Partnership	**0.5**	**0.4**	**0.3**	**(0.1)**	0.6	(42.5)	0.9	(3.9)
Metro Shopping Fund Limited Partnership	**0.8**	**4.7**	**-**	**-**	0.9	(7.6)	0.7	(2.0)
Buchanan Partnership	**5.3**	**(2.9)**	**1.6**	**-**	3.7	(2.6)	0.5	-
St. David's Limited Partnership	**8.0**	**74.0**	**12.3**	**(115.1)**	5.4	55.4	4.3	(116.9)
The Martineau Galleries Limited Partnership	**0.2**	**(5.9)**	**0.4**	**-**	0.2	3.1	0.3	-
The Bull Ring Limited Partnership	**-**	**(11.7)**	**-**	**-**	-	(13.5)	-	-
Bristol Alliance Limited Partnership	**7.0**	**57.4**	**14.2**	**-**	9.0	76.1	11.7	-
The Martineau Limited Partnership	**0.1**	**-**	**-**	**-**	-	-	-	(0.1)
A2 Limited Partnership	**-**	**(3.7)**	**-**	**-**	-	(2.8)	-	-
Parc Tawe I Unit Trust	**-**	**-**	**-**	**-**	-	(1.4)	-	-
Hungate (York) Regeneration Limited	**-**	**-**	**-**	**-**	-	1.7	-	-
Countryside Land Securities (Springhead) Limited	**-**	**0.9**	**0.6**	**-**	-	5.5	-	-
Investors in the Community	**-**	**0.2**	**-**	**-**	-	-	-	-
The Ebbsfleet Limited Partnership	**-**	**-**	**0.2**	**-**	-	-	0.2	-
The Harvest Limited Partnership	**0.6**	**14.6**	**0.6**	**(43.0)**	0.1	72.9	0.1	(0.2)
The Oriana Limited Partnership	**0.4**	**11.1**	**2.5**	**-**	-	23.4	78.7	(0.3)
Millshaw Property Co. Limited	**-**	**-**	**-**	**(10.4)**	-	14.2	-	(10.8)
Fen Farm Developments Limited	**0.1**	**(3.5)**	**11.1**	**-**	0.1	(5.6)	13.7	-
The Empress State Limited Partnership	**-**	**28.1**	**0.1**	**-**	-	-	-	-
HNJV Limited	**-**	**-**	**0.7**	**-**	-	-	-	-
	23.0	**163.7**	**44.6**	**(168.6)**	20.0	176.3	111.1	(134.2)

Further detail of the above transactions and balances can be seen in note 10.

Remuneration of key management personnel

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

	2009 £m	2008 £m
Short-term employee benefits	**3.2**	7.7
Post-employment benefits	**0.6**	0.6
Share-based payments	**2.6**	3.2
	6.4	11.5

20. Discontinued operations

On 8 January 2009 Land Securities announced the sale of Trillium, its property outsourcing business, to Telereal. The sale was completed on 12 January 2009. The transaction included all of Trillium's contracts with the exception of the Accor hotel portfolio, which is now included within the Retail Portfolio business segment.

The Trillium operations represented a separate major line of business for Land Securities. As a result of the sale and in accordance with IFRS 5, these operations have been treated as discontinued operations for the year ended 31 March 2009. A single amount is shown on the face of the income statement comprising the post-tax result of discontinued operations and the post-tax loss arising on the disposal of the discontinued operation. As a result, the income and expenses of Trillium are reported separately from the continuing activities of the Land Securities Group. The table below provides further details of the amount shown on the income statement. The income statement, and relevant notes, for the prior year have been restated to conform with this style of presentation.

	2009 £m	2008 £m
(Loss) / profit for the financial year from discontinued operations	**(87.3)**	142.1
Loss on disposal	**(333.6)**	-
	(420.9)	142.1

Income statement of Trillium discontinued operations	2009[1] £m	2008 £m
Revenue	**558.1**	743.2
Costs	**(480.2)**	(641.2)
	77.9	102.0
Goodwill impairment	**(148.6)**	-
Profit on disposal of non-current properties	**1.7**	18.1
Net deficit on revaluation of investment properties	**(10.0)**	(11.9)
Operating (loss) / profit	**(79.0)**	108.2
Interest expense	**(6.1)**	(12.1)
Interest income	**2.1**	3.5
	(83.0)	99.6
Share of the loss of an associate undertaking (post-tax)	**(16.6)**	(0.5)
Share of the (loss) / profit of joint ventures (post-tax)	**-**	0.1
(Loss) / profit before tax	**(99.6)**	99.2
Income tax	**(7.9)**	(4.6)
(Loss) / profit for the financial year	**(107.5)**	94.6
Discontinued operations within Trillium	**20.2**	47.5
(Loss) / profit for the financial year from discontinued operations	**(87.3)**	142.1

[1] The 2009 income statement is for the period from 1 April 2008 to 12 January 2009, the date of the disposal of Trillium.

Loss on disposal	2009 £m	2008 £m
Consideration received or receivable:		
Cash	**444.0**	-
Present value of deferred sales proceeds	**25.0**	-
Total disposal consideration	**469.0**	-
Less: carrying amounts of net assets divested	**(792.8)**	-
Less: cost of disposal	**(9.8)**	-
Loss on sale before related income tax benefit	**(333.6)**	-
Income tax benefit	**-**	-
Loss on disposal	**(333.6)**	**-**

Net cash inflow on disposal	2009 £m	2008 £m
Cash and cash equivalents consideration	**444.0**	-
Less: cash and cash equivalents balance divested	**(51.3)**	-
Reported in the cash flow statement	**392.7**	**-**

The cash consideration includes the repayment of inter-company balances of £435.8m that were outstanding between the Group and Trillium at 12 January 2009.

20. Discontinued operations continued

The Group cash flow statement contains the cash flows from the Trillium discontinued operations. The cash flows attributable to the operating activities of the Trillium discontinued operations are detailed in the following table:

	2009 £m	2008 £m
Operating cash flows	**138.7**	102.8
Investing cash flows	**106.9**	(195.5)
Financing cash flows	**(24.4)**	(48.8)
Total cash flows	**221.2**	(141.5)

Business Analysis

Investment Portfolio

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

The market value of the investment property interests in the Investment Portfolio totalled £9,407.0m at 31 March 2009 (31 March 2008: £14,022.6m excluding Trillium). The aggregate of the market values of those investment properties held by the Group, excluding joint ventures, as at 31 March 2009 was £8,165.5m (31 March 2008: £12,432.7m excluding Trillium).

The valuation of the freehold and leasehold investment properties in the Investment Portfolio at 31 March 2009 was undertaken by Knight Frank LLP as External Valuer. The valuations were in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards and the International Valuation Standards. The valuation of each property was on the basis of market value, subject to the assumptions that investment properties would be sold subject to any existing leases and that properties held for development would be sold with vacant possession in existing condition. The External Valuer's opinion of market value was primarily derived using recent comparable market transactions on arm's length terms.

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

Table 9: Top 10 property holdings

Total value £2.9bn
(30.8% of combined portfolio)
Values in excess of £185m

Name	Principal occupiers	Ownership interest (%)	Floor area (000 sq ft)	Passing rent (£m)	Let by income (%)	Weighted average unexpired lease term (yrs)
Cardinal Place, SW1	Microsoft, Wellington Management	100	Retail: 57 Offices: 454	30	99.5	8.1
New Street Square, EC4	Deloitte, Taylor Wessing	100	Retail: 22 Offices: 685	14	92.7	14.7
Queen Anne's Gate, SW1	Government	100	Offices: 324	26	100.0	17.7
White Rose Centre, Leeds	Sainsbury's, Debenhams, Arcadia	100	Retail: 680	27	97.4	8.3
Cabot Circus, Bristol (and adjoining properties)	House of Fraser, Harvey Nichols, H&M	50	Retail / Leisure: 1,200	12	91.6	9.1
Bankside 2&3, SE1	Royal Bank of Scotland	100	Retail: 26 Offices: 391	1	99.8	18.3
Almondvale Centre, Livingston	Debenhams, M&S, BHS	100	Retail: 925	14	87.0	8.5
Piccadilly Lights, W1	Boots, Barclays	100	Retail / Leisure: 66 Offices: 16	11	91.4	3.4
Bullring, Birmingham	Debenhams, Next, Selfridges	33	Retail: 1,184	16	93.7	9.4
Gunwharf Quays, Portsmouth	Vue Cinema, M&S, Boots	100	Retail: 444	19	97.7	7.9

Table 10: Top 12 occupiers

	Current gross rent roll %
Central Government	9.5
Accor Hotels	4.2
Royal Bank of Scotland	2.7
Deloitte	2.3
Arcadia Group	1.7
Boots	1.4
DSG	1.4
Mellon Bank	1.3
Marks & Spencer	1.2
J Sainsbury	1.2
Eversheds	1.1
Next	1.1
Total	29.1

Includes share of joint venture properties.

Table 11: % Portfolio by value and number of property holdings at 31 March 2009

£m	Value %	Number of properties
0 – 9.99	3.6	87
10 – 24.99	5.8	34
25 – 49.99	13.2	36
50 – 99.99	18.8	26
100 – 149.99	17.0	13
150 – 199.99	12.7	7
200 +	28.9	9
Total	100.0	212

Includes share of joint venture properties.

Table 12: Combined portfolio value by location

	Shopping centres and shops %	Retail warehouses %	Offices %	Other %	Total %
Central inner and outer London	13.5	0.8	42.3	4.5	61.1
South East and Eastern	3.7	3.7	-	1.3	8.7
Midlands	3.1	1.1	0.1	0.5	4.8
Wales and South West	6.6	0.9	0.1	0.1	7.7
North, North West, Yorkshire and Humberside	6.5	4.1	0.2	0.8	11.6
Scotland and Northern Ireland	4.5	1.3	-	0.3	6.1
Total	**37.9**	**11.9**	**42.7**	**7.5**	**100.0**

% figures calculated by reference to the combined portfolio value of £9.4bn.

Table 13: Average rents at 31 March 2009

	Average rent £/sq m	Average ERV £/sq m
Retail		
Shopping centres and shops	n/a	n/a
Retail warehouses and food stores	203	207
Offices		
London office portfolio	373	342

Average rent and estimated rental value have not been provided where it is considered that the figures would be potentially misleading (i.e. where there is a combination of analysis on rents on an overall and Zone A basis in the retail sector or where there is a combination of uses, or small sample sizes). This is not a like-for-like analysis with the previous year. Excludes properties in the development programme and voids.

Table 14: Like-for-like reversionary potential at 31 March 2009

Reversionary potential	31 March 2009 % of rent roll	31 March 2008 % of rent roll
Gross reversions	7.0	15.5
Over-rented	(4.8)	(1.1)
Net reversionary potential	2.2	14.4

The reversion is calculated with reference to the gross secure rent roll after the expiry of rent free periods on those properties which fall under the like-for-like definition as set out in the notes to the combined portfolio analysis. Reversionary potential excludes additional income from the letting of voids. Of the over-rented income, £14.4m is subject to a lease expiry or break clause in the next five years.

Table 15: One year performance relative to IPD

Ungeared total returns – year to 31 March 2009

	Land Securities % pa	IPD % pa
Retail – Shopping centres and shops	(34.8)	(29.8)
Retail warehouses	(30.6)	(27.9)
Central London offices	(28.2)	(29.2)
Total portfolio	(29.7)	(25.5)

IPD Quarterly Universe

Table 16: Combined portfolio analysis

The like-for-like portfolio

	Open market value[8]		Valuation deficit[1]		Gross rental income		Annual net rent[9]		Annual net estimated rental value[10]	
	31 March 2009	31 March 2008	31 March 2009	31 March 2008	31 March 2009	31 March 2008	31 March 2009	31 March 2008	31 March 2009	31 March 2008
	£m	£m	£m	%	£m	£m	£m	£m	£m	£m
Shopping centres and shops										
Shopping centres and shops	1,883.8	2,951.1	(1,089.2)	(36.8)	192.1	192.0	168.2	170.3	182.9	191.4
Central London shops	622.3	693.7	(77.8)	(11.1)	35.0	32.2	35.9	30.2	39.5	38.2
	2,506.1	3,644.8	(1,167.0)	(31.9)	227.1	224.2	204.1	200.5	222.4	229.6
Retail Warehouses										
Retail warehouses and food stores	1,018.2	1,538.1	(543.5)	(35.5)	79.5	76.6	81.3	80.1	87.1	91.5
Total retail	3,524.3	5,182.9	(1,710.5)	(33.0)	306.6	300.8	285.4	280.6	309.5	321.1
London Offices										
West End	999.3	1,500.0	(511.4)	(34.3)	85.7	84.9	80.8	80.8	79.0	104.6
City	414.9	670.9	(263.8)	(38.9)	36.7	36.3	37.6	37.1	33.3	40.0
Mid-town	306.5	462.3	(147.4)	(37.8)	25.5	24.1	26.2	25.5	25.5	31.4
Inner London	197.0	289.3	(92.5)	(32.0)	16.8	15.8	17.2	16.2	17.5	18.8
Total London offices	1,917.7	2,922.5	(1,015.1)	(35.6)	164.7	161.1	161.8	159.6	155.3	194.8
Rest of UK	42.1	67.1	(25.3)	(37.4)	1.4	1.4	4.2	3.6	4.8	5.0
Total offices	1,959.8	2,989.6	(1,040.4)	(35.7)	166.1	162.5	166.0	163.2	160.1	199.8
Other	223.8	295.2	(77.9)	(26.1)	11.0	10.5	15.2	14.4	16.9	16.3
Like-for-like portfolio[2]	5,707.9	8,467.7	(2,828.8)	(33.7)	483.7	473.8	466.6	458.2	486.5	537.2
Proposed developments[3]	361.8	662.7	(390.0)	(52.3)	18.2	28.4	16.0	29.7	26.7	37.6
Completed developments[4]	1,340.5	1,772.0	(454.3)	(26.3)	95.9	59.1	77.3	57.1	87.9	102.0
Acquisitions[5]	777.0	863.4	(322.5)	(29.2)	66.3	46.5	63.3	55.2	69.9	68.2
Sales and restructured interests[6]	-	723.3	-	-	23.2	80.9	-	41.1	-	46.4
Total development programme[7]	1,219.8	1,533.5	(748.1)	(39.2)	40.1	24.4	32.4	9.6	141.4	137.5
Combined portfolio	9,407.0	14,022.6	(4,743.7)	(34.2)	727.4	713.1	655.6	650.9	812.4	928.9
Properties treated as finance leases					(8.0)	(8.8)				
Combined portfolio					719.4	704.3				

Total portfolio analysis

	Open market value[8]		Valuation deficit[1]		Gross rental income		Annual net rent[9]		Annual net estimated rental value[10]	
Shopping centres and shops										
Shopping centres and shops	2,587.6	3,987.3	(1,675.0)	(39.7)	233.8	229.3	212.4	196.7	256.5	257.0
Central London shops	976.1	1,060.8	(125.9)	(11.4)	45.7	48.0	47.4	40.4	86.6	73.0
	3,563.7	5,048.1	(1,800.9)	(33.9)	279.5	277.3	259.8	237.1	343.1	330.0
Retail Warehouses										
Retail warehouses and food stores	1,123.6	1,803.8	(603.7)	(35.6)	95.0	96.2	87.7	93.9	96.1	108.1
Total retail	4,687.3	6,851.9	(2,404.6)	(34.3)	374.5	373.5	347.5	331.0	439.2	438.1
London Offices										
West End	1,841.7	2,745.6	(849.9)	(32.2)	141.0	126.5	132.7	124.0	126.7	185.8
City	732.7	1,155.5	(516.7)	(41.7)	53.9	52.5	51.5	51.8	76.0	87.3
Mid-town	783.2	1,272.0	(463.2)	(40.5)	62.4	52.1	40.6	50.4	66.5	88.9
Inner London	611.4	950.9	(267.7)	(31.3)	48.8	51.0	30.3	35.1	50.5	65.5
Total London offices	3,969.0	6,124.0	(2,097.5)	(35.7)	306.1	282.1	255.1	261.3	319.7	427.5
Rest of UK	51.1	79.6	(28.6)	(34.4)	1.7	2.3	4.2	3.9	4.9	5.5
Total offices	4,020.1	6,203.6	(2,126.1)	(35.7)	307.8	284.4	259.3	265.2	324.6	433.0
Other	699.6	967.1	(213.0)	(23.4)	45.1	55.2	48.8	54.7	48.6	57.8
Combined portfolio	9,407.0	14,022.6	(4,743.7)	(34.2)	727.4	713.1	655.6	650.9	812.4	928.9
Properties treated as finance leases					(8.0)	(8.8)				
Combined portfolio					719.4	704.3				
Represented by:										
Investment portfolio	8,165.5	12,432.7	(4,113.4)	(34.2)	649.7	646.9	549.0	530.9	671.5	530.9
Share of joint ventures	1,241.5	1,589.9	(630.3)	(34.3)	77.7	66.2	106.6	120.0	140.9	398.0
Combined portfolio	9,407.0	14,022.6	(4,743.7)	(34.2)	727.4	713.1	655.6	650.9	812.4	928.9

Table 17: Combined portfolio analysis continued

The like-for-like portfolio

	Gross income yield[11]		Equivalent yield[12]		Annual gross estimated rental value[13]		Voids (by ERV)[14]		Lease length at 31 March 2009[15]	
	31 March 2009	31 March 2008	31 March 2009	31 March 2008	31 March 2009	31 March 2008	31 March 2009	31 March 2008	Median years (i)	Mean years (ii)
	%	%	%	%	£m	£m	%	%		
Shopping centres and shops										
Shopping centres and shops	**8.9**	5.8	**8.1**	5.7	**193.3**	202.6	**7.0**	4.8	**6.5**	**7.6**
Central London shops	**5.8**	4.4	**5.8**	5.0	**39.7**	38.5	**0.8**	7.0	**4.3**	**5.8**
	8.1	5.5	**7.5**	5.5	**233.0**	241.1	**6.0**	5.1	**5.9**	**7.3**
Retail Warehouses										
Retail warehouses and food stores	**8.0**	5.2	**8.1**	5.5	**87.8**	92.3	**0.9**	2.7	**11.2**	**11.6**
Total retail	**8.1**	5.4	**7.7**	5.5	**320.8**	333.4	**4.6**	4.5	**7.5**	**8.6**
London Offices										
West End	**8.1**	5.4	**7.5**	6.1	**79.4**	105.0	**7.2**	1.4	**5.3**	**7.1**
City	**9.1**	5.5	**8.0**	6.3	**35.4**	42.1	**3.0**	2.9	**1.8**	**3.6**
Mid-town	**8.5**	5.5	**7.6**	6.0	**26.2**	31.8	**0.5**	0.9	**3.8**	**7.4**
Inner London	**8.7**	5.6	**8.4**	7.6	**17.5**	18.8	**1.9**	1.5	**4.9**	**5.7**
Total London offices	**8.4**	5.5	**7.7**	6.1	**158.5**	197.7	**4.6**	1.7	**4.0**	**6.2**
Rest of UK	**10.0**	5.4	**9.8**	7.0	**4.9**	5.1	**12.6**	12.6	**3.3**	**3.8**
Total offices	**8.5**	5.5	**7.8**	6.2	**163.4**	202.8	**4.8**	1.9	**4.0**	**6.1**
Other	**6.8**	4.9	**7.8**	5.8	**16.9**	16.3	**2.1**	2.6	**12.9**	**12.5**
Like-for-like portfolio[2]	**8.2**	5.4	**7.7**	5.8	**501.1**	552.5	**4.6**	3.5	**5.8**	**7.8**
Proposed developments[3]	**3.0**	4.5	**5.3**	6.1	**26.7**	37.6	**44.1**	9.1	**0.8**	**7.1**
Completed developments[4]	**5.8**	3.2	**6.7**	5.9	**89.8**	103.0	**1.0**	3.6	**12.5**	**12.9**
Acquisitions[5]	**8.1**	6.4	**7.2**	6.2	**70.4**	68.5	**7.3**	6.1	**9.6**	**9.8**
Sales and restructured interests[6]	**-**	5.7	**-**	-	**-**	46.7	**n/a**	n/a	**n/a**	**n/a**
Total development programme[7]	**3.1**	0.6	**7.5**	5.4	**146.7**	138.4	**n/a**	n/a	**n/a**	**n/a**
Combined portfolio	**7.0**	4.6	**7.5**	5.7	**834.7**	946.7	**n/a**	n/a	**n/a**	**n/a**

Total portfolio analysis

Shopping centres and shops				
Shopping centres and shops	**8.2**	4.9	**7.9**	5.6
Central London shops	**4.9**	3.8	**5.8**	5.0
	7.3	4.7	**7.4**	5.5
Retail Warehouses				
Retail warehouses and food stores	**7.8**	5.2	**8.0**	5.5
Total retail	**7.4**	4.8	**7.5**	5.5
London Offices				
West End	**7.2**	4.5	**7.2**	5.9
City	**7.0**	4.5	**7.8**	6.2
Mid-town	**5.2**	4.0	**7.4**	5.8
Inner London	**5.0**	3.7	**7.7**	7.6
Total London offices	**6.4**	4.3	**7.4**	6.0
Rest of UK	**8.2**	4.9	**9.6**	7.0
Total offices	**6.5**	4.3	**7.4**	6.0
Other	**7.0**	5.7	**7.1**	5.9
Combined portfolio	**7.0**	4.6	**7.5**	5.7
Represented by:				
Investment portfolio	**6.7**	4.3	7.5	5.8
Share of joint ventures	**8.6**	7.5	7.2	5.4
Combined portfolio	**7.0**	4.6	7.5	5.7

Notes

1. The valuation deficit is stated after adjusting for the effect of SIC 15 under IFRS, but before restating for finance leases.
2. The like-for-like portfolio includes all properties which have been in the portfolio since 1 April 2007 but excluding those which were acquired, sold or included in the development programme at any time during that period. Capital expenditure on refurbishments, acquisitions of headleases and similar capital expenditure has been allocated to the like-for-like portfolio in preparing this table. Changes in valuation from period-to-period reflect this capital expenditure as well as the disclosed valuation deficits.
3. Proposed developments are properties which have not yet received final Board approval or are still subject to main planning conditions being satisfied.
4. Completed developments represent those properties previously included in the development programme, which have been completed, let and removed from the development programme since 1 April 2007.
5. Includes all properties acquired in the period since 1 April 2007.
6. Includes all properties sold (other than directly out of the development programme), or where the ownership interest has been restructured, in the period since 1 April 2007.
7. Ongoing developments are properties in the development programme. They exclude completed developments as defined in note 3 above.
8. The open market value figures include the Group's share of the various joint ventures.
9. Annual net rent is annual cash rents at 31 March 2009 (including units in administration where leases have not yet been disclaimed) after deduction of ground rents. It excludes the value of voids and current rent free periods.
10. Annual net estimated rental value includes vacant space, rent-frees and future estimated rental values for properties in the development programme and is calculated after deducting expected ground rents.
11. The gross income yield represents the annual cash net rent (including units in administration where leases have not yet been disclaimed) expressed as a percentage of the market value ignoring costs of purchase or sale.
12. The net nominal equivalent yield has been calculated on the gross outlays for a purchase of the property (including purchase costs) and assuming that rent is received annually in arrears.
13. Annual gross estimated rental value is calculated in the same way as net estimated rental value before the deduction of ground rents.
14. Voids represent all unlet space in the properties, including voids where refurbishment work is being carried out and voids in respect of pre-development properties. Voids are calculated based on their gross estimated rental value as defined in 12 above.
15. The definition for the figures in each column is:
    I. Median is the number of years until half of income is subject to lease expiry/break clauses.
    II. Mean is the rent-weighted average remaining term on leases subject to lease expiry/break clauses.

Table 18: Income statement – gross rental income reconciliation

	Retail Portfolio £m	London Portfolio £m	Other £m	31 March 2009 £m	Retail Portfolio £m	London Portfolio £m	Other £m	31 March 2008 £m
Combined portfolio (per Table 16)	374.5	306.1	46.8	727.4	373.5	282.1	57.5	713.1
Central London shops (excluding Metro Shopping Fund LP)	(42.8)	42.8	-	-	(45.4)	45.4	-	-
Inner London offices in Metro Shopping Fund LP	0.8	(0.8)	-	-	0.8	(0.8)	-	-
Rest of UK offices	1.5	0.2	(1.7)	-	2.3	-	(2.3)	-
Other	40.6	4.5	(45.1)	-	39.4	15.8	(55.2)	-
	374.6	352.8	-	727.4	370.6	342.5	-	713.1
Less finance lease adjustment	(2.7)	(5.3)	-	(8.0)	(2.9)	(5.9)	-	(8.8)
Total rental income for combined portfolio	371.9	347.5	-	719.4	367.7	336.6	-	704.3

Table 19: Open market value reconciliation

	Retail Portfolio £m	London Portfolio £m	Other £m	31 March 2009 £m	Retail Portfolio £m	London Portfolio £m	Other £m	31 March 2008 £m
Combined portfolio (per Table 16)	4,687.3	3,969.0	750.7	9,407.0	6,851.9	6,124.0	1,046.7	14,022.6
Central London shops (excluding Metro Shopping Fund LP)	(939.2)	939.2	-	-	(1,008.0)	1,008.0	-	-
Inner London offices in Metro Shopping Fund LP	9.8	(9.8)	-	-	18.0	(18.0)	-	-
Rest of UK offices	51.1	-	(51.1)	-	79.6	-	(79.6)	-
Other	508.6	191.0	(699.6)	-	731.8	235.3	(967.1)	-
Per business unit	4,317.6	5,089.4	-	9,407.0	6,673.3	7,349.9	-	14,022.6

Table 20: Gross estimated rental value reconciliation

	Retail Portfolio £m	London Portfolio £m	Other £m	31 March 2009 £m	Retail Portfolio £m	London Portfolio £m	Other £m	31 March 2008 £m
Combined portfolio	455.5	325.6	53.6	834.7	451.6	431.6	63.5	946.7
Central London shops (excluding Metro Shopping Fund LP)	(85.7)	85.7	-	-	(70.1)	70.1	-	-
Inner London offices in Metro Shopping Fund LP	0.9	(0.9)	-	-	1.0	(1.0)	-	-
Rest of UK offices	5.0	-	(5.0)	-	5.7	-	(5.7)	-
Other	40.1	8.5	(48.6)	-	46.3	11.5	(57.8)	-
Per business unit	415.8	418.9	-	834.7	434.5	512.2	-	946.7

Table 21: Development pipeline financial summary

	Cumulative movements on the development programme to 31 March 2009						Total scheme details				
	Market value at start of scheme £m	Capital expenditure incurred to date £m	Capitalised interest to date £m	Revaluation (deficit)/ surplus to date (1) £m	Disposals, SIC15 rent and other adjustments £m	Market value at 31 March 2009 £m	Estimated total capital expenditure (4) £m	Estimated total capitalised interest £m	Estimated total cost less residential (2) £m	Net income/ ERV (3) £m	Valuation deficit for year ended 31 March 2009 (1) £m
Development programme transferred or sold											
Retail warehouses	12	7	-	(7)	-	12	7	-	19	1	(4)
London Portfolio	16	152	11	56	2	237	157	11	184	17	(25)
	28	159	11	49	2	249	164	11	203	18	(29)
Development programme completed, approved or in progress											
Shopping centres and shops	52	623	38	(316)	6	403	753	44	812	44	(291)
London Portfolio	442	564	53	(321)	67	805	1,020	104	1,457	95	(454)
	494	1,187	91	(637)	73	1,208	1,773	148	2,269	139	(745)
	Movement on proposed developments for year ended 31 March 2009										
Proposed developments											
Shopping centres and shops	207	36	12	(162)	(8)	85	260	30	375	28	(162)
London Portfolio	427	47	2	(228)	29	277	1,181	158	1,165	98	(228)
	634	83	14	(390)	21	362	1,441	188	1,540	126	(390)

Notes:

1. Includes profit realised on the disposal of property.
2. Includes the property at the market valuation at the start of the financial year in which the property was added to the Development Programme together with estimated capitalised interest. For Proposed Development properties, the market value of the property at 31 March 2009 is included in the estimated total cost. Estimated total cost is stated net of the cost of residential properties for Shopping Centres and shops of £37m for developments in progress. The London Portfolio developments programme and proposed developments are stated net of the cost of residential properties of £109m and £451m respectively. Allowances for rent free periods are excluded from cost.
3. Net headline annual rental payable on let units plus net ERV at 31 March 2009 on unlet units.
4. For Proposed Development properties the estimated total capital expenditure represents the outstanding costs required to complete the scheme as at 31 March 2009.

Glossary

Adjusted earnings per share (EPS)
Earnings per share based on revenue profit plus profits / (losses) on trading properties and long-term development contracts all after tax.

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

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

BREEAM
Building Research Establishment's Environmental Assessment Method.

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

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

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

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

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

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

EPRA
European Public Real Estate Association.

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

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

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

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

Gearing (net)
Total borrowings, including bank overdrafts, less short-term deposits, corporate bonds and cash, at book value, plus cumulative mark-to-market adjustment on financial derivatives as a percentage of total equity.

Gross income yield
The annual cash net rent on investment properties (including those tenants in administration) expressed as a percentage of the valuation ignoring costs of purchase or sale.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Proposed developments
Proposed developments are schemes that are not yet included in the development programme but which are more likely to proceed than not.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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