

*We see things  
differently*



# Where to get more information



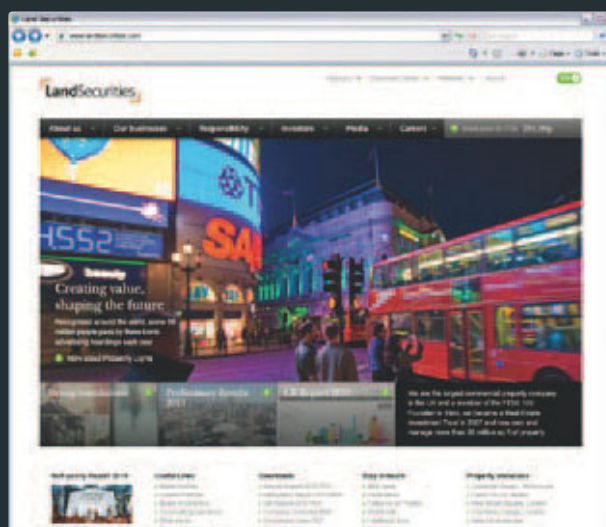
## Online Annual Report [www.landsecurities.com/annualreport2011](http://www.landsecurities.com/annualreport2011)

Read/Watch/Download centres  
Videos featuring key stories from the year  
Executive team review of 2010/11  
Bespoke, downloadable Annual Report  
Chart generator for easy year to year comparisons  
Latest news from the Group



## Corporate Responsibility Report [www.landsecurities.com/responsibility](http://www.landsecurities.com/responsibility)

Our approach to Corporate Responsibility  
Key activities and achievements in 2010/11  
How CR supports our business strategy  
How we work with our stakeholders  
What CR means to our employees  
Targets for 2011/12




## Corporate website [www.landsecurities.com](http://www.landsecurities.com)

Latest information for investors  
Our vision, strategy, objectives and values  
Information on our Retail Portfolio and London Portfolio  
Structure and Senior Management at Land Securities  
– Corporate Responsibility  
– Media centre  
Working at Land Securities  
Frequently asked questions

Over the last 12 months, we pushed ahead with development in London and made an early start on construction in Retail. We spotted opportunities to realise and recycle capital from sales. We acquired assets with excellent potential. And we continued to set new standards for sustainability. In a rising market full of promise, we are setting ourselves apart by *seeing things differently.*

02—16 **See what we've been up to**

|    |                          |
|----|--------------------------|
| 02 | Trinity Leeds            |
| 04 | Sainsbury's, Lincoln     |
| 06 | 20 Fenchurch Street, EC3 |
| 08 | Westgate Centre, Oxford  |
| 10 | Buckingham Gate, SW1     |
| 12 | Buchanan Street, Glasgow |
| 14 | Park House, W1           |




# *Open for business*

## **Trinity Leeds**

Some observers believe it's too soon to restart major retail development. At Leeds, we take a different view. This UK 'Top 5' city has the potential to become an even bigger attraction. Which is why we've pushed ahead with construction at Trinity Leeds, making it the first large retail scheme to get the go ahead since the financial downturn. The scheme is already nearly 60% let, two years ahead of opening in spring 2013.








## *Our local market*

### **Sainsbury's, Lincoln**

Some people think supermarket lettings are old news. We see a thriving market sector that's full of opportunity. Take our work with Sainsbury's. Through the Harvest joint venture we're applying our property expertise to deliver new stores and formats, like this innovative extension in Lincoln. By helping to make a difference for their customers, we're creating value for our shareholders.



*A beautiful  
garden in London*


**20 Fenchurch Street, EC3**

Some people think we're brave to be building a tower in London so soon after the financial downturn. We see supply-constrained conditions ahead. That's given us the confidence to restart construction at key development sites, including 20 Fenchurch Street. With a spectacular tree-lined botanical garden on the top floors, this scheme is creating 37 floors of truly exceptional commercial space right in the centre of the City.










## *Smart shopping destination*

### **Westgate Centre, Oxford**

Some might question why we have acquired 50% of the Westgate Centre in Oxford. Although the city is relatively small, it's one of the most affluent locations in the UK and hosts thousands of students and visitors. It's also significantly under-served in terms of great retail. So we see all sorts of opportunities to create a shopping destination that's as smart as its surroundings.



*State-of-the-art  
space in SW1*

**Buckingham Gate, SW1**

Some see the exodus of Government departments from SW1 as a risk for landlords like us. We see an extraordinary opportunity to transform one of London's busiest centres. Our Buckingham Gate development will be at the heart of the change, providing state-of-the-art offices, street level shops and restaurants – all due for delivery in spring 2013.



## Cutting edge retail in Glasgow

### Buchanan Street, Glasgow

Some people saw these buildings as a complicated, unattractive site stuck in administration. We spotted an opportunity to unlock value and acquired the asset in December 2009. We see great times ahead. The asset sits in the heart of Glasgow's stylish shopping district, directly opposite our Buchanan Galleries centre. Retailers share our vision, and at March 2011 69% of the scheme was pre-let.





**DEM-MASTER**  
DEMOLITION LIMITED

TELEPHONE  
**0141 954 7222**

[www.dem-master.co.uk](http://www.dem-master.co.uk)  
DEMOLITION IN SAFE HANDS

Artistic  
18  
13

**P&B**

THE BEEHIVE

**NIGHTWALK**  
SS2011

**SECRET PARTY**  
TERRENCE PARKER  
SPENCER PARKER  
MORGAN'S SPICED



# *A luxurious home in Mayfair*

## **Park House, W1**

Just a few years ago this site was simply a hole in the ground. We saw its potential and laid the foundations for a stunning mixed-use development. When completed in 2012, Park House will provide contemporary office space, luxurious Mayfair apartments, and stylish shops on Europe's busiest high street – Oxford Street. The quality of our scheme quickly attracted a buyer and we sold the site for £296m this year.

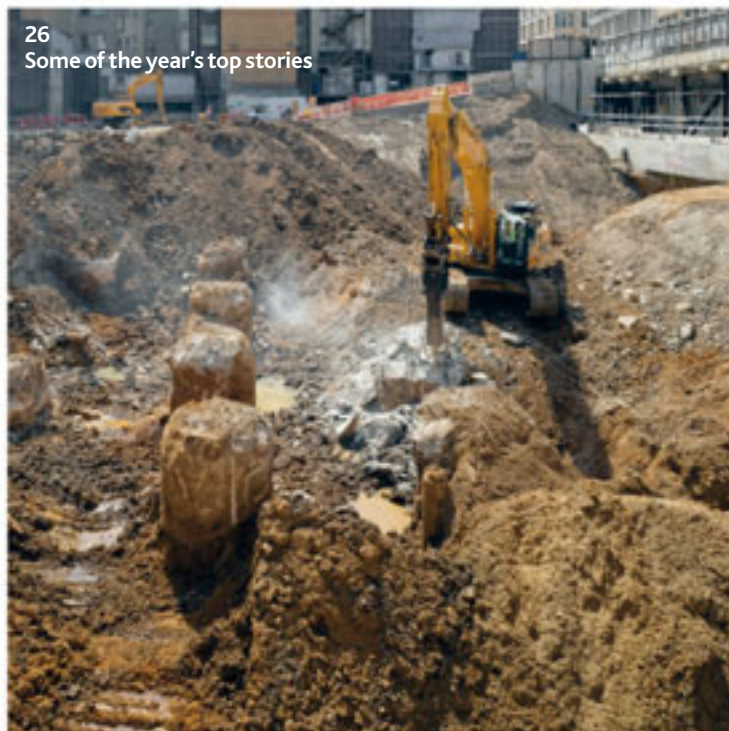
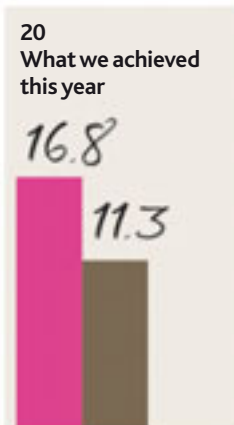






By *seeing things differently* during the year, we have been able to spot and address some excellent opportunities. From making an early start on development to acquiring assets with hidden potential, we have been clear-sighted and confident in our pursuit of value creation. Over the following pages we report on our year in more detail, and show how our actions have translated into financial returns for shareholders.

# The essential read

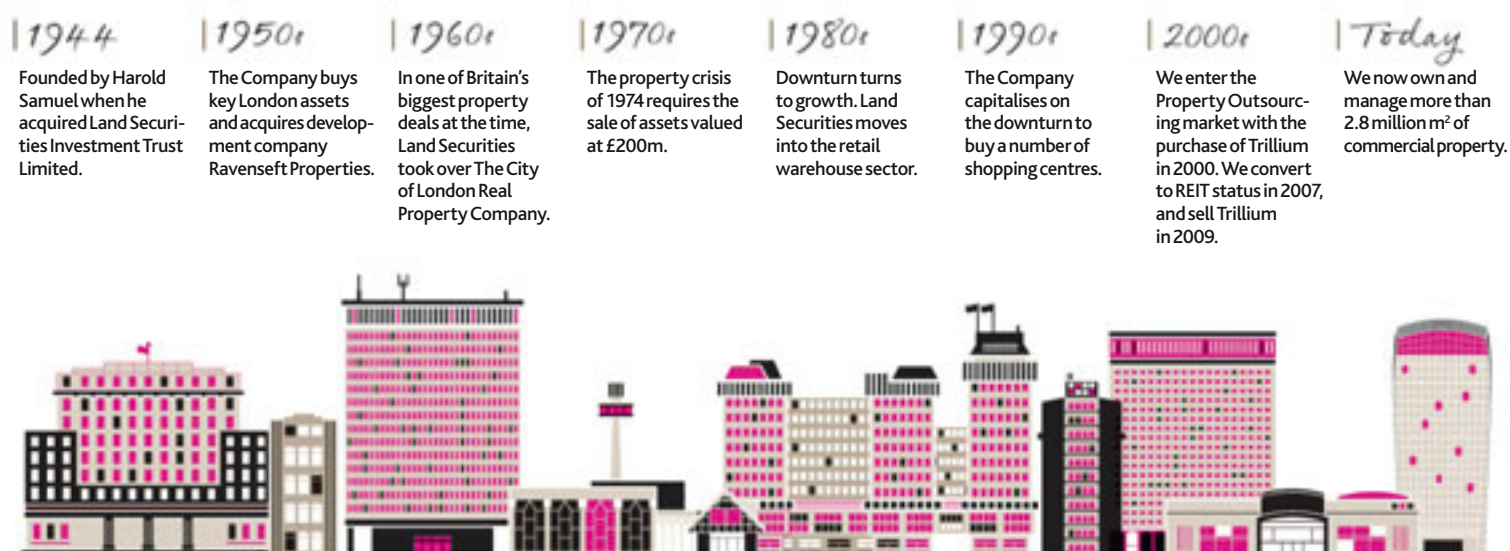


## 17—28 In this section

- 18 **Who we are**  
From modest beginnings in 1944 to our position as the UK's largest REIT; some important background information on the Group and our two business areas.
- 18 **Our strategy**  
Our approach to running our business, focusing on customer needs and creating shareholder value.
- 18 **Our market**  
Defining the market areas we address and where our activity is focused.
- 19 **Our management**  
From our executive team to our approach to governance, remuneration and corporate responsibility.
- 19 **Our vision and values**  
The fundamental principles that guide our business and the way we work together.
- 20 **Our performance at a glance**  
How we performed during the year, including commentary on Retail and London.
- 22 **Key performance indicators**  
The objectives, measures and achievements that are driving our results.
- 23 **Our valuation**  
How the valuation of our portfolios changed during the year.
- 24 **Top 20 properties**  
Analysis of our most valuable holdings across the Group.
- 26 **Our year at a glance**  
Some of the biggest stories, including the arrival of a new landmark in London.
- 28 **Our outlook**  
The conditions we see ahead in our markets and the key objectives we have set.

## Who we are

**Land Securities is a FTSE 100 company and the largest Real Estate Investment Trust (REIT) in the UK on the basis of market capitalisation.**



## Our strategy

Our strategy is simple: to be at the forefront of meeting the space requirements of our customers and to provide an attractive total return for our shareholders. We focus on the two largest segments of the UK commercial property market – retail and London offices – which gives us a broad range of opportunities and a high-quality tenant base.

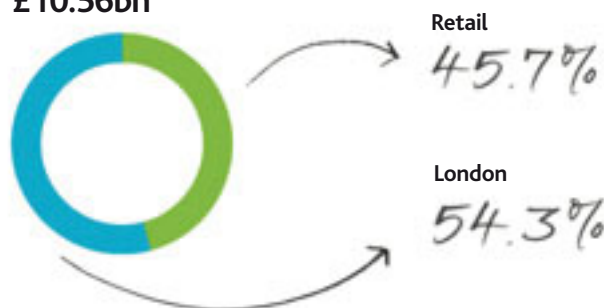
In these market segments, we have strong relationships with occupiers and specialist expertise. We allocate capital to exploit our skills and appropriate risk-return opportunities through the cycle.

In property investment, we add value through active management of assets and the timing of acquisitions and disposals. In development, we create value by delivering the right product at the right point in the cycle while keeping a tight focus on cost and timing.

The Group's Board directs strategy. It also monitors the balance sheet and financial performance to ensure capital is allocated appropriately – both across the two business areas and between investment and development activity. Each business area benefits from the Group's highly rated debt structure and its access to attractively priced debt finance.

## Our market

Combined portfolio value  
**£10.56bn**



### Overview

We are focused on the two largest segments of the UK commercial property market – retail and London offices. These markets are cyclical and respond to macro-economic trends. They are also affected by specific national and local influences such as planning, employment and general business activity.

### Retail

We own, manage and develop shopping centres and retail parks across the UK. Our assets are in key locations that have either a proven record of trading success or excellent potential for future success. For more information on the retail market please see ● p44.

### London

We own, manage and develop a portfolio of office properties in the capital complemented by retail and residential accommodation. Our assets are concentrated in central London, from Victoria in the west to the City in the east. For more information on the London market please see ● p52.

## Our management

### Executive team



Francis Salway  
Chief Executive



Richard Akers  
Managing  
Director,  
Retail Portfolio



Robert Noel  
Managing  
Director,  
London Portfolio



Martin Greenslade  
Group Finance  
Director

### Governance and risk

The Board is responsible for providing leadership for the Group. It ensures that the right strategy is set, acceptable risks are taken and appropriate financial and human resources are in place in order to deliver value to shareholders and benefits to the wider community. The Board also sets standards for ethical behaviour and for monitoring environmental and health and safety performance. You can read more about governance on [p68](#), and more on risk on [p41](#).

### Remuneration

We strongly believe that the Company's remuneration policy should be aligned with, and sensitive to, shareholders' interests. Pay and rewards should attract the best people to the business and incentivise them to produce superior returns for shareholders. This is why a substantial part of our Executive Directors' reward is performance-related pay, with incentives to exceed industry benchmarks and outperform our peer group in terms of Total Shareholder Return. You can read more about remuneration on [p76](#).

### Corporate Responsibility

For us, good Corporate Responsibility is about striking the right balance between the economic, environmental and social aspects of our activities. We believe our assets should be part of, not apart from, the communities they serve. Our aim is to be the property company people choose to do business with. You can read more about our approach to Corporate Responsibility on [p62](#).



New Street Square – reducing energy consumption through behaviour change

## Our vision

Our vision, 'Shaping the future of property', highlights our ambition to set the standards for tomorrow in our industry. It also covers everything we do today, from designing a new building to managing our carbon footprint, from setting the service charge to looking at new business opportunities. Whatever we do, we aim to lead our sector, not follow.



## Our values

- Excellence
- Innovation
- Respect
- Customer service
- Integrity

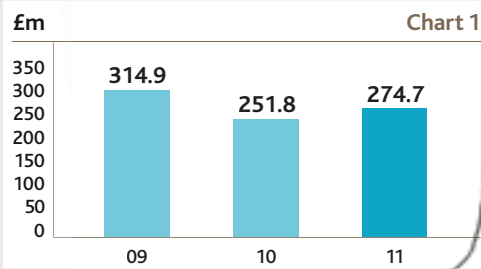
Our values embody the way in which we work together to fulfil our objectives. By transforming our values into action, we strengthen our ability to deliver high levels of customer service and business performance over the long term. Everyone who works for and with us is expected to uphold our values.

# Our performance at a glance

Here we show how the Company has performed and how this performance translates into value creation for investors. The key metrics below are the main drivers of our most important indicator of progress – total return – which can be seen on the page opposite.

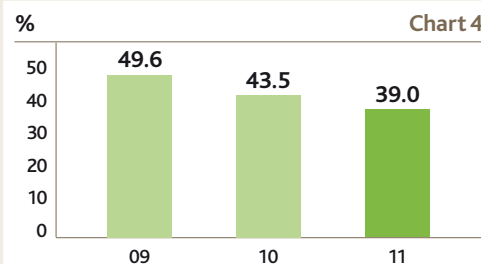
## Our key metrics

**Revenue profit**  
Up 9.1% to £274.7m



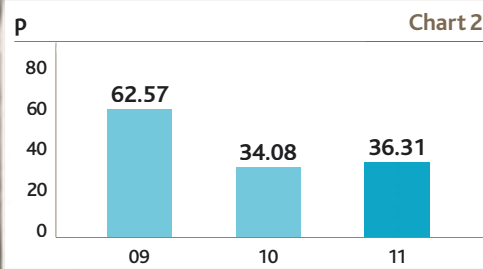
Our dividends are paid out of earnings, which in turn are closely linked to revenue profit – our metric for our underlying profit.

**Group loan to value ratio<sup>1</sup>**  
Down 4.5pts to 39.0%



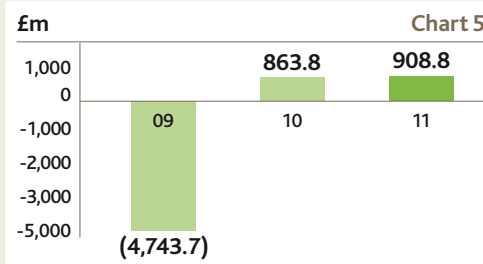
1. Includes share of joint ventures.

**Adjusted diluted earnings per share**  
per share up 6.5% to 36.31p



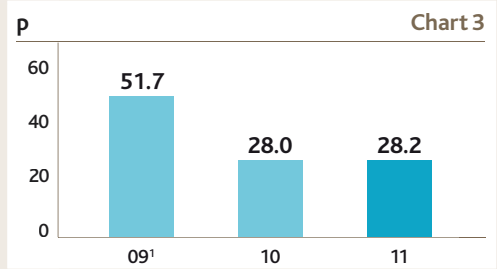
Our net asset value per share is driven by the valuation of our assets in the year together with the effect of gearing. As values rise or fall, gearing can have a positive or negative impact on NAV.

**Valuation surplus/(deficit)<sup>1</sup>**  
£908.8m surplus



1. Includes share of joint ventures.

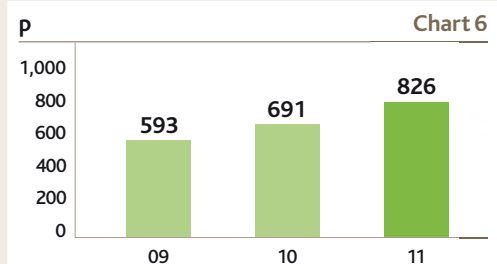
**Dividend per share**  
Up 0.7% to 28.2p



1. Restated – see note 10 p108.

The metrics here should be viewed alongside our key performance indicators (see page 22), which outline the specific objectives, measures and achievements that we set out for the year.

**Adjusted diluted NAV per share**  
Up 19.5% to 826p



The two total return metrics below provide shareholders with the clearest guide to the Company's progress in financial terms. We also show how our performance looks in the context of the FTSE 100, FTSE 350 Real Estate companies, and the property market as a whole.

## Performance

### Total shareholder return

+16.0%

### Total business return

+23.6%

The Board ensures the interests of shareholders and Executive Directors are aligned in setting Directors' remuneration. Incentives are linked to Total Shareholder Return (TSR) and Total Property Return. Total Business Return reflects the growth in adjusted diluted net asset value per share plus the dividend paid, while Total Shareholder Return reflects the growth in our share price plus the dividend. The Board is committed to the use of these metrics as a way to assess performance.

## How we compare

These metrics show whether we are outperforming or underperforming our peers in the capital markets and the property market. They enable us and our shareholders to take an objective view on our performance.

### Geared performance +16.0% over 1 year

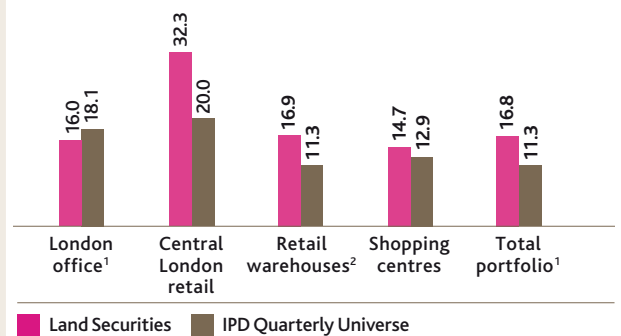
| Total Shareholder Returns <sup>1</sup> | Table 7                            |
|--|------------------------------------|
|  | Over one year to 31 March 2011 (£) |
| Land Securities                        | 116.04                             |
| FTSE 100                               | 109.43                             |
| FTSE 350 Real Estate                   | 115.49                             |

1. Historical TSR performance for a hypothetical investment of £100. Source: Datastream.

### Ungeared performance equates to 5.0% relative outperformance in the year

Total Property Return relative to IPD Chart 8

Ungeared total return (12 months ended 31 March 2011)



1. Land Securities total return higher by 0.9% for London offices and 0.5% for total portfolio if adjusted for capital extracted from Queen Anne's Gate, SW1 through bond issue.  
2. Includes food stores for Land Securities.

# Key performance indicators

| Objective   | Measure  | Progress  |
|---|--|---|
| <b>To deliver sustainable long-term shareholder returns</b>               | <ul style="list-style-type: none"> <li>Three year Total Shareholder Return (TSR) performance compared to the TSR performance of an index of comparator group of FTSE 350 companies</li> </ul>  | <ul style="list-style-type: none"> <li>TSR outperformed competitor group by 3.6% for two year period from April 2009 (date of introduction of TSR performance metric)</li> </ul>  |
| <b>Maximise the returns from the investment portfolio</b>                 | <ul style="list-style-type: none"> <li>IPD outperformance in each core sector</li> </ul>   | <ul style="list-style-type: none"> <li>Shopping centres – outperformed IPD benchmark by 1.6%</li> <li>Retail warehouses – outperformed IPD benchmark by 5.0%</li> <li>Central London shops – outperformed IPD by 10.3%</li> <li>London offices – underperformed IPD benchmark by 1.8%</li> </ul>  |
| <b>Manage our balance sheet effectively</b>                               | <ul style="list-style-type: none"> <li>Manage balance sheet gearing through achieving an approximate matching between receipts from disposals and outgoings on development and acquisitions</li> </ul>   | <ul style="list-style-type: none"> <li>There were £614m of disposals in the year. Acquisitions were at £400m and, in addition, capital expenditure totalled £249m, giving outgoings of £649m against the £614m of disposals. With rising values, this contributed to a reduction in our LTV ratio, moving from 43.5% to 39.0%</li> </ul>  |
| <b>Maximise development lettings</b>                                      | <ul style="list-style-type: none"> <li>£32m of development lettings</li> <li>Progress lettings at One New Change</li> <li>Progress Trinity Leeds pre-lettings</li> </ul>   | <ul style="list-style-type: none"> <li>£25.6m of lettings achieved with London Portfolio £13.6m and Retail Portfolio £12.0m</li> <li>Retail element 100% let and offices 73% let</li> <li>Trinity Leeds at 53.0% pre-let and 4.5% in solicitors' hands</li> </ul>   |
| <b>Grow London development pipeline</b>                                   | <ul style="list-style-type: none"> <li>Submit planning applications on five additional projects by end March 2011</li> </ul>   | <ul style="list-style-type: none"> <li>Four planning applications submitted (934,000 sq ft) and one submitted in April 2011</li> </ul>  |
| <b>Ensure high levels of customer satisfaction</b>                        | <ul style="list-style-type: none"> <li>Overall customer satisfaction in Retail and London businesses to exceed targets</li> </ul>  | <ul style="list-style-type: none"> <li>In both the London and Retail Portfolios we moved to an overall customer satisfaction score. Retail scored 4.27 against a target of 4.17 and London scored 4.18 against a target of 3.74</li> </ul>  |
| <b>Attract, develop, retain and motivate high-performance individuals</b> | <ul style="list-style-type: none"> <li>Employee engagement to exceed ETS industry benchmark</li> </ul>   | <ul style="list-style-type: none"> <li>Exceeded with a grand mean score of 3.15 (classified as excellent by our external survey provider) compared to the ETS industry benchmark score of 3.12</li> </ul>   |
| <b>Continually improve sustainability performance</b>                     | <ul style="list-style-type: none"> <li>Reduce carbon emissions from managed portfolio by 30% by 2020 (against 2001 benchmark)</li> <li>Increase reused/recycled waste in London and Retail Portfolios</li> <li>Establish long-term reduction target for water reduction</li> </ul> | <ul style="list-style-type: none"> <li>While our carbon emissions are at a lower level than our benchmark, last year saw an increase in carbon emissions from our portfolio. We believe this was largely a result of adverse weather conditions</li> <li>Retail achieved 78% waste diverted from landfill (against a 70% target)</li> <li>London achieved 70% waste recycled (against a 70% target)</li> <li>Technologies researched and normalised target to be set for 2011/12</li> </ul> |

## Our performance



### London Portfolio

Our London Portfolio, valued at £5,735.0m at 31 March 2011, produced a valuation surplus for the year of 10.8% overall. West End offices were up 6.8%, City offices were up 12.0% and central London retail up 21.5%. Rental values in our like-for-like portfolio increased by 5.9% for West End offices, 8.7% for City offices and 22.2% for central London retail.



### Retail Portfolio

Our Retail Portfolio, valued at £4,823.9m at 31 March 2011, produced a valuation surplus for the year of 8.5% overall, with shopping centres and shops up 7.5% and retail warehouses and food stores up 11.2%. Rental values on our like-for-like portfolio decreased marginally by 0.3% for our shopping centres and shops but increased by 0.4% for our retail warehouses and food stores.



# Our valuation

## Investment portfolio – by sub-sector

Table 9

|                                   | Proportion of portfolio % | Market value 31 March 2011 £m | Valuation surplus H1 % | Valuation surplus H2 % | Valuation surplus 12 months % |
|-----------------------------------|---------------------------|-------------------------------|------------------------|------------------------|-------------------------------|
| Shopping centres and shops        | 27.0                      | 2,853                         | 2.5                    | 5.2                    | 7.5                           |
| Retail warehouses and food stores | 12.3                      | 1,298                         | 2.3                    | 8.9                    | 11.2                          |
| Central London shops              | 9.6                       | 1,015                         | 9.0                    | 12.3                   | 21.5                          |
| London offices                    | 42.9                      | 4,528                         | 2.9                    | 6.0                    | 8.8                           |
| Other                             | 8.2                       | 865                           | 4.8                    | 2.4                    | 7.0                           |
| <b>Total investment portfolio</b> | <b>100.0</b>              | <b>10,559</b>                 | <b>3.4</b>             | <b>6.4</b>             | <b>9.7</b>                    |

The 21.5% increase in the value of our central London shops came from the successful letting of the retail units at One New Change, a conditional letting to Primark on Oxford Street and agreeing a letting for one of the advertising signs at Piccadilly Circus.

## Investment portfolio – by activity

Table 10

|                                   | Proportion of portfolio % | Market value 31 March 2011 £m | Valuation surplus 12 months % |
|-----------------------------------|---------------------------|-------------------------------|-------------------------------|
| Like-for-like                     | 73.4                      | 7,749                         | 8.4                           |
| Acquisitions                      | 3.8                       | 403                           | 1.5                           |
| Completed developments            | 10.9                      | 1,153                         | 11.6                          |
| Proposed developments             | 1.6                       | 171                           | 19.4                          |
| Development programme             | 10.3                      | 1,083                         | 19.4                          |
| <b>Total investment portfolio</b> | <b>100.0</b>              | <b>10,559</b>                 | <b>9.7</b>                    |

The £1.1bn of assets in our development programme increased by 19.4% over the last year. Our early mover advantage on developments is already contributing to outperformance.

## Like-for-like portfolio – by sub-sector

Table 11

|                                      | Market value 31 March 2011 £m | Valuation surplus % | Rental value change <sup>1</sup> % | Net initial yield % | Equivalent yield % | Movement in equivalent yield bps |
|--------------------------------------|-------------------------------|---------------------|------------------------------------|---------------------|--------------------|----------------------------------|
| Shopping centres and shops           | 1,833                         | 7.0                 | -0.3                               | 6.2                 | 6.5                | 48                               |
| Retail warehouses and food stores    | 1,203                         | 10.9                | 0.4                                | 5.2                 | 5.7                | 57                               |
| Central London shops                 | 788                           | 14.3                | 22.2                               | 4.2                 | 5.2                | 23                               |
| London offices                       | 3,139                         | 7.4                 | 7.1                                | 5.8                 | 5.9                | 36                               |
| Other                                | 786                           | 6.5                 | 3.7                                | 6.4                 | 6.6                | 51                               |
| <b>Total like-for-like portfolio</b> | <b>7,749</b>                  | <b>8.4</b>          | <b>4.7</b>                         | <b>5.7</b>          | <b>6.0</b>         | <b>43</b>                        |

1. Excludes units materially altered during the year and also Queen Anne's Gate, SW1.

Our like-for-like portfolio delivered an 8.4% valuation surplus through a combination of increased rental values and lower yields.

## Like-for-like portfolio – analysis of voids

Table 12

|                                      | Voids <sup>1</sup> 31 March 2010 % | Voids <sup>1</sup> 31 March 2011 % | ...of which...    |                     |                  | Residual voids <sup>2</sup> % |
|--------------------------------------|------------------------------------|------------------------------------|-------------------|---------------------|------------------|-------------------------------|
|                                      |                                    |                                    | Pre-development % | Temporary letting % | Under offer %    |                               |
| Shopping centres and shops           | 8.1                                | 5.9                                | –                 | 2.2                 | 0.8              | 2.9                           |
| Retail warehouses and food stores    | 1.9                                | 3.3                                | –                 | 0.2                 | 1.2              | 1.9                           |
| Central London shops                 | 6.3                                | 4.4                                | 0.1               | –                   | 3.9 <sup>3</sup> | 0.4                           |
| London offices                       | 4.9                                | 3.7                                | 1.2               | 0.4                 | –                | 2.1                           |
| <b>Total like-for-like portfolio</b> | <b>5.3</b>                         | <b>4.3</b>                         | <b>0.6</b>        | <b>0.9</b>          | <b>0.8</b>       | <b>2.0</b>                    |

1. Expressed as a percentage of ERV. Temporary lettings of up to and including 12 months are also treated as voids.  
 2. Residual voids are voids excluding pre-development properties, temporary lettings and units under offer.  
 3. Includes conditional letting to Primark on Oxford Street, W1.

Headline voids declined from 5.3% to 4.3% as a result of the letting success we have had this year. If headline voids are adjusted to remove temporary lettings, lettings under offer and the empty space at our pre-development properties, the residual void rate is just 2.0%.

# Top 20 properties

## 1 Cardinal Place, SW1

Stunning trio of buildings completed in 2006, encompassing office space and retail accommodation. This landmark site is home to blue-chip businesses and retailers including a Marks & Spencer anchor store.

### Principal occupiers

Microsoft, Wellington Management



enhanced LED screens and a flagship branch of Barclays.

### Principal occupiers

TDK Europe, McDonald's, Barclays, Boots

## 10 St David's Dewi Sant, Cardiff

This mixed-use scheme opened in 2009 and has transformed Cardiff city centre. It showcases the best of the UK high street in its two-level grand arcade. Owned in a 50/50 joint venture.

### Principal occupiers

John Lewis, New Look, H&M

## 2 New Street Square, EC4

Innovative offices with retail and restaurants. Recreating traditional ground-level routes, including a delightful public square, the property offers office space with attractive retail and leisure facilities. Developed by Land Securities and completed in 2008.

### Principal occupiers

Deloitte, Taylor Wessing, Speechly Bircham

## 6 Gunwharf Quays, Portsmouth

Offering a unique blend of outlet shopping, leisure and entertainment on a stunning waterfront location, this landmark scheme is a bustling centre of mixed-use space.

### Principal occupiers

Vue Cinema, M&S, Nike, Gap



## 11 Times Square, EC4

This office building, based in an improving City area, was built in 2003 and gradually acquired by Land Securities since 2005.

### Principal occupiers

Bank of New York Mellon, Dechert, Wall Street System Services

## 7 Cabot Circus, Bristol

See opposite page.

## 8 Bankside 2 & 3, SE1

A contemporary office, retail and leisure space. The two buildings occupy a prime site on the South Bank, opposite the City and close to the West End, served by four major railway termini and several Underground lines.

### Principal occupier

The Royal Bank of Scotland

## 12 The Centre, Livingston

At the heart of Livingston town centre, this recently extended centre, divided into five distinct zones, is home to over 155 shops and five new restaurants.

### Principal occupiers

Debenhams, M&S, H&M, Next, Boots

## 3 One New Change, EC4

A unique office and leisure destination in an iconic building in the City of London, with a roof terrace offering stunning views of St Paul's Cathedral. The retail and leisure space opened on 28 October 2010.

### Principal occupiers

K&L Gates, CME, H&M, M&S, Topshop

## 4 Queen Anne's Gate, SW1

Built by Land Securities in 1977, comprehensively refurbished in 2008; it is the headquarters of the Ministry of Justice.

### Principal occupier

Central Government

## 9 Piccadilly Circus, W1

Offices, retail, leisure and a world famous advertising landmark. 2009 saw the introduction of



## 5 White Rose, Leeds

Award-winning shopping centre with more than 100 stores and a range of cafés and food outlets. Located on the outskirts of Leeds, it serves a large and loyal catchment ensuring a consistently strong performance from retailers.

### Principal occupiers

Sainsbury's, Debenhams, Primark, M&S

## 13 Eland House, SW1

The building that launched our ongoing regeneration of Victoria, Eland House was completed in 1995 and is occupied by the Department for Communities and Local Government.

### Principal occupier

Central Government



11



12



14



13



15

## 7 Cabot Circus, Bristol

Opened in September 2008, this exceptional retail, leisure and residential space integrates seamlessly with the city centre. It provides Bristol with the quality and choice of amenities it deserves. Owned in a 50/50 joint venture.

### Principal occupiers

House of Fraser, Harvey Nichols, H&M



7

## 14 Retail World Team Valley, Gateshead

Situated three miles south of Newcastle upon Tyne this regional retail park comprises 27 units.

### Principal occupiers

TK Maxx, Next, Boots, Mothercare, Arcadia



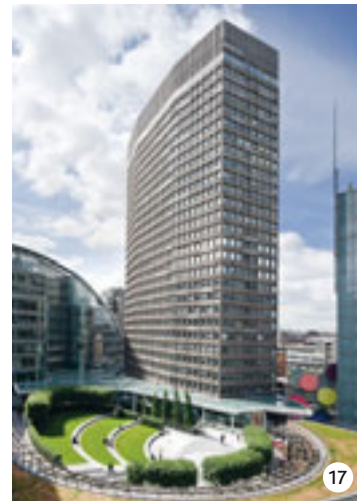
16

## 15 Arundel Great Court, WC2

This future development opportunity will create two new buildings: an office building located at the north of the site, on Aldwych; and a residential and hotel building to the south, which will exploit the unrivalled views along the river Thames.

### Principal occupiers

Detica, British American Tobacco, Swissôtel



17

## 16 The Bridges, Sunderland

One of the North of England's largest shopping centres representing the prime shopping destination for Sunderland. The centre is anchored by Debenhams and has over 100 shops.

### Principal occupiers

Debenhams, Tesco, Next, H&M, New Look



18

## 17 Portland House, SW1

This 29-storey 1960s development is a lynchpin in our regeneration of the area. Each of the 26 office floors offers around 900m<sup>2</sup> of open space.

### Principal occupiers

Tradedoubler, Regus

## 18 Westwood Cross, Thanet

Westwood Cross shopping and leisure centre in the Thanet region, provides a wide variety of retail and leisure units.

### Principal occupiers

M&S, Debenhams, H&M, Next



19

## 19 Lakeside Retail Park, West Thurrock

This retail park is adjacent to Lakeside Shopping Centre and comprises 21 units.

### Principal occupiers

Currys, Next, Toys R Us, Argos, Mothercare



20

## 20 Overgate, Dundee

Overgate is the dominant retail offer in Dundee with more than 60 units. It attracts over 14 million visitors a year.

### Principal occupiers

Debenhams, Next, Arcadia, Gap, Primark

# Our year at a glance

## Q1

April – June 2010



**Park House sold for £296m**

**In June we agreed to sell our 28,660m<sup>2</sup> retail, office and residential development at Park House on Oxford Street, W1. Barwa agreed to pay for the site, all of the construction costs and a profit share on completion. This sale and the subsequent crystallising of all of our anticipated profit early – which we agreed in March 2011 totalled £296m – highlights our ability to create value through planning, design, construction and asset sales.**

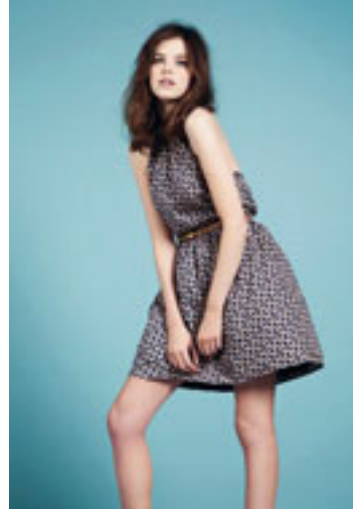


### **New shopping centres added to our portfolio**

The first quarter saw us acquire two shopping centres. We bought the O2 Centre, NW3, for £125.9m, and we bought a 50% stake in the Westgate Centre, Oxford, from The Crown Estate for just over £27m. These centres are in excellent locations and offer attractive asset management and potential development opportunities.

## Q2

July – September 2010



### **A new Board member**

Simon Palley joined the Board of Land Securities as a Non-executive Director on 1 August 2010. Simon has had a successful career in investment banking, consulting and private equity, rising to be Managing Partner at leading private equity firm BC Partners. Commenting on the appointment, Land Securities' Chairman, Alison Carnwath, said: "Simon has an outstanding track record in business across a broad range of industry sectors. He will add further strength to the experienced and strong team of Non-executive Directors we already have."

### **New sites for Primark**

The summer months saw plenty of activity resulting from our relationship with Primark. We announced that the retailer would take a 13,100m<sup>2</sup> store on Oxford Street from Oriana, our 50:50 joint venture with Frogmore. We also announced that we would construct a 6,500m<sup>2</sup> store for them at The Centre in Livingston, and we submitted a planning application for a 5,550m<sup>2</sup> Primark store at our Bridges shopping centre in Sunderland. In March 2011, terms were also agreed and planning permission achieved for Primark's first store on a retail park, at Westwood Cross, Thanet.

### **Early start at Trinity Leeds**

July saw us announce the restart of development activity at Trinity Leeds, in Leeds city centre. The 75,900m<sup>2</sup> scheme was the first major retail-led development in the UK to get the go ahead in recent times. We had more than 40% pre-lettings in place before we restarted construction and the centre will boast an array of great retailers and brands when it opens in spring 2013.



## Q3

October–December 2010



### A new landmark in the City

One New Change, EC4, our unique office and leisure destination in the City, opened to great acclaim in October 2010. Designed by architect Jean Nouvel, the iconic building offers stunning views of St Paul's Cathedral and an unrivalled mix of retailers, restaurants and cafés. The retail element was 100% let on opening. The development has already scooped the MIPIM Architectural Review Future Project Award for mixed-use – the first time a UK development has won since 30 St Mary's Axe (The Gherkin) in 2005.

### Awards and acclaim

In December St David's Dewi Sant shopping centre in Cardiff won the Supreme Gold Award 2010 – the highest honour from the British Council of Shopping Centres. The Cardiff centre, a joint-venture with Capital Shopping Centres, was highly praised for the way its innovative architectural approach integrates the new centre and the existing streetscape. Also during the year Land Securities was named Estates Gazette's Property Company of the Year in Retail, the Property Manager's Association Landlord of the Year and Property Week's Property Developer of the Year. And finally, our role in leading on development in London was also recognised when we were named Property Company of the Year by City AM.

## Q4

January–March 2011

### Walkie Talkie takes first steps

Construction of 20 Fenchurch Street, EC3, officially started on Tuesday 18 January 2011. The Rafael Viñoly-designed building will have 37 floors and provide 63,240m<sup>2</sup> of world-class office space topped by a public sky garden. The range of floor plates will ensure the building appeals to a wide spectrum of prospective tenants. Earlier in the year we formed the 20 Fenchurch Street Limited Partnership with Canary Wharf Group to develop the scheme.



### Breaking records over Christmas

January saw us announce that Factory Outlets beat their previous record for sales, going out on a high in the final week of 2010. Gunwharf Quays, Portsmouth, and The Galleria, Hatfield, saw record turnover for retail and leisure in the week after Christmas and a 6% increase in sales for the year. The success confirms the attraction of the centres and the appeal of big brand names at good prices.

# Our outlook

**We are confident in our plans and well positioned to address growth opportunities. Our strong balance sheet, access to capital and excellent relationships with occupiers provide us with enormous scope for value creation in a fast-evolving market. By restarting development first we have signalled our ambition to stand apart in our industry. Now we are focused on turning our tactical advantages into strong and tangible returns for shareholders.**

## Our key objectives for 2011/12

### Group

- Outperform the UK Real Estate sector on Total Shareholder Return
- Increase revenue profit
- Secure lettings on our development projects
- Manage balance sheet gearing to plan

### Retail Portfolio

- Outperform IPD
- Expand our out-of-town development programme
- Progress development lettings in Cardiff, Trinity Leeds and Buchanan Street, Glasgow

### London Portfolio

- Outperform IPD
- Progress on time and to budget at 62 Buckingham Gate, SW1, 123 Victoria Street, SW1, Wellington House, SW1, 20 Fenchurch Street, EC3, 110 Cannon Street, EC4 and 40 Strand, WC2
- Obtain planning consent and start on site at 30 Old Bailey and 60 Ludgate Hill, EC4

## London outlook

The outlook for our market and for our excellent portfolio of assets is positive. Fundamental drivers for rising rents include limited supply of new space due to the development hiatus during the downturn; high levels of lease expiries from 2013; and prospective occupiers using the end of leases to rationalise estates and move to buildings fit for today's corporate requirements.



62 Buckingham Gate, SW1

## Retail outlook

The retail landscape is undergoing fundamental change through evolving consumer behaviour and the rise of the internet. While this poses challenges in the sector, we anticipate further buying opportunities and the potential to take forward a range of asset management and development opportunities within our portfolio.

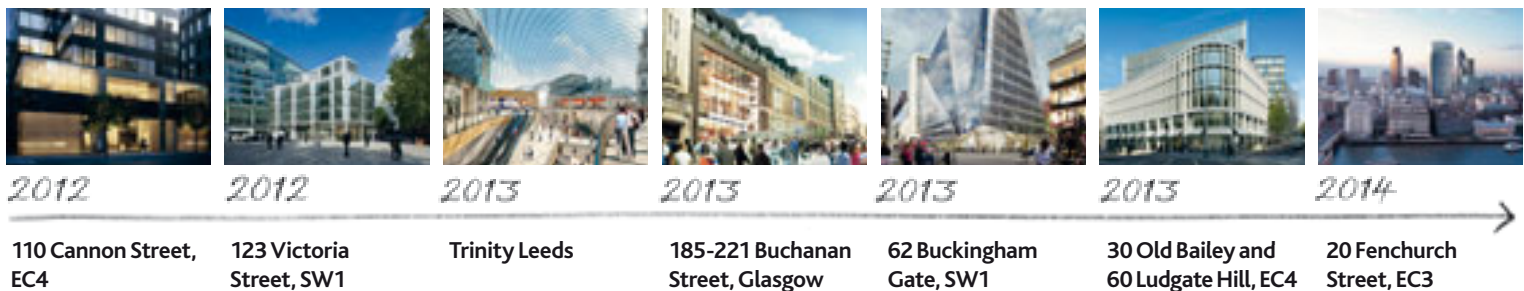


Cabot Circus, Bristol



Victoria Circle  
Part of our regeneration of SW1

## Development pipeline



# Contents

## Top level reading

- 30 **Our Chairman's message**  
Our Chairman, Alison Carnwath, reviews the performance of the Company during the year; discusses the key issues on our Board's agenda; and offers her outlook on the conditions ahead.
- 32 **Chief Executive's statement**  
Our Chief Executive, Francis Salway, reports on our market; the actions we have taken to drive growth; the performance of Retail and London; and the outlook for the Company.
- 48 **Business review**  
Analysis of our approach to development and to risk management, together with performance reviews for the Retail Portfolio and London Portfolio.

## 30—88 Report of the Directors

Covering the most significant strategic, financial and operational developments during the year.

- 30 Our Chairman's message  
32 Chief Executive's statement  
34 Financial review  
38 Business review  
38 – Why and how we develop  
39 – Group business review  
41 – Our risks and how we manage them  
44 – Retail Portfolio  
52 – London Portfolio  
60 Board of Directors  
62 Corporate Responsibility  
68 Corporate governance  
76 Directors' remuneration report

## 90—138 Financial statements

Including the independent auditors' report, the income statement, balance sheets and the notes to the financial statements.

- 90 Statement of Directors' responsibilities  
91 Independent auditors' report  
92 Income statement  
92 Statement of comprehensive income  
93 Balance sheets  
94 Statement of changes in equity  
96 Statement of cash flows  
97 Notes to the financial statements

## 140—160 Investor resource

Helpful analysis, summaries and information on business performance and shareholdings.

- 140 Business analysis  
150 Five year summary  
152 Retail asset disclosures  
154 London asset disclosures  
156 Our investors  
157 Investor information  
159 Index  
160 Glossary  
IBC Contact details

# Our Chairman's message



## Alison Carnwath, Chairman

Our approach to development shows we have confidence in our view of the market and we are not afraid to press ahead while others hold back.

In 2009 the Board of Land Securities put in place a clear plan for how we would address the property market through the next cycle. I am pleased to report that we have made strong progress against this plan, and the Company is well positioned to deliver value for shareholders in the conditions we see ahead.

The rise in our net asset value over the last 12 months confirms that we are once again generating attractive growth, and this is reflected in the total return delivered by the business. Our Total Shareholder Return (dividend and growth in share price) was 16.0%, and our Total Business Return (dividend and growth in net asset value) was 23.6%. As your Board sees total return as the Company's key financial metric, these are very positive statistics.

As our results show, we are generating strong forward momentum in the context of the early stages of a recovery in the UK commercial property market. Across the economy as a whole we have seen some return to normality but a number of questions remain. The future of the UK banking industry is uncertain, for example, and it is not clear what effect a turn in interest rates will have on commercial property, particularly as much of the sector remains dependent on substantial refinancing arrangements being put in place over the medium term. We also wait to see whether Government austerity measures serve to strengthen the long-term health of the economy. I expect these dynamics to play out in full over a number of years. In the meantime, your Board will stay alert to conditions as they unfold, and we will take early action as required.

We were heartened that the March 2011 budget recognised the role property has to play in economic growth and that the sector deserves to be prioritised. Naturally, the devil is in the detail, and we look forward to working with Government on practical next steps around planning and other areas.

While there is uncertainty around the economy, our market sectors provide rather more cheer. Despite competition from the Far East and the Continent, London remains a desirable and popular place for multi-national organisations to locate their businesses. We also see the emergence of a supply constrained market for office space in London. In Retail, we are keeping a close eye on fast-changing conditions, with the impact of the internet on retailing a key agenda issue. While some in the sector take a pessimistic view, we see good potential for income opportunities as the more resilient retailers look to develop a multi-channel approach that combines online and physical retailing. In our shopping centres we are using technology to help drive footfall and enhance experiences by targeting customers effectively. Over the following pages we provide further commentary on our two business divisions.

### Total Shareholder Returns\*

Table 13

|                      | Over one year to 31 March 2011 (£) |
|----------------------|------------------------------------|
| Land Securities      | 116.04                             |
| FTSE 100             | 109.43                             |
| FTSE 350 Real Estate | 115.49                             |

\*Historical TSR performance for a hypothetical investment of £100.  
Source: Datastream.

Given the dynamics in the UK commercial property market, the most successful businesses are likely to be those that take a highly active approach to creating value in their portfolio, and do not just rely on market movements. In the results you will see that the actions we took to secure £67m of lettings have contributed to earnings growth and strong valuation performance. We also bought and sold assets to capitalise on yield differentials, selling properties on a lower yield and buying those on a higher yield. We expect to see fewer such opportunities in the year ahead, but we will act wherever we spot them.

The Company has also been particularly active in the area of development, with a substantial programme that is funded off our own balance sheet and of a scale that few property companies can contemplate. Construction has started at a number of sites, including 20 Fenchurch Street, EC3, our 64,520m<sup>2</sup> tower development being undertaken with Canary Wharf Group in the City, and at Trinity Leeds, which will provide up to 75,900m<sup>2</sup> of new retail space. We believe our developments represent the best way for us to capture growth in rental values and to boost earnings, given that like-for-like rental income growth on existing assets is likely to be modest in the near term. We have taken active steps to increase the proportion of our assets in development and the pipeline of expected developments could deliver up to 596,990m<sup>2</sup> of new space, if market conditions remain stable.

The Board continues to refine the Company's business model and risk management to ensure we are well prepared for the conditions we see ahead. We normally operate within a targeted loan-to-value ratio of 35%–45%, drawing on our facilities when needed, and the extent of the development programme is determined by the Board's risk appetite. Currently, developments and acquisitions are funded from property sales while dividends are funded from revenue profit. As I said last year, our job is to steer the best course between caution and enthusiasm. Our approach to development shows we have confidence in our view of the market and we are not afraid to press ahead while others hold back. This year demonstrated once again that our scale and debt structure provide us with competitive advantage. This is a tremendous strength.



The Board also ensures it keeps abreast of all structural and major operational issues affecting the Company so we can debate the key issues with management. For instance, the recent Board away day included sessions from experts on the global performance of REITs, digital marketing and London's position as a global business and financial centre. We think it important that each Board member continues to develop relevant knowledge and skills. As usual, during the year I saw a number of our large shareholders on my own as part of my commitment to shareholder engagement. These meetings were extremely valuable.

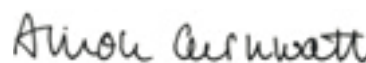
We refresh the Board as required, and this year Simon Palley joined us. Simon's outstanding track record of investing in and managing a wide range of businesses is providing the Board with valuable, additional insight. The forthcoming AGM will be the last for Bo Lerenius and Sir Christopher Bland, both of whom have provided support and incisive questioning during a challenging period for the Group. I thank them very much for their contribution.

Over the next 12 months we aim to add one new Non-executive Director to the Board, using a search firm to provide a wide range of candidates. Published in February 2011, Lord Davies of Abersoch's report into 'Women on Boards' has highlighted the value of effective diversity policies. We also expect European legislation on this subject to appear shortly. Our Nominations Committee is already well attuned to the benefits of diversity, as well as experience, when appointing Board members. It is our intention that by 2015 at least 25% of our Board will constitute women. However, my foremost priority as Chairman is to ensure that Land Securities continues to have the strongest possible leadership, and we will appoint only the most appropriate candidates.

The Nominations, Remuneration and Audit Committees have worked effectively during the year. A recurring consideration is whether we are providing sufficient motivation to employees. We have concluded that remuneration does impact positively on performance so long as management and employees are given clear objectives and have a reasonable chance of achieving them. In addition, we continue to deliberately reward high performance on an individual basis. We align remuneration to shareholders' interests by basing rewards on Total Shareholder Return and performance relative to the IPD Quarterly Universe. Executives receive exceptional rewards only when the Company achieves exceptional results.

I thank our people for their exceptional work. The Company also continues to fulfil its commitments on Corporate Responsibility across community relations, employment, our marketplace and sustainability. For example, we are making important investments in innovative environmental engineering, helping to set new standards for the industry as we do so.

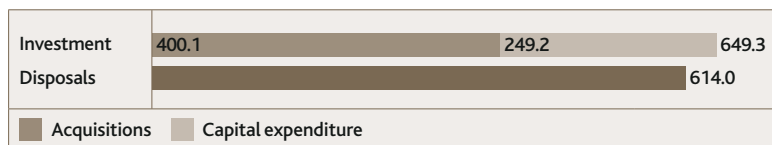
Looking ahead, our objective is to be the best performing REIT in the UK, delivering attractive levels of shareholder return through the cycle. We expect our market's evolution to gather pace, and this will benefit those who are alive to change. We will continue to gain strategic advantages from our scale and financial firepower, along with our ability to understand customers' needs, our leadership on Corporate Responsibility and our ability to attract and develop the best people. We will be disciplined in the pursuit of our plan, and I am confident we have the portfolio, people and capabilities required to make the most of the opportunities ahead.



**Alison Carnwath**  
Chairman

**Investment and disposals (£m)**

Chart 14



We believe that our executives should run the business in pursuit of a clear strategic plan set by the full Board. This year we have stuck to our plan and in March 2011 we refreshed our objectives for the current year and beyond. Land Securities is now firing on all cylinders. Good planning and top class execution at senior level is motivating for all of our employees, whose contribution this year has been magnificent.

# Chief Executive's statement



## Francis Salway, Chief Executive

With the commercial property market continuing to recover, we are benefiting from having been the first to restart major development activity. Our decisive action has already delivered tangible returns for shareholders.

### Overview

This was a year of continued recovery in our market and strong progress by Land Securities. We led the industry in restarting development activity and maintained a disciplined approach to acquisitions and disposals. Our asset management initiatives gained significant pace as the year progressed.

At the end of an energetic 12 months, I can report that the Group has built strong momentum behind its plans for growth. While our two core markets are developing at different speeds, we are well placed to address the opportunities we see ahead in both areas. In London, we are developing schemes to meet an anticipated under-supply of new office floor space. In Retail, our focus covers both a small number of development projects that are grounded on pre-lettings, and the recycling of capital through purchases and sales to ensure that our portfolio is well matched to emerging patterns of demand from retailers.

To set the context for our performance, the sharp bounce back in property values we saw in the 2009/10 financial year evolved into a more moderate pace of growth for the market as a whole in 2010/11. In line with my outlook in last year's results, we may continue to see ripples in prices, but we remain confident that our markets are in recovery mode and we see particularly strong growth prospects in London over the next few years. We benefit from the fact that geographically we have 43% of assets in central London offices and 61% in Greater London as a whole.

Allied to the improving market conditions, we created significant additional value from our asset management and development activities. As a result, our portfolio increased in value by 9.7% and, within this overall figure, developments delivered a valuation surplus of 19.4%. These valuation increases, together with balance sheet gearing, generated growth in adjusted diluted NAV per share of 19.5%.

Pre-tax profit for the year, which includes the valuation surplus, was up 14.8% at £1,227.3m (2010: £1,069.3m). Revenue profit – our measure of recurring income profit – was up 9.1% at £274.7m (2010: £251.8m). With this increase in underlying earnings, we are recommending an increase in the fourth quarter's dividend from 7.0p to 7.2p per share, and we anticipate this increased level of dividend being maintained in the first three quarters of the 2011/12 financial year. Our portfolio also outperformed the IPD Quarterly Universe by a wide margin, delivering an ungeared total property return of 16.8% compared to 11.3% on the IPD benchmark.

### London development

It is fair to say our industry is still changing gear, from the development standstill we saw in the depths of the downturn to the significant construction work now required to meet future demand for new accommodation. While the change in outlook has been swift, we were quick to respond, with our assessment of future dynamics in London and attractive construction costs giving us the confidence to be first to start on major development in January 2010. This early mover advantage has already generated material benefits, enabling us to realise anticipated profits from our mixed-use scheme at Park House in Oxford Street, W1 through an early sale. This recycling of capital has enabled us to bring forward other development projects more quickly.

During the year we further demonstrated our sector leading skills in mixed-use development with the successful opening of One New Change, EC4. The centre offers the most ambitious mix of retail and offices of any recent project undertaken in London and has attracted significant occupier interest. It is now over 80% let.

Levels of take-up across the London office market as a whole have been slightly ahead of our expectations. This has reinforced our view that there will be an acute shortage of new buildings in London from the middle of 2012. In response to this opportunity, we have brought forward a number of projects including refurbishments at 123 Victoria Street, SW1 and 110 Cannon Street, EC4, for delivery in 2012.

### Retail development

As with London offices, major retail development activity came to a standstill through the downturn. For this reason, 2012 is expected to be the first year in 40 years that sees no major new shopping centre development being completed in the UK. The first major development due for completion after 2012 is our 75,900m<sup>2</sup> Trinity Leeds scheme, which we chose to restart in summer 2010. It represents the single largest retail development commitment in the UK by a REIT since the financial downturn.

We secured pre-lettings of over 40% before restarting construction on Trinity Leeds, so that we were effectively investing in Leeds shoulder to shoulder with a number of key retailers. Confidence in Leeds as a trading location, together with our excellent relationships with retailers, means we have now let or agreed terms for 58% of the retail space by income.

### Investment portfolio performance relative to IPD

Chart 15



During the year we also committed to start a small retail development in Buchanan Street, Glasgow. We acquired the site in December 2009 from an administrator and, again, succeeded in securing significant pre-lettings before starting construction. We have now let 69% of the retail space by income.

Our major retail developments have also been supplemented by a range of smaller projects at existing shopping centres and retail parks, which have both improved the retail mix for shoppers and boosted the value of the assets.

#### Acquisitions and disposals

Early in 2010 we identified that good development opportunities in the best locations were likely to generate higher returns than acquisitions, so our priority has been to bring forward large development projects. Nevertheless, we did find certain attractive investment opportunities during the year, notably the shopping centres at the O2 Centre, NW3; Westgate Centre, Oxford (50%); and Overgate, Dundee. We invested £294.3m in these three assets. We are in no rush to buy and will be selective about the assets we acquire over the next 12 months.

In addition to the sale of Park House in London, major disposals during the year included Christ's Lane, a prime high street asset recently developed by us in Cambridge, and the Stratford shopping centre in London. In these cases, we saw limited opportunity for further growth and so crystallised the added value our development and asset management expertise had already delivered.

#### Actions to drive earnings growth

In the aftermath of the economic downturn, rents payable under leases remain, in broad terms, above the level of today's market rental values. This means that we cannot look to the rent review process to be a major driver of earnings in the immediate future. Instead, it is our own activities and actions that will drive growth in earnings. To achieve this, we have been focusing on four key activities.

First, we are aiming to deliver new development projects at a rental income yield materially ahead of our cost of finance. Here, we are able to use our balance sheet strength to finance higher yielding development projects at a time when project specific development finance is generally not available.

Second, we are making sites productive that were left dormant during the downturn, as demonstrated by the very successful sale of Park House.

Third, we are continuing to reduce vacancy levels across the portfolio. Voids on our like-for-like London offices were at 3.7% at the year end, down from 4.9% in March 2010. Like-for-like retail voids were at 4.9% at the year end, down from 6.1% in March 2010.

Fourth, we made acquisitions that have a higher income yield than the assets we sell. In the last year we bought £407m of assets at a yield of 5.2% and we sold £687m of property at a yield of 3.0%.

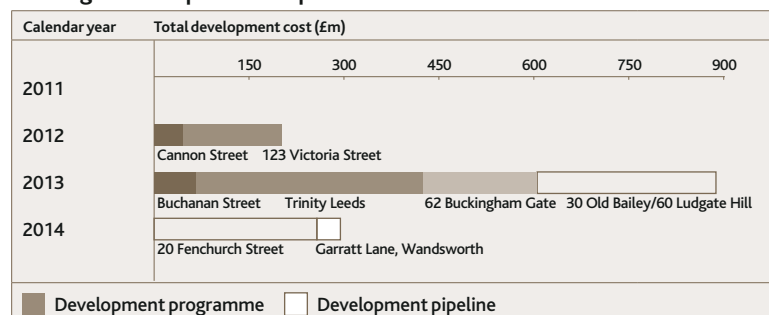
#### Sustainability and community

We continue to work closely with customers and communities in the area of sustainability. Our development activity at One New Change, EC4 demonstrates the level of commitment in this area, with our engineering teams setting new standards for the way our industry designs buildings. Underneath the property we have installed Europe's largest ground sourced heating and cooling system. 60km of pipework warms and cools the building in a highly environmentally friendly way. We believe this system will reduce carbon emissions by at least 10% and could save £300,000 on energy bills a year.

We hold a strong belief that our assets should be a part of, not apart from, the local community, and this year we continued to encourage our people to contribute to local community activities. Their engagement

#### Timing of development completions

Chart 16



in this is evidence of the strong culture within the Company. Our annual employee survey underlines that morale is high, with 2010 seeing the highest employee satisfaction scores since we started the survey in 2005.

#### Outlook

We are heartened that many large corporate occupiers who strengthened their balance sheets materially during the financial downturn are now looking to where they can invest and where they can grow their businesses over the next two to four years. Ultimately, this focus on investment and growth will convert into requirements for accommodation.

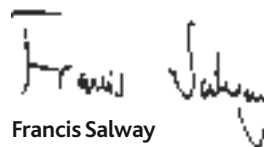
It is now also evident that the availability of newly developed floorspace, in both the London office and retail markets, is likely to be at extremely low levels by mid 2012. We are therefore confident that our development projects initiated in 2010 and to be delivered from mid 2012 will meet with considerable success.

Consistent with our view last year, we expect the strongest rental value growth to occur for London offices and we continue to believe that the best way to capture this is by undertaking speculative development projects in the best locations in London. This will play to our strengths, and we will continue to enhance returns from our development activity in London with residential development where appropriate. Our portfolio will remain weighted towards the capital for some time, as we focus on addressing the low point in the supply of new offices expected from 2012.

In retail, the pressures on disposable income for consumers are well documented. However, while vacancy rates in high streets and smaller towns across the country have remained at high levels, vacancy rates in good quality shopping malls that are dominant in their region have come down and are moving closer to normal levels. This widening differentiation between shopping locations is likely to continue, and so we will continue to refine the composition of our Retail Portfolio through new development, where we can achieve significant pre-lettings, and through selective purchases and sales.

In terms of the property investment market, we have seen some disposals of assets by banks and we expect this to gather momentum. To date, disposals have been met with strong levels of investor interest and values have continued to move up at a modest but positive rate. We are encouraged by the volumes of capital available for investment in UK property at the present time.

We go into a new financial year confident in our plans and well positioned to address growth opportunities. Our strong balance sheet, access to capital, excellent occupier relationships and property skills equip us to create value in this market. By restarting development first we have signalled our ambition to stand apart in the industry. Now we are focused on turning this early mover advantage into strong and tangible returns for shareholders.



**Francis Salway**  
Chief Executive



**Martin Greenslade, Group Finance Director**  
 This year we have delivered a strong set of results. We are well placed with the financial capacity to enable us to deliver on the strategy for all our assets, including our development programme.

## Overview and headline results

This year saw the continuation of positive dynamics in our market. We remained alert to ripples in capital values, but these did not materialise as low interest rates helped support strong demand for good quality investment properties in both London and Retail. Over the year, the value of our combined investment property portfolio (including joint ventures) increased by £908.8m, helping us deliver a profit before tax for the year ended 31 March 2011 of £1,227.3m, compared to £1,069.3m for the previous year.

Revenue profit, our measure of underlying profit before tax, increased by 9.1% from £251.8m to £274.7m, with a reduction in net interest costs being the main reason. Adjusted diluted earnings per share was 36.31p (2010: 34.08p), up 6.5% on the comparable period.

Key actions in the year included the completion of a number of substantial acquisitions and disposals, the continuation of development activity in London and the restarting of development in Retail. Our early start on development was made possible by the Group's financing structure. At a time when many property businesses are finding it difficult, if not impossible, to secure speculative development finance, we continue to be able to use our facilities in this way or for any other activity. We expect our significant funding lines and the flexibility in how we deploy these resources to be a growing source of competitive advantage as more development and acquisition opportunities appear through the cycle. And our development programme is already producing strong results, rising in value by 19.4% over the year compared to 8.4% for our like-for-like properties.

Adjusted diluted net assets per share was up by 19.5% over the year, increasing from 691p at March 2010 to 826p. The 135p increase in adjusted diluted net assets per share together with the 28p dividend paid in the year represents a 23.6% total return from the business.

## Revenue profit

Revenue profit is our measure of the underlying pre-tax profit of the Group, which we use internally to assess our income performance. It includes the pre-tax results of our joint ventures but excludes capital and other one-off items. A reconciliation of revenue profit to our IFRS profit before tax is given in note 4 to the financial statements.

Table 17 shows the composition of our revenue profit including the contributions from London and Retail.

Revenue profit increased by £22.9m from £251.8m last year to £274.7m. This was mainly due to net interest costs, which were £28.2m lower than last year, partially offset by a £10.8m (1.9%) reduction in net rental income. The reduction in interest costs was the result of a lower average debt balance following the sales we made last year together with a lower average cost of debt as a result of cancelled interest rate swaps and the buyback of some of our bonds.

The lower net rental income was mainly due to the sale of investment properties, which led to a £34.6m reduction (see Table 19 p35). In addition, net rental income from properties in our development pipeline declined by £10.4m as properties were vacated to enable development to occur. It was net rental income from our other two property categories, like-for-like (up £14.1m) and completed developments (up £9.6m), where we saw the main benefit of the improving economy and its impact on our customers. Time horizons moved from dealing with immediate issues to planning for the medium term and, for many of our occupiers, cash flow concerns eased. As a result, we let space, reducing our voids and service charge shortfalls; rent review settlements were higher than forecast; and balances were recovered against which we held provisions. This is a normal feature of this phase of the recovery cycle. While much of this benefit will carry through into next year, around £10m is not expected to recur.

## Revenue profit

Table 17

|                                       | Retail Portfolio<br>£m | London Portfolio<br>£m | 31 March 2011<br>£m | Retail Portfolio<br>£m | London Portfolio<br>£m | 31 March 2010<br>£m | Change<br>£m  |
|---------------------------------------|------------------------|------------------------|---------------------|------------------------|------------------------|---------------------|---------------|
| Gross rental income*                  | 308.0                  | 302.6                  | 610.6               | 312.9                  | 312.3                  | 625.2               | (14.6)        |
| Net service charge expense            | (2.3)                  | (3.7)                  | (6.0)               | (3.5)                  | (4.4)                  | (7.9)               | 1.9           |
| Direct property expenditure (net)     | (30.2)                 | (17.7)                 | (47.9)              | (30.2)                 | (19.6)                 | (49.8)              | 1.9           |
| Net rental income                     | 275.5                  | 281.2                  | 556.7               | 279.2                  | 288.3                  | 567.5               | (10.8)        |
| Indirect costs                        | (27.4)                 | (17.6)                 | (45.0)              | (24.9)                 | (20.8)                 | (45.7)              | 0.7           |
| <b>Segment profit before interest</b> | <b>248.1</b>           | <b>263.6</b>           | <b>511.7</b>        | <b>254.3</b>           | <b>267.5</b>           | <b>521.8</b>        | <b>(10.1)</b> |
| Unallocated expenses (net)            |                        |                        | (30.9)              |                        |                        | (35.7)              | 4.8           |
| Net interest – Group                  |                        |                        | (173.7)             |                        |                        | (201.7)             | 28.0          |
| Net interest – joint ventures         |                        |                        | (32.4)              |                        |                        | (32.6)              | 0.2           |
| <b>Revenue profit</b>                 |                        |                        | <b>274.7</b>        |                        |                        | <b>251.8</b>        | <b>22.9</b>   |

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

### Earnings per share

Basic earnings per share were 162.33p, compared to 144.04p last year, the improvement being predominantly due to the valuation surplus on the investment property portfolio and profits on investment property disposals (together 129.2p per share compared to 111.0p per share last year).

In a similar way that we adjust profit before tax to remove capital and one-off items to give revenue profit, we also report an adjusted earnings per share figure. Adjusted diluted earnings per share increased by 6.5% from 34.08p last year to 36.31p per share this year. This was mainly due to the increase in revenue profit partly offset by the impact of additional shares issued under the scrip dividend scheme.

### Total dividend

We are recommending a final dividend payment of 7.2p per share. Taken together with the three quarterly dividends of 7.0p, our full year dividend will be 28.2p per share (2010: 28.0p) or £216.5m (2010: £212.2m).

Shareholders continue to have the opportunity to participate in the scrip dividend scheme introduced last year and receive their dividend in the form of Land Securities shares (a scrip dividend alternative) as opposed to cash. The take-up for the dividends paid on 1 April 2010, 30 July 2010, 25 October 2010 and 10 January 2011 was 41%, 19%, 35% and 37% respectively. This resulted in the issue of 11,195,141 new shares at between 584p and 650p per share and total cash savings of £70.8m.

All of the cash dividends paid and payable in respect of the financial year ended 31 March 2011 comprise Property Income Distributions (PID) from REIT qualifying activities. The calculation price for the scrip dividend alternative in respect of the final dividend, which will not be a PID, will be announced on 29 June 2011, and the latest date for election will be 7 July 2011.

It is often assumed that we continue to offer the scrip dividend to retain cash within the business. This is not the case. PIDs are subject to 20% withholding tax for certain classes of shareholders. None of our scrip dividends to date have been PIDs and therefore they have not been subject to 20% withholding tax. As a result, the scrip dividend alternative allows shareholders to select the type of distribution they prefer, taking account of their tax status and investment strategy.

### Net rental income analysis

|                                     | Year ended 31 March |              |                  |              |                             |              |
|-------------------------------------|---------------------|--------------|------------------|--------------|-----------------------------|--------------|
|                                     | Retail Portfolio    |              | London Portfolio |              | Combined portfolio variance |              |
|                                     | 2011<br>£m          | 2010<br>£m   | 2011<br>£m       | 2010<br>£m   | £m                          | %            |
| Like-for-like investment properties | 226.3               | 212.8        | 231.5            | 230.9        | 14.1                        | 3.2          |
| Proposed developments               | 1.2                 | 1.2          | 0.8              | 8.0          | (7.2)                       |              |
| Development programme               | 8.4                 | 9.0          | 4.6              | 7.2          | (3.2)                       |              |
| Completed developments              | 18.2                | 17.1         | 34.7             | 26.2         | 9.6                         |              |
| Acquisitions since 1 April 2009     | 10.3                | (0.2)        | 0.1              | 0.1          | 10.5                        |              |
| Sales since 1 April 2009            | 7.8                 | 35.6         | 6.5              | 13.3         | (34.6)                      |              |
| Non-property related income         | 3.3                 | 3.7          | 3.0              | 2.6          | –                           |              |
| <b>Net rental income</b>            | <b>275.5</b>        | <b>279.2</b> | <b>281.2</b>     | <b>288.3</b> | <b>(10.8)</b>               | <b>(1.9)</b> |

### Net assets

Table 18 summarises the main differences between net assets and our adjusted measure of net assets together with the key movements over the year.

### Net assets attributable to owners of the Parent

Table 18

|   | Year ended<br>31 March 2011<br>£m | Year ended<br>31 March 2010<br>£m |
|---|-----------------------------------|-----------------------------------|
| Net assets at the beginning of the year               | 5,689.9                           | 4,823.5                           |
| Adjusted earnings                                     | 278.0                             | 257.8                             |
| Valuation surplus on investment properties            | 908.8                             | 863.8                             |
| Impairment release/(charge) on trading properties     | 0.7                               | (13.5)                            |
| Profits/(losses) on investment property disposals     | 79.3                              | (24.5)                            |
| Debt restructuring                                    | (22.0)                            | (3.6)                             |
| Other   | (3.2)                             | 8.9                               |
| Profit after tax attributable to owners of the Parent | 1,241.6                           | 1,088.9                           |
| Dividends   | (142.8)                           | (217.9)                           |
| Other reserve movements                               | 22.8                              | (4.6)                             |
| Net assets at the end of the year                     | 6,811.5                           | 5,689.9                           |
| Mark-to-market on interest-rate swaps                 | 22.7                              | 37.3                              |
| Debt adjusted to nominal value                        | (467.5)                           | (486.0)                           |
| Adjusted net assets at the end of the year            | 6,366.7                           | 5,241.2                           |

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

At 31 March 2011, our net assets per share were 885p, an increase of 135p compared to 31 March 2010. The increase in our net assets was primarily driven by the increase in value of our investment property portfolio and profits on disposal of investment properties.

In common with other property companies, we calculate an adjusted measure of net assets which we believe better reflects the underlying net assets attributable to shareholders. Our adjusted net assets are lower than our reported net assets primarily due to an adjustment to include our debt at its nominal value. At 31 March 2011, adjusted diluted net assets per share were 826p per share, an increase of 135p or 19.5% from 31 March 2010.

**Cash flow**

A summary of the cash flow for the year is set out in [Table 20](#) below.

**Cash flow and net debt****Table 20**

|  | Year ended<br>31 March 2011<br>£m | Year ended<br>31 March 2010<br>£m |
|--|-----------------------------------|-----------------------------------|
| Operating cash inflow after interest and tax | 153.5                             | 179.3                             |
| Dividends paid                               | (143.0)                           | (217.9)                           |
| Non-current assets:                          |                                   |                                   |
| Acquisitions                                 | (371.3)                           | (46.8)                            |
| Disposals                                    | 535.0                             | 847.8                             |
| Capital expenditure                          | (226.1)                           | (219.6)                           |
|  | (62.4)                            | 581.4                             |
| Proceeds from the disposal of Trillium       | -                                 | 25.0                              |
| Loans repaid by/(advanced to) third parties  | 16.2                              | (33.3)                            |
| Joint ventures                               | 4.5                               | (65.2)                            |
| Divestment of a joint venture (Bullring)     | 0.3                               | 209.8                             |
| Fair value of interest-rate swaps            | (1.9)                             | 7.0                               |
| Other movements                              | (17.4)                            | (25.9)                            |
| Increase in net debt                         | (50.2)                            | 660.2                             |
| Net debt at the beginning of the year        | (3,263.4)                         | (3,923.6)                         |
| Net debt at the end of the year              | (3,313.6)                         | (3,263.4)                         |

The main cash flow items are typically operating cash flows, the dividends we paid and the capital transactions we undertook. This year, operating cash flow after interest and tax was lower than last year due to a protective tax payment of £60.7m we made to HMRC while dividends paid in cash were also lower due to the scrip dividend.

Having been net sellers of investment property last year, our aim this year was for property disposals broadly to match the capital we invested on acquisitions and capital expenditure.

Disposals in the year, including Park House, W1 and Stratford shopping centre, generated receipts of £535.0m. We spent £597.4m on assets; acquisitions cost £371.3m with the largest being Overgate, Dundee and the O2 Centre, Finchley Road, NW3; and, capital expenditure totalled £226.1m, principally on our developments at One New Change, EC4 and Trinity Leeds.

The net receipt of £4.5m from our joint ventures comprises a number of transactions. We invested £81.7m in joint venture acquisitions, including our 50% share in the Westgate Centre, Oxford, and provided loans of £17.3m for development capital expenditure. These payments were offset by loan repayments and distributions totalling £103.5m as a result of asset sales and third party borrowings within our joint ventures. The largest disposals occurred in the Metro Shopping Fund which sold the N1 shopping centre, Islington and Notting Hill Gate.

**Net debt and gearing**

As a result of the cash flows described above, our IFRS net debt increased by £50.2m to £3,313.6m, while the reduction in borrowings in our joint ventures led to our IFRS net debt (including joint ventures) falling by £11.2m to £3,741.1m (£3,752.3m at 31 March 2010). Adjusted net debt, which includes our joint ventures and the nominal value of our debt but excludes the mark-to-market on our swaps, was down £15.1m at £4,185.9m (31 March 2010: £4,201.0m).

[Table 21](#) below sets out various measures of our gearing.

**Gearing****Table 21**

|  | 31 March 2011<br>% | 31 March 2010<br>% |
|--|--------------------|--------------------|
| Adjusted gearing* – including notional share of joint venture debt | 65.7               | 80.2               |
| Group LTV  | 40.5               | 44.8               |
| Group LTV – as above plus notional share of joint venture debt     | 39.0               | 43.5               |
| Security Group LTV   | 40.1               | 45.5               |

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

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

Our interest cover, excluding our share of joint ventures, has increased from 1.92 times in 2010 to 2.22 times in 2011. 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 2011 was 1.92 times. There is further information on our approach to gearing in 'Our principal risks and how we manage them'.

**Financing structure and strategy**

The total capital of the Group consists of shareholders' equity, non-controlling interests and net debt. Since IFRS requires us to state a large part of our net debt at below its nominal value, we view our capital structure on a basis which adjusts for this.

In general, we follow a secured debt strategy as we believe that this gives the Group and joint ventures better access to borrowings and at lower cost. Other than our finance leases, all our borrowings at 31 March 2011 were secured.

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

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

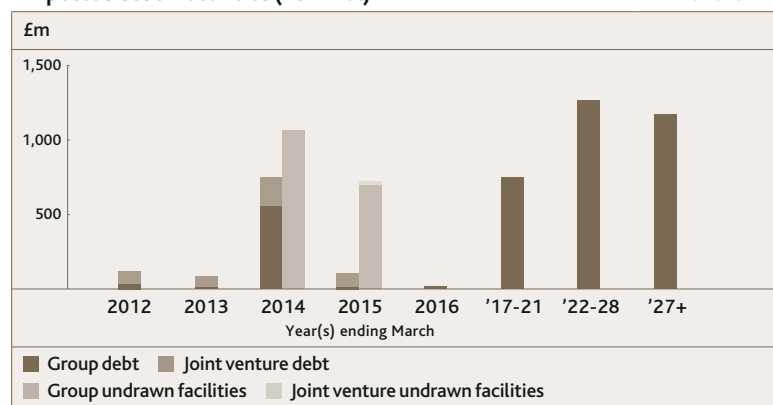
We continually review our financing structure to ensure that our borrowings have an appropriate balance of duration, headroom to meet capital commitments and flexibility to be drawn down and repaid in line with changing business requirements. During the year, we arranged a new four year bilateral facility of £100m, renegotiated pricing on our existing bilateral facilities and bought back £253.8m of bonds due in 2013 and £267.4m of bonds due in 2015. We began the financial year with no borrowings under our syndicated bank or bilateral facilities and, as a result, we bought back the bonds through a tender offer using funding from our bank facilities to increase the flexibility of our borrowings.

The buyback of the bonds also resulted in a reduction in the cash and committed but undrawn facilities available to the Group and joint ventures. At 31 March 2011 we had available funds of £1,870.3m compared to £2,447.0m at 31 March 2010. However, this still represents a comfortable headroom over the outstanding capital expenditure on our committed developments of £464.0m at 31 March 2011.

The weighted average duration of the Group's debt (including joint ventures) is 11.4 years with a weighted average cost of debt of 4.9%. During the coming financial year, we are likely to begin discussions around the refinancing of our £1.5bn syndicated loan facility which matures in 2013 and various joint venture facilities which mature in the next two years.

Expected debt maturities (nominal)

Chart 22



### 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 increases in debt associated with net committed capital expenditure to be at fixed interest rates for the coming five years. Specific interest-rate hedges are also used within our joint ventures to fix the interest exposure on limited-recourse debt. At 31 March 2011, Group debt (including joint ventures) was 92.1% fixed (2010: 98.2%). As all of our bond debt is issued at fixed rates, we only have a small amount of outstanding interest-rate swaps at 31 March 2011 (£427.9m notional amount including our share of joint ventures).

### Taxation

As a consequence of the Group's conversion to REIT status, income and capital gains from our qualifying property rental business are now exempt from UK corporation tax. No tax charge arose in respect of the current year but we released provisions of £16.8m (2010: £21.0m) which were created in prior periods and are no longer required as the relevant uncertainties have now been cleared. In addition, a protective payment of £60.7m was made to HMRC in respect of an outstanding issue from a period prior to REIT conversion, for which full provision was made at the time. The Group holds further provisions of £25.8m for interest on overdue tax in relation to this matter, which will become payable if it is not settled in our favour. The provision will be released, and the tax paid recovered, if the Group's claim is successful.

**Martin Greenslade**  
Group Finance Director

# Business review – why and how we develop

We have embarked on a large development programme – early in the recovery cycle. We led the London market by being the first to restart developments in January 2010. This year we also became the first company to restart large-scale retail development with the start of construction at our £350m Trinity Leeds scheme.

To put our development opportunities into perspective, in the last 18 months we have started work on over 150,000m<sup>2</sup> of developments in London. Meanwhile, our Trinity Leeds scheme is the largest single development commitment by a REIT in the UK since the downturn and when completed will represent 15% of our shopping centre portfolio.

## Why is development attractive?

When undertaken at the right stage in the cycle, property development has the potential to deliver new buildings at attractive rental income yields and to generate valuation surpluses materially ahead of general market movements.

In the London office market, there has been a hiatus in development activity with virtually no new schemes being initiated during the financial downturn. This means that very few new buildings will be completed in 2011, 2012 and 2013. As a consequence we expect rental levels will grow as blue chip companies chase the good quality office space that is available. We see development as an effective and profitable way of capturing these rising rents. At a time when debt finance is not generally available for development projects, we are able to fund our development activity using finance raised centrally on our balance sheet. This is a source of significant competitive advantage.

In retail, 2012 is predicted to be the first year in a generation that no major new shopping centre development is completed in the UK. However, through our relationships with retailers we know there is still strong demand for good space in the right locations. Leeds is such an example. It is one of the biggest cities in the UK and has seen no major development in the city centre for over 25 years. That means its retail space offer is out of step with modern retailing demands. Retailers recognise this, are keen to support the scheme and are willing to commit to pre-lettings and pay appropriate rents to see the scheme go ahead.

## How do you manage the risks associated with development?

On individual projects, we apply our planning, construction and leasing skills, to manage risk. We also have an in-house research capability to help us determine the appropriate timing of our projects relative to the cycle.

We also have a number of Group level risk controls on the amount of development we will undertake. These are covered in detail on [p41](#) in the section, Our risks.

## What about construction risk?

We manage this carefully through the agreements we reach with our principal contractors. Depending on the scheme, we may take control of the management of the project or appoint a contractor capable of taking responsibility. We have used our early mover advantage to secure low construction prices, which has helped to make the schemes even more profitable.

## How do you manage the planning process?

The planning process differs with each and every scheme. To give an example, our Cabot Circus development in Bristol took around nine years to move from the start of the planning process to completion, while One New Change, EC4 – which is in the City of London – took four years. The key to our success in planning is to ensure that we take account of local concerns as we design the scheme.

## What is the cost of all this development?

We calculate total development cost as being the value of the land we put into the scheme at the start of the project and the estimated construction cost plus capitalised interest. Currently, the total development cost of our programme is £1,715m and outstanding capital expenditure to complete the programme is £496m.

## What returns will these developments create for shareholders?

We believe that developments offer a good way to contribute to earnings growth for shareholders particularly in current market conditions where achieving rental income growth from existing assets can be challenging. All of the developments we have started since 2010 are expected to deliver an attractive gross yield on cost of approximately 7-8%. Even after spreading of rent-free periods over the lease length (for accounting purposes), this yield would boost earnings through the margin over our average cost of debt of 4.9%.

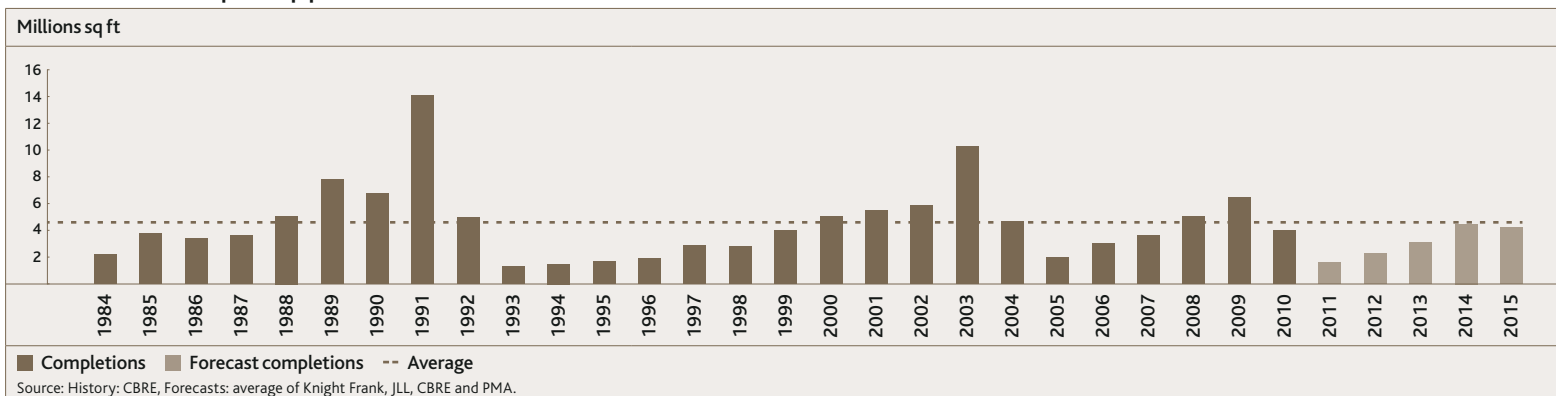
This high yield does reflect the higher risk associated with constructing and letting-up a new building, but we work to mitigate risk through our skills in construction and leasing.

Another way to analyse returns from developments is to compare the return on cost to the end yield of the development. For example, if a completed development delivers a 7.5% yield on cost, and is then valued in the market at a 6.25% initial yield, that represents a profit on cost of approximately 20%.

Not all property companies have the balance sheet or skills to deliver a large-scale development programme. Land Securities does, and we believe it is the right strategy to adopt for the Company and for shareholders at the present time.

London office development pipeline

Chart 23





# Group business review

In this Group business review we set out how we are working to shape the future of property.

This review looks at actions we took during the year to strengthen our business, culture and commitments. We work with a wide range of businesses and organisations, from occupiers of our properties to joint venture partners, suppliers, investors and financial institutions. While what we do affects a range of individuals and organisations, here we focus on four particularly important groups – our customers, our employees, our community and our environment. This is consistent with the way we report on Corporate Responsibility.

## Our business model

We are the largest Real Estate Investment Trust (REIT) in the UK by market capitalisation. We own, develop and manage commercial property through two business divisions – the Retail Portfolio and the London Portfolio.

## Our customers

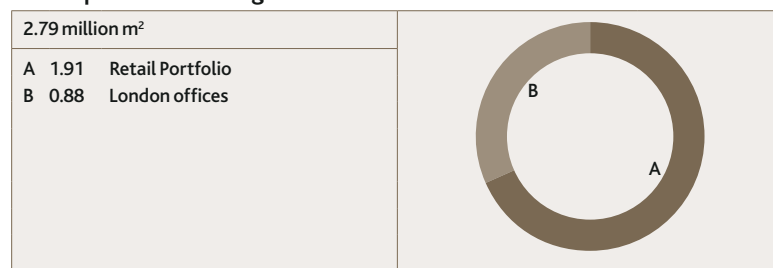
Across the Group, Government is our largest customer, accounting for 7.8% of the rental income on our combined portfolio. We expect the Government's share of our rental income to reduce over the next few years as they vacate older buildings in Victoria which we are proposing to redevelop into new and attractive locations for businesses.

Our second largest customer is Accor Hotels, representing 4.5% of the combined portfolio, and our largest retail customer is Sainsbury's, representing 2.0%. Overall, we have seen a reduction in the number of retailers facing insolvency, but market conditions remain challenging for some retailers. We have continued to help our retail customers find new and better ways to address tough commercial conditions. Our Clearlet leases are helping to simplify leasing activity, and our Brand Empire venture is helping to improve occupier mix at our centres by bringing new retailers to the UK. A new initiative has been the introduction of service charge presentations to retailers during the budgeting process. This enables us to discuss our plans before budgets are finalised, which provides retailers with an opportunity to query and influence the final costs and related matters. These sessions have been very well received. One immediate change we have put into place is a new way to distribute service charge booklets, which used to be posted out on a CD. They are now made available through a dedicated website and retailers can access them when they need to.

During the year we renamed and extended our On Brand training scheme. We originally developed this to ensure that all of our employees at the White Rose shopping centre in Leeds could talk about

Floorspace under management

Chart 25



the latest promotions, offers and events in their centre. Now called Customer Service DNA, we have rolled out the programme to seven of our centres. In addition to updating employees on centre news, we have used workshops to define the points of difference at each centre so our employees can help bring the benefits alive, helping to improve the shopping experience for consumers and further supporting our retail occupiers. We plan to roll out the programme to smaller centres during 2011.

In London, we have reorganised the way our teams operate to further enhance how we support and serve occupiers. We now have dedicated occupier teams based in Victoria (Cardinal Place, SW1), Mid-town (New Street Square, EC4) and West End and City (One New Change, EC4). Each team draws together individuals from financial management and property management, which means occupiers get access to a seamless service. We also have an open door policy, with meeting rooms available so occupiers can come in at any time to discuss issues or make suggestions. This initiative recognises the value of face-to-face meetings and the initial response from occupiers has been extremely positive.

## Customer satisfaction

This year we again carried out a Real Service survey of retailers at shopping centres to understand their perception of our service levels. We had good scores which improved on those achieved last year. Some of the key figures included:

- Overall satisfaction as a retailer up at 4.07 (4.04 last year)
- Communication up at 4.05 (3.95)
- Responsiveness up at 4.21 (3.95)
- Willingness to recommend up at 98% (97%)
- Understanding needs up at 4.03 (3.94).

We also achieved some very strong customer satisfaction scores in London. Here, some of the key figures included:

- Overall satisfaction up at 83.6% (74.8% last year)
- Communication up at 84.7% (76.0%)
- Responsiveness up at 80.3% (72.2%)
- Understanding the needs of the business up at 89.6% (72.8%)
- Willingness to recommend marginally down at 80% (81%).

## Our people

Our objective is to attract, retain and develop the brightest and best people in our industry, enabling them to maximise their potential and make the greatest possible contribution to the Company. We place great emphasis on the development of talent, we work to provide excellent career opportunities and career development, we encourage open dialogue at all levels, and we support any employee who volunteers to provide additional support to local communities.

Top 5 UK REITs

Table 24

| Rank | Company name                       | Mkt cap<br>£m |
|------|------------------------------------|---------------|
| 1    | Land Securities Group PLC          | 5,647.7       |
| 2    | British Land Co. PLC               | 4,893.9       |
| 3    | Capital Shopping Centres Group PLC | 3,290.1       |
| 4    | Hammerson PLC                      | 3,160.4       |
| 5    | Segro PLC                          | 2,384.1       |

Source: Datastream, as at 31 March 2011.

Once again, our annual employee engagement survey saw a good overall response rate of 82%. Key findings from the survey included:

- 96% of respondents said ‘I enjoy my job’
- 96% of respondents said ‘In my team, we deliver excellence’
- 96% of respondents said ‘Overall, I am proud to work for Land Securities’
- 95% of respondents said ‘My manager treats me with respect’
- 95% of respondents said ‘I am confident the Group will meet its objectives’.

In addition to the benefits we provide to our own employees, we also have a major effect on those employed by suppliers and contractors. By starting development early in 2010 we have helped to create many jobs in the construction sector. This, in turn, will lead to further employment opportunities once our new schemes have opened. We work with our key suppliers to ensure their people are appropriately trained and we expect all of our partners to uphold our high standards for health and safety, and our values.

**Our communities**

Our aspiration is that our buildings should be part of – not apart from – the area and community in which they are located. We want to be more than a good neighbour; by investing in well-integrated and lasting employment, education and enterprise opportunities – as well as buildings – we aim to help make our communities brighter, stronger and more sustainable.

With each major development or asset management initiative, we take the time to consult with all interested parties well before the first brick is laid. We also engage with local authorities, community agencies and voluntary groups to help us to deliver effective employment, education and enterprise opportunities. These range from running educational workshops and helping people get back into employment to offering space in our shopping centres so that charities can promote their work.

Land Securities’ people like to do their bit too, whether it’s donating or raising money or volunteering their time. In the process, they act as ambassadors for our business, and we help their efforts through the Land Securities Foundation. This provides support for employees who volunteer, awards bursaries towards equipment for local communities, and runs our Give As You Earn scheme to encourage charitable donations from employees.

**Our environment**

Our brief from the Chief Executive is to be the most sustainable property company in Britain. No other property developer sets such tough targets. No other developer has pioneered so many environmental initiatives. We want to lead the way on sustainability, and be regarded as a key partner to local and national Government.

We were the first company in our sector to have an Energy Manager and first to have an Environment Manager. We were the first to publish a standard environment report, and the only property company to take part in the Voluntary Emissions Trading Scheme. We were the first to get the Carbon Trust Standard, and first to qualify for Environmental Management Standard 14001. For the last four years we have also been at the top end of Dow Jones’s global super sector leaders table.

During the year we became a Planet Positive business. This accreditation acknowledges the seriousness with which we approach sustainability issues, particularly the need to reduce carbon emissions

**Top 12 occupiers**

**Table 26**

|                                      | % of Group rent <sup>1</sup> |
|--------------------------------------|------------------------------|
| Central Government <sup>2</sup>      | 7.8                          |
| Accor Hotels                         | 4.5                          |
| Royal Bank of Scotland               | 2.9                          |
| Deloitte                             | 2.6                          |
| Sainsbury’s                          | 2.0                          |
| Arcadia Group                        | 1.7                          |
| K&L Gates                            | 1.6                          |
| Dixons Retail                        | 1.5                          |
| Bank of New York Mellon              | 1.5                          |
| Next                                 | 1.4                          |
| Boots                                | 1.4                          |
| Taylor Wessing                       | 1.3                          |
| <b>Percentage of total portfolio</b> | <b>30.2</b>                  |

1. Includes share of joint venture properties.  
 2. Rent from Central Government excluding Queen Anne’s Gate, SW1 is 3.7%.

from buildings. We were also one of the first companies to sign up to the 10:10 campaign for carbon emission reductions. We also donated one day of free advertising at Piccadilly Lights to the campaign. We continue to focus on achieving BREEAM ratings in our developments and on achieving a 30% reduction in emissions by 2020 in each of the areas of offices, shopping centres and retail parks. To help achieve this, we are working with occupiers in multi-tenanted buildings to create shared agreements on emission reductions. We are also working closely with a number of universities on research and education initiatives.

**Corporate Responsibility**

How we support our customers, our employees, our community and our environment helps set Land Securities apart. We are proud of our record on Corporate Responsibility and take our commitments very seriously. To read more about our approach to Corporate Responsibility and our performance this year, please go to ● p 62 to 67.

# Our principal risks and how we manage them

Our Board monitors a range of financial and non-financial risks which affect the business, and these are covered in the tables which follow.

As property is a capital intensive business, we place a strong emphasis on the management of financial risks. In light of the relationship between risk and return, we set out below an overview of our management of financial risks in the context of our investment return objectives and also our approach to capital allocation.

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

When making capital allocation decisions (whether to buy, sell or develop a property), we do so on the basis of prospective ungeared total returns, adjusted for risk, relative to our weighted average cost of capital (WACC) and also relative to alternative investment opportunities. Our capital allocation decisions on properties are made on the basis of ungeared total returns because we manage gearing levels centrally at the Group balance sheet level.

Evidence shows that in the property sector, asset selection decisions are more important than sector allocation in terms of generating outperformance, and we would expect to focus our capital allocation decisions more around the choice between development and investment than around sector allocation. However, if there is a material difference in the prospective returns between sectors, this will be reflected in our capital allocation.

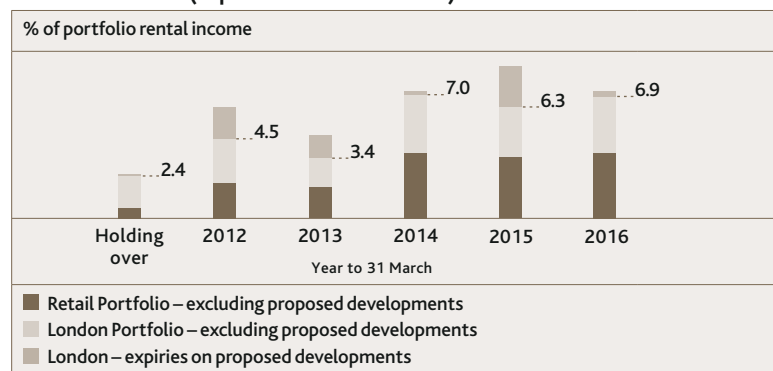
Our capital management decisions are concerned not only with prospective returns, but also with risk both at the asset level and at Group level. The assessment and management of risk is a dynamic process but, from a financial perspective, we believe there are four key areas of risk: our balance sheet gearing levels; the amount of property development we undertake; the terms and mix of our debt facilities; and the composition of our property portfolio. Our experience is that the first two of these risks, gearing levels and the amount of development, tend to be the principal sources of volatility of returns, and hence risk, for a property company. We describe below how we manage these key financial risks.

Gearing magnifies the effect of movements in income on corporate earnings and the effect of movements in property values on shareholders' net assets (NAV). So, we assess balance sheet gearing levels in terms of both Interest Cover Ratios (ICR) and LTV ratios. The UK property sector tends to focus particularly on LTV ratios, and we seek to manage the business within an inner gearing range of 35% to 45% LTV, which we would expect to apply in normal market conditions. At certain stages of the cycle, we would be prepared to allow our LTV ratios to move to an outer range of 25% to 55% LTV. (To put these figures in the context of balance sheet gearing ratios calculated by reference to debt to equity, 35% to 45% LTV is approximately equivalent to 54% to 82% gearing on the basis of debt to equity).

The amount of property development we undertake is the second key financial risk area. Property development has the potential to deliver new buildings at attractive rental income yields and also to generate valuation surpluses materially ahead of general market movements. However, property development can also be associated with higher volatility of valuation movements and income shortfalls if projects do not let up to plan. We therefore manage our risk exposure to development through both income and capital risk control measures. The income-related risk measure is that, adopting conservative

Lease maturities (expiries and break clauses)

Chart 27



assumptions on leasing, the targeted rental income from the unlet element of our development programme should not exceed the Group's retained earnings. The purpose of this is to safeguard against unlet development projects resulting in the Group having an uncovered dividend. We also control the proportion of our capital deployed in development: the proportion of our capital in development will generally not exceed 20% of our total capital upon completion of those schemes – save that, where a material part of the development programme is pre-let, this proportion can rise to 25%. In addition, we monitor the level of committed future capital expenditure on our development programme relative to the level of our undrawn debt facilities.


In terms of risks relating to our debt facilities, we ensure that we have: a spread of maturity dates for debt facilities; a mix of fixed and flexible or repayable debt to ensure that we can manage liquidity around asset purchases and sales; and a high proportion of our debt at fixed interest rates or else hedged in order to manage our exposure to interest rate volatility. In addition, we monitor compliance and headroom around covenants in our debt facilities, the provisions of which are covered in more detail in the section of the Financial Review on financing strategy on p36.

Risks potentially arising from the composition of our property portfolio are managed through monitoring: asset concentration (our largest asset is only 6.2% of the total portfolio); tenant concentration (our largest tenant, the Government, represents only 7.8% of rents); the spread of lease expiry dates (we have an average unexpired lease term of 8.9 years with a maximum of 8.6% of gross rental income expiring or subject to break clause in any single year); and also the proportion of our portfolio represented by pre-development properties. In addition, we review the liquidity of assets in our portfolio and, in this respect, we generally favour full control and ownership of assets. Currently, 13.0% of our assets are held in joint ventures.



Our Board regularly reviews the appropriate risk appetite for the business through the cycle and uses its discretion as to when to increase or reduce risk exposure. We have recently demonstrated this with our decision to gain early mover advantage through restarting a large development programme in 2010/11 for delivery in 2012/14. Risk is not perceived by our Board to be negative as a matter of course; we are alive to the fact that taking on risk can be a source of financial outperformance at the appropriate stage in the cycle.

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

## Financial

| Risk and impact   | Mitigation  | Further commentary         | Change from 2009/10   |
|---|---|----------------------------|---|
| <b>Liability structure</b>  |   |                            |   |
| <ul style="list-style-type: none"> <li>Liability structure is unable to adapt to changing asset strategy or property values resulting in reduced financial and operational flexibility, missed business opportunities and higher finance costs.</li> <li>Limited debt market capacity and/or liability structure impacts ability to meet existing debt maturities and fund forward cash requirements.</li> <li>Movements in interest rates adversely affect Group profits.</li> </ul> | <ul style="list-style-type: none"> <li>Asset and Liability Committee meets three times a year to monitor both sides of the balance sheet and recommend strategy;</li> <li>Liquidity and gearing kept under regular review;</li> <li>Assess balance sheet gearing levels in terms of both interest cover ratios (ICR) and loan-to-value ratios (LTV);</li> <li>Seek to manage the business within an inner gearing range of 35% to 45% LTV in normal market conditions;</li> <li>Assets available within the Security Group to sell/provide security for raising new debt.</li> <li>A mix of fixed term and repayable debt to ensure that we can manage liquidity around asset purchases and sales;</li> <li>Long-term facilities in place with a spread of maturity dates;</li> <li>On-going monitoring and management of the forecast cash position;</li> <li>Commitments are not taken on if funding is not available;</li> <li>Monitor compliance and headroom around covenants in our debt facilities:                             <ul style="list-style-type: none"> <li>Our principal debt funding structure benefits from financial default only being triggered at 1.0 times ICR (currently 2.22 times) or 100% LTV (currently 40.1%);</li> <li>At less than 1.45 times ICR or greater than 65% LTV, a persuasive covenant regime applies which is designed to preserve cash for the potential protection of lenders and encourage the business to reduce debt.</li> </ul> </li> <li>High proportion of our debt at fixed interest rates or else hedged in order to manage our exposure to interest rate volatility.</li> </ul> | Financial review<br>p34—37 |  |

## Property investment

| Risk and impact   | Mitigation   | Further commentary        | Change from 2009/10   |
|---|--|---------------------------|---|
| <b>Composition of our property portfolio</b>  |  |                           |   |
| <ul style="list-style-type: none"> <li>Asset concentration and lot size impacts on liquidity and relative property performance.</li> <li>Asset mix creates excessive volatility in income and valuation movements.</li> </ul>           | <ul style="list-style-type: none"> <li>Monitor asset concentration (our largest asset is only 6.2% of the total portfolio);</li> <li>Average investment property lot size of £66.4m;</li> <li>Biannual portfolio liquidity review;</li> <li>Generally favour full control and ownership of assets (we have only 13.0% of assets in joint ventures).</li> <li>Large multi-asset portfolio;</li> <li>Secure income flows under UK lease structure;</li> <li>Monitor the spread of lease expiry dates (we have an average unexpired lease term of 8.9 years with a maximum of 8.6% of gross rental income expiring or subject to break clauses in any single year);</li> <li>Monitor the proportion of our portfolio represented by pre-development properties.</li> </ul>  | Business review<br>p39—59 |  |
| <b>Customers</b>  |  |                           |   |
| <ul style="list-style-type: none"> <li>Change in trends causes shifts in customer demand for properties with impact on new lettings, renewal of existing leases and reduced rental growth. Also risk of tenant insolvencies.</li> </ul> | <ul style="list-style-type: none"> <li>Bespoke research commissioned on the impact of structural change in the Retail sector, the results of which are factored into our Retail business plans;</li> <li>Research into London's continuing status as a global financial centre;</li> <li>Active development programme to maintain a modern portfolio well suited to occupier requirements;</li> <li>Strong relationships with occupiers;</li> <li>Variety of asset types and geographic spread;</li> <li>Diversified tenant base, with monitoring of tenant concentration (our largest tenant, the Government, represents only 7.8% of rents);</li> <li>Of our income 62% is derived from tenants who make less than a 1% contribution to rent roll;</li> <li>Target for maximum % of leases subject to expiry in any one year;</li> <li>Experienced and skilled in-house leasing teams;</li> <li>Large portfolio allows portfolio leasing deals to reduce voids further.</li> </ul> | Business review<br>p39—59 |  |

## Property investment

| Risk and impact  | Mitigation  | Further commentary                 | Change from 2009/10 |
|--|---|------------------------------------|---------------------|
| <b>Environment</b>   |   |                                    |                     |
| <ul style="list-style-type: none"> <li>Properties do not comply with Government requirements and customer expectations on carbon reduction leading to an increased cost base and an inability to attract or retain tenants.</li> </ul> | <ul style="list-style-type: none"> <li>Dedicated specialist environment personnel;</li> <li>Established policy and procedures including ISO 14001 certified environmental system;</li> <li>Active environmental programme addressing key areas of impact (energy and waste);</li> <li>Active involvement in legislative working parties.</li> </ul> | Corporate Responsibility<br>p62—67 | ↔                   |
| <b>Health and safety</b>   |   |                                    |                     |
| <ul style="list-style-type: none"> <li>A failure to manage the safety of our employees, contractors, tenants and visitors to our properties could lead to criminal/civil proceedings and resultant reputational damage.</li> </ul>     | <ul style="list-style-type: none"> <li>Annual cycle of health and safety audits;</li> <li>Quarterly Board reporting;</li> <li>Dedicated specialist personnel;</li> <li>Established policies and procedures.</li> </ul>  | Corporate Responsibility<br>p62—67 | ↔                   |

## Development

| Risk and impact   | Mitigation   | Further commentary        | Change from 2009/10 |
|---|--|---------------------------|---------------------|
| <b>Planning constraints and localism</b>  |  |                           |                     |
| <ul style="list-style-type: none"> <li>Significant cuts in the planning departments within local authorities could lead to delays to the granting of planning permissions.</li> <li>The Government's localism bill could increase the propensity within London for local residents to hinder development proposals. Outside London, it may lead to an easing of planning constraints as local authorities seek to take advantage of the potential to retain increased non-domestic rate income, therefore it could see an increase in competitor schemes in close proximity to our existing sites.</li> </ul> | <ul style="list-style-type: none"> <li>Close working relationships with key local, metropolitan and Government planning authorities;</li> <li>Active membership in industry lobby groups;</li> <li>Active community engagement;</li> <li>Use of professional planning advisers.</li> </ul>   | Business review<br>p39—59 | ↑                   |
| <b>Development pipeline</b>   |  |                           |                     |
| <ul style="list-style-type: none"> <li>Size of the speculative development pipeline and a failure to manage development activity in line with market cycle could result in a major impact on resources, in particular funding, income and potentially dividend cover. If development projects are not let up to plan there could be higher volatility of valuation movements and income shortfalls.</li> </ul>  | <ul style="list-style-type: none"> <li>Adopting conservative assumptions on leasing, the targeted rental income from the unlet element of our development programme should not exceed the Group's retained earnings;</li> <li>Proportion of capital employed in development programme (based on total costs to completion) will generally not exceed 20% of our total capital employed, save that where a material part of the development programme is pre-let, this proportion can rise to 25%;</li> <li>Monitor the level of committed future capital expenditure on our development programme relative to the level of our undrawn debt facilities;</li> <li>Risk analysis of speculative development pipeline on capital and income basis;</li> <li>Strategy of flexing size of development programme according to the outlook for the market cycle;</li> <li>In-house property market research capability;</li> <li>Skilled in-house development teams.</li> </ul> | Business review<br>p39—59 | ↑                   |

## People

| Risk and impact   | Mitigation  | Further commentary                 | Change from 2009/10 |
|---|---|------------------------------------|---------------------|
| <b>People skills</b>  |   |                                    |                     |
| <ul style="list-style-type: none"> <li>Failure to have the right people and skills in the business to execute business objectives.</li> </ul> | <ul style="list-style-type: none"> <li>Succession planning and skill gaps reviewed by Nominations Committee;</li> <li>Implementation of talent management processes;</li> <li>Remuneration review undertaken by the Board;</li> <li>Monitoring of employee engagement through an annual survey;</li> <li>Internal communication programme;</li> <li>Appropriate mix of insourcing and outsourcing.</li> </ul> | Corporate Responsibility<br>p62—67 | ↔                   |

# Retail Portfolio



Richard Akers, Managing Director, Retail Portfolio  
 High levels of activity by our team have created value across our portfolio. We have bought and sold successfully, worked closely with retailers and applied our management expertise to open up new opportunities. We were also the first to restart major retail development.

## Progress on our key objectives for 2010/11

| Objective  | Progress  |
|--|---|
| — <b>Outperform IPD</b>  | <ul style="list-style-type: none"> <li>– Retail Portfolio – outperformed IPD benchmark by 2.6%</li> <li>– Shopping centres – outperformed IPD benchmark by 1.6%</li> <li>– Retail warehouses – outperformed IPD benchmark by 5.0%</li> </ul>  |
| — <b>Expand our out-of-town presence through new acquisitions and development</b>  | <ul style="list-style-type: none"> <li>– Two new stores completed and opened for Sainsbury's</li> <li>– Two new stores in development for John Lewis at home</li> <li>– Planning resolution achieved for major foodstore and reconfiguration at Meteor Retail Park, Derby</li> <li>– Terms agreed and planning permission achieved for Primark store at Westwood Cross, Thanet</li> <li>– Valuable planning permissions won at Banbridge, Northern Ireland and at Lakeside Retail Park in Thurrock</li> </ul> |
| — <b>Meet pre-letting targets for development schemes, including Trinity Leeds</b>   | <ul style="list-style-type: none"> <li>– Trinity Leeds is now 53% pre-let and 4.5% in solicitors' hands. Restarted on site in August 2010</li> <li>– 185-221 Buchanan Street (formerly The Atlas Site), Glasgow was 69% pre-let and work on site now under way</li> </ul>   |
| — <b>Protect income across our portfolio</b>   | <ul style="list-style-type: none"> <li>– £15.2m of investment lettings across the portfolio with a further £7.7m in solicitors' hands</li> <li>– Like-for-like assets in Retail Portfolio showed good growth in net rental income of 6.3%</li> </ul>  |
| — <b>Maintain effective cost control, including capital expenditure and irrecoverable costs associated with shopping centres</b> | <ul style="list-style-type: none"> <li>– Voids across like-for-like Retail Portfolio down to 4.5% compared to 5.5% at March 2010</li> <li>– Units in administration across portfolio down to 0.6% from 3.2% in March 2010</li> </ul>  |

## How we create value

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

- Owning assets able to thrive in a fast-changing retail environment
- Using our asset management expertise to make locations more attractive to shoppers and retailers
- Developing major new shopping and leisure assets that can transform undervalued areas into thriving destinations

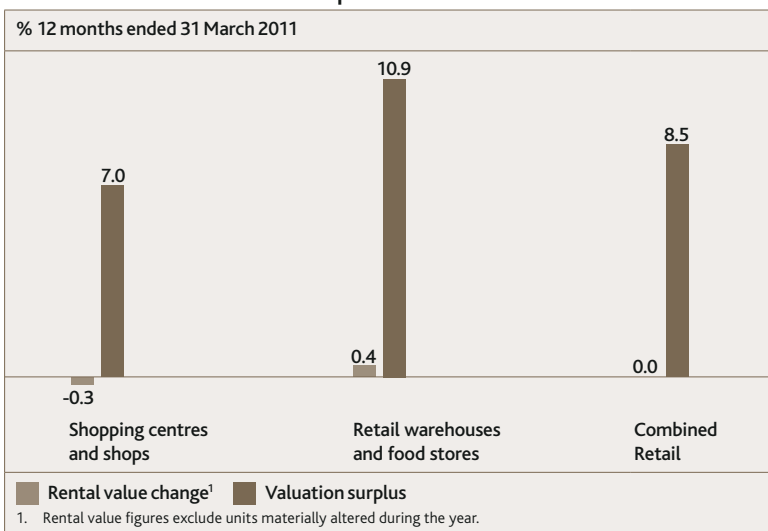
- Forming close relationships with retailers and local authorities, so we can respond to people's changing needs and ensure our portfolio fits the market
- Recycling capital to find and improve under-used assets so we can unlock value.

## Highlights

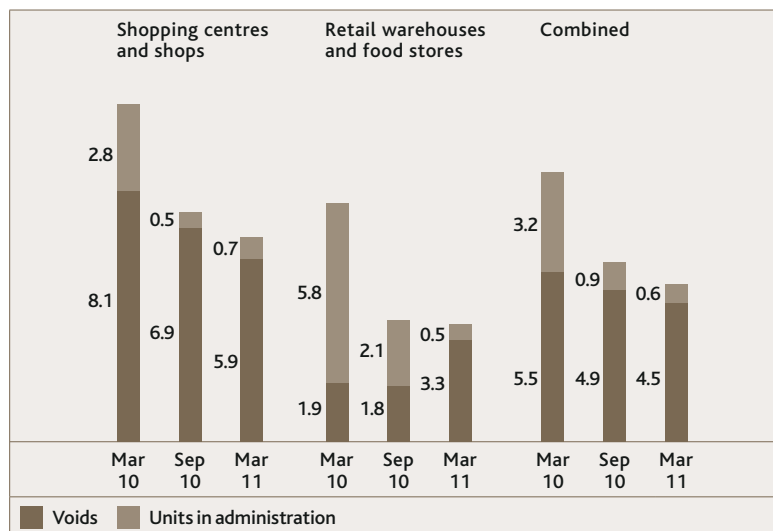
- Trinity Leeds development restarted and now 57.5% pre-let or in solicitors' hands. Delivery in spring 2013
- John Lewis to open at home shops in Chester and Exeter
- Two new stores opened for Sainsbury's
- £329.8m of acquisitions at an average yield of 6.3%

- £264.1m of sales at 6.1% above March 2010 valuation at an average yield of 6.0%
- £27.2m of lettings with a further £9.4m in solicitors' hands
- Named Property Manager's Association Landlord of the Year and Estates Gazette's Property Company of the Year in Retail

Retail like-for-like – rental and capital value trends Chart 28



Voids and units in administration % – like-for-like Retail Portfolio Chart 29



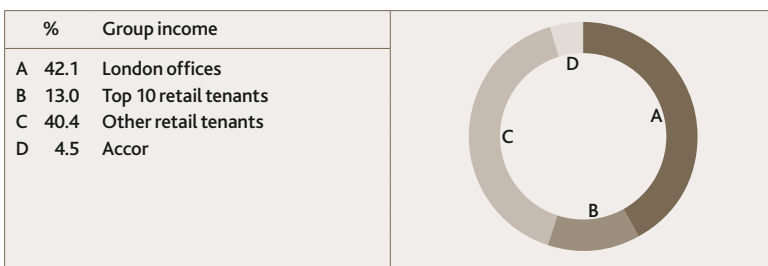
Retail Portfolio by capital value Chart 30



Retail Portfolio floorspace under management Chart 31



Retail Portfolio – tenant diversification Chart 32



Top 10 retail tenants Table 33

|                                   | % of Group rent |
|-----------------------------------|-----------------|
| Sainsbury's                       | 2.0             |
| Arcadia Group                     | 1.7             |
| Dixons Retail                     | 1.5             |
| Next                              | 1.4             |
| Boots                             | 1.4             |
| Marks & Spencer                   | 1.1             |
| H&M                               | 1.1             |
| Home Retail Group                 | 1.0             |
| Tesco                             | 1.0             |
| New Look Group                    | 0.8             |
| <b>Total (all retail tenants)</b> | <b>13.0</b>     |
| Retail other (excluding Accor)    | 40.4            |
| <b>Total (all retail tenants)</b> | <b>53.4</b>     |

# Business commentary

## Our market

Demand for space has been resilient, with successful retailers using the current availability of space to grow market share and increase their property portfolios. We have seen particularly strong demand for larger stores and out-of-town space. The investment market for retail property has continued to be firm, with relatively few assets coming to the market and strong demand for quality assets from a wide range of investors.

Along with these dynamics, the retail property market continues to face significant challenges. Retailer insolvencies have reduced since the downturn, but there is still a relatively high level of available space nationally and the internet is taking an increasing share of customer spend. For these reasons, we are not anticipating an immediate resumption of rental growth across the retail property sector as a whole.

The central London market is not typical of the picture nationally. Here, an attractive exchange rate has boosted tourism and this has helped drive relatively strong rental growth in the capital. As a result, we are seeing something of a divide appear between the north and south of the country, an effect exacerbated by fears around what may happen within public sector employment and the knock-on effect of this on consumer spending.

In last year's Annual Report we said that the consumer preference for the choice provided by big centres will mean that retail sales will keep moving to the biggest locations. We see no reason to adjust our view. The potential casualties will be shops in medium size towns where there is a low quality offer.

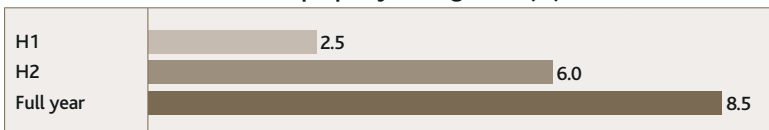
While bigger destinations are likely to do better, we believe the upper quartile of secondary centres may well outperform prime assets. This reflects retailers' focus on profitability, and the strong attractions of less expensive space that consistently trades well. For example, our Gunwharf Quays centre in Portsmouth has shown sustained demand through the downturn. We are also seeing strong demand for space that attracts well-defined groups of consumers, such as the O2 Centre, NW3, which we acquired this year.

Views on the relationship between the internet and retail are evolving. There is less anxiety about trade in general shifting to the internet and a growing realisation that multi-channel retailing may be the way forward for retailers. Many now transact on the internet and fulfil through their physical stores. We believe multi-channel retailing will provide sustained demand for property, but there will be implications around accessibility, configuration and size of units. This is likely to create opportunities for us, with changing requirements often leading to new asset management initiatives and development opportunities. We also see evidence that consumers continue to value the immediacy, convenience and community offered by physical shops – together with the ability to see, feel and take home products.

Like-for-like combined Retail rental value growth (%) Chart 34



Like-for-like combined Retail property value growth (%) Chart 35



## One year performance relative to IPD

Table 36

| Ungeared total returns – year to 31 March 2011 | Land Securities % | IPD sector benchmark % |
|--|-------------------|------------------------|
| Shopping centres                               | 14.7              | 12.9                   |
| Retail warehouses                              | 16.9 <sup>1</sup> | 11.3                   |

1. Including supermarkets.

Rental recovery is likely to reflect all of these trends, becoming polarised across UK towns and cities according to the level of vacancies and the attraction of individual assets. We also anticipate the polarisation to be reflected in the investment market, where the number and range of potential buyers favour prime assets.

## Our strategy

Meeting the space requirements of retailers drives our approach to the management and development of our retail property assets. We aim to provide retailers with new or more efficient space to drive their own profits, and through that, we will create value across both asset management and development activities. Over the last year, it has been our focus on customer requirements that has enabled us to restart retail developments before others, having first secured significant pre-lettings to major retailers.

At the same time, we are committed to active recycling of capital, buying and selling assets to ensure we are investing in those properties with the greatest opportunity for improvement and for growth.

## Performance

Our Retail Portfolio, valued at £4,823.9m at 31 March 2011, produced a valuation surplus for the year of 8.5% overall, with shopping centres and shops up 7.5% and retail warehouses and food stores up 11.2%. Rental values on our like-for-like portfolio decreased marginally by 0.3% for our shopping centres and shops but increased by 0.4% for our retail warehouses and food stores.

Our Retail Portfolio produced an ungeared total property return of 15.4%, outperforming the sector benchmark in the IPD Quarterly Universe by 2.6%. Our shopping centres outperformed the IPD sector benchmark by 1.6% and our retail warehouses exceeded their sector benchmark by a wide margin of 5.0%.

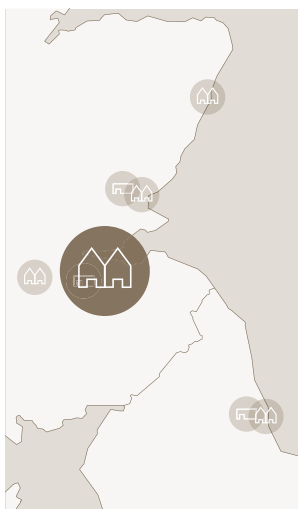
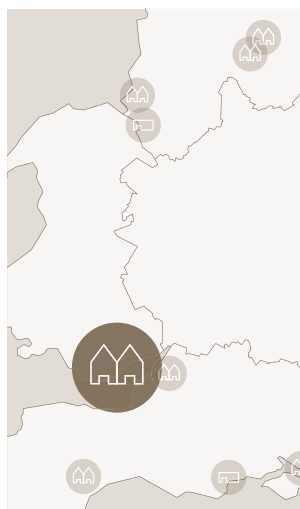
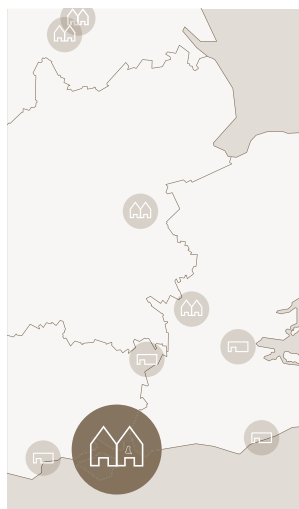
Voids across our like-for-like Retail Portfolio were 4.5% at March 2011 compared to 5.5% at March 2010. Units in administration across the portfolio were 0.6%, down from 3.2% in March 2010.

We also measure underlying performance indicators including footfall, retailer sales and retailers' rent/sales ratio. Footfall in our shopping centre portfolio was up 4.3% on the previous year against a national benchmark which was down 0.5%. Our measured same store like-for-like sales were down 1.1% against the British Retail Consortium (BRC) benchmark which was up 0.1%.

Our retailers' rent/sales ratio for the year was 10.4% with total occupancy costs (including rent, rates, service charge and insurance) representing 17.4% of sales.



# Top 5 retail properties



## 1 White Rose, Leeds

Award-winning shopping centre with more than 100 stores and a range of cafés and food outlets. Located on the outskirts of Leeds, it serves a large and loyal catchment ensuring a consistently strong performance from retailers.

**Principal occupiers**  
Sainsbury's, Debenhams, M&S, Primark.  
**Acquisition date**  
1995  
**Completion**  
March 1997  
**Form of ownership**  
Leasehold  
**Ownership interest**  
100%  
**Area**  
65,000m<sup>2</sup>  
**Annualised net rent**  
£21m  
**Let by income<sup>2</sup>**  
98%

## 2 Gunwharf Quays, Portsmouth

This well known scheme comprises a Designer Outlet Centre with over 80 shops and a wide range of leisure including a cinema, Bowlplex, hotel, restaurants and bars. Its historic location on Portsmouth Harbour makes it a popular destination.

**Principal occupiers**  
Vue Cinema, M&S, Nike, Gap.  
**Acquisition date**  
2001  
**Completion**  
February 2001  
**Form of ownership**  
Freehold  
**Ownership interest**  
100%  
**Area**  
58,300m<sup>2</sup>  
**Annualised net rent**  
£19m  
**Let by income<sup>2</sup>**  
99%

## 3 Cabot Circus, Bristol

Opened in September 2008, this exceptional new retail, leisure and residential space integrates seamlessly with the city centre. It provides Bristol with the quality and choice of amenities it deserves.

**Principal occupiers**  
House of Fraser, Harvey Nichols, H&M.  
**Acquisition date**  
1950s to 2005  
**Completion**  
September 2008  
**Form of ownership**  
Leasehold  
**Ownership interest**  
50%  
**Area**  
123,000m<sup>2</sup>  
**Annualised net rent<sup>1</sup>**  
£19m  
**Let by income<sup>2</sup>**  
97%

## 4 St David's Dewi Sant, Cardiff

This mixed-use scheme opened in 2009 and has transformed Cardiff city centre. With 160 stores and 36 million visitors in 2010, this is the busiest shopping centre in Wales and one of the top five centres in the UK.

**Principal occupiers**  
John Lewis, New Look, H&M.  
**Acquisition date**  
1993  
**Completion**  
October 2009  
**Form of ownership**  
Leasehold  
**Ownership interest**  
50%  
**Area**  
130,100m<sup>2</sup>  
**Annualised net rent<sup>1</sup>**  
£15m  
**Let by income<sup>2</sup>**  
84%

## 5 The Centre, Livingston

Recently extended through a £130m development, The Centre is home to more than 155 shops and five new restaurants. It is divided into distinct zones, each with its own character and style.

**Principal occupiers**  
Debenhams, M&S, H&M, Next.  
**Acquisition date**  
1973  
**Completion**  
Phase 1 September 1976  
Phase 2 August 1996  
Phase 3 October 2008  
**Form of ownership**  
Freehold  
**Ownership interest**  
100%  
**Area**  
86,900m<sup>2</sup>  
**Annualised net rent**  
£17m  
**Let by income<sup>2</sup>**  
94%

1. Refers to Land Securities' share of annualised net rent.  
2. May include units in administration where lease has not been surrendered.

# Business commentary

The like-for-like assets in the Retail Portfolio showed good growth in net rental income of 6.3%, driven primarily by new lettings and also rental income growth in our Accor hotel portfolio. However, this was more than offset by the income lost from asset sales in the previous year when we executed our plan to sell assets to reduce balance sheet gearing.

## Net rental income

Table 37

|                                     | 31 March<br>2011<br>£m | 31 March<br>2010<br>£m | Change<br>£m |
|-------------------------------------|------------------------|------------------------|--------------|
| Like-for-like investment properties | 226.3                  | 212.8                  | 13.5         |
| Proposed developments               | 1.2                    | 1.2                    | –            |
| Development programme               | 8.4                    | 9.0                    | (0.6)        |
| Completed developments              | 18.2                   | 17.1                   | 1.1          |
| Acquisitions since 1 April 2009     | 10.3                   | (0.2)                  | 10.5         |
| Sales since 1 April 2009            | 7.8                    | 35.6                   | (27.8)       |
| Non-property related income         | 3.3                    | 3.7                    | (0.4)        |
| <b>Net rental income</b>            | <b>275.5</b>           | <b>279.2</b>           | <b>(3.7)</b> |

## Sales and acquisitions

We continued to recycle our capital during the year, exiting four major assets and buying three. Asset sales generated £264.1m and acquisitions totalled £329.8m. The disposals made during the year achieved prices that, on average, were 6.1% above March 2010 valuation figures.

Our asset sales were at a yield of 6.0% while our acquisitions, which performed ahead of IPD before acquisition costs in the first year of ownership, were at a yield of 6.3%.

## Key transactions during the year included:

### – The O2 Centre, Finchley Road, NW3

We acquired this asset for £125.9m. The centre is in an excellent location and has the potential to generate further value through asset management activity, which is already under way, and longer-term development opportunities.

### – Westgate Centre, Oxford

We acquired a 50% stake in the Westgate Centre, Oxford – in partnership with The Crown Estate – for £27.4m. Here we have taken steps to enhance the shopping experience for customers in the short term while we assess its development potential. Our initial work on this is encouraging.

### – Overgate, Dundee

Acquired for £141.0m, this 39,000m<sup>2</sup> centre opened in 2000 and is the dominant retail offer in Scotland's fourth largest city. It attracts more than 14 million shopper visits a year. We have moved quickly on asset management activity at the centre, filling four voids, relocating an underperforming occupier, moving in three new retailers and extending a lease with an imminent expiry. These improvements will provide us with an opportunity to grow rents.

### – Metro Shopping Fund

We sold two assets from the Metro Shopping Fund, which is held 50/50 with Delancey. The N1 Shopping Centre in Islington was sold for £55.8m (our share), and we sold Notting Hill Gate for £65.5m (our share). These disposals have enabled us to repay relatively expensive debt held within the fund.

### – Stratford Shopping Centre

We sold the centre and associated office buildings for £91.6m. Our decision to sell reflects the competitive risks emerging in this location, together with the view that our asset management initiatives

had already created value and that our capital could now be put to better use.

### – Christ's Lane, Cambridge

We sold this prime high street asset in Cambridge for £33.2m. In line with our market outlook and strategy, we are reinvesting the proceeds of the sale in larger retail assets with greater potential for growth in rental income.

## Asset management

We have seen a slight increase in the level of demand from retailers for new space, but the environment remains tough with relatively little competitive bidding for units across the portfolio. While leasing has been challenging, we have used our close relationships with major retailers and our asset management skills to secure new lettings in the year. There has also been a subtle but important change in the planning environment. Through the localism agenda, local authorities are placing more emphasis on growth and job creation and whilst this can pose a risk for some established assets, it is also an opportunity for us. In addition to the examples below, we have won valuable planning permissions in Banbridge, Northern Ireland, the White Rose Centre in Leeds, and at Lakeside Retail Park in Thurrock.

## Key activity during the year included:

### – Primark

We are constructing a 6,500m<sup>2</sup> store for Primark at The Centre in Livingston, and we have planning permission for a 5,550m<sup>2</sup> Primark store at our Bridges shopping centre in Sunderland. Primark will further enhance the fashion offer at the Bridges, which has recently seen the arrival of fashion brands Bank, Blue Inc and Schuh to go alongside existing retailers such as Topshop, H&M, New Look and River Island. Planning permission has also been achieved for an out-of-town store for Primark at Westwood Cross, Thanet.

### – John Lewis Partnership

During the year we exchanged contracts with John Lewis to open two new John Lewis at home shops, in Exeter and Chester. This builds on the success of the UK's first John Lewis at home at our retail park in Poole. In Chester, John Lewis will occupy 5,500m<sup>2</sup> over two floors at our Greyhound Retail Park – the first John Lewis at home shop in the north of England – opening in autumn 2011. In Exeter, John Lewis agreed to occupy 1/11 Sidwell Street, which has been vacant since our Princesshay shopping centre opened in 2007.

### – The Harvest Limited Partnership

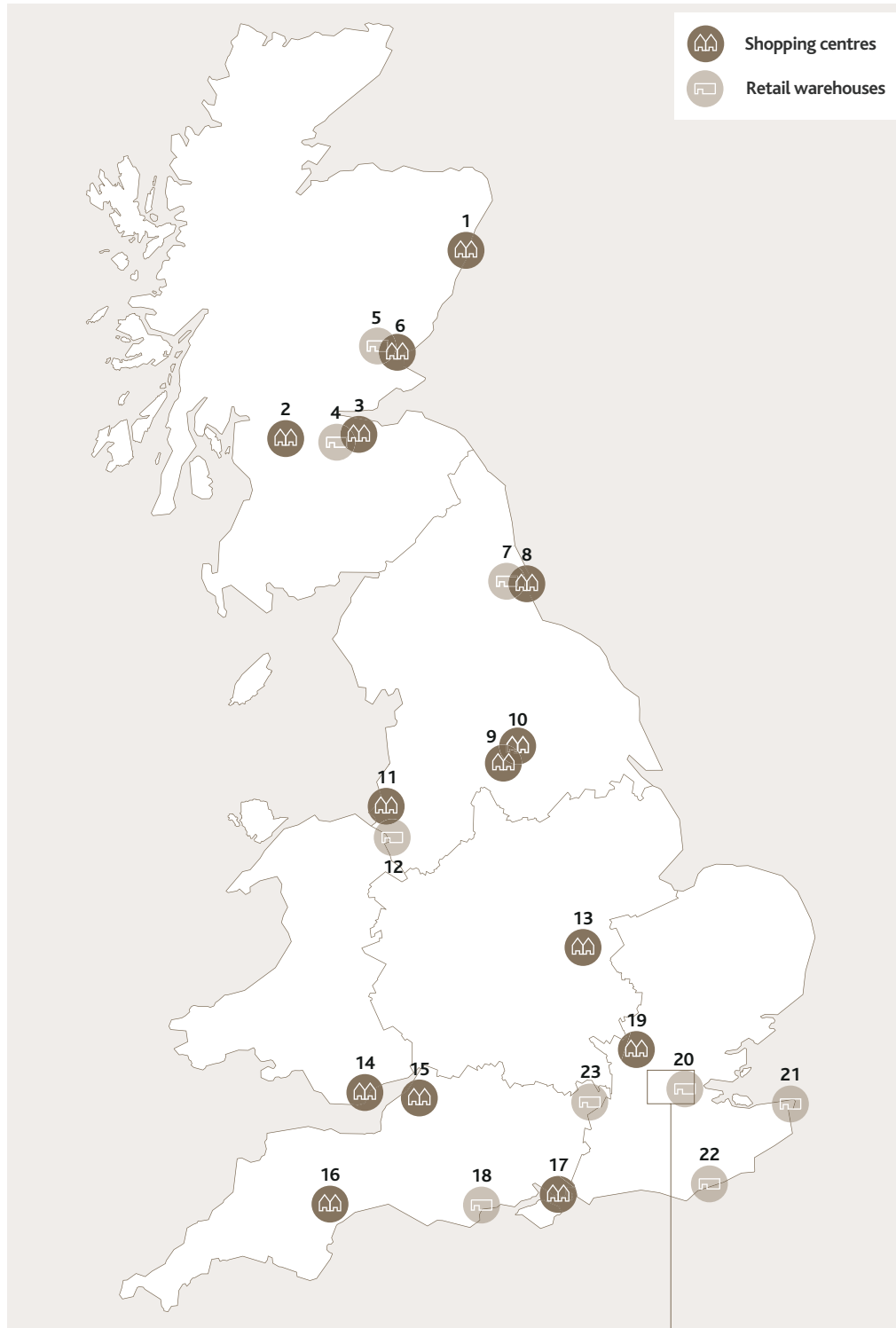
Supermarket operators remain dynamic players in the market, and during the year we completed new and extended stores for Sainsbury's in Livingston and Lincoln. The Lincoln development is the first store to be completed as part of the Harvest Limited Partnership joint venture we set up with Sainsbury's in 2007. We have achieved consent for the development of an extended Sainsbury's store and a Premier Inn hotel on Garratt Lane in Wandsworth, London. Since the financial year end, the store and extension have been sold on a forward funded basis to The M&G Secured Property Income Fund managed by PRUPIM.

### – Brand Empire

This concept for introducing overseas retailers to the UK is still at a relatively early stage but it has succeeded in adding to the mix in our shopping centres. The White Rose Centre in Leeds hosted the first stores to trade under this initiative, with Grupo Cortefiel's

# Top Retail Portfolio properties

over £50m by location



Shopping centres  
 Retail warehouses

## Scotland

### Aberdeen

1 ● Bon Accord Centre and St Nicholas Centre<sup>1\*</sup>

### Glasgow

2 ● Buchanan Galleries<sup>2\*</sup>

### Livingston

3 ● The Centre\*

4 ● Almondvale West<sup>▲</sup>  
 Almondvale Retail Park  
 Almondvale South

### Dundee

5 ● Kingsway West Retail Park<sup>▲</sup>

6 ● Overgate Shopping Centre\*

## North, North-West, Yorkshire and Humberside

### Gateshead

7 ● Retail World Team Valley Retail Park\*

### Sunderland

8 ● The Bridges\*

### Leeds

9 ● White Rose Centre\*

10 ● Trinity Leeds<sup>3\*</sup>■

### Liverpool

11 ● St John's Centre<sup>▲</sup>

### Chester

12 ● Greyhound Retail Park<sup>▲</sup>

## Midlands

### Corby

13 ● Corby Town Centre<sup>▲</sup>

## Wales and South-West

### Cardiff

14 ● St David's Shopping Centre<sup>3\*\*</sup>

### Bristol

15 ● Cabot Circus<sup>\*\*</sup>

### Exeter

16 ● Princesshay\*

### Portsmouth

17 ● Gunwharf Quays\*

### Poole

18 ● Poole Retail Park<sup>▲</sup>

## South and South-East

### Hatfield

19 ● The Galleria<sup>▲</sup>

### West Thurrock

20 ● Lakeside Retail Park\*

### Thanet

21 ● Westwood Cross\*

### Bexhill-on-sea

22 ● Bexhill Retail Park<sup>▲</sup>

### Bracknell

23 ● The Peel Centre<sup>▲</sup>

## Greater London

24 ● The O2 Centre, Finchley\*

25 ● Southside, Wandsworth<sup>▲5</sup>

26 ● Lewisham Shopping Centre\*

27 ● West 12 Shopping Centre<sup>▲</sup>

## Notes

- Shopping centre
- Retail warehouse

<sup>1</sup> Part of Scottish Retail Property Limited Partnership

<sup>2</sup> Part of Buchanan Partnership

<sup>3</sup> Part of St David's Dewi Sant Partnership

<sup>4</sup> Part of the Bristol Alliance

<sup>5</sup> Part of Metro Shopping Fund LP

\* £100m or above

▲ £50-£100m

■ In development pipeline/programme

## Looking ahead

women'secret brand opening in September 2010 and its Springfield brand a month later. Further stores have opened in Livingston, Cardiff and One New Change, EC4. Initial trading was affected by heavy discounting from established retailers, but the effect of this reduced as we moved further into 2011.

### – Meteor Retail Park, Derby

We made a planning application for a 9,290m<sup>2</sup> food superstore, five new retail units, a petrol filling station and car wash, which will be created through a reconfiguration of the existing retail park. We obtained a minded to grant decision from the Council in April 2011.

### Development and planning

We continue to see a high degree of caution towards large-scale retail development schemes in the UK. Our Trinity Leeds scheme was the only large retail development project to start on site across the UK during the year. Our decision to restart construction at Trinity Leeds reflects the quality of the site – which is in a prime position in a top five city – and our success on pre-lettings. Having reached a level of over 40% before committing to build, we now have 53.0% pre-let and 4.5% in solicitors' hands, by income. Construction work commenced in July 2010 and the scheme is due to open in March 2013. Confirmed occupants include Marks & Spencer; BHS; H&M; Boots; Primark; Topshop/Topman; River Island; Next; Hollister and Cult.

During the year we also made good progress on our development at 185-221 Buchanan Street, Glasgow. We bought this from an administrator acting for a bank and have now resolved all remaining ownership issues and obtained a revised planning permission. Discussions with major retailers have proved fruitful, and at March 2011 we had 68.7% pre-lettings in place. The scheme is due to open in March 2013, with work starting on site in May 2011.

In December 2010, our St David's Dewi Sant in Cardiff won the Supreme Gold Award 2010 from the British Council of Shopping Centres. The Cardiff centre, a joint venture between Land Securities and Capital Shopping Centres, was highly praised for its innovative architectural integration into the city's established streetscape.

The retail landscape is undergoing fundamental change as the impact of changing consumer behaviours and the rise of the internet continue. This will create winners and losers in terms of retailers, locations and property assets. We understand these dynamics. Our strategy is well-matched to the changes taking place. And we are in an excellent position to address the opportunities that will appear as our market continues to evolve.

In the absence of market-wide rental value growth, it is possible, as we have demonstrated over the last year, to create value through key lettings to expanding retailers. We expect this to be the pattern for the next year as well. Fundamental to our approach is the close relationships we build with retailers and leisure operators. By understanding and addressing their changing needs we increase the scope of future opportunities and mitigate risk. These strengths will stand us in good stead as we go into a new year.

Looking to the next 12 months, we anticipate some further buying opportunities and we will take forward further asset management and development opportunities within our portfolio. There may be pressures on consumer expenditure, but we see opportunity to unlock value in the year ahead by supporting the growth plans of the most successful retailers.

### Key objectives for 2011/12

- Outperform IPD
- Expand our out-of-town development programme
- Achieve planning permissions for specific out-of-town developments
- Progress development lettings in St David's Dewi Sant, Cardiff, Trinity Leeds and 185-221 Buchanan Street, Glasgow
- Reduce non-recoverable costs in the shopping centre portfolio
- Progress discussions with local authorities and anchor stores for our development opportunities at Westgate, Oxford and Buchanan Galleries, Glasgow
- Achieve rental growth through investment lettings above current ERV

### Rent reviews and lease expiries and breaks<sup>1</sup>

Table 38

| Retail Portfolio  |                   |               |               |               |               |               |                     |
|---|-------------------|---------------|---------------|---------------|---------------|---------------|---------------------|
|   | Outstanding<br>£m | 2011/12<br>£m | 2012/13<br>£m | 2013/14<br>£m | 2014/15<br>£m | 2015/16<br>£m | Total 2011-16<br>£m |
| Rents passing from leases subject to review                                     | 43.7              | 73.1          | 26.8          | 45.0          | 26.0          | 14.0          | 228.6               |
| Current ERV   | 44.0              | 72.6          | 25.4          | 42.7          | 25.4          | 14.1          | 224.2               |
| Over-renting*   | (2.8)             | (2.6)         | (2.3)         | (3.3)         | (1.4)         | (1.2)         | (13.6)              |
| Gross reversion under lease provisions  | 3.1               | 2.1           | 0.9           | 1.0           | 0.8           | 1.3           | 9.2                 |
| *Not crystallised at rent review because of upward only rent review provisions. |                   |               |               |               |               |               |                     |
|   | Outstanding<br>£m | 2011/12<br>£m | 2012/13<br>£m | 2013/14<br>£m | 2014/15<br>£m | 2015/16<br>£m | Total 2011-16<br>£m |
| Rents passing from leases subject to expiries or breaks                         | 10.2              | 14.1          | 8.9           | 18.7          | 15.9          | 18.1          | 85.9                |
| Current ERV   | 14.7              | 15.0          | 8.4           | 16.8          | 16.0          | 18.7          | 89.6                |
| Potential rent change   | 4.5               | 0.9           | (0.5)         | (1.9)         | 0.1           | 0.6           | 3.7                 |

1. This is not a forecast and takes no account of increases or decreases in rental values before the relevant review dates.

### Yield changes – like-for-like portfolio

Table 39

|                                   | 31 March 2010             |                          | 31 March 2011             |  |                          |
|-----------------------------------|---------------------------|--------------------------|---------------------------|--|--------------------------|
|                                   | Net initial<br>yield<br>% | Equivalent<br>yield<br>% | Net initial<br>yield<br>% | Topped-up net<br>initial yield <sup>1</sup><br>% | Equivalent<br>yield<br>% |
| Shopping centres and shops        | 6.5                       | 7.0                      | 6.2                       | 6.5  | 6.5                      |
| Retail warehouses and food stores | 5.8                       | 6.3                      | 5.2                       | 5.4  | 5.7                      |
| <b>Combined Retail</b>            | <b>6.4</b>                | <b>6.4</b>               | <b>6.0</b>                | <b>6.2</b>                                       | <b>6.4</b>               |

1. Net initial yield adjusted to reflect the annualised cash rent that will apply at the expiry of current lease incentives.

# Retail development pipeline

2013



## Trinity Leeds

The only large UK retail development project to start on site during the year, this scheme is located in a prime position in a thriving city. The scheme is now 53% pre-let and 4.5% in solicitors' hands. The centre is due to open in February 2013.

2013



## 185-221 Buchanan Street, Glasgow

Previously known as the Atlas Site, the scheme is located in the heart of Glasgow's shopping district. We have now resolved all remaining ownership issues, and the scheme is 69% pre-let. The centre is due to open in March 2013.

Retail development pipeline at 31 March 2011

Table 40

| Property   | Description of use    | Ownership interest % | Size m <sup>2</sup> | Planning status | Letting status % | Market value £m | Net income/ERV £m | Estimated/actual completion date | Total development costs to date £m | Forecast total development cost £m |
|--|-----------------------|----------------------|---------------------|-----------------|------------------|-----------------|-------------------|----------------------------------|------------------------------------|------------------------------------|
| <b>Developments after practical completion</b>             |                       |                      |                     |                 |                  |                 |                   |                                  |                                    |                                    |
| St David's Dewi Sant, Cardiff <sup>1</sup>                 | Retail                | 50                   | 89,900              |                 | 86               | 208             | 15.2              | Oct 2009                         | 344                                | 365                                |
| <b>Developments approved or in progress</b>                |                       |                      |                     |                 |                  |                 |                   |                                  |                                    |                                    |
| Trinity Leeds  | Retail                | 100                  | 75,900              |                 | 52               | 143             | 28.8              | Feb 2013                         | 114                                | 358                                |
| 185-221 Buchanan Street, Glasgow (formerly the Atlas Site) | Retail<br>Residential | 100                  | 10,800<br>3,700     |                 | 69               | 35              | 4.7               | Mar 2013                         | 25                                 | 65                                 |
| <b>Proposed developments</b>                               |                       |                      |                     |                 |                  |                 |                   |                                  |                                    |                                    |
| Garratt Lane, Wandsworth <sup>2</sup>                      | Food store            | 50                   | 16,510              | PR              | 83               | n/a             | n/a               | n/a                              | n/a                                | n/a                                |
| <b>Developments let and transferred or sold</b>            |                       |                      |                     |                 |                  |                 |                   |                                  |                                    |                                    |
| The Elements, Livingston                                   | Retail<br>Leisure     | 100                  | 32,000<br>5,670     |                 | 91               | 96              | 7.0               | Oct 2008                         | 161                                | 161                                |
| Almondvale South Retail Park, Livingston                   | Food store            | 100                  | 8,360               |                 | 100              | 30              | 1.6               | Dec 2010                         | 16                                 | 16                                 |
| Lindis Retail Park, Lincoln                                | Food store            | 50                   | 10,870              |                 | 100              | 23              | 1.4               | Nov 2010                         | 16                                 | 16                                 |

1. St David's Dewi Sant, Cardiff excludes the residential element following its transfer to trading properties.
2. Sale completed 10 May 2011.

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 2011. Trading property development schemes are excluded from the development pipeline.

### Planning status for proposed developments

AS – Application submitted  
PR – Planning received

### Total development cost

Total development cost refers to the book value of the land at the commencement of the project, the estimated capital expenditure required to develop the scheme from the start of the financial year in which the property is added to our development programme, together with capitalised interest, being the Group's borrowing costs associated with direct expenditure on the property under development. Interest is also capitalised on the purchase cost of land or property where it is acquired specifically for redevelopment. Of the properties in the development pipeline at 31 March 2011, interest was capitalised on land costs at Trinity Leeds and 185-221 Buchanan Street, Glasgow. The figures for total development costs include expenditure of £10.6m on the residential elements of 185-221 Buchanan Street, Glasgow.

### Net income/ERV

Net income/ERV represents headline annual rent payable on let units plus ERV at 31 March 2011 on unlet units.

# London Portfolio



Robert Noel, Managing Director, London Portfolio  
We have made good progress with our development pipeline and we are in an excellent position, with our early mover advantage on development well-matched to emerging supply-constrained conditions in London.

## Progress on our key objectives for 2010/11

| Objective   | Progress  |
|---|---|
| — <b>Outperform IPD</b>   | – Our retail properties outperformed the benchmark by 10.3% whilst offices underperformed by 1.8%   |
| — <b>Submit further planning applications to ensure we can meet demand for offices in a supply-constrained market</b> | – Planning applications submitted and approved for 27,920m <sup>2</sup> at 110 Cannon Street, EC4, and 123 Victoria Street, SW1<br>– Planning applications submitted for 34,850m <sup>2</sup> at 30 Old Bailey and 60 Ludgate Hill, EC4; and 1 New Street Square, EC4 – formerly IPC Tower<br>– Further application (submitted April 2011) for 31,650m <sup>2</sup> at Kingsgate House, SW1 |
| — <b>Let up balance of office and retail space at One New Change, EC4</b>   | – At 31 March 2011 One New Change was more than 80% let in total, up from 46% at March 2010<br>– 100% of the retail space was let on opening in October 2010<br>– 73% of the office space was let at 31 March 2011 with less than 10,000m <sup>2</sup> of office space available  |
| — <b>Achieve retail lettings at Park House, W1</b>  | – The asset was sold during the year, crystallising virtually all of our anticipated profit early and enabling us to recycle the capital  |
| — <b>Achieve success with our nascent residential development programme</b>   | – 54 of 59 residential apartments at Wellington House, SW1, have been pre-sold<br>– Detailed design has commenced for our proposed residential development at Arundel Great Court, WC2, as well as at Kingsgate House, SW1 and Portland House, SW1<br>– Further residential sites have been acquired in SW1   |

## How we create value

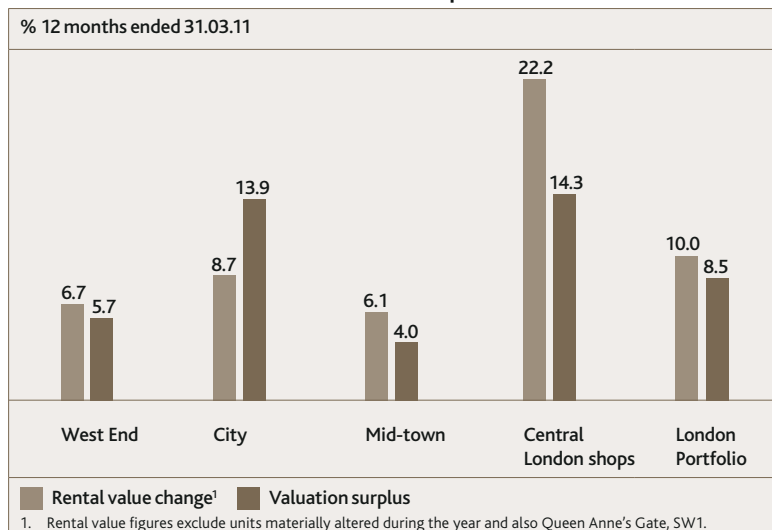
We aim to deliver growing rental income streams and higher asset values over the long term by:

- Developing assets early in the cycle to maximise returns, recycling capital when appropriate
- Understanding our customers' changing needs, so we can adapt and evolve our products to meet their demands
- Creating a high quality product to mitigate risk, generate strong demand and achieve improved rental performance
- Managing our assets with rigour.

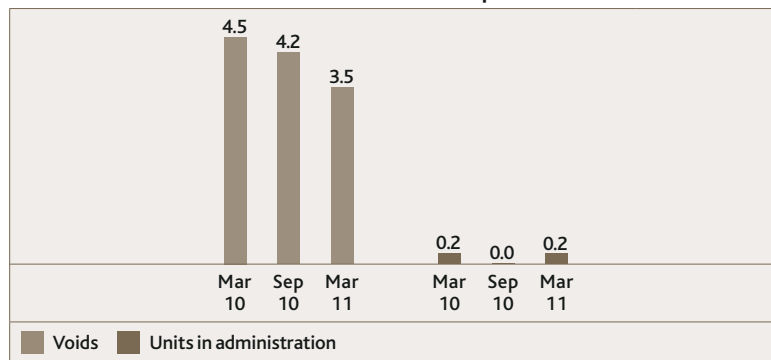
## Highlights

- Park House, W1, development started and subsequently sold for total consideration of £296m
- One New Change, EC4, opened on 28 October with the retail element fully let
- Joint venture formed with Canary Wharf Group to develop 20 Fenchurch Street, EC3
- £29.8m of lettings in the period with a further £2.8m in solicitors' hands
- £10.3m of conditional lettings to Primark in Oxford Street, W1, and Telecity at Harbour Exchange, E14
- 54 of the 59 residential apartments at Wellington House, SW1, pre-sold
- Three further developments started and proposed to start in 2011 for completion in 2012 and 2013

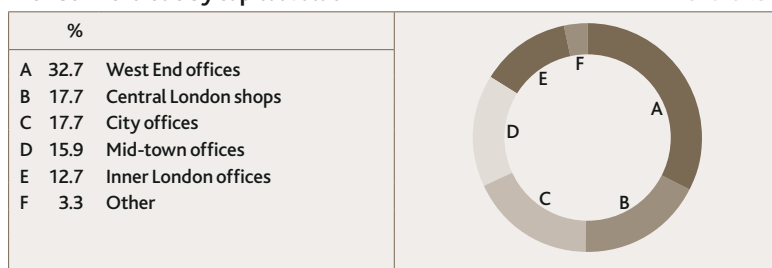
London Portfolio like-for-like – rental and capital value trends Chart 41



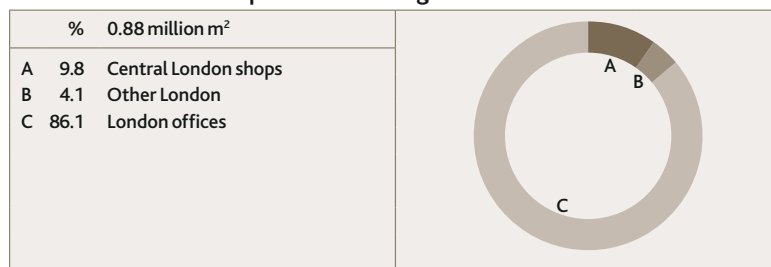
Voids and units in administration – like-for-like portfolio Chart 42



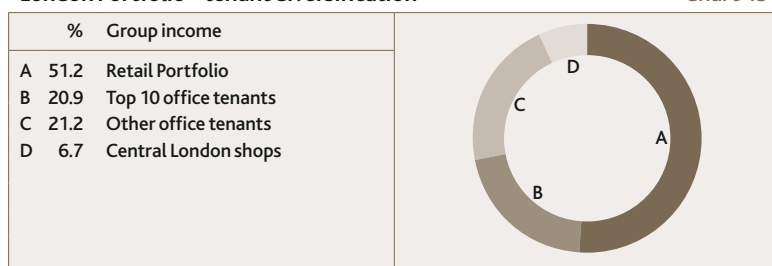
London Portfolio by capital value Chart 43



London Portfolio floorspace under management Chart 44



London Portfolio – tenant diversification Chart 45



Top 10 office tenants (% of rent) Table 46

|                                   | % of Group rent |
|-----------------------------------|-----------------|
| Government                        | 7.7             |
| Royal Bank of Scotland            | 2.6             |
| Deloitte                          | 2.6             |
| K&L Gates                         | 1.6             |
| Bank of New York Mellon           | 1.5             |
| Taylor Wessing                    | 1.3             |
| Metropolitan Police               | 1.1             |
| EDF Energy                        | 1.0             |
| Microsoft                         | 0.8             |
| Speechly Bircham                  | 0.7             |
|                                   | <b>20.9</b>     |
| Office other                      | 21.2            |
| <b>Total (all office tenants)</b> | <b>42.1</b>     |

# Business commentary

## Our market

In last year's Annual Report we explained that London was moving towards supply-constrained market conditions. Events over the last 12 months have reinforced our view. Due to a lack of capacity in the debt markets, we also expect to see this growth cycle play out over a longer period than we originally anticipated. It remains difficult for many developers to raise the capital needed to advance their developments, and this underlines the value of our robust balance sheet and ability to raise finance to move forward with construction. In addition, obtaining significant planning consents could become more difficult in many parts of central London with the onset of local authority spending cuts and an increasing localist agenda.

We saw rental value growth throughout the year, with the aggregate rental value in our like-for-like London Portfolio increasing by 9.5%. This is the result of good demand in central London retail and sustained occupational demand for offices combined with a reduced construction pipeline, which has effectively narrowed choice for occupiers. The outlook for the London office market remains positive, as this limited supply will coincide with a higher than normal level of lease expiries from 2013, particularly in the City.

The number of high-profile tall building developments in the City may give the impression that future demand is already well catered for, but the floorspace these buildings will provide is relatively modest compared to the market as a whole. Added to this, demand has always been relatively robust through the cycles. Long-term average annual take-up of Grade A space in central London is 585,000m<sup>2</sup> and the take-up in 2010 was 948,000m<sup>2</sup>, whilst current Grade A vacancy added to forecast development completions is only set to provide 455,200m<sup>2</sup> per annum during 2011 to 2014.

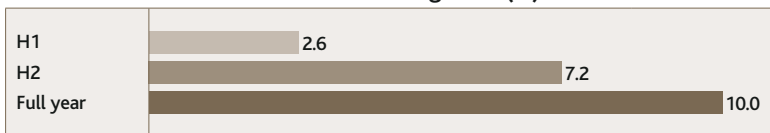
During the year there were increasing signs that more parties were under pressure to sell assets. However, London continues to be attractive to a broad range of property investors from around the globe due to its position as a leading financial centre, relatively liquid market and legislative framework. As a result, the property investment market has remained competitive. Given the relative attractions of allocating capital to development opportunities within our portfolio, we will maintain our disciplined approach to buying.

## Our strategy

We remain focused on maximising potential returns as we move through the cycle and our current priority is to develop space in central London. We are comfortable being early cycle players as we gain the benefit of competitive construction costs, rising rental values and a liquid market in which to make sales, as and when appropriate. Our development initiatives are complemented by a focus on strengthening income streams through rigorous asset management activity.

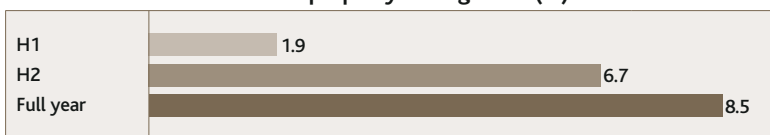
### Like-for-like London Portfolio rental value growth (%)

Chart 47



### Like-for-like London Portfolio property value growth (%)

Chart 48



## One year performance relative to IPD

Table 49

| Ungeared total returns – year to 31 March 2011 | Land Securities % | IPD sector benchmark % |
|--|-------------------|------------------------|
| Central London offices                         | 16.0*             | 18.1                   |
| Central London retail                          | 32.3              | 20.0                   |

\*Including Inner London offices.  
Source: IPD Quarterly Universe.

## Performance

Our London Portfolio, valued at £5,735.0m at 31 March 2011, produced a valuation surplus for the year of 10.8% overall. West End offices were up 6.8%, City offices were up 12.0% and central London retail up 21.5%. Rental values in our like-for-like portfolio increased by 5.9% for West End offices, 8.7% for City offices and 22.2% for central London retail.

Our London Portfolio produced an ungeared total property return of 18.3%, underperforming the sector benchmark in the IPD Quarterly Universe by 0.1%. Our retail properties outperformed the benchmark by 10.3% whilst our offices underperformed by 1.8%. The return on our London offices would have been 0.9% higher had we adjusted for capital extracted from Queen Anne's Gate through the 2009 bond issue.

Like-for-like voids across our London offices were 3.7%, compared to 4.9% at March 2010. Some of this space is attributable to properties remaining vacant as we plan redevelopments, such as at 20 Eastbourne Terrace, W2; Victoria Circle, SW1 (formerly Victoria Transport Interchange); and Portland House, SW1. If these properties are excluded, the underlying void rate in like-for-like London office properties would be 2.5%. Void levels on the like-for-like London retail assets reduced to 4.4% (6.3% at 31 March 2010). This will fall further to 0.6% once the Primark letting on Oxford Street becomes unconditional.

## Net rental income

Table 50

|                                     | 31 March 2011<br>£m | 31 March 2010<br>£m | Change<br>£m |
|-------------------------------------|---------------------|---------------------|--------------|
| Like-for-like investment properties | 231.5               | 230.9               | 0.6          |
| Proposed developments               | 0.8                 | 8.0                 | (7.2)        |
| Development programme               | 4.6                 | 7.2                 | (2.6)        |
| Completed developments              | 34.7                | 26.2                | 8.5          |
| Acquisitions since 1 April 2009     | 0.1                 | 0.1                 | –            |
| Sales since 1 April 2009            | 6.5                 | 13.3                | (6.8)        |
| Non-property related income         | 3.0                 | 2.6                 | 0.4          |
| <b>Net rental income</b>            | <b>281.2</b>        | <b>288.3</b>        | <b>(7.1)</b> |

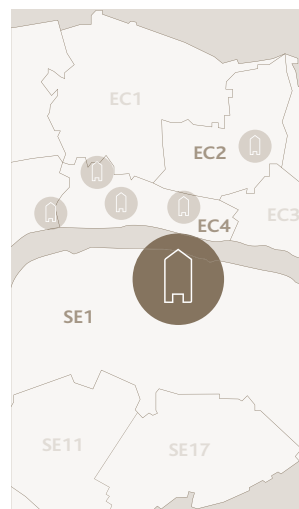
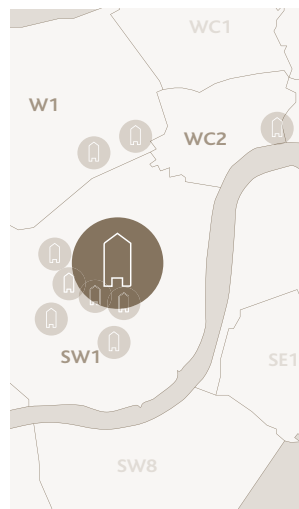
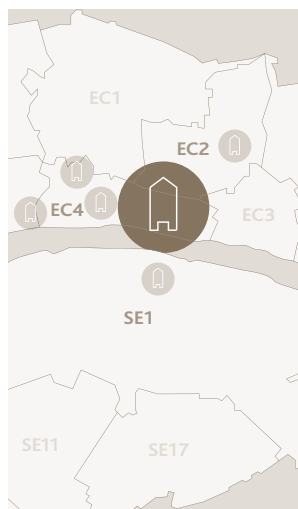
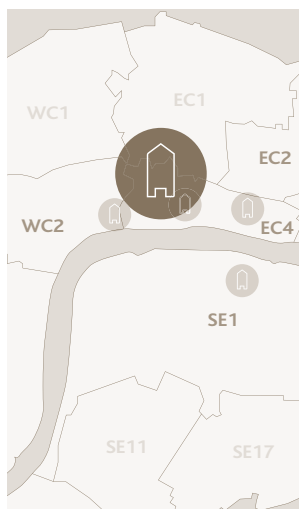
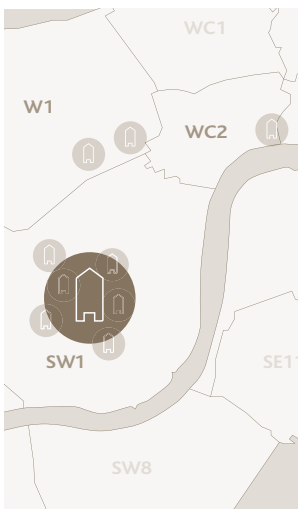
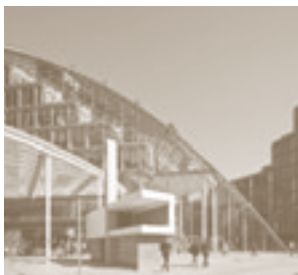
Compared to last year, net rental income reduced by £7.1m to £281.2m. There was a marginal increase in net rental income on the like-for-like portfolio, but income was lost through sales completed last year, including Portman House, W1, and 1 Wood Street, EC2. The development programme and proposed developments also saw a decline in net rental income as new rents at One New Change, EC4 were insufficient to offset lost income from properties emptied for redevelopment, notably at 123 Victoria Street, SW1, and 60 Ludgate Hill, EC4. These reductions were partially offset by new rents from completed developments at Dashwood House, EC2, 30 Eastbourne Terrace, W2, and New Street Square, EC4.

## Sales and acquisitions

We have said consistently that we are in no hurry to buy, preferring to concentrate capital expenditure on our development programme which, particularly at this stage in the cycle, is a more effective method of capturing rental growth. We will maintain this discipline.



# Top 5 London properties



## 1 Cardinal Place, SW1

Stunning trio of buildings encompassing office space and retail accommodation. This landmark site is home to blue-chip businesses and retailers, including a Marks & Spencer anchor store.

**Principal occupiers**  
Microsoft, Wellington Management.  
**Acquisition date**  
1969  
**Completion**  
January 2006  
**Form of ownership**  
Freehold  
**Ownership interest**  
100%  
**Area**  
60,300m<sup>2</sup>  
**Annualised net rent**  
£38m  
**Let by income**  
97%

## 2 New Street Square, EC4

Innovative offices with retail and restaurants. Recreating traditional ground-level routes, including a delightful public square, the property offers office space with attractive retail and leisure facilities. Developed by Land Securities and completed in 2008.

**Principal occupiers**  
Deloitte, Taylor Wessing, Speechly Bircham.  
**Acquisition date**  
1958  
**Completion**  
May 2008  
**Form of ownership**  
Leasehold  
**Ownership interest**  
100%  
**Area**  
64,400m<sup>2</sup>  
**Annualised net rent**  
£32m  
**Let by income**  
100%

## 3 One New Change, EC4

A unique office and leisure destination in an iconic building in the City of London, with a roof terrace offering stunning views of St Paul's Cathedral. The retail and leisure space opened on 28 October 2010.

**Principal occupiers**  
K&L Gates, CME, H&M, M&S, TopShop.  
**Acquisition date**  
2000  
**Completion**  
October 2010  
**Form of ownership**  
Leasehold  
**Ownership interest**  
100%  
**Area**  
52,400m<sup>2</sup>  
**Annualised net rent**  
£2m  
**Let by income**  
81%

## 4 Queen Anne's Gate, SW1

Built by Land Securities in 1977, comprehensively refurbished in 2008; it is the headquarters of the Ministry of Justice.

**Principal occupier**  
Central Government.  
**Acquisition date**  
1959  
**Completion**  
May 2008  
**Form of ownership**  
Freehold  
**Ownership interest**  
100%  
**Area**  
32,800m<sup>2</sup>  
**Annualised net rent**  
£27m  
**Let by income**  
100%

## 5 Bankside 2 & 3, SE1

A contemporary office, retail and leisure space. The two buildings occupy a prime site on the South Bank, opposite the City and close to the West End, served by four major railway termini and several underground lines.

**Principal occupier**  
The Royal Bank of Scotland.  
**Acquisition date**  
1969  
**Completion**  
August 2007  
**Form of ownership**  
Leasehold  
**Ownership interest**  
100%  
**Area**  
38,700m<sup>2</sup>  
**Annualised net rent**  
£16m  
**Let by income**  
100%

# Business commentary

With significant capital expenditure commitments on development, recycling capital is key. We made £422.7m of disposals during the year, with proceeds exceeding the March 2010 valuation by 17.2%. The net yield on disposals was 1.1%.

## Key transactions during the year were:

- **Park House, W1**  
The site was sold for a total consideration of £296.0m, of which £71.0m is deferred until the earlier of practical completion or February 2013, enabling us to realise virtually all of our anticipated development profit ahead of schedule. We are managing the project while the purchaser is responsible for all construction costs.
- **57/60, 62/66 and 69/71 Haymarket, SW1**  
We sold our leasehold interests in these properties to the freeholder, The Crown Estate, for £52.9m, realising a marriage value gain.
- **20 Fenchurch Street, EC3**  
We sold a 50% share in our site at 20 Fenchurch Street, EC3 for £45.1m. This is covered in more detail in the section on Development and planning.

## Asset management

Once again, leasing activity has been an area of intense focus and we have succeeded in achieving value adding lettings across the portfolio. Key activity during the year included:

- **Thomas More Square, E1 (owned with The Cadillac Fairview Corporation Limited)**  
We let a further 6,700m<sup>2</sup> of space to News International for a term of up to 10 years, generating a further £2m per annum in rent. This takes total occupancy of the estate to just under 99%.
- **Oxford Street, W1**  
Our Oriana joint venture has entered into a conditional agreement to pre-let a new 13,100m<sup>2</sup> retail store to Primark. This will enhance the retail appeal of this area and have a positive effect on our nearby holdings.
- **40 Strand, WC2**  
We took a 4,720m<sup>2</sup> lease surrender from an occupier and pre-let 8,730m<sup>2</sup> of refurbished office space in a new 15 year lease to Bain & Co, doubling its presence in the building. Refurbishment works are under way and are due to complete March 2012.
- **Harbour Exchange, E14**  
Telecity has entered into a new overriding lease for 24,270m<sup>2</sup>, up from 11,220m<sup>2</sup>, conditional on planning.

We have also taken steps to improve rental value by actively seeking opportunities to prove new open market evidence, including:

- **Piccadilly Circus, W1**  
We have secured possession of one of the advertising panels at Piccadilly Lights, which has given us the opportunity to create an open market letting transaction for the first time in 17 years.
- **Cardinal Place, SW1**  
We have also secured possession of 1,300m<sup>2</sup> of offices which will be offered to the open market in September 2011.

## Development and planning

Just over a quarter of the assets in our London Portfolio are development prospects. These are either on site, with planning consent, or in design. The timing of these current and proposed developments means we are well placed to take advantage of the forecast market conditions in the capital.

In addition to the sale of Park House, W1, development progress during the year included:

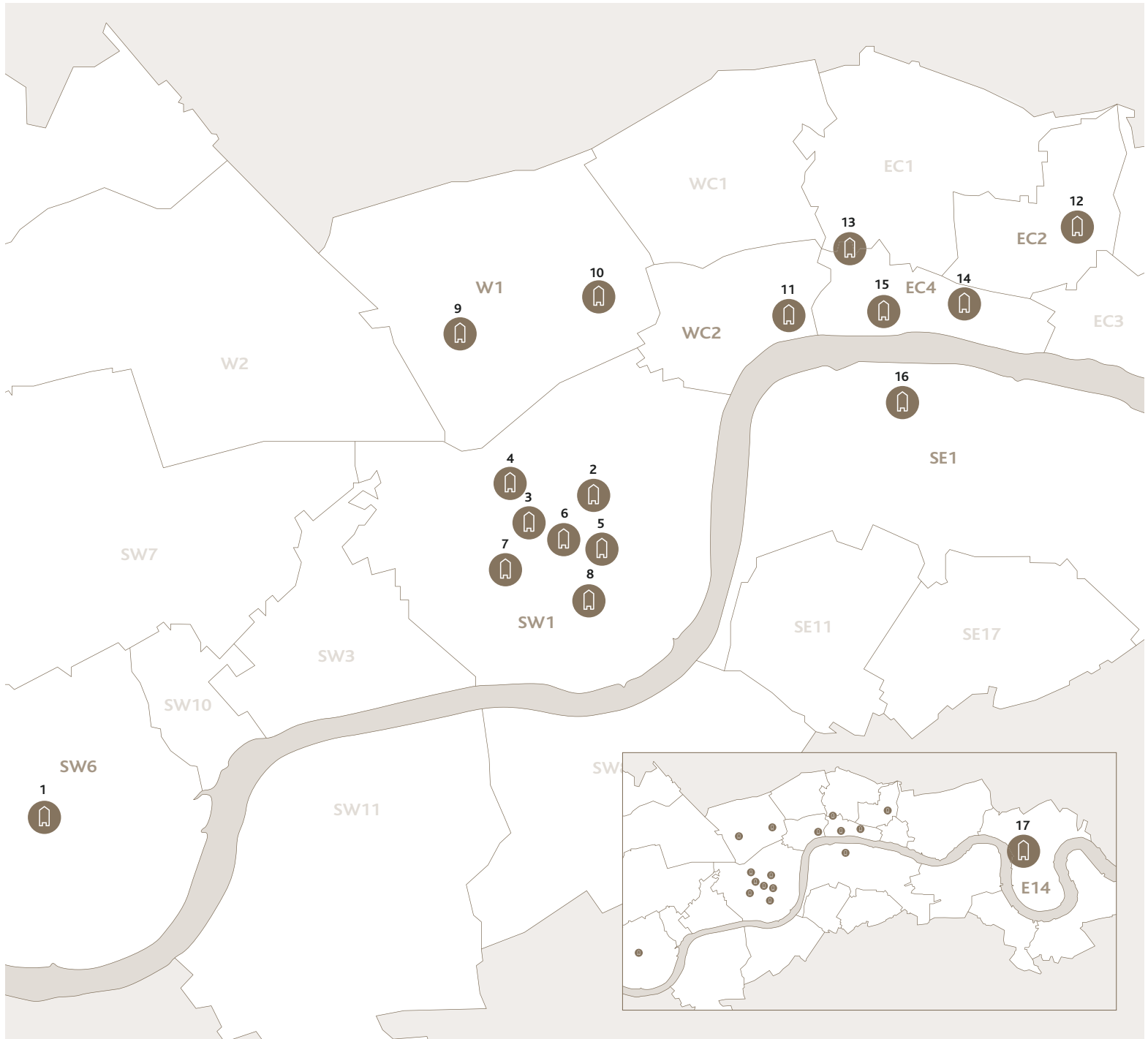
- **One New Change, EC4**  
In October 2010 we opened our exciting retail and office development adjacent to St Paul's Cathedral on time and to budget. In line with the priorities we set out for this scheme, the retail component was fully let on opening, while the drive for office lettings has taken place after completion and into a rising rental market. At the end of March 2011 the offices were 73% let, as compared to 38% let at practical completion in October.
- **110 Cannon Street, EC4**  
Planning consent was obtained during the year and work started on site in May 2011 for delivery of 6,660m<sup>2</sup> of high quality refurbished office space by March 2012.
- **123 Victoria Street, SW1**  
This development will provide 21,110m<sup>2</sup> of repositioned office space and retail shops. Planning permission was applied for, and obtained, during the year and work has started on site and is scheduled to be completed in June 2012 at a time when there will be few office completions in the West End.
- **Wellington House, SW1 (trading property)**  
Wellington House will provide 59 residential apartments set for delivery in July 2012. We have pre-sold 54 apartments for £71.1m, which more than covers our entire development cost including land. Strong interest in this scheme has reinforced our belief that residential development should continue to be an important part of our central London strategy.
- **62 Buckingham Gate, SW1**  
This development will provide 23,450m<sup>2</sup> of offices, together with street level shops and restaurants. Demolition work was completed during the year and construction is now well under way, with the scheme on time and to budget for delivery in spring 2013.
- **20 Fenchurch Street, EC3**  
During the year we formed a joint venture with Canary Wharf Group to take forward this world-class development in the City. Work on site has started, with completion to the ground floor level scheduled for February 2012. Construction of the superstructure will follow, with completion of the project anticipated in the spring of 2014. The property will deliver around 64,520m<sup>2</sup> of space and feature an extraordinary public space on the top three floors.

Other development projects in the course of design include:

- 20 Eastbourne Terrace, W2, where we are working on plans for the 7,700m<sup>2</sup> final phase of this regeneration project.
- 30 Old Bailey and 60 Ludgate Hill, EC4, which are neighbouring buildings where we have submitted a planning application for 34,850m<sup>2</sup> of new office space. The earliest we can start demolition on site is July this year for delivery of the completed buildings in December 2013.

# Top London Portfolio properties

over £100m by location



## SW6

- 1 Empress State Building<sup>2</sup>

## SW1

- 2 Queen Anne's Gate
- 3 Portland House
- 4 Eland House
- 5 Kingsgate House
- 6 Cardinal Place
- 7 Victoria Circle
- 8 123 Victoria Street ■

## W1

- 9 Piccadilly Circus
- 10 Oriana Partnership, Oxford Street<sup>1</sup>

## WC2

- 11 Arundel Great Court

## EC2

- 12 Dashwood House

## EC4

- 13 New Street Square
- 14 One New Change ■
- 15 Times Square

## SE1

- 16 Bankside 2&3

## E14

- 17 Harbour Exchange

## Key

- Property location
- In development pipeline

## Notes

1. Part of the Oriana Limited Partnership.
2. Part of the Empress State Limited Partnership.

## Looking ahead

- Arundel Great Court, WC2, where we have completed negotiations with existing occupiers and the freeholder and have started detailed design. The earliest we can start a phased demolition is early 2012 with completion of the new development of 61,870m<sup>2</sup> of prime offices, retail and residential space in 2015.
- Kingsgate House, SW1, where we submitted a planning application to Westminster City Council in April 2011 for 31,650m<sup>2</sup> of shops, offices and residential apartments.
- 1 New Street Square, EC4, where we submitted a planning application to the City Corporation in March 2011 to redevelop the existing IPC Tower to provide 24,080m<sup>2</sup> of new offices.
- Victoria Circle, SW1 (formerly Victoria Transport Interchange). Victoria is in transition as a number of Government offices are relocated and private sector businesses look to move in. This evolution started with our successful development at Cardinal Place, SW1, helping to attract strong interest in the area. Our 84,550m<sup>2</sup> plans for Victoria Circle include a vibrant mix of offices, shopping and residential apartments in the area bordered by Victoria Street, Bressenden Place and Buckingham Palace Road. The required compulsory purchase order has been confirmed by Westminster City Council and we have started detailed design. We aim to seek a joint venture partner for the scheme this year.
- Portland House, SW1, where we are working up plans for conversion and extension of this 29,490m<sup>2</sup> office tower into residential apartments.

The outlook for our market and our portfolio of assets is positive. The fundamental drivers for continued demand for new offices and rising rents remain consistent with those we set out in last year's Annual Report:

- Limited supply of new space due to the development hiatus during the downturn;
- Higher levels of lease expiries from 2013 combined with a significant amount of existing building stock coming to the end of its economic life; and
- Prospective occupiers using the end of leases to rationalise estates and move to buildings which are fit for today's corporate requirements, particularly in terms of operational efficiency, sustainability and staff recruitment and retention.

Against this background, we aim to build on the advantages we have gained by re-starting developments in London first. We have an attractive mix of high quality assets with strong revenue streams, a smaller proportion of other properties with a clear asset management plan to drive rental growth, and a pipeline of projects with planning consent to add significant floor space through development. We also have a robust balance sheet, good access to capital and an excellent reputation. These strengths mean we are well positioned to address the opportunities we see in this dynamic market.

### Key objectives for 2011/12:

- Outperform IPD
- Obtain planning consent and start on site at 30 Old Bailey and 60 Ludgate Hill, EC4
- Complete office lettings at One New Change, EC4
- Progress on time and to budget at 62 Buckingham Gate, SW1; 123 Victoria Street, SW1; Wellington House, SW1; 20 Fenchurch Street, EC3; 40 Strand, WC2; and 110 Cannon Street, EC4
- Secure a joint venture partner for Victoria Circle, SW1
- Complete detailed design at Arundel Great Court, WC2

### Yield changes – like-for-like portfolio

Table 51

|                         | 31 March 2010       |                    | 31 March 2011       |  |                    |
|-------------------------|---------------------|--------------------|---------------------|--|--------------------|
|                         | Net initial yield % | Equivalent yield % | Net initial yield % | Topped-up net initial yield <sup>1</sup> % | Equivalent yield % |
| London retail           | 4.8                 | 5.4                | 4.2                 | 4.2  | 5.2                |
| London office           | 6.4                 | 6.3                | 5.8                 | 6.3  | 5.9                |
| <b>London Portfolio</b> | <b>6.0</b>          | <b>6.1</b>         | <b>5.4</b>          | <b>6.0</b>                                 | <b>5.7</b>         |

1. Net initial yield adjusted to reflect the annualised cash rent that will apply at the expiry of current lease incentives.

### Rent reviews and lease expiries and breaks<sup>1</sup>

Table 52

| London Portfolio  |                |            |            |            |            |            |                  |
|---|----------------|------------|------------|------------|------------|------------|------------------|
|   | Outstanding £m | 2011/12 £m | 2012/13 £m | 2013/14 £m | 2014/15 £m | 2015/16 £m | Total 2011-16 £m |
| Rents passing from leases subject to review                                     | 47.6           | 29.1       | 52.8       | 37.1       | 19.7       | 8.1        | 194.4            |
| Current ERV   | 45.6           | 25.3       | 49.3       | 36.0       | 20.9       | 8.5        | 185.6            |
| Over-renting*   | (4.1)          | (4.0)      | (4.9)      | (1.8)      | (0.3)      | (0.2)      | (15.3)           |
| Gross reversion under lease provisions  | 2.1            | 0.2        | 1.4        | 0.7        | 1.5        | 0.6        | 6.5              |
| *Not crystallised at rent review because of upward only rent review provisions. |                |            |            |            |            |            |                  |
|   | Outstanding £m | 2011/12 £m | 2012/13 £m | 2013/14 £m | 2014/15 £m | 2015/16 £m | Total 2011-16 £m |
| Rents passing from leases subject to expiries or breaks <sup>2</sup>            | 3.7            | 21.4       | 17.7       | 22.1       | 32.8       | 22.7       | 120.4            |
| Current ERV   | 4.1            | 20.9       | 18.5       | 22.3       | 33.3       | 23.2       | 122.3            |
| Potential rent change   | 0.4            | (0.5)      | 0.8        | 0.2        | 0.5        | 0.5        | 1.9              |

1. This is not a forecast and takes no account of increases or decreases in rental values before the relevant review dates.

2. Includes lease expiries/breaks on properties subject to planning proposals for development or refurbishment totalling £0.5m passing rent outstanding: £10.4m in 2011/12; £7.6m in 2012/13; £1.3m in 2013/14; £13.1m in 2014/15; £1.9m in 2015/16.

# London development pipeline

2012



**110 Cannon Street, EC4**  
Having moved our tenant K&L Gates into One New Change, EC4, we are now carrying out a major refurbishment programme. Planning consent was obtained during the year and we are on schedule to deliver 6,810m<sup>2</sup> of high-quality office space in March 2012.

2012



**123 Victoria Street, SW1**  
This development will provide 21,110m<sup>2</sup> of office and retail space. We secured planning permission during the year and work started on site. The development is scheduled for completion in June 2012, when we expect to see supply-constrained conditions in the West End.

2013



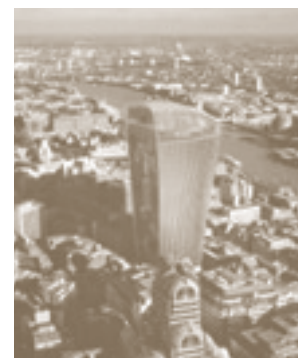
**62 Buckingham Gate, SW1**  
Part of our long-term regeneration of the Victoria area, this visually striking development will provide 23,450m<sup>2</sup> of office space, together with shops and restaurants at street level. Construction work is progressing and the scheme is on schedule for delivery in spring 2013.

2013



**30 Old Bailey and 60 Ludgate Hill, EC4**  
We have submitted a planning application to develop 34,850m<sup>2</sup> of office space within these neighbouring buildings in the City. The earliest potential start date for demolition on site is July 2011, which would enable us to deliver the completed buildings in December 2013.

2014



**20 Fenchurch Street, EC3**  
We have formed a joint venture with Canary Wharf Group to take forward this landmark, 37-storey, 63,800m<sup>2</sup> tower development in the City. Work started on site in 2010 and we anticipate completion in the spring of 2014.

London development pipeline at 31 March 2011

Table 53

| Property  | Description of use | Ownership interest % | Size m <sup>2</sup> | Planning status | Letting status % | Market value £m | Net income/ERV £m | Estimated/actual completion date | Total development costs to date £m | Forecast total development cost £m |
|---|--------------------|----------------------|---------------------|-----------------|------------------|-----------------|-------------------|----------------------------------|------------------------------------|------------------------------------|
| <b>Developments after practical completion</b>  |                    |                      |                     |                 |                  |                 |                   |                                  |                                    |                                    |
| One New Change, EC4                             | Office             | 100                  | 31,740              |                 | 73%              | 459             | 27.4              | Oct 2010                         | 542                                | 542                                |
|   | Retail             |                      | 20,630              |                 | 100%             |                 |                   |                                  |                                    |                                    |
| <b>Developments approved or in progress</b>     |                    |                      |                     |                 |                  |                 |                   |                                  |                                    |                                    |
| 110 Cannon Street, EC4                          | Office             | 100                  | 6,660               |                 | –                | 32              | 3.9               | Mar 2012                         | 27                                 | 45                                 |
|   | Retail             |                      | 150                 |                 | –                |                 |                   |                                  |                                    |                                    |
| 123 Victoria Street, SW1*                       | Office             | 100                  | 18,490              |                 | –                | 109             | 13.4              | Jun 2012                         | 97                                 | 158                                |
|   | Retail             |                      | 2,620               |                 | 100%             |                 |                   |                                  |                                    |                                    |
| 62 Buckingham Gate, SW1                         | Office             | 100                  | 23,450              |                 | –                | 97              | 17.2              | Apr 2013                         | 70                                 | 181                                |
|   | Retail             |                      | 1,540               |                 | –                |                 |                   |                                  |                                    |                                    |
| <b>Proposed developments</b>                    |                    |                      |                     |                 |                  |                 |                   |                                  |                                    |                                    |
| 30 Old Bailey and 60 Ludgate Hill, EC4          | Office             | 100                  | 32,100              | AS              | –                | n/a             | n/a               | 2013                             | n/a                                | n/a                                |
|   | Retail             |                      | 2,750               |                 | –                |                 |                   |                                  |                                    |                                    |
| 20 Fenchurch Street, EC3                        | Office             | 50                   | 63,240              | PR              | –                | n/a             | n/a               | 2014                             | n/a                                | n/a                                |
|   | Retail             |                      | 1,280               |                 | –                |                 |                   |                                  |                                    |                                    |
| <b>Developments let and transferred or sold</b> |                    |                      |                     |                 |                  |                 |                   |                                  |                                    |                                    |
| Dashwood House, EC2                             | Office             | 100                  | 14,110              |                 | 100%             | 116             | 6.6               | Oct 2008                         | 112                                | 112                                |
|   | Retail             |                      | 710                 |                 | 100%             |                 |                   |                                  |                                    |                                    |
| 30 Eastbourne Terrace, W2                       | Office             | 100                  | 4,470               |                 | 100%             | 28              | 1.8               | May 2009                         | 31                                 | 31                                 |
| Park House, W1                                  | Office             | sold                 | 15,140              |                 | n/a              | n/a             | n/a               | n/a                              | n/a                                | n/a                                |
|   | Retail             |                      | 8,140               |                 |                  |                 |                   |                                  |                                    |                                    |
|   | Residential        |                      | 5,380               |                 |                  |                 |                   |                                  |                                    |                                    |

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 2011. Trading property development schemes (e.g. Wellington House, SW1) are excluded from the development pipeline.

**Planning status for proposed developments**

AS – Application submitted  
PR – Planning received

**Total development cost**

Total development cost refers to the book value of the land at the commencement of the project, the estimated capital expenditure required to develop the scheme from the start of the financial year in which the property is added to our development programme, together with capitalised interest, being the Group's borrowing costs associated with direct expenditure on the property under development. Interest is also capitalised on the purchase cost of land or property where it is acquired specifically for redevelopment. Of the properties in the development pipeline at 31 March 2011, the only property on which interest was capitalised on the land cost was One New Change, EC4.

**Net income/ERV**

Net income/ERV represents net headline annual rent on let units plus ERV at 31 March 2011 on unlet units.

# Board of Directors



**1 Alison Carnwath (58)**

**Chairman and Non-executive Director**  
**Member of the Remuneration Committee and**  
**Chairman of the Nominations Committee**

Appointed to the Board as a Non-executive Director in September 2004, becoming Chairman in November 2008. A chartered accountant, with a background in investment banking, Alison holds Non-executive Directorships at Barclays PLC and Man Group plc and is an independent Director of PACCAR Inc., a Fortune 500 Company Listed on the NASDAQ. She is also a Non-executive Director of CforC Ltd and Chairman of the Investment Committee and Management Board of ISIS Equity Partners.

**2 Francis Salway (53)**

**Executive Director**  
 Joined the Group in October 2000. A chartered surveyor, Francis was previously an Investment Director at Standard Life Investments where he was responsible for the management of a number of property funds. He was appointed to the Board in April 2001, becoming Chief Operating Officer in January 2003 and Group Chief Executive in July 2004. Francis is also a Non-executive Director of Next plc and a past President of the British Property Federation.

**3 Martin Greenslade (46)**

**Executive Director**  
 Joined the Board as Group Finance Director in September 2005. A chartered accountant, having trained with Coopers & Lybrand, Martin was previously Group Finance Director of Alvis plc. He has also worked in corporate finance, having served as a member of the executive committee of Nordea's investment banking division and Managing Director of its UK business. Martin is a Director of International Justice Mission UK.

**4 Robert Noel (47)**

**Executive Director**  
 Appointed to the Board in January 2010 as Managing Director, London Portfolio. A chartered surveyor, Robert was previously Property Director at Great Portland Estates plc between August 2002 and September 2009. Prior to that, he was a Director at property services group Nelson Bakewell. Robert is a Director of The New West End Company, the Central London Business Improvement District and a Trustee of the property industry charity, Landaid and was formerly Chairman of the Westminster Property Association.

**5 Richard Akers (49)**

**Executive Director**  
 Joined the Board in May 2005, following his appointment as Managing Director, Retail Portfolio in July 2004. A chartered surveyor, Richard joined the Group in 1995 and previously held the position of Head of Retail Portfolio Management. Richard is President of the British Council of Shopping Centres (BCSC), the main industry body for retail property owners.

**6 Sir Christopher Bland (73)**

**Independent Non-executive Director**  
**Member of the Nominations Committee**  
 Appointed to the Board as a Non-executive Director in April 2008, Sir Christopher served as Chairman of Land Securities Trillium Limited until its sale in January 2009. His extensive business experience includes serving as Chairman of BT Group plc and Chairman of the Board of Governors of the BBC. He is Chairman of the Royal Shakespeare Company, Canongate Books and Leiths School of Food and Wine.

**7 Kevin O'Byrne (46)**

**Independent Non-executive Director**  
**Chairman of the Audit Committee**

Appointed to the Board as a Non-executive Director in April 2008. Kevin is a chartered accountant who trained with Arthur Andersen and has been the Group Finance Director of Kingfisher plc since 2008. He was previously Group Finance Director of DSG International PLC (now Dixons Retail Plc), Chief Financial Officer for Hemscott Publishing Group and European Finance Director for The Quaker Oats Company.

**8 David Rough (60)**

**Independent Non-executive Director**  
**Member of the Audit and Nominations Committees,**  
**Chairman of the Remuneration Committee**

Joined the Board as a Non-executive Director in April 2002 and appointed Senior Independent Director in November 2003. As Group Director (Investments) of Legal and General Group PLC until December 2001, David was responsible for their investment fund management and also served as Chairman of the Association of British Insurers' Investment Committee. David is a Non-executive Director of Xstrata Group PLC and the London Metal Exchange.

**9 Sir Stuart Rose (62)**

**Independent Non-executive Director**  
**Member of the Remuneration and**  
**Nominations Committees**

Joined the Board as a Non-executive Director in May 2003. Sir Stuart was Chairman of Business in the Community from 2008-2010. His extensive retail experience includes the positions of Chief Executive and then Chairman of Marks & Spencer Group plc from 2004 until 2010, Chief Executive of Arcadia Group from 2000 until December 2002 and Chief Executive of Booker PLC from 1998 until 2000. He is Non-executive Director of Woolworths Holdings South Africa and is on the advisory board of Bridgepoint Capital.

**10 Bo Lerenius CBE (64)**

**Independent Non-executive Director**  
**Member of the Audit, Remuneration and**  
**Nominations Committees**

Appointed to the Board as a Non-executive Director in June 2004. Bo is currently Chairman of both Mouchel plc and Koole Tanktransport (The Netherlands), holds Non-executive Directorships of G4S plc and Thomas Cook Group PLC, is a Senior Advisor to EQT, the Swedish Risk Capital Group, and is Honorary Vice President of the Swedish Chamber of Commerce for the UK. He was previously Group Chief Executive of Associated British Ports Holdings PLC and Chief Executive Officer and Vice Chairman of Stena Line AB.

**11 Chris Bartram (62)**

**Independent Non-executive Director**  
**Member of the Audit and Nominations Committees**

Appointed to the Board in August 2009, Chris is Chairman of Orchard Street Investment Management LLP. A chartered surveyor, he is also a Non-executive Director of the Crown Estate and Wilkins Fellow of Downing College, Cambridge. Past appointments include serving as Managing Director of Haslemere NV, President of the British Property Federation and Chairman of the Bank of England Property Forum.

**12 Simon Palley (53)**

**Independent Non-executive Director**  
**Member of the Remuneration Committee**

Appointed to the Board in August 2010, Simon currently holds non-executive roles in two private businesses, Haymarket Financial (a specialist UK Corporate lending institution) and Regency Entertainment (a Greek casino operator). An investment banker, he is a Trustee of the University of Pennsylvania and was previously Managing Partner at BC Partners and Vice President of Bankers Trust Company.

# Corporate Responsibility

## 2010/11 highlights

### Our environment

Percentage of waste from our London managed office portfolio that is reused or recycled

### Our people

Percentage of employees who are satisfied working for Land Securities

### Our marketplace

Percentage of our retail tenants who are willing to recommend us as a landlord

### Our communities

The total value placed on our investment in community activities

“Responsibility is not one of our priorities, it is part of every priority.”

## Why CR matters

We believe that you cannot separate success from responsibility. Financial success can only be sustained when your teams are aware of, and take into account, the impact they have on the environment and the communities they serve. By ensuring that we act in tandem with the aims and ambitions of our stakeholders, we add value to our business and create value for shareholders. It really is that simple and is the foundation for our approach to Corporate Responsibility.

Taking a responsible approach to business is the right way for an industry leader to behave. We are also convinced it makes us a better business. This is why we consider CR fundamental to everything we do, not simply something that's 'nice to do'. Responsibility helps shape our strategic decisions, and it guides our everyday choices. Equally, every investment we make in CR must help us to be a more successful business, otherwise we won't do it.

The desire to integrate responsible principles in 'business as usual' practice is the reason why we do not have a standalone CR strategy. We believe that if CR is truly integral to our business it should form part of our business strategy, not exist separately. Responsibility is not one of our priorities, it is part of every priority.

It is through acting responsibly that a company earns a reputation for integrity, and from integrity springs trust. It is impossible to fully register the value of trust on a balance sheet, but we know that it plays

a profound role in our success. It is certainly vital to our future. We want to be the sort of company that people prefer to work for and with.

We want everyone from local communities to local authorities to see we can make a positive contribution in their area. And we want shareholders to feel that our commercially sound approach to CR makes us a more sustainable investment, in every sense.

### Our stakeholders

Given the importance of mutual advantage, it is important we have a clear sense of who is affected by our actions and an effective programme of communication with each group. Here are just some of the ways we communicate with people inside and outside the Company:

#### – Communities, consumers and the public

Prior to development we listen carefully to the views of people affected by a scheme or other major work we might carry out on an asset. During construction we have regular dialogue with those affected and, once built, we recognise the importance of the buildings to the community they sit in. Our shopping centres receive nearly 300 million shopper visits a year and our people are on hand to provide help and receive feedback each day at customer services desks. And our websites provide simple and direct ways for people to send us feedback.

#### – Customers – retailers and office occupiers

All of our customers have a dedicated contact within the Company. We also conduct customer satisfaction surveys, and we hold occupier review meetings in our shopping centres four times a year.

#### – Employees

We conduct our Employee Engagement survey every year. We run quarterly 'Exchange Forum' meetings where elected representatives from around the business discuss key issues and decisions with a representative from the Senior Management Board. And we hold quarterly lunch events where employees can ask questions of at least two members of the Senior Management Board.

#### – Local authorities

Through partnerships with leaders, economic development teams and planning departments, we work to identify local priorities and define ways in which we can help support the development of thriving communities.

#### – Central Government, regulators, trade bodies and NGOs

We are active participants in consultations with central Government agencies on key commercial property issues. We participate in industry-wide bodies such as the British Property Federation, British Council for Offices, British Council of Shopping Centres, Better Buildings Partnership, London First and the UK Green Building Council.

#### – Investors

Board Directors – including our Chairman – meet with a number of investors throughout the year. We also conduct a formal investor survey every two years.

#### – Suppliers and service partners

We want to be the partner of choice in our sector, so we act with fairness and integrity at all times.

### Our CR Committee

The CR Committee is responsible for defining our strategic priorities in CR, monitoring our CR performance and ensuring that our CR activities remain directly related to our business objectives. The Committee reports to the Chief Executive and is chaired by Martin Wood, Group Tax & Treasury Director. It met four times between

## Our stakeholders

- Our people
- Our customers
- Our suppliers and service partners
- Our investors
- Our communities
- Government and NGOs
- Our consumers



March 2010 and March 2011. To help keep CR current and relevant to the business, it will meet on six occasions over the next 12 months.

**Our objectives**

Our CR activities are focused on four key areas:

- **Our environment**
- **Our people**
- **Our marketplace**
- **Our communities**

Of these four, we believe we have the biggest impact in the areas of environment and communities.

In 2010 we set ourselves a 10 year objective in each of the four areas. Many of our stakeholders have applauded the clarity of these objectives, but people have also asked us to be equally clear on how we intend to achieve them. We have listened to that feedback and are currently working to tie together more closely our 10 year objectives and our annual targets.

In the meantime, we can report strong progress across all of our key areas. The following section provides a summary of our approach and ongoing commitments in each area.

**Our environment**



As the UK's largest commercial property company, our most significant impact is the effect our buildings have on the environment and, by extension, climate change. We believe we can make a positive difference if we act in the right way. That means achieving excellent environmental performance in our developments, largely through the use of technology, smart design and sustainable construction; and by improving the performance of existing buildings, primarily by

“No other property developer sets such tough targets. No other developer has pioneered so many environmental initiatives. We want to lead the way on sustainability and be regarded as principal consultant to local and national Government.”

**Robert Noel, Managing Director, London Portfolio**

encouraging behaviour change but also by retrofitting efficient technologies to reduce energy consumption.

Addressing climate change is very much a long-term challenge, and one that requires us to work effectively with others. For example, alongside the physical changes we can make to bricks and mortar, we are exploring ways to help occupiers and visitors to our properties reduce their environmental impacts. Across all of our environmental commitments, our approach is based on continual improvement. We look to set and meet the highest standards – consistently, year after year.

Our priority areas and ongoing commitments include:

**Climate change and the built environment**

- We assess the carbon footprint of all of our developments and major refurbishments.
- We have an in-house environmentalist on the design team for all major projects.
- We use our Sustainable Development Brief on every scheme.
- We schedule environmental auditing on all projects, from demolition through to Practical Completion.
- We have voluntary Display Energy Certificates in every building.
- We have a site-specific environmental management plan for every shopping centre.
- We set environmental KPIs for management.

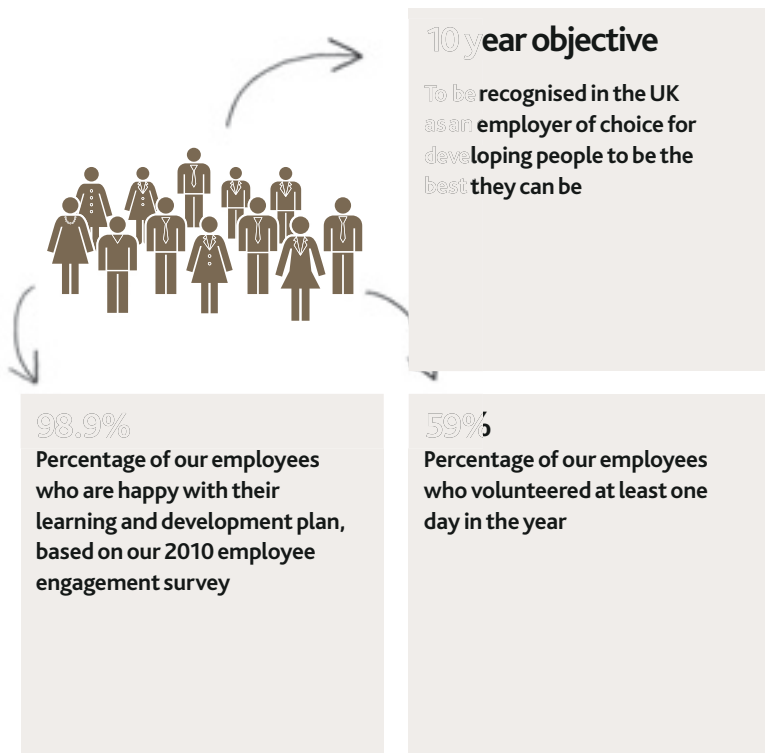
**Conserving natural resources**

- We apply our environmental management system (EMS) to all projects.
- We achieve the FSC project-specific Chain of Custody Certification Standard in all of our developments.
- We use at least 20% recycled content for all new developments.
- We use eco-friendly cleaning across our managed portfolios.

**Customer behaviour**

- We send zero waste to landfill from our managed offices.
- We send 10% or less of our demolition and construction waste to landfill.
- We use sub-meters to monitor our tenants' electricity use and will soon enable them to view their energy use via the internet.

## Our people



Our ambition is to be the employer of choice in the property industry. We know that the more we invest in our employees the better the results will be for all of our stakeholders.

We employ around 700 people, which makes us a relatively small organisation in FTSE 100 terms. We believe in being a fair and equal employer and we are committed to ensuring the wellbeing of our team. We always try to communicate well and recognise good work.

Being small means we often find ourselves recruiting external candidates for important roles. We want to change that by improving our performance and development programme to help nurture more talent from within.

Our priority areas and ongoing commitments include:

### Communication and recognition

- We employ a wide range of internal communication channels, such as our ‘Exchange Forum’; our employee survey; and ‘Team Talk’, a quarterly communication through which senior managers share business critical information with employees.
- We enable employees to ask questions of management through our ‘Ask Francis’ sessions with Chief Executive Francis Salway and lunch events with the Senior Management Board.
- We continue to recognise and celebrate the exceptional achievements of our people, and our service partners’ people, through our annual ‘People into Action’ awards.
- We reward outstanding performance through the Chief Executive’s discretionary bonus fund.

### Performance and development

- We measure performance against established Key Performance Indicators (KPIs) and provide regular feedback.
- We ensure that the majority of our employees have an appropriate learning and development plan.

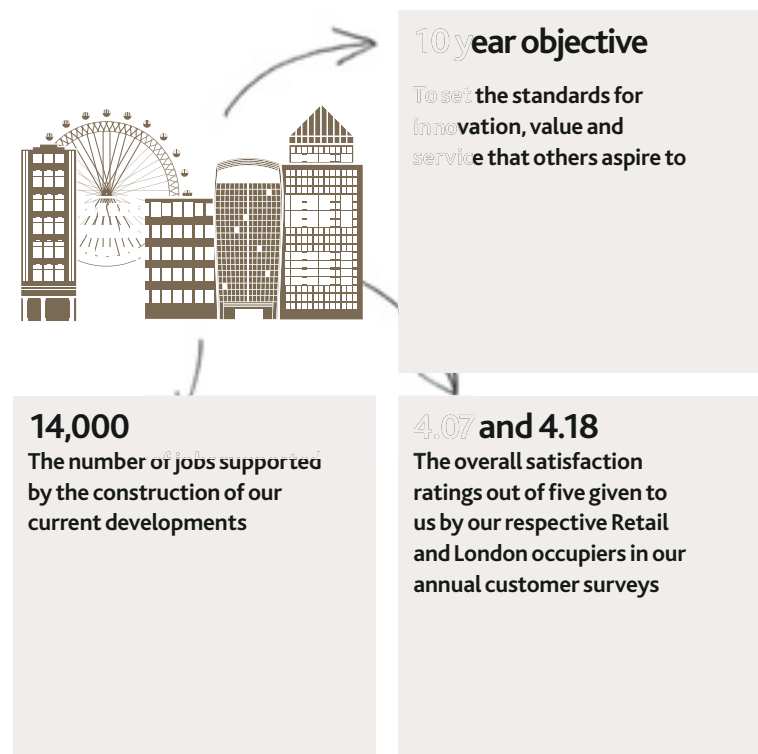
### Health and wellbeing

- We maintain a hazard-free working environment.
- We monitor for specific ergonomic requirements and provide appropriate equipment.
- We support a zero tolerance approach to bullying.
- We provide an on-site doctor and nurse, a referral process for long-term absence and stress-related absence measures.
- We ensure people can report inappropriate behaviour through our whistleblowing system.
- We achieve low grievance rates.

### Fairness and equality

- We live by our values, with integrity a key characteristic.
- We continue to embed equal opportunities in our selection process.
- We pay fair and competitive salaries, and provide reasonable and competitive family and wellbeing policies.

## Our marketplace



By acting with fairness and integrity, we seek to be a partner that suppliers and contractors prefer to work with. In turn, we require our supply chain partners to ensure their employees operate in a safe environment and have access to appropriate opportunities and support. With around 14,000 jobs supported by the construction of our current developments and around 32,000 people in retail related jobs across our shopping centre portfolio, this commitment to high standards throughout the supply chain is very important.

“We don’t just write a cheque and walk away. We invest to help create a future in which we can all thrive and grow.”

Francis Salway, CEO

Customer service is one of our strengths and we work closely with occupiers to help them get the most from their buildings. We also want the millions of people who visit our shopping centres each year and the thousands who work in one of our offices to gain the most from their surroundings.

Good relations with shareholders are equally important. We strive to report on our performance in a meaningful and transparent way, and always aim to meet the highest governance standards.

Our priority areas and ongoing commitments include:

**Supply chain**

- We audit our properties to ensure our legal and contractual obligations are being met.
- We ensure employees with client duties have appropriate health and safety and risk management training.

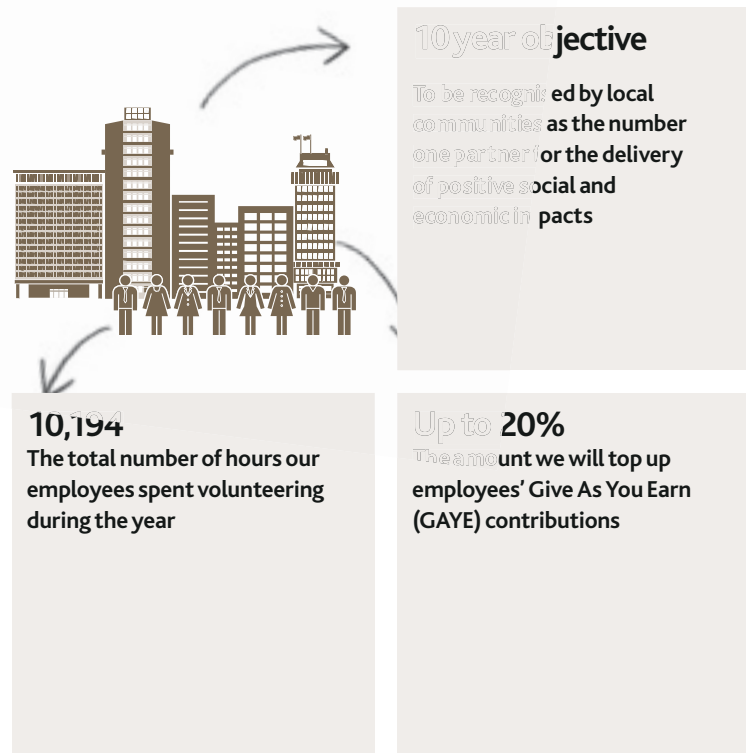
**Customers**

- We conduct customer surveys with our retail and office occupiers.

**Investors**

- We continue to encourage investors to choose digital options for investor communications.
- We make CR information packs available to all Socially Responsible Investors.

**Our communities**



We have a long tradition of working closely with local communities during the development stages of our sites. Once complete, our shopping centres, offices and residential schemes are often at the heart of their communities.

Wherever we have major property holdings, we invest in employment, education and enterprise opportunities to help create thriving and sustainable communities. Where they are already established, we play a significant part in local Business Improvement Districts (BIDs); where they do not exist and are needed we are often instrumental in their creation. Our approach also involves us in collaborating with partners to deliver training and employment opportunities and providing financial support to local community groups through grant giving and charity. We engage with schools, colleges and universities to provide education programmes that help to prepare young people for the world of work.

Our priority areas and ongoing commitments include:

**Employment and training**

- We hold job fairs at our shopping centres.
- We work with job centres to promote employment and training opportunities through local employment charters.
- We support National Skills Academies in the retail sector and work with construction partners to get young people into employment or training on our development sites.

### Education

- We offer work experience to students on property-related degree and postgraduate courses.
- We host site visits.
- We enable MSc students studying building, construction and design at University College London (UCL) to undertake research for Land Securities as part of an on-going partnership.
- We offer four bursaries a year to students at the UCL Bartlett School of Planning.
- We engage with schools wherever possible.

### Supporting local communities and charities

- We enable employees to use two working days a year for volunteering, and we offer up to two days' holiday matching if they volunteer in their own time.
- We have been involved in the Give As You Earn (GAYE) scheme for over 10 years, and topped-up staff contributions by up to 20%.
- We support grant-giving schemes at many of our centres.
- We run free events for shoppers and workers as part of our marketing activities.
- We offer 15 £500 bursaries for employees to support community groups they are involved in.

In the financial year our total cash contribution to communities, including funds granted by our Charities' Committee, was £828,693.

However, we don't just write cheques. Our community investment activities include the space we give away at our assets to help promote charities and local community events as well as the management time and expertise we put in across the portfolio to support good causes, education and training. We also encourage our people to give time to help with volunteering and mentoring as well as invest at a local level in the promotion of local community events.

In all 1,144 separate instances of community investment took place in 2010/11, with over 10,194 hours of time given over to ensuring we played a full part in local community life. If we add the value of all this space, time and promotion up, our investment in community activities is equivalent to £3.365m. The value placed on these activities is in line with the London Benchmark Group definitions on measuring community involvement.

For a more detailed report and analysis, download our Corporate Responsibility Report 2011 at [www.landsecurities.com](http://www.landsecurities.com)

Our Corporate Responsibility Report and the progress we state against targets are assured by Lloyd's Register Quality Assurance Limited (LRQA). In addition, Corporate Citizenship – an independent corporate responsibility and sustainability consultancy – carries out a review of our report and our governance.

## Progress against our 10 year goals for 2010/11

| Area and goal   | Focus   | Progress   |
|---|---|--|
| <b>Environment – to reduce our carbon emissions by 30% by 2020</b>  | – Reduce carbon emissions from managed portfolio by 30% by 2020 (against 2001 benchmark)      | – While our carbon emissions are lower than our benchmark, the last year saw an increase in carbon emissions from our portfolio. We believe this was largely as a result of adverse weather conditions           |
|   | – Increase the amount of waste reused/recycled in London and Retail Portfolios                | – Retail: diverted 78% of shopping centre waste from landfill (against target of 70%)<br>– London: reused or recycled 70% of waste from our London managed office portfolio (against target of 70%)              |
|   | – Establish long-term reduction target for water usage  | – New water reduction technologies have been researched. Normalised target will be set in 2011/12  |
| <b>People – to be recognised in the UK as an employer of choice for developing people to be the best they can be</b>                          | – Improve communication and understanding of business critical information across the Company | – New 'Team Talk' initiative improved communication of critical information from management to employees, as demonstrated in an increased 'information flow' score in employee engagement survey from 79% to 86% |
|   | – Gain internal and external recognition for our learning and development initiatives         | – Internal: 74% of employees believe they had the opportunity to develop within their role<br>– External: retained Investors in People accreditation   |
| <b>Marketplace – to set the standards for innovation, value and service that others aspire to</b>   | – Improve overall satisfaction ratings in our annual customer survey                          | – London: survey achieved 4.18 score against a target of 3.95.<br>– Retail: survey achieved 4.27 score against a target of 4.17  |
| <b>Communities – to be recognised by local communities as the number one partner for the delivery of positive social and economic impacts</b> | – Provide local unemployed with routes to work through construction and service functions     | – London-wide employment strategy pilot saw 23 local people trained and recruited into construction jobs between November 2010 and February 2011   |
|   | – Generate benefits for the local community that address recognised local needs               | – ARISE grant giving programme extended to two further shopping centres. All donations in City of Westminster directly respond to local needs, as defined with the local authority                               |

## Key focus on our 10 year goals for 2011/12

| Area and goal   | Focus  |
|---|--|
| <b>Environment – to reduce our carbon emissions by 30% by 2020</b>  | – Reduce carbon emissions from managed portfolio by 30% by 2020 (against 2001 benchmark)   |
|   | – Increase amount of waste reused/recycled in London and Retail Portfolios   |
|   | – Reduce water consumption   |
| <b>People – to be recognised in the UK as an employer of choice for developing people to be the best they can be</b>                          | – Define leadership and develop a competency model and development framework to make progress towards having an identified internal successor for 50% of business-critical roles |
| <b>Marketplace – to set the standards for innovation, value and service that others aspire to</b>   | – Progress an introduction of London living wage to full time supply chain employees at 5 Strand head office   |
| <b>Communities – to be recognised by local communities as the number one partner for the delivery of positive social and economic impacts</b> | – Provide local unemployed people with routes to work through construction and service functions   |
|   | – Generate benefits for the community that address recognised local needs  |

# Introductory letter from the Chairman of the Board



Land Securities Group PLC  
5 Strand  
London WC2N 5AF

## Dear shareholder,

I am pleased to once again confirm that your Company is compliant with Section 1 of the 2008 Combined Code on Corporate Governance.

As Chairman of the Board, I am responsible for its leadership and for ensuring its effectiveness. I expect all Directors, but particularly Non-executive Directors, to constructively challenge proposals that come to the Board for decision and to contribute to the development of strategy. This is one of the key criteria I have used in evaluating the contribution of Directors during the year.

As a Board, we pride ourselves in high standards of corporate governance. One of the most pleasing outcomes from the Financial Reporting Council's (FRC) implementation of the Stewardship Code, was the increase in the number of letters we have received from shareholders setting out their expectations for governance within companies in which they invest. We value these statements.

We monitor trends in corporate governance, both within the UK and internationally, adopting emerging practice that we consider would improve the governance of our business. Last year, we introduced annual re-election for all Directors and conducted an external independent evaluation of our Board. This meant we complied with these aspects of the FRC's new 2010 UK Corporate Governance Code a full year ahead of schedule.

We aim to lead our industry in other related respects too, with a strong focus on areas of Corporate Responsibility, environmental management, health and safety, customer service, and employee communication and development.

As I mentioned in my opening statement, regrettably, Bo Lerenius and Sir Christopher Bland will not be offering themselves for re-election at the forthcoming AGM and will step down immediately after it. Both have provided valuable advice and support to the Board during a challenging period for the Group. I thank them for their support and will miss their contribution. We have been particularly fortunate to be able to appoint Simon Palley as an independent Non-executive Director earlier in the year. Simon has had a successful and broad ranging career in investment banking and private equity, rising to become Managing Partner at BC Partners, one of the leading private equity firms in Europe.

In this section of the Annual Report, we have included overviews from the Chairmen of the Audit and Remuneration Committees, together with my overview of the activities of the Nominations Committee which I also chair.

A handwritten signature in dark ink that reads "Alison Carnwath".

**Alison Carnwath**  
Chairman of the Board

# How we govern the Company

## Compliance with the Combined Code

The Directors consider that the Company has complied fully with the provisions set out in Section 1 of the 2008 Combined Code on Corporate Governance (the Code) throughout the year ended 31 March 2011. Further details of how Land Securities applied the main principles of the Code can be found in this report and in the Corporate Governance section of the Company's website, [www.landsecurities.com](http://www.landsecurities.com). The website also contains the terms of reference for the Audit, Nominations and Remuneration Committees.

## The role of the Board

The Board is responsible for providing leadership for the Group. It ensures that the Group's strategy is properly debated before it is adopted, that acceptable risks are taken and appropriate people and financial resources are in place in order to deliver value to shareholders and benefits to the wider community. It also sets standards for ethical behaviour and monitors environmental and health and safety performance.

The Board operated in accordance with a written schedule of reserved matters which require Board consideration. These reserved matters, which are supported by clearly defined written limits of delegated authority across the Group, were reviewed during the course of the year. A copy is available on the Company's website, [www.landsecurities.com](http://www.landsecurities.com). The principal matters reserved to the Board include:

- authorisation of significant transactions and those in excess of £150m
- dividend policy
- internal controls and risk management (via the Audit Committee)
- remuneration policy (via the Remuneration Committee)
- shareholder circulars and listing particulars
- matters relating to share capital, such as share buybacks
- treasury policy and significant fundraising
- appointment/removal of Directors and the Company Secretary.

## Board meetings and the agenda

During the year, the Board held eight principal Board meetings.

At every meeting, each Executive Director gave a report on his particular area for responsibility within the business. In addition, a number of specific subjects were discussed, which included:

- Strategy – the Board held an offsite meeting over two days at which the Company's strategy was reviewed in the context of the macro and micro economic environment, potential legislative changes, London's position as a global business and financial centre, the impact of technology on our Retail business, the strategies of successful global REITs and the need for the Company to create and exploit competitive advantage. A number of these sessions were attended by experts from a number of leading institutions.
- Business plans – the Board reviewed, at six-monthly intervals, the Group's five year forecast, annual budget and business plan, all of which are designed to support the Company's strategy. In addition, the Board reviewed a balanced scorecard which covers a number of non-financial measures.
- Progress reporting – as part of the detailed Board reporting, the papers circulated to the Board in advance of each meeting included business performance updates from the Chief Executive and the Group Finance Director. Regular updates on progress with the Group's key business targets are also circulated and discussed. In addition, the half-yearly and annual results and a six-monthly comparison of investment property performance to IPD indices were reviewed in detail.
- Compliance and external relations – the Board reviewed investor relations, HR and pensions, corporate governance, health and safety

(with quarterly updates), environmental performance, the Board performance evaluation and Corporate Responsibility matters.

In addition to scheduled Board meetings, the Non-executive Directors make themselves available throughout the year to support Executive Directors and senior management and to provide advice.

Non-executive Director sessions were held regularly at the conclusion of Board meetings. A series of informal dinners was also held, attended by the Non-executive Directors and senior employees below Board level.

## Board balance and independence

The roles of the Chairman and Chief Executive are split, with clear written guidance to support the division of responsibilities.

The Chairman was primarily responsible for the effective working of the Board, ensuring that all Directors are able to play a full part in its activities. The Chairman is also responsible for ensuring effective communication with shareholders, that any concerns expressed are relayed to the Board and for making sure that the agreed strategy is implemented in a timely and effective manner.

There was strong non-executive representation on the Board, which during the year consisted of the Chairman, four Executive Directors and six, increasing to seven following the appointment of Simon Palley, independent Non-executive Directors.

The Board regards each of the Non-executive Directors as being fully independent and the Chairman was independent at the time of her appointment to that position.

In April 2011, David Rough completed nine years of service as a Non-executive Director. In March 2011, the Nominations Committee considered his independence in the context of guidance on the independence of Non-executive Directors set out in the 2010 UK Corporate Governance Code. A particularly rigorous review was undertaken, given Mr Rough's position as the Group's Senior Independent Director, with consideration given to the extent to which he provided challenge to the Executive Directors both at Board and other meetings, his standing within the investment community and advice taken from the Group's independent adviser, Makinson Cowell. The Committee concluded that David Rough continued to meet the criteria for independence.

The Board is satisfied that no individual or group of Directors has unfettered powers of discretion and that an appropriate balance exists between the Executive and Non-executive Directors. The Chairman held regular meetings with the Non-executive Directors without the Executive Directors being present. In addition, the Chairman met frequently with Executive Directors.

In the coming year, the Nominations Committee will seek to appoint another Non-executive Director with the assistance of an external search firm. We are confident that this new appointment, together with the appointment of Simon Palley earlier in the year, will replenish the balance, diversity and strength of the Board following the decisions of Bo Lerenius and Sir Christopher Bland to step down.

## Board access to appropriate information

Information was provided to the Board in a form and quality to enable it to take informed decisions and to discharge its duties. Directors are provided with regular detailed briefings on the Group's business, the markets in which it operates and the overall economic and competitive environment. Directors were encouraged to challenge and make further enquiries of the Executive Directors or senior management, as they considered appropriate.

The Company Secretary, through the Chairman, was responsible for advising the Board on governance matters and for ensuring good information flows within the Board. All Directors had access to the advice and services of the Company Secretary, as well as to external advice at the expense of the Group (the procedure for Directors wishing to seek external advice is published on the Group's website, [www.landsecurities.com](http://www.landsecurities.com)). No such external advice was sought by any Director during the year.

The minutes of the Audit, Nominations and Remuneration Committees were sent to the Board; minutes of the Nominations and Remuneration Committees may be subject to redaction with the agreement of the relevant Committee, where this is considered necessary to exclude matters relating to a specific Director. The Committee Chairmen also reported to the Board on the outcome of Committee meetings at the subsequent Board meeting.

Non-executive Directors are free to attend the Company's headquarters whenever they wish and to organise meetings with Executive Directors or with senior employees below Board level. These meetings provide senior managers with exposure to the Board and enable Non-executive Directors to learn more about the day-to-day running of the business.

#### Professional development, support and training for Directors

Newly appointed Directors benefit from a tailored induction programme before, or immediately after, their appointment to the Board. In the year under review, Simon Palley received training that covered the Group's business and the regulatory regime in which it operates and benefited from a detailed overview of the business, the Board and its structure from the Chairman. This was coordinated by the Company Secretary, in accordance with guidelines issued by the Institute of Chartered Secretaries and Administrators.

Non-executive Directors were encouraged to visit the Group's major properties to enable them to gain a greater understanding of the Group's activities. In addition, one Board meeting each year is held at an 'off-site' location and incorporates a visit to one or more of the Group's principal properties or developments. The 'off-site' meeting in February 2011 was held over two days in central London, including visits to some of the Group's properties located in the City of London.

The series of Board development sessions and training has been continued. These consisted of briefings from external or internal speakers providing the Board with another perspective or a more in-depth overview on matters relevant to the real estate industry and markets in which the Group operates, together with updates on subjects relating to their duties as Directors. Topics included an overview of the planning process in the UK together with an in-depth study of the property development process.

The Board supports Executive Directors taking up Non-executive Directorship positions of listed companies as part of their continuing development as this will benefit the Company. As a matter of policy, such appointments are normally limited to one Non-executive Directorship. In June 2010, Francis Salway took up a Non-executive Directorship at Next plc. Prior to approving this appointment, the Nominations Committee considered the likely time commitment of Mr Salway in his new role and the benefit for the Group in terms of the broadening of his experience.

#### Evaluation of the performance of the Board

A formal and rigorous evaluation of the performance of the Board, its Committees, the Directors and the Chairman is conducted each year as the Company recognises that their effectiveness is critical to its success.

#### Attendance at Board and Committee meetings

Table 54

| The number of principal Board and Committee meetings attended by each Director during the financial year was as follows*: |                       |                                    |  |   |
|---|-----------------------|------------------------------------|--|---|
|   | Board<br>(8 meetings) | Audit<br>Committee<br>(4 meetings) | Nominations<br>Committee<br>(2 meetings) | Remuneration<br>Committee<br>(2 meetings) |
| Alison Carnwath   | 8/8                   | –                                  | 2/2                                      | 2/2                                       |
| Francis Salway  | 8/8                   | –                                  | –  | –   |
| Martin Greenslade   | 8/8                   | –                                  | –  | –   |
| Richard Akers   | 8/8                   | –                                  | –  | –   |
| David Rough   | 8/8                   | 4/4                                | 2/2                                      | 2/2                                       |
| Sir Stuart Rose   | 8/8                   | –                                  | 2/2                                      | 1/2                                       |
| Bo Lerenius   | 8/8                   | 4/4                                | 2/2                                      | 1/2                                       |
| Sir Christopher Bland   | 8/8                   | –                                  | 2/2                                      | –   |
| Kevin O'Byrne   | 7/8                   | 4/4                                | –  | –   |
| Chris Bartram   | 8/8                   | 4/4                                | 1/1                                      | –   |
| Robert Noel   | 8/8                   | –                                  | –  | –   |
| Simon Palley  | 4/4                   | –                                  | –  | –   |

\*Actual attendance/maximum number of meetings a Director could attend as a Board/Committee member.

Last year Independent Audit Limited (Independent Audit), an independent firm of consultants who specialise in board performance and corporate governance, was appointed to undertake a thorough review of the performance of the Board and its Committees. The process involved a review of information provided to the Board and Committees followed by confidential interviews with the Directors, the Company Secretary and the Head of Risk Management. Independent Audit's report concluded that the Board and its Committees continue to operate effectively.

It identified a small number of further actions to help support our commitment to continuous improvement. The key areas of focus were:

- Formalising at more frequent intervals a review of the interaction of the Group's assets and liabilities. This was addressed by the formation of an Asset and Liability Management Committee which meets three times a year.
- Continuing to improve the relevance and user-friendliness of information going to the Board.
- Exploring ways for the Non-executive Directors to increase further their understanding of the business and the time they spend collectively and individually with Executive Directors.
- Considering whether agenda time should be made available for more free-ranging discussions.
- Exploring ways of framing the Board's risk appetite in more explicit terms and communicating it to the business.

This year a Board effectiveness review was undertaken by Independent Audit using a questionnaire process focusing on areas that were raised during last year's review and providing an opportunity to raise any new concerns or issues. The results of the report were considered in a separate session of the Board at its 'away day', at which each Director was asked to comment. The Board supported the conclusion of the independent review, that good progress had been made in addressing the issues raised last year.

Going forward, the Board has resolved to establish a three year evaluation cycle. In the first year of the cycle, a detailed evaluation will be conducted by independent consultants, who will follow up any issues raised in a questionnaire in the second year. In the third, the Chairman will conduct an evaluation through individual meetings with each Director.

The Chairman's performance and leadership was reviewed by the Senior Independent Director, while the Chairman reviewed the contribution and performance of the individual Board Directors.



### Conflicts of interest

The Board operates a policy to identify, manage and, where appropriate, approve conflicts or potential conflicts of interest. Under this policy, Directors were required to declare all appointments to other companies and other interests which could give rise to conflicts or potential conflicts of interest. The monitoring of these procedures was delegated to the Nominations Committee.

The Committee agreed that there was a potential for conflicts of interest to arise in relation to the position of Chris Bartram as Chairman of Orchard Street Investment Management. This was addressed by ensuring that, where appropriate, he was excluded from discussions and relevant information on potential acquisitions of property. In addition, the Committee considered the positions of Francis Salway, Sir Stuart Rose and Kevin O'Byrne who were, for at least part of the period under review, Directors of Next plc, Marks & Spencer Group plc and Kingfisher plc respectively. The Committee concluded that in practice conflicts of interest were unlikely to occur since operational matters, such as retail leasing, were unlikely to be considered at Board level.

### Approach to Investor Relations

Land Securities has a comprehensive Investor Relations programme which aims to provide existing and potential investors with a means of developing their understanding of the Company and raising any concerns or issues they may have. Principal investors were offered meetings with senior management on a regular basis. In addition, the Chairman maintained contact with principal investors and kept the Board informed of their views.

The Group's Corporate Communications team are responsible for preparing the Group's Corporate Responsibility Report 2011, which is available at [www.landsecurities.com/responsibility](http://www.landsecurities.com/responsibility).

The Board also receives independent feedback on Investor Relations through a biennial presentation by Makinson Cowell, the Group's independent adviser. Makinson Cowell undertook a comprehensive Investor Relations audit in 2009/10, benchmarking all aspects of the Investor Relations programme and interviewing principal investors to obtain their views on management and business performance. The Investor Relations department also receives feedback from analysts and investors every six months through their corporate advisers, with reports provided to the Board. A further comprehensive independent Investor Relations audit will be undertaken in 2011/12.

An investor conference is held every year, focusing on the Retail and London businesses in alternate years. The conference provided investors and analysts with an update on the business, property tours and, importantly, an opportunity for the attendees to meet management below the Executive Director level. The presentations and an audio-cast or web-cast of the conference were made available on the corporate website to enable those investors who could not attend to access all the information disclosed at the conference.

The Chairman and the Senior Independent Director normally attend the annual and half-yearly results meetings to which investors are invited and their attendance was notified to investors in advance. The Senior Independent Director was available to shareholders should they have any concerns which could not be resolved through the normal channels of communication with the Chairman or Chief Executive. No such concerns were raised by shareholders during the year ended 31 March 2011.

In relation to private shareholders, we actively encouraged feedback and communication, both on the Annual Report, at the Annual General Meeting and through regular meetings with the United Kingdom Shareholders' Association (UKSA).

The Annual General Meeting provided all shareholders with an opportunity to question the Company on matters put to the meeting including the Annual Report. Shareholders attending the Annual General Meeting were given a detailed presentation by the Group Chief Executive on the activities and performance of the Group over the preceding year.

From the 2007 Annual General Meeting onwards, voting has been conducted by poll instead of by show of hands. In this way, all shares represented at the meeting are voted and added to the proxy vote lodged in advance of the meeting. The results of proxy voting at general meetings were published on the Company's website, [www.landsecurities.com](http://www.landsecurities.com), as required by the Code.

### Financial reporting and the 'going concern' basis for accounting

The Board seeks to present a balanced and understandable assessment of the Group's position and prospects.

In order to satisfy themselves that the Company has adequate resources to continue in operational existence for the foreseeable future, the Directors have reviewed assumptions about future trading performance, valuation projections and debt requirements contained within the Group's current five year plan and reported against, internally, on a monthly basis.

This, together with available market information and the Directors' knowledge and experience of the Group's property portfolio and markets, has given them sufficient confidence to continue to adopt the going concern basis in preparing the accounts.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

### Internal controls to manage risk

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. This system is designed using the 2005 Turnbull guidance to mitigate, rather than eliminate, the risk of failure to meet business objectives. Accordingly, it can provide only reasonable and not absolute assurance against material misstatement or loss. The system has been in place for the year under review and up to the date of approval of the Annual Report and financial statements.

The key features of our system of internal control include:

- Strategic and business planning – the Group produces and agrees a five year forecast and business plan each year, against which the performance of the business is regularly monitored. Balanced scorecards are prepared that set out targets for a wide variety of key performance indicators, including risk management and internal audit actions.
- Investment appraisal – significant capital projects, major contracts and business and property acquisitions are reviewed in detail and approved in accordance with delegated authority limits. Approval may come from the Board, where they have a value in excess of £150m or are otherwise sufficiently material, or from the Group's Investment Committee, which comprises the Group's Executive Directors with senior managers in attendance.
- Financial monitoring – profitability, cash flow and capital expenditure are closely monitored and key financial information is reported to the Board on a monthly basis, including explanations of variances between actual and budgeted performance.
- Systems of control, procedures and delegated authorities – there are clearly defined guidelines and approval limits for capital and operating expenditure and other key business transactions and

decisions. Operational and financial procedures and controls are maintained on the Group's intranet.

- Risk management – the Group has an ongoing process to identify, evaluate and manage the risks faced by the Group. The risk management process is set out in **Chart 55**. Each risk is rated in terms of probability of occurrence and potential impact on performance, with mitigating actions, control effectiveness and management responsibility identified in relation to each. Our approach is supported by an oversight structure. This includes the Audit Committee, which reviews the effectiveness of our risk management process.

The Audit Committee monitors the risks and associated controls over financial reporting processes, including the process by which the Group's financial statements are prepared for publication. A risk management framework is in place to identify, evaluate and manage risks, including key financial reporting risks and related information systems. The financial reporting controls are monitored and maintained through internal controls, which identify and address key financial reporting risks including risks arising from changes in accounting standards, as well as any areas of accounting judgement.

In addition, the integrity of the financial reporting and consolidation processes and the completeness and accuracy of financial information are subject to review by management, the Audit Committee and the Board.

#### Key risk management processes

An awareness of risk was embedded throughout the organisation. The principal tools used to assess and manage risk were:

- Six-monthly assessments – a compliance questionnaire was completed twice a year (before the Group's half-yearly and annual financial statements are issued) by senior managers who provided assurances that our business activities have been conducted appropriately (a similar questionnaire was completed annually in respect of joint ventures).
- Internal audit – this team was responsible for reviewing and testing key business processes and controls, including following up the implementation of management actions and reporting any overdue actions to the Audit Committee. The Director of Internal Audit and Risk Management reports to the Chief Executive and had direct access to the Audit Committee Chairman. The internal audit function operated a risk-based audit approach and provided a summary report on the operation of the system of risk management and internal control to support the Board's annual statement.
- Key controls – during the course of the year, a new key controls toolkit was implemented. This was designed in conjunction with senior managers who provide quarterly confirmations that key controls are both embedded and operating effectively within the business.

**Risk management process**

**Chart 55**



The Audit Committee reviewed the effectiveness of internal audit activities including the scope of work, authority and resources of the internal audit function. The Audit Committee on behalf of the Board reviewed the effectiveness of the systems of internal control and risk management. The review covered all material areas of the business including financial, operational and compliance controls and risk management. In performing its review of effectiveness, the Audit Committee took into account the following reports and activities:

- Internal audit reports on reviews of business processes and activities, including the implementation of new controls and action plans to address any identified control weaknesses.
- Management's sign off on the effectiveness of the key controls.
- External auditors report on any issues identified in the course of their work, including internal control reports on control weaknesses, which were provided to the Audit Committee as well as executive management.
- Risk management reporting, including the status of actions to mitigate major risks and the quantification of selected risks.

The Board confirms that no significant failings or weaknesses have been identified from that review.

The Company has established a whistleblowing policy and hotline to enable employees to raise issues on a confidential basis. Although the Audit Committee would be advised of any whistleblowing incidents, none were reported during the year.

#### Other disclosures

Other disclosures required by paragraph 7.2.6 of the Disclosure and Transparency Rules and the Companies Act 2006 are set out in the Report of the Directors which follows.

#### A note on our Committees

Over the following pages you can read reports from the Chairmen of the Nominations Committee and the Audit Committee. The Remuneration Committee determines the remuneration and conditions of employment of the Executive Directors and senior employees, and you will find that Committee's activity described in detail in the Directors' remuneration report.



Land Securities Group PLC  
5 Strand  
London WC2N 5AF

**Dear shareholder,**

The Committee seeks to ensure that there is a balanced and effective Board in terms of skills, knowledge and experience. It also reviews the leadership needs of the Group and is responsible for identifying and developing talent across the Group. This year the Nominations Committee comprised Sir Christopher Bland, Sir Stuart Rose, David Rough, Bo Lerenius and myself.

During the year under review, the principal focus of the Committee was succession planning for both the Board and the senior management positions in the Group. The Committee looks at identifying and developing internal talent as well as bringing in new people to ensure that we have the right skills in key areas of the business. We met at two scheduled meetings during the course of the year, with an additional ad hoc meeting to consider and recommend to the Board the appointment of Simon Palley, who had been identified as a suitable candidate to join the Board as a Non-executive Director through the use of external search consultants.

At the remaining two meetings, the Committee considered Board structure, size, composition and succession needs, keeping under review the balance of membership and the required blend of skills, knowledge and experience of the Board. Last year, we decided to propose all Board members for re-election at the Annual General Meeting every year in order to enhance accountability to shareholders.

Having reviewed the effectiveness and commitment of Non-executive Directors, the Committee recommended their reappointment to the Board. The Committee concluded that all of the Non-executive Directors were devoting sufficient time to their duties, both in terms of preparation for and attending meetings and also in making themselves available to provide advice to Executive Directors and senior management on business initiatives and issues. If a Non-executive Director has served on the Board for more than six years, the Committee conducts a more rigorous review before making its recommendation to the Board. There are currently three Non-executive Directors who have served on the Board for more than six years, David Rough, Sir Stuart Rose and Bo Lerenius, who joined the Board in April 2002, May 2003 and June 2004 respectively. Each of these Non-executive Directors has been subject to a more rigorous review on the sixth anniversary of their appointment and the process undertaken in relation to David Rough, who has now served on the Board for nine years, is described in greater detail in the section headed Board balance and independence within the Corporate governance section.

As I mentioned in my opening statement, we support Lord Davies' recommendation that women comprise at least 25% of the Board of every FTSE 100 company. Our intention is to comply with the recommendation by 2015. However, my foremost objective is to ensure that Land Securities continues to have the strongest possible leadership, with all appointments made on merit.

**Alison Carnwath**  
Chairman, Nominations Committee



Land Securities Group PLC  
5 Strand  
London WC2N 5AF

## Dear shareholder,

I would like to give you an overview of the operation and scope of the Audit Committee and report on its work over the past year.

During the year under review, membership of the Audit Committee comprised David Rough, Bo Lerenius, Chris Bartram and myself.

The Committee aims to ensure that the Group has appropriate processes in place to identify potential risks and develop mechanisms for avoiding or mitigating those risks. The Committee is assisted in this by the external auditors and by our Internal Audit and Risk Management team.

The Committee's written terms of reference are available on the Company's website at

● [www.landsecurities.com](http://www.landsecurities.com).

Our principal areas of responsibility for oversight are:

- Internal control and risk management
- Internal audit
- External audit (including auditor effectiveness and independence)
- Financial reporting.

The Committee met four times during the year. As Audit Committee Chairman, I invited the Chairman of the Board, the Chief Executive and Group Finance Director to each meeting and other Directors to attend from time to time. In addition, the Director of Risk Management and Internal Audit and representatives from the external auditors, PricewaterhouseCoopers LLP (PwC), were present at each meeting. The Committee met separately with PwC and the internal auditors. PwC also met separately with the Group's Executive Directors and its senior management. In addition, as Chairman of the Audit Committee, I met separately with PwC and also the Group's external valuers Knight Frank LLP (Knight Frank).

The Committee undertook the following activities during the course of this year:

- Review of the half-yearly and annual results and consideration of any matters raised by management and the external auditors
- Review and approval of the audit plans for external and internal audits
- Monitoring the scope, effectiveness, independence and objectivity of the external auditors
- Discussing the results of internal audit reviews, significant findings, and management action plans to resolve any issues arising and monitoring resolutions
- Consideration of the report and processes which support the Board's review on the system of internal control
- Review of reports on the Group's risk management measures and mitigating actions
- Implementation of a new 'key controls toolkit' which is described in the 'key risk management processes' section of the Corporate governance report.

In conjunction with the Board evaluation outlined in the Corporate governance section of this Annual Report, the Committee also reviewed its own effectiveness and concluded that it continued to operate as an effective Audit Committee.

In the coming year, we intend to follow up on last year's successful risk workshop by conducting another one for the whole Board. This will focus on emerging risks for the Group.

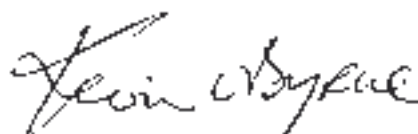
During the year under review, the Audit Committee appraised the effectiveness of the external auditors, PwC, and the external audit process. The evaluation process included feedback from relevant members of management and the results were reported to the Board and Audit Committee.

Throughout the year under review, the Company had a policy and procedures in place to monitor and maintain the objectivity and independence of the external auditors. The policy requires prior approval by the Chairman of the Audit Committee for non-audit work above a threshold level of £25,000 per engagement, with only one engagement exceeding that threshold within the year. On a six-monthly basis, the Audit Committee reviewed a summary of all non-audit work.

Details of the amounts paid to PwC are set out in [note 7](#) to the financial statements. The external auditors confirmed to the Committee that they remained independent and had maintained appropriate internal safeguards to ensure their objectivity.

The Committee also has in place policy and procedures to monitor the objectivity of the external valuers, Knight Frank. The work of Knight Frank is particularly important to the Group and to investors since their valuations of the Group's portfolio are a significant determinant of the Group's performance and senior management remuneration. The valuers and external auditors have full access to one another and operate an open dialogue and exchange of information that is independent of the Group. The Audit Committee Chairman attends key valuation meetings (as do the external auditors) to be assured of the independence and rigour of the process. In addition, Knight Frank presents its valuation findings to the Audit Committee at the interim and full year review of results.

In line with the Carsberg Committee report, we have a fixed fee arrangement with our valuers. Given the importance of the work undertaken by Knight Frank, we have disclosed the fees we pay them at [note 8](#) to the financial statements. The total fees paid by the Company to Knight Frank in the year represented less than 5% of their total fee income for the year. The Audit Committee regularly reviews the total fees that the Company pays to Knight Frank as a proportion of the total fees paid to all of our property advisers. The Committee remains satisfied that it represents only a small proportion of the total.



**Kevin O'Byrne**  
Chairman, Audit Committee

Although all of the Committee members are considered to be appropriately experienced to fulfil their role, Kevin O'Byrne is considered to have significant, recent and relevant financial experience in line with the 2008 Combined Code. Further biographical details of each of the members of the Committee are set out in the Directors section of the Annual Report.



Land Securities Group PLC  
5 Strand  
London WC2N 5AF

## Dear shareholder,

As a Board we are focused on creating shareholder value over the longer term and ensuring that the Company's remuneration policy is aligned with shareholders' interests. Our remuneration report explains how we seek to achieve this, in a transparent way.

Last year, I outlined changes to the vesting conditions for grants under our Long-Term Incentive Plan (LTIP). Our motivation for making the changes was to ensure that the criteria for vesting were challenging, measurable against objective benchmarks and aligned with shareholder interests. As a result, vesting will occur only where the Group's performance is at least equal to the Total Shareholder Return of a comparator group of large property companies or the Investment Property Databank benchmarks. No vesting will occur purely as a result of general increases in the value of property or shares in listed companies and full vesting will only occur following a material outperformance of both benchmarks. This underlines our view that exceptional rewards are only paid for exceptional performance.

Performance against LTIP grants is measured over a three year period. In addition to providing information on the partial vesting of grants made in 2008, our report includes an interim update on the Group's performance against awards made in 2009 and 2010.

The Committee oversaw a complete review by the Group of the remuneration for all employees. During the course of the review, management consulted with employees and introduced changes that more closely aligned their remuneration with the business targets of the Group. The Committee was very pleased with the outcome of the review, which was implemented during the course of the year.

More details on the work of the Committee follows in our report.

A handwritten signature in black ink, appearing to read "D. Rough". The signature is written in a cursive, flowing style.

**David Rough**  
Chairman, Remuneration Committee

### What is the Remuneration Committee's strategy in terms of remuneration for Directors?

Our pay and rewards are designed to attract the best people to the business and incentivise them to produce superior returns for shareholders. We set stretching targets and believe we should reward people for achieving and exceeding them. This is why a substantial part of our Executive Directors' rewards comprises performance-related pay, with incentives to exceed industry benchmarks and to deliver Total Shareholder Return (TSR) outperformance in comparison to our peer group.

### How is remuneration aligned to shareholder interests?

The Remuneration Committee's objective is to align individual reward with the Group's performance both in the short and long term. The remuneration package we offer our Executive Directors seeks to do this in the following way:

1. Basic salaries reflecting an individual's on-going performance and contribution to the business.
2. Annual bonuses tailored to reward high performance against key objectives and superior relative performance of the Group compared against property industry benchmarks.
3. Long-Term Incentive Plan rewards for Executive Directors aligned with our long-term business objectives and value created for shareholders.
4. 25% of any bonus awarded in relation to achievement against the Group's key business priorities will be deferred into the Company's shares for three years. 50% of any award made in relation to exceptional outperformance against property industry benchmarks is deferred into the Company's shares for two years. Deferral operates as a strong retention tool.
5. Within five years of joining the Board, all Executive Directors must own shares with a value of at least one and a half times their basic salary and, in the case of the Chief Executive, twice his basic salary.

More details on how these forms of incentive are structured and how they were applied to remuneration in the year under review are set out in the following sections of this report.

### How much did we pay our Executive Directors in 2010/11? (£'000)

Table 56

|                       | Salary | Annual bonus paid in cash <sup>1</sup> | Annual bonus deferred into shares |
|-----------------------|--------|--|-----------------------------------|
| FW Salway             | 653    | 617                                    | 140                               |
| MF Greenslade         | 422    | 237                                    | 79                                |
| RJ Akers <sup>2</sup> | 378    | 330                                    | 85                                |
| RM Noel               | 406    | 345                                    | 82                                |

1. Annual bonuses comprise both a cash element and an element which will be deferred into the Company's shares for a period of three years.
2. RJ Akers is potentially entitled to an additional bonus of 90% of salary for the 2010/11 financial year as the performance of the Retail Portfolio exceeded the relevant IPD benchmark in absolute terms by 2.9%. If the performance criteria for the financial year 2011/12 is also met, half of the payment would become due in cash in June 2012, with the balance deferred into the Company's shares for a period of two years.

### How much did Executive Directors receive in terms of salaries and bonuses this year?

The salaries for Executive Directors are set out in Table 56. Table 56 also shows the amounts of their bonuses paid in cash and deferred into shares.

An explanation of the basis for the award of these bonuses appears in the Remuneration policies section.

### What increases are proposed for Executive Directors' salaries for the coming year and how do these compare to last year?

The Committee has awarded Executive Directors pay increases averaging 3.1%, with the amounts shown in Table 57. Pay increases awarded across the rest of the Group for the coming year average 2.7%. This compares with the previous year, where average increases of 2.0% were awarded to Executive Directors as against 2.4% for the rest of the Group. In the year prior to that, no salary increase was awarded to Executive Directors. Pay increases take effect from 1 July 2011.

Table 57

| (£'000)       | Current | From 1 July 2011 |
|---------------|---------|------------------|
| FW Salway     | 655     | 665              |
| MF Greenslade | 425     | 435              |
| RJ Akers      | 380     | 400              |
| RM Noel       | 408     | 425              |

### What was on the agenda at meetings of the Remuneration Committee during the year?

During the course of the year, the Remuneration Committee considered a number of matters which included a review of:

- research compiled by the Group's external benefit consultants benchmarking Executive Director and senior managers' salaries against those paid to executive directors and senior managers at other companies within both the Real Estate and Utilities sectors and other listed companies with similar market capitalisations
- salaries of Executive Directors and senior managers, together with overall levels of salary increases across the Group
- achievement against key business targets under the annual bonus scheme
- achievement against the performance conditions for the Long-term Incentive and Matching Share Plans
- proposed share incentive awards to Executive Directors and senior managers
- Directors' compliance with Share Ownership Guidelines
- pension arrangements across the Group in the light of legislative changes.

### How much did you pay the Chairman and Non-executive Directors?

We pay our Chairman a fee of £300,000 and each Non-executive Director a base fee of £60,000. These fees were set in autumn 2009 and were not increased during the year under review. Non-executive Directors are paid further amounts for specific duties and responsibilities, such as chairing a Board Committee, but are not paid additional fees for attending Board Committee meetings.

Table 58 summarises what we paid our Non-executive Directors this year.

### How much did we pay our Non-executive Directors in 2010/11? (£'000)

Table 58

|             | Salary |
|-------------|--------|
| AJ Carnwath | 300    |
| D Rough     | 83     |
| SAR Rose    | 60     |
| BA Lerenius | 60     |
| KO Byrne    | 77     |
| C Bland     | 60     |
| C Bartram   | 60     |
| S Palley*   | 40     |

\*Appointed 1 August.

# Remuneration policies

## In this section

- 1 **Compliance** • p78
- 2 **Members of the Committee** • p78
- 3 **Responsibilities and remit** • p78
- 4 **Advisers** • p78
- 5 **Remuneration policy and benchmarking** • p78
- 6 **Components of Directors' remuneration in 2010/11** • p78
- 7 **Principles and policy on annual bonuses in 2010/11** • p78
- 8 **Principles and policy on long-term incentives in 2010/11** • p80
- 9 **Savings-Related Share Option Scheme** • p81

### 1 Compliance

This report has been prepared by the Remuneration Committee (the Committee) in accordance with the 2008 Combined Code, the UK Code on Corporate Governance, the Companies Act 2006, the Listing Rules of the Financial Services Authority and the Large and Medium Companies and Groups (Accounts and Reports) Regulations 2008. In accordance with these Regulations, this report has been approved by the Board and will be submitted to shareholders for consideration at the Annual General Meeting, to be held on 21 July 2011.

PricewaterhouseCoopers LLP has audited • Tables 66, 67, 68, 69 and 70 and associated footnotes.

### 2 Members of the Committee

The Committee was chaired by David Rough. The other members of the Committee were Alison Carnwath (Chairman of the Board who was an independent Non-executive Director at the time of her appointment as Chairman) and independent Non-executive Directors, Sir Stuart Rose and Bo Lerenius. The membership of the Committee was unchanged throughout the year. Following the decision of Bo Lerenius to step down from the Board at the Company's AGM in July, another independent Non-executive Director, Simon Palley, was appointed to join the Committee with effect from 10 May 2011.

### 3 Responsibilities and remit

The Committee complies with the recommendations contained in both the 2008 Combined Code and the 2010 UK Code on Corporate Governance. The scope of its responsibilities includes, to:

- determine and recommend to the Board an overall strategy for the remuneration of the Chairman, Executive Directors and senior managers
- determine and recommend to the Board the individual remuneration packages for Executive Directors and senior managers
- oversee any significant changes to employee benefits, including pensions
- approve the design of and targets for performance-related incentive schemes
- oversee the operation of all incentive schemes, including the award of incentives, and to determine whether performance criteria have been met.

You can see the Committee's terms of reference at • [www.landsecurities.com](http://www.landsecurities.com)

### 4 Advisers

The Company's Human Resources Director provided information and advice to the Committee throughout the year. The Committee has appointed and received advice from Hewitt New Bridge Street, a brand of AON Hewitt Limited, (HNBS) and also made use of various published surveys to help determine appropriate remuneration levels. HNBS has voluntarily signed up to the Remuneration Consultants

Code of Conduct and has no other connection with the Land Securities Group. The Company intends to conduct a benchmarking review of its remuneration and benefit consultancy work during the coming year.

The Chief Executive and Human Resources Director were invited to attend meetings of the Committee but no Director was involved in any decision relating to his or her own remuneration. As set out in the Corporate governance section of this report, the Committee's performance was reviewed by the Chairman of the Board, with the assistance of the Company Secretary, having been reviewed externally by Independent Audit Limited in the previous year.

### 5 Remuneration policy and benchmarking

The Company's remuneration policy seeks to provide remuneration to attract, retain, and motivate high quality management, recognising that the Group operates in a competitive market for talent.

The Committee aims to pay salaries at around mid-market levels, with bonuses and share awards for superior performance against the Company's business targets. Accordingly, a substantial proportion of the Executive Directors' remuneration is delivered through performance-related pay, with incentives to outperform industry performance benchmarks.

Remuneration packages for Executive Directors are benchmarked by the Committee using research prepared by HNBS. The research is carried out by creating two comparator groups. The first is a group of large Real Estate and Utilities companies (which have a high fixed asset value relative to their market capitalisation and are considered good comparators) and the second is companies with a similar market capitalisation to the Company.

The Committee also has oversight for pay awards and policy across the Group, with particular focus on the remuneration of senior managers, whose pay is also the subject of benchmarking research prepared by HNBS. The Committee ensures, where appropriate, that the types of incentives offered to senior managers are similar to those offered to Executive Directors, with similar performance and vesting criteria. More details of pay for senior managers is set out on • p83.

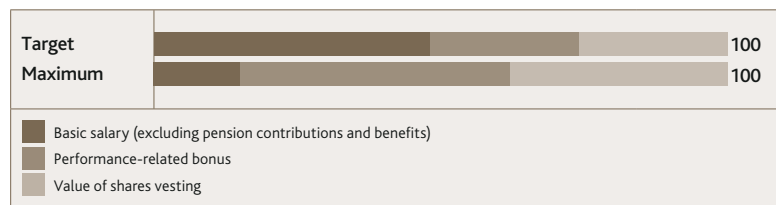
### 6 Components of Directors' remuneration in 2010/11

In the year under review, Executive Directors' remuneration comprised:

- Fixed pay, including basic salary, together with pension allowances and benefits in kind; and
- Variable pay, comprising:
  - annual bonus opportunities
  - participation in a share-based Long-Term Incentive Plan.

#### What was the balance of fixed versus variable pay? (%)

Chart 59



### 7 Principles and policy on annual bonuses in 2010/11

The bonus arrangements for Executive Directors comprise three elements, which are explained in detail below. In essence, the first element is based on the achievement of key business targets, with a maximum award of 100% of basic salary. The second is a discretionary bonus paying up to 50% of basic salary and designed to reward an exceptional achievement or the establishment or successful execution of a key initiative. The third element rewards an outstanding total return performance relative to key IPD



benchmarks with the award of up to 200% of basic salary. The first two elements are subject to an overall aggregate cap of 130% of basic salary, with the overall amount capped at 300% of basic salary.

**Performance against key business targets: up to 100% of salary**

Directors may receive a bonus of up to 100% of salary, based on their performance against key business targets set at the beginning of the year. The Committee calibrates the targets so that the achievement of a maximum payout under this part of the bonus arrangements would represent performance in excess of the Group budget and individual targets. 25% of any bonus awarded under this heading is automatically deferred into the Company's shares, on the basis set out below, and receives a Matching Award under the terms of the Company's Long-Term Incentive Plan (LTIP).

**Discretionary bonus for exceptional achievement: up to 50% of salary**

Executive Directors have also been eligible to participate in a discretionary bonus pool. If they are selected to participate by the Committee, the award will usually be in the range of 5-30% of salary, though in exceptional circumstances can be up to 50% of basic salary.

Following feedback from shareholders during the year, the Committee has set criteria for the discretionary element of this bonus award. With effect from the year under review, discretionary bonuses will be awarded by the Committee only where there has been exceptional achievement in a specific area or the establishment or successful execution of a strategic initiative. The maximum award from this element of the bonus pool is £500,000, in aggregate, for all Executive Directors. Discretionary bonuses awarded to Executive Directors this year totalled £371,500 with awards of 30% of salary for Francis Salway, 25% for Robert Noel and 20% for Richard Akers. The awards were in recognition of their success in setting and executing a strategy to create early mover advantage on development activity across the Group.

The Company operates a separate discretionary bonus pool open to all employees other than Executive Directors. The aggregate amount of the pool is £1m, with awards normally made to no more than 10% of the Group's employees. The awards are usually not more than

30% of basic salary and are made on the basis of an exceptional single achievement or outstanding all round performance.

**Additional bonus opportunity: up to 200% of salary**

This part of Executive Directors' annual bonus opportunity is intended to reward exceptional performance and value creation for shareholders. The performance targets that apply are set out in Table 64. Any award will be made as a result of material outperformance of the industry performance benchmark, not as a result of a general increase in the value of property or the shares in listed companies in general.

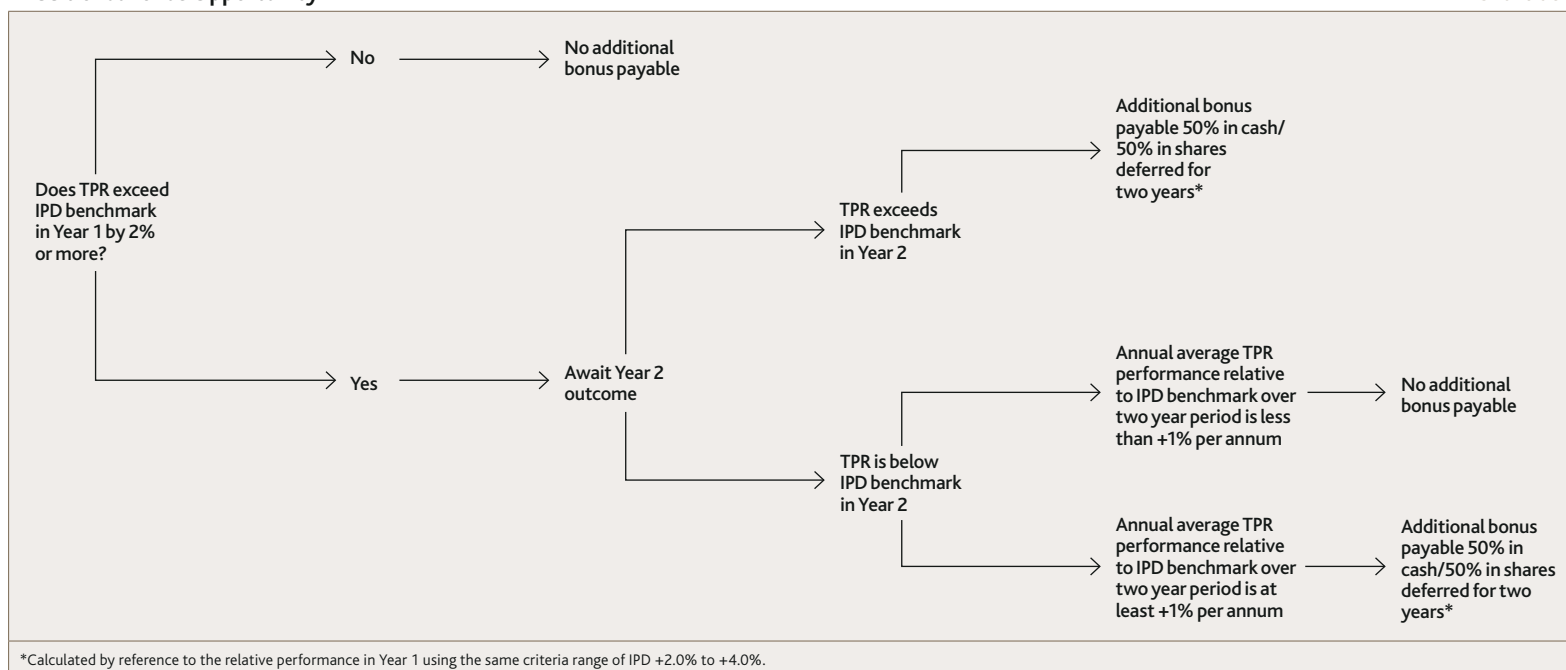
Total Property Return (TPR) was chosen as a key performance measure for the investment portfolio element of the business because it is used both internally and externally within the property sector as a measurement of relative performance.

The purpose of the additional bonus is to encourage Executive Directors to strive for material outperformance every year. The Committee designed the bonus targets that applied to this element of the Executive Directors' bonus opportunity so that the performance targets are above that required for other bonus opportunities. To provide some context as to the challenging nature of the performance targets, the TPR conditions are based on more than 10 years of historic data and require TPR performance to fall broadly within the top 30th percentile of each relevant Investment Property Databank (IPD) performance benchmark if any additional bonus is to be earned. Any payout for beating the IPD benchmark by more than 2% is conditional upon the relative performance in the following year exceeding the IPD benchmark or delivering outperformance over the two years of at least 1% per annum. Accordingly, the Committee's assessment for any award under this category will include a forward-looking measure so that no bonus payments will be made until the subsequent year's outturn for TPR performance becomes available.

A flowchart showing how any payments under the additional bonus opportunity will be calculated is shown at Chart 60. 50% of any award will be deferred into the Company's shares for two years, which means that vesting takes place three years from the year to which the bonus relates.

**Additional Bonus Opportunity**

**Chart 60**



\*Calculated by reference to the relative performance in Year 1 using the same criteria range of IPD +2.0% to +4.0%.

As the performance of the Retail Portfolio in the 2010/11 financial year exceeded the relevant IPD sector benchmark by 2.9%, Richard Akers is also potentially entitled to an additional bonus of 90% of salary (half payable in cash and half in deferred shares) subject to the performance criteria for the subsequent year's performance also being met. If the performance of the Retail Portfolio in the 2011/12 financial year satisfies the subsequent year's performance criteria, payment of the additional bonus would then become due in June 2012. For this reason, and on account of its conditionality, it is not shown in **Table 66**.

Bonus awards, including those relating to the additional bonus opportunity described above, for the financial year ended 31 March 2011 are set out in **Table 66**.

#### Deferred Shares

Where part of a bonus is deferred into the Company's shares, those shares are held within the Company's Employee Benefit Trust and are automatically transferred to Directors on the second or third anniversary of the grant date, depending on the nature of the award, provided that they remain employed by the Company on that date, or otherwise meet other criteria set out in the rules of the Deferred Bonus Scheme approved by shareholders in 2009.

The proceeds of any dividends accruing on the deferred shares are used to purchase shares through participation in the Company's scrip dividend facility, with those additional shares transferred to the Executive Director on vesting.

#### 8 Principles and policy on long-term incentives in 2010/11

Executive Directors participate in the Long-term Incentive Plan (LTIP) approved by shareholders in 2005. The LTIP replaced the existing share option scheme and performance share matching plan that were approved in 2002. There is no re-testing in relation to LTIPs for Executive Directors, so that if the targets are not met on first testing, the awards lapse.

#### LTIP Performance Shares

In the year under review, each Executive Director received a conditional award of shares of up to 100% of salary, see **Table 67**, which was the maximum in terms of the Committee's current grant policy.

#### LTIP Matching Shares

In addition, Matching Share Awards are available to Executive Directors on the basis of their investment in the Company's shares, see **Table 67**.

25% of any bonus awarded to an Executive Director in relation to his performance against key business targets is automatically deferred into the Company's shares (on a pre-tax basis) and attracts a Matching Award. The Matching Award consists of an award of two shares for every one share committed in this way.

Executive Directors may increase the number of shares committed to a maximum of 50% of salary (calculated on a pre-tax basis) by purchasing shares in the market out of taxed income. Any shares purchased will attract a Matching Award of shares on a two for one basis so that the maximum Matching Award is equivalent to 100% of salary. The calculation of Matching Awards is made on a pre-tax basis so, assuming a personal tax rate of 50%, a purchase of 25 shares out of net income will be 'grossed up' to 50 shares and attract a Matching Award of 100 shares, subject to the achievement of the relevant vesting conditions.

#### Pre-June 2009 LTIP and Matching Share Awards

Awards of LTIP Performance Shares and Matching Shares are subject to the same performance conditions measured over three years by the Committee. For LTIP and Matching Share awards granted in 2008, half of any award will vest based on achieving increases in Normalised Adjusted Diluted Earnings Per Share (NADEPS). The other half will vest dependent on the Group's TPR equalling or exceeding the IPD weighted indices that reflect the sector mix of Land Securities' investment portfolio. The target range for vesting is:

- NADEPS
  - Growth of RPI plus 3% per annum – 12.5% of the award vests;
  - Growth of RPI plus 5% per annum – 50% of the award vests;
  - Straight-line vesting occurs between these points.
- TPR
  - Performance equal to the sector weighted IPD index – 12.5% of the award vests;
  - Performance equal to the sector weighted IPD index + 1% per annum – 50% of the initial award vests;
  - Straight-line vesting occurs between these points.

For awards granted in 2008 and measured at 31 March 2011, the Group's performance against the NADEPS criteria was below the minimum required for vesting and so the proportion of the award attributable to that measure did not vest. The Group's TPR performance exceeded the IPD benchmark by 0.4% over the period. As a result, 27.5% of the share award will vest.

**Post-June 2009 LTIP and Matching Share Awards**

For awards made in June 2009 onwards, the NADEPS performance condition was replaced by a TSR measure, which is described below. The Committee continues to use the TPR measure as it rewards returns from property superior to those of the market and is not inflated by any general increase in the value of property or the shares of listed companies.

The TSR measure has been adopted by the Committee as it aligns the interests of Executive Directors with those of shareholders by targeting outperformance of the Company's peer group.

Half of the vesting criteria is based on Land Securities' three year TSR performance (share price increase plus reinvested dividends) compared against the TSR performance of a comparator group of property companies within the FTSE 350 Real Estate Index, weighted on the basis of their market capitalisation at the beginning of the performance period and re-set at the beginning of each year within the three year measurement period. If Land Securities' TSR performance is below this index, this proportion of the LTIP grant will lapse in full. If Land Securities matches the index, 30% of this proportion (i.e. 15% of the overall grant) will vest. Full vesting will occur if Land Securities' TSR beats the index by 4% per annum or more, with straight-line vesting in between these points. ● Chart 61 shows the vesting range.

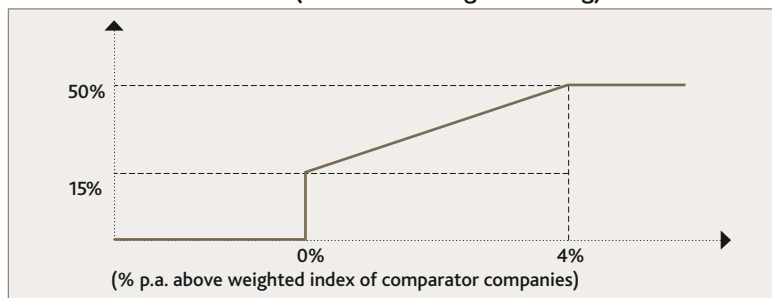
The Committee may amend the list of comparator companies in the Sector Index, and relative weightings, if circumstances make this necessary (for example, as a result of takeovers or mergers of comparator companies or significant changes in the composition of the Group). At 31 March 2009, the list of comparator companies comprised: The British Land Company PLC, Hammerson plc, Capital Shopping Centres Group PLC, Segro plc, Derwent London plc, Great Portland Estates plc, F & C Commercial Property Trust Limited, Shaftesbury PLC, Daejan Holdings PLC, Helical Bar plc, Liberty International PLC and Big Yellow Group PLC. At 31 March 2010, the list of comparator companies was adjusted to reflect changes in the composition of the FTSE 350 Real Estate Index to remove Liberty International PLC and add Hansteen Holdings PLC, UK Commercial Property Trust Limited, Grainger plc, St Modwen Properties Plc, the UNITE Group plc.

For awards granted in 2009, performance against the TPR and TSR criteria over the two years to 31 March 2011 would, if sustained over the three year period, result in 96.5% of the shares vesting. For awards granted in 2010, performance over the one year period to 31 March 2011 would, if sustained over the second and third years of the period, result in 74.6% of shares vesting.

The maximum number of shares which could potentially vest as a result of historic long-term incentive awards and the number of shares which vest in the financial year are shown in ● Table 67.

The vesting criteria for LTIP and Matching Share awards to senior managers are the same as set out above.

**TSR Performance Condition (% of overall LTIP grant vesting)** Chart 61



**9 Savings-Related Share Option Scheme**

Executive Directors are invited to participate in the Company's Savings-Related Share Option Scheme, in which all members of staff are invited to participate. On joining, participants make an election for the scheme to mature on either the 3rd, 5th or 7th anniversary of them joining and may contribute up to £250 per month. On maturity, participants are eligible to purchase newly allotted shares from the Company at a discount of approximately 20% to the market price of the shares at the commencement of the participant joining the scheme or receive the cash with any accrued interest.

# Payments to Directors 2010/11

## In this section, we explain the pay of our Executive Directors for the year under review

- 1 Directors' emoluments [p82](#)
- 2 Pensions [p82](#)
- 3 Share options [p82](#)
- 4 Fees paid to the Chairman and Non-executive Directors [p82](#)
- 5 Key features of the Executive Directors' service agreements [p82](#)
- 6 Directors' shareholdings [p83](#)
- 7 Shareholding guidelines for Directors [p83](#)
- 8 Dilution effect of the Group's share incentive schemes [p83](#)
- 9 Pay of senior managers below Board level [p83](#)

### 1 Directors' emoluments

Table [12] sets out Directors' emoluments for the financial year ended 31 March 2011. The basis of disclosure is on an 'accruals' basis for all elements of Directors' remuneration, with the exception of share awards, which are disclosed as remuneration in the year in which they vest. Share awards include awards made under the Deferred bonus share, LTIP and LTIP Matching Shares schemes and Conditional share awards.

Robert Noel joined the Board as an Executive Director and Managing Director of the London Portfolio on 1 January 2010. Upon joining the Company he was granted an award of shares which broadly matched the long-term incentive awards at his previous employer in terms of the timing of vesting of share awards. In relation to quantum it was agreed that these awards would not be subject to performance conditions but the value would be scaled back to reflect assumptions in relation to the likelihood of vesting.

34,000 shares of Robert Noel's award vested in 2010, with additional awards of 46,000 and 80,000 shares due to vest in 2011 and 2012, respectively. Were Robert Noel to leave the employment of the Company prior to vesting, he would forfeit the balance of the award.

### 2 Pensions

The Company operates a money purchase pension scheme which was introduced for all staff joining the Group from 1 January 1999. Prior to the introduction of the money purchase arrangement the Company provided pension benefits on a defined benefit basis.

Following a review of pension provision in light of a series of legislative changes, it was decided that Executive Directors would continue to be entitled to receive a pension allowance, or cash, equivalent to 25% of their base salary.

Richard Akers participates in a defined benefit pension scheme which was open to property management and administration staff until 31 December 1998. This scheme is designed to provide a pension of 1/60th of Pensionable Salary for each year of pensionable service at normal retirement age. The benefits provided to Richard Akers are based on a Pensionable Salary which is subject to a cap, based on the former statutory earnings cap. With effect from 1 April 2006, the defined benefit pension scheme has moved to future accrual on a 'CARE' (Career Average Revalued Earnings) basis, on either a 1/80th accrual or a 1/60th accrual subject to employee contributions. Richard Akers has chosen to accrue benefits on a 1/60th basis with employee contributions of 5% of basic salary. Where the amount of the Company's deemed contribution is less than 25% of Richard Akers' base salary, the balance is paid to him in the form of a pension allowance or in cash.

### 3 Share options

The Company has historically operated share option arrangements for Executive Directors, with vesting subject to performance testing. New awards ceased to be made to Executive Directors following the adoption of the LTIP in 2005-2006.

The Committee determined that the performance criteria had been met for grants made over the period 2000 to 2004 and as a result the executive share options granted during that period that have not lapsed, are exercisable in full. Directors' options over ordinary shares are shown in Table 70.

### 4 Fees paid to the Chairman and Non-executive Directors

The annual fees of the Chairman of the Board and Non-executive Directors are determined by the Board, having regard to independent advice. The Board also takes into account the time commitments of the Non-executive Directors, which are reviewed annually as part of the Board appraisal process. During the year, no increases to the Chairman's fee of £300,000 or to the base Non-executive Directors' fee of £60,000 were awarded. No additional fees are payable for attendance at Board or Committee meetings or for membership of Board Committees, but additional fees outlined below are payable in respect of specific responsibilities:

|                                 |         |
|---------------------------------|---------|
| Chair of Audit Committee        | £17,500 |
| Chair of Remuneration Committee | £12,500 |
| Senior Independent Director     | £10,000 |

Neither the Chairman nor the other Non-executive Directors receive any pension benefits from the Company, nor do they participate in any bonus or incentive schemes. Non-executive Directors are appointed under letters of appointment which provide for an initial term of service of three years. The dates of the current letters of appointment of the Non-executive Directors are shown in Table 62.

The appointment of a Non-executive Director can be terminated, by either party, upon one month's notice and the appointment of the Chairman on three months' notice.

### When were the Executive and Non-executive Directors appointed to the Board?

Table 62

| Name           | Date of appointment* | Date of contract  |
|----------------|----------------------|-------------------|
| F W Salway     | 2 April 2001         | 31 May 2001       |
| M F Greenslade | 1 September 2005     | 1 September 2005  |
| R J Akers      | 17 May 2005          | 17 May 2005       |
| R M Noel       | 1 January 2010       | 17 September 2009 |
| D Rough        | 2 April 2002         | 29 April 2004     |
| S A R Rose     | 21 May 2003          | 29 April 2004     |
| B A Lerenius   | 1 June 2004          | 6 May 2004        |
| A J Carnwath   | 1 September 2004     | 13 November 2008  |
| C Bland        | 1 April 2008         | 9 April 2009      |
| K O'Byrne      | 1 April 2008         | 9 April 2008      |
| C Bartram      | 1 August 2009        | 21 July 2009      |
| S Palley       | 1 August 2010        | 29 July 2010      |

\*Date of appointment to the Board of Land Securities Group PLC or its predecessor company, Land Securities PLC.

### 5 Key features of the Executive Directors' service agreements

The Committee's policy on service agreements for Executive Directors is that they should provide for 12 months' rolling notice of termination by either party. As a result, the unexpired term and the notice periods (both from the Company and from each Executive Director) are 12 months. The dates of appointment and the dates of the service agreements of the Executive Directors are set out in Table 62.

The contracts contain a provision that if an Executive Director is given notice to terminate his employment by the Company, he will be considered for a bonus in the usual way and at the usual time following the relevant bonus year subject to a minimum bonus amount of 10% of basic salary pro-rated to reflect the number of months of the bonus year prior to the service of notice of termination. Any proposals for the early termination of the service agreements of Executive Directors or senior managers are considered by the Committee.

The service agreements of the Executive Directors provide for phased payments of amounts payable on termination, in order to mitigate amounts potentially payable by the Company. Entitlement to bonus, LTIP, Deferred Shares, redundancy and outplacement payments are considered by the Committee and are dependent on the circumstances of leaving and the rules of the relevant bonus and incentive schemes. The Company does not make any arrangements that guarantee pensions with limited or no abatement on severance or early retirement.

The Chairman and the other Non-executive Directors do not have service agreements with the Company.

Board approval is required before any external appointment may be accepted by an Executive Director. Any fees earned in relation to outside appointments are retained by the Executive Director. Francis Salway received £30,417 in respect of his non-executive directorship of Next plc. None of the other Executive Directors received fees for external appointments.

### 6 Directors' shareholdings

The interests of the Directors in the shares of the Company as at 31 March 2011 are shown in Table 68.

There have been no changes in the shareholdings of the Directors between the end of the financial year and 17 May 2011, save that Alison Carnwath, Martin Greenslade and Simon Palley acquired 1,230; 940 and 158 shares respectively under the Company's Scrip Dividend Plan.

No Director had any other interests in contracts or securities of the Company or any of its subsidiary undertakings during the year.

### 7 Shareholding guidelines for Directors

The Committee believes that it is important for a significant investment to be made by each Executive Director in the Company's shares so that each Executive Director's interest in the growth and performance of the Company is closely aligned with the interests of our shareholders. The Committee has, therefore, established share ownership guidelines for the Company's Executive Directors.

These guidelines require the Chief Executive to own shares with a value equal to twice his base salary and for other Executive Directors to own shares with a value equal to 1.5 times their base salary. An Executive Director must normally satisfy the guidelines within five years of his date of appointment in order to qualify for future awards of long-term incentives. In determining their compliance with these requirements, Executive Directors are entitled to include unvested share awards made to them without performance conditions.

In May 2007, the Committee determined that Francis Salway had met the revised share ownership guidelines and in May 2010 the

Committee agreed that Martin Greenslade and Richard Akers had met the revised guidelines. In May 2011, the Committee agreed that Robert Noel had also met the guidelines.

In addition, Non-executive Directors are required to own shares with a value equal to their annual fees within three years of the date of their appointment. The Committee has determined that all Non-executive Directors complied with this requirement following a review in May 2011.

The Committee monitors the Directors' progress against the guidelines as at 31 March of every year.

### 8 Dilution effect of the Group's share incentive schemes

Awards granted under the 2005 Long-Term Incentive Plan, which covers LTIP and Matching Share awards, Deferred Share awards and the 2005 Executive Share Option Plan, which covers employees below Board and senior management level, are met through the funding of an Employee Benefit Trust administered by an external trustee which acquires shares in the market. The Employee Benefit Trust held 287,988 shares at 31 March 2011.

The exercise of share options under the Group's Savings-Related Share Option Scheme, which is open to all employees who have completed six months' service with the Group, is satisfied by the allotment of newly issued shares. At 31 March 2011, the total number of shares which could be allotted under this scheme was 633,040 shares, which represented less than 0.082% of the issued share capital of the Company.

### 9 Pay of senior managers below Board level

The Group currently employs 18 senior managers in positions below Board level. None of these senior managers receives a salary or total remuneration package which is higher than those paid to the Executive Directors and the structure of their remuneration package, including bonuses, is broadly consistent with that of Executive Directors.

The senior managers generally have a bonus potential of up to 80% of annual salary determined by a range of performance indicators. In addition, they are eligible to participate in the discretionary bonus pool of up to 50% of salary. Six of the senior managers, who are responsible for the areas which impact the most significantly on the results of the Group, are also eligible to participate in the additional bonus opportunity for the delivery of exceptional financial returns, as described above in this report, but at up to a maximum of 80% of annual salary. During the year under review, bonuses for this group of employees ranged from 56% to 105% of basic salary, with an average bonus of 76% of salary.

### Performance graphs

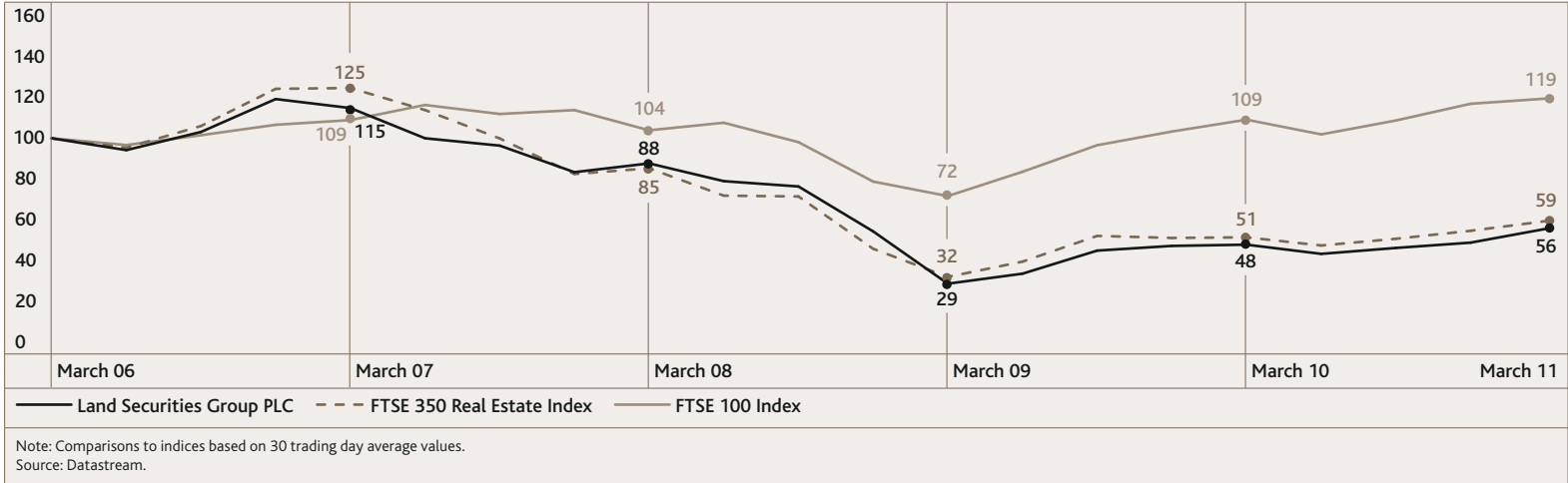
As required by legislation covering the Directors' remuneration report, Chart 63 illustrates the performance of the Company measured by Total Shareholder Return (share price growth plus dividends paid) against a 'broad equity market index' over a period of five years. As the Company is a constituent of the FTSE All Share Real Estate sector, this index is considered to be the most appropriate benchmark for the purposes of the graph. An additional line to illustrate the Company's performance compared with the FTSE 100 index over the previous five years of the Company is also included.

## In this section

- 1 Historical TSR performance [p84](#)
- 2 Criteria for Directors' 2010/11 bonuses [p84](#)
- 3 Targets for the Directors' additional bonus opportunities [p84](#)
- 4 Directors' emoluments [p85](#)
- 5 LTIP and Matching Shares awarded and those vested this year [p86](#)
- 6 Directors' interests in shares [p86](#)
- 7 Defined benefit pension scheme [p87](#)
- 8 Directors' options over ordinary shares [p87](#)

### 1 Historical TSR performance – A hypothetical £100 holding over five years (£)

Chart 63



### 2 Criteria for Director's 2010/11 bonuses

Table 64

|                |              |  |                                  |                      |
|----------------|--------------|--|----------------------------------|----------------------|
| F W Salway     | Group profit | Property investment performance        | Net investment targets           | Development lettings |
| M F Greenslade | Group profit | Performance of Group support functions | Restructuring of debt facilities | IT operations        |
| R J Akers      | Group profit | Property investment performance        | Net investment targets           | Development lettings |
| R M Noel       | Group profit | Property investment performance        | Planning Applications            | Development lettings |

### 3 Targets for the Directors' additional bonus opportunities

Table 65

| Executive Directors                       | Performance measures and range  | Additional bonus |
|---|---|------------------|
| Managing Director of the Retail Portfolio | 2%–4% outperformance of the relevant Retail business total property return (TPR) Benchmark <sup>1</sup> | 0%–200%          |
| Managing Director of the London Portfolio | 2%–4% outperformance of the relevant London business total property return (TPR) Benchmark <sup>1</sup> | 0%–200%          |
| Group Finance Director                    | Aggregated performance of London and Retail businesses relative to the above measure                    | 0%–200%          |
| Chief Executive                           | Aggregated performance of London and Retail businesses relative to the above measure                    | 0%–200%          |

1. The relevant sector benchmarks are provided by IPD and relate to ungeared total property return (reflecting the increase in the value of all assets plus income streams arising from those assets in the year). IPD benchmarks are generally acknowledged as the industry standard.

**4 Directors' emoluments (£'000) (audited)**

Table 66

Report of the Directors

|                                    | Basic salary and fees |         | Benefits <sup>1,2</sup> |         | Bonuses |         | Deferred bonus shares <sup>3</sup> |         | Total emoluments<br>(excluding pensions) |         |
|------------------------------------|-----------------------|---------|-------------------------|---------|---------|---------|------------------------------------|---------|--|---------|
|                                    | 2010/11               | 2009/10 | 2010/11                 | 2009/10 | 2010/11 | 2009/10 | 2010/11                            | 2009/10 | 2010/11                                  | 2009/10 |
| <b>Executive:</b>                  |                       |         |                         |         |         |         |                                    |         |  |         |
| F W Salway                         | 653                   | 645     | 64                      | 23      | 617     | 531     | 61                                 | 41      | 1,395                                    | 1,240   |
| R J Akers <sup>4</sup>             | 378                   | 373     | 38                      | 23      | 330     | 593     | 31                                 | 18      | 777                                      | 1,007   |
| M F Greenslade                     | 422                   | 414     | 18                      | 18      | 237     | 332     | 35                                 | 12      | 712                                      | 776     |
| R M Noel                           | 406                   | 100     | 113                     | 33      | 345     | 175     | –                                  | –       | 864                                      | 308     |
|                                    | 1,859                 | 1,532   | 233                     | 97      | 1,529   | 1,631   | 127                                | 71      | 3,748                                    | 3,331   |
| <b>Non-executive:</b>              |                       |         |                         |         |         |         |                                    |         |  |         |
| D Rough                            | 83                    | 79      | –                       | –       | –       | –       | –                                  | –       | 83                                       | 79      |
| S A R Rose                         | 60                    | 57      | –                       | –       | –       | –       | –                                  | –       | 60                                       | 57      |
| B A Lerenius                       | 60                    | 57      | –                       | –       | –       | –       | –                                  | –       | 60                                       | 57      |
| A J Carnwath                       | 300                   | 300     | –                       | –       | –       | –       | –                                  | –       | 300                                      | 300     |
| Sir Christopher Bland              | 60                    | 57      | –                       | –       | –       | –       | –                                  | –       | 60                                       | 57      |
| K O'Byrne                          | 77                    | 75      | –                       | –       | –       | –       | –                                  | –       | 77                                       | 75      |
| C Bartram                          | 60                    | 39      | –                       | –       | –       | –       | –                                  | –       | 60                                       | 39      |
| S Palley (appointed 1 August 2010) | 40                    | –       | –                       | –       | –       | –       | –                                  | –       | 40                                       | –       |
|                                    | 2,599                 | 2,196   | 233                     | 97      | 1,529   | 1,631   | 127                                | 71      | 4,488                                    | 3,995   |

|                                    | Pensions <sup>5</sup> |         | LTIP and matching shares vested |         | Conditional shares vested <sup>6</sup> |         |
|------------------------------------|-----------------------|---------|---------------------------------|---------|--|---------|
|                                    | 2010/11               | 2009/10 | 2010/11                         | 2009/10 | 2010/11                                | 2009/10 |
| <b>Executive:</b>                  |                       |         |                                 |         |  |         |
| F W Salway                         | 122                   | 161     | 220                             | 309     | –                                      | –       |
| R J Akers                          | 83                    | 118     | 130                             | 141     | –                                      | –       |
| M F Greenslade                     | 106                   | 104     | 144                             | 207     | –                                      | –       |
| R M Noel                           | –                     | –       | –                               | –       | 191                                    | –       |
|                                    | 311                   | 383     | 494                             | 657     | 191                                    | –       |
| <b>Non-executive:</b>              |                       |         |                                 |         |  |         |
| D Rough                            | –                     | –       | –                               | –       | –                                      | –       |
| S A R Rose                         | –                     | –       | –                               | –       | –                                      | –       |
| B A Lerenius                       | –                     | –       | –                               | –       | –                                      | –       |
| A J Carnwath                       | –                     | –       | –                               | –       | –                                      | –       |
| Sir Christopher Bland              | –                     | –       | –                               | –       | –                                      | –       |
| K O'Byrne                          | –                     | –       | –                               | –       | –                                      | –       |
| C Bartram                          | –                     | –       | –                               | –       | –                                      | –       |
| S Palley (appointed 1 August 2010) | –                     | –       | –                               | –       | –                                      | –       |
|                                    | 311                   | 383     | 494                             | 657     | 191                                    | –       |

**Notes:**

- Benefits consist of the provision of a company car or car allowance, allowance in lieu of pension, private medical insurance and life assurance premiums.
- During the year, F W Salway, R J Akers and R M Noel received allowances in lieu of pension of £40,626, £15,345 and £101,500 respectively.
- Deferred bonus shares represent the value of shares which vested under the Deferred Bonus Plan.
- R J Akers is potentially entitled to an additional bonus of 90% of salary for the 2010/11 financial year as the performance of the Retail Portfolio exceeded the relevant IPD benchmark by 2.9%, in absolute terms. If the performance criteria for the financial year 2011/12 is also met, half of the payment would become due in cash in June 2012, with the balance deferred into the Company's shares for a period of two years.
- No pension contributions were made by the Group for R M Noel who received an allowance in lieu of pension as detailed in note 2 above.
- R M Noel was awarded 160,000 Conditional shares on his appointment to the Board. 34,000 shares vested at nil consideration in June 2010 and 46,000 and 80,000 are due to vest in June 2011 and June 2012 respectively.
- M R Hussey received £505,339 under an agreement for compensation for loss of office during 2009/10 with a further £141,277 due in 2010/11 subject to mitigation. The final payment of £47,092 was cancelled under these provisions and he received a total of £94,185 during April and May 2010. The amounts paid to M R Hussey are the only compensation for loss of office paid by the Group.
- Pensions of £66,224 (2010: £65,118) resulting from unfunded historic benefit obligations were paid to former Directors or their dependants.

## 5 LTIP and Matching Shares awarded and those vested this year\* (audited)

Table 67

|                       | Cycle ending | Award date | Market price at award date (p) <sup>†</sup> | Shares awarded      | Shares vested | Market price at date of vesting (p) | Vesting date |
|-----------------------|--------------|------------|---|---------------------|---------------|-------------------------------------|--------------|
| <b>F W Salway</b>     |              |            |   |                     |               |                                     |              |
| —LTIP shares          | 2010         | 29/06/2007 | 1560 <sup>†</sup>                           | 40,070 <sup>†</sup> | 20,035        | 572                                 | 29/06/2010   |
|                       | 2012         | 30/03/2009 | 1095 <sup>†</sup>                           | 58,914 <sup>†</sup> |               |                                     | 30/03/2012   |
|                       | 2012         | 29/06/2009 | 468   | 137,527             |               |                                     | 29/06/2012   |
|                       | 2013         | 29/06/2010 | 572   | 110,445             |               |                                     | 29/06/2013   |
| —Matching shares      | 2010         | 31/07/2007 | 1527 <sup>†</sup>                           | 34,358 <sup>†</sup> | 17,179        | 613                                 | 31/07/2010   |
|                       | 2012         | 30/03/2009 | 1095 <sup>†</sup>                           | 23,434 <sup>†</sup> |               |                                     | 30/03/2012   |
|                       | 2012         | 31/07/2009 | 532   | 118,652             |               |                                     | 31/07/2012   |
|                       | 2013         | 30/07/2010 | 613   | 107,864             |               |                                     | 30/07/2013   |
| <b>R J Akers</b>      |              |            |   |                     |               |                                     |              |
| —LTIP shares          | 2010         | 29/06/2007 | 1560 <sup>†</sup>                           | 23,079 <sup>†</sup> | 11,539        | 572                                 | 29/06/2010   |
|                       | 2012         | 30/03/2009 | 1095 <sup>†</sup>                           | 25,525 <sup>†</sup> |               |                                     | 30/03/2012   |
|                       | 2012         | 29/06/2009 | 468   | 79,446              |               |                                     | 29/06/2012   |
|                       | 2013         | 29/06/2010 | 572   | 63,801              |               |                                     | 29/06/2013   |
| —Matching shares      | 2010         | 31/07/2007 | 1527 <sup>†</sup>                           | 21,090 <sup>†</sup> | 10,545        | 613                                 | 31/07/2010   |
|                       | 2012         | 30/03/2009 | 1095 <sup>†</sup>                           | 12,330 <sup>†</sup> |               |                                     | 30/03/2012   |
|                       | 2012         | 31/07/2009 | 532   | 68,542              |               |                                     | 31/07/2012   |
|                       | 2013         | 30/07/2010 | 613   | 62,620              |               |                                     | 30/07/2013   |
| <b>M F Greenslade</b> |              |            |   |                     |               |                                     |              |
| —LTIP shares          | 2010         | 29/06/2007 | 1560 <sup>†</sup>                           | 25,644 <sup>†</sup> | 12,822        | 572                                 | 29/06/2010   |
|                       | 2012         | 30/03/2009 | 1095 <sup>†</sup>                           | 37,815 <sup>†</sup> |               |                                     | 30/03/2012   |
|                       | 2012         | 29/06/2009 | 468   | 88,273              |               |                                     | 29/06/2012   |
|                       | 2013         | 29/06/2010 | 572   | 70,890              |               |                                     | 29/06/2013   |
| —Matching shares      | 2010         | 31/07/2007 | 1527 <sup>†</sup>                           | 23,000 <sup>†</sup> | 11,500        | 613                                 | 31/07/2010   |
|                       | 2012         | 30/03/2009 | 1095 <sup>†</sup>                           | 14,654 <sup>†</sup> |               |                                     | 31/03/2012   |
|                       | 2012         | 31/07/2009 | 532   | 76,160              |               |                                     | 31/07/2012   |
|                       | 2013         | 30/07/2010 | 613   | 70,046              |               |                                     | 30/07/2013   |
| <b>R M Noel</b>       |              |            |   |                     |               |                                     |              |
| —LTIP shares          | 2013         | 29/06/2010 | 572   | 68,493              |               |                                     | 29/06/2013   |
| —Matching shares      | 2013         | 30/07/2010 | 613   | 65,564              |               |                                     | 30/07/2013   |

\*Subject to performance tests p80.  
<sup>†</sup>As adjusted for the Rights Issue in March 2009.

## 6 Directors' interests in shares (audited)

Table 68

|                | Ordinary shares |         | Deferred shares |        | LTIP performance shares* |         | Matching shares* |         | Conditional share award |         |
|----------------|-----------------|---------|-----------------|--------|--------------------------|---------|------------------|---------|-------------------------|---------|
|                | 2011            | 2010    | 2011            | 2010   | 2011                     | 2010    | 2011             | 2010    | 2011                    | 2010    |
| A J Carnwath   | 126,157         | 120,662 | —               | —      | —                        | —       | —                | —       | —                       | —       |
| F W Salway     | 290,676         | 249,799 | 74,776          | 61,436 | 306,886                  | 236,511 | 249,950          | 176,444 | —                       | —       |
| R J Akers      | 109,874         | 87,313  | 120,456         | 45,792 | 168,772                  | 128,050 | 143,492          | 101,962 | —                       | —       |
| M F Greenslade | 121,778         | 92,329  | 48,291          | 38,279 | 196,978                  | 151,732 | 160,860          | 113,814 | —                       | —       |
| R M Noel       | 48,660          | 32,000  | —               | —      | 68,493                   | —       | 65,564           | —       | 126,000                 | 160,000 |
| D Rough        | 18,524          | 18,524  | —               | —      | —                        | —       | —                | —       | —                       | —       |
| C Bland        | 16,251          | 16,251  | —               | —      | —                        | —       | —                | —       | —                       | —       |
| S A R Rose     | 16,250          | 16,250  | —               | —      | —                        | —       | —                | —       | —                       | —       |
| B A Lerenius   | 29,250          | 29,250  | —               | —      | —                        | —       | —                | —       | —                       | —       |
| S Palley       | 16,250          | —       | —               | —      | —                        | —       | —                | —       | —                       | —       |
| C Bartram      | 9,253           | 3,753   | —               | —      | —                        | —       | —                | —       | —                       | —       |
| K O'Byrne      | 11,350          | 1,625   | —               | —      | —                        | —       | —                | —       | —                       | —       |

**Notes:**  
S Palley held no shares on appointment.  
\*Subject to performance conditions p80.



**7 Defined benefit pension scheme (audited)**

Table 69

|           | Accrued benefit at 31 March 2011<br>£ | Increase in accrued benefits excluding inflation*<br>£ | Increase in accrued benefits including inflation<br>£ | Transfer value of increase in accrued benefits excluding inflation<br>£ | Transfer value of accrued benefits at 1 April 2010<br>£ | Transfer value of accrued benefits at 31 March 2011<br>£ | Increase in transfer value net of Directors' contributions <sup>†</sup><br>£ |
|-----------|---------------------------------------|--|---|---|---|--|--|
| R J Akers | 32,896                                | 2,140  | 3,065   | 36,562  | 488,508   | 540,417  | 45,729   |

\*Inflation, as measured by the change in the Consumer Price Index ('CPI') between September 2009 and September 2010, was 3.1% over this period.

<sup>†</sup>Directors' contributions were £6,180.

The 'Increase in transfer value net of Directors' contributions' differs from the 'Transfer value of increase in accrued benefit' in that it reflects changes in the transfer value assumptions and market conditions over the year less the Directors' own contributions to the pension scheme.

The transfer values have been calculated on the basis of actuarial advice in accordance with the 2008 transfer value regulations. During the year the transfer value assumptions were changed to reflect the change from the Retail Prices Index to the Consumer Price Index as the measure for determining minimum statutory deferred pension increases. The transfer values of the accrued entitlement in respect of qualifying service represents the value of assets that the pension scheme would need to transfer to another pension provider on transferring the liability in respect of the Directors' pension benefits that they earned in respect of qualifying service. They do not represent sums payable to individual Directors and, therefore, cannot be added meaningfully to annual remuneration.

**8 Directors' options over ordinary shares (audited)**

Table 70

|                | Note | Granted during year                        |        |                     | Exercised/(lapsed) during year |                        |                                  | Number of options at 31/03/11 | Exercise price (pence) | Exercisable dates |
|----------------|------|--|--------|---------------------|--------------------------------|------------------------|----------------------------------|-------------------------------|------------------------|-------------------|
|                |      | Number of options at 01/04/10 <sup>†</sup> | Number | Grant price (pence) | Number                         | Exercise price (pence) | Market price on exercise (pence) |                               |                        |                   |
| F W Salway     | (2)  | 47,793                                     | —      | —                   | —                              | —                      | —                                | 47,793                        | 1044                   | 07/2007-07/2014   |
| R J Akers      | (1)  | 11,652                                     | —      | —                   | —                              | —                      | —                                | 11,652                        | 783                    | 07/2004-07/2011   |
|                | (2)  | 8,600                                      | —      | —                   | —                              | —                      | —                                | 8,600                         | 710                    | 07/2006-07/2013   |
|                | (2)  | 12,762                                     | —      | —                   | —                              | —                      | —                                | 12,762                        | 1044                   | 07/2007-07/2014   |
|                | (3)  | 4,033                                      | —      | —                   | —                              | —                      | —                                | 4,033                         | 388                    | 06/2014-12/2014   |
| M F Greenslade | (3)  | 1,193                                      | —      | —                   | —                              | —                      | —                                | 1,193                         | 1372                   | 09/2011-03/2012   |

**Notes:**

1. 2000 Executive Share Option Scheme. Vesting of awards is dependent on the Company's growth in normalised adjusted EPS exceeding the growth in RPI by 2.5% per year.

2. 2002 Executive Share Option Scheme. Vesting of awards is dependent on the Company's growth in normalised adjusted EPS exceeding the growth in RPI by at least 2.5% per year.

3. 2003 Savings Related Share Option Scheme. Not subject to performance conditions because it is available to all staff and HM Revenue & Customs' rules do not permit performance conditions to be set out for this type of scheme.

The total number of options over ordinary shares held by F W Salway, R J Akers and M F Greenslade at 31 March 2010 was 47,793, 37,047 and 1,193 respectively. The total number of options over ordinary shares held by all Directors at 31 March 2011 was 86,033.

The range of the closing middle market prices for Land Securities Group PLC's shares during the year was 545p to 773p. The closing middle market price on 31 March 2011 was 733.50p.

<sup>†</sup>As adjusted for the Rights Issue in March 2009.

# Report of the Directors

Additional disclosures

## Share capital

At the Company's last Annual General Meeting, held on 22 July 2010, shareholders authorised the Company to make market purchases of ordinary shares representing up to 10% of its issued share capital at that time and to allot shares within certain limits permitted by shareholders and the Companies Act, with such authorities expiring at the 2011 Annual General Meeting. No shares were repurchased in the year to 31 March 2011. However, following repurchases in earlier periods, the Company currently holds 5,896,000 ordinary shares in treasury. New shares were allotted during the year only in relation to employee share awards and the Company's scrip dividend facility. Resolutions to renew these authorities will be proposed at the 2011 Annual General Meeting.

## Substantial shareholders

At 17 May 2011 the interests in issued share capital which had been notified to the Company under the Disclosure and Transparency Rules (DTR 5) of the Financial Services Authority are shown below.

### Shareholders owning over 3% of the Company's shares

Table 71

|                                       | Number of shares | %    |
|---------------------------------------|------------------|------|
| BlackRock Inc                         | 46,105,410       | 5.92 |
| Norges Bank                           | 36,471,084       | 4.68 |
| Legal & General Investment Management | 32,489,041       | 4.17 |
| Peel Holdings Plc                     | 31,941,156       | 4.10 |
| APG Algemene Pensioen Groep           | 29,939,405       | 3.85 |

## Directors' indemnities

On 5 May 2006, the Company agreed to indemnify each Director against any liability incurred in relation to acts or omissions arising in the course of their office. The indemnity applies only to the extent permitted by law. A copy of the deed of indemnity is available for inspection at the Company's registered office and at the Annual General Meeting.

## Auditors and disclosure of information to auditors

So far as the Directors are aware, there is no relevant audit information that has not been brought to the attention of the Company's auditors. Each Director has taken all reasonable steps to make himself or herself aware of any relevant audit information and to establish that such information was provided to the auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the 2011 Annual General Meeting.

## Provisions on change of control

There are a number of agreements which take effect, alter or terminate upon a change of control of the Company. None of these are considered significant. The Company's share schemes contain provisions which take effect in the event of a change of control, but do not entitle participants to a greater interest in the shares of the Company than created by the initial grant or award under the relevant scheme.

## Payment policy

The Group's policy is to pay invoices in accordance with their terms. The Company has no trade creditors as at 31 March 2011. The Group's creditor payment days at 31 March 2011 represented 25 days' purchases.

## Going concern

The Directors have included a statement on their adoption of the 'going concern' basis for the preparation of the Group's financial statements within the Corporate Governance Report.

## Voting rights

Each ordinary share of the Company carries one vote. Further information on the voting and other rights of shareholders are set out in the Company's Articles of Association and in the explanatory notes that accompany the Notice of the Annual General Meeting which are available on the Company's website at [www.landsecurities.com](http://www.landsecurities.com).

## Annual General Meeting

Accompanying this report is the Notice of the Annual General Meeting which sets out the resolutions for the meeting, together with an explanation of them.

By order of the Board

**Adrian de Souza**

Group General Counsel and Company Secretary

# Contents

## 30—88 Report of the Directors

Covering the most significant strategic, financial and operational developments during the year.

|    |                                    |
|----|------------------------------------|
| 30 | Our Chairman's message             |
| 32 | Chief Executive's statement        |
| 34 | Financial review                   |
| 38 | Business review                    |
| 38 | – Why and how we develop           |
| 39 | – Group business review            |
| 41 | – Our risks and how we manage them |
| 44 | – Retail Portfolio                 |
| 52 | – London Portfolio                 |
| 60 | Board of Directors                 |
| 62 | Corporate Responsibility           |
| 68 | Corporate governance               |
| 76 | Directors' remuneration report     |

## 90—138 Financial statements

Including the independent auditors' report, the income statement, balance sheets and the notes to the financial statements.

|    |  |
|----|--|
| 90 | Statement of Directors' responsibilities |
| 91 | Independent auditors' report             |
| 92 | Income statement                         |
| 92 | Statement of comprehensive income        |
| 93 | Balance sheets                           |
| 94 | Statement of changes in equity           |
| 96 | Statement of cash flows                  |
| 97 | Notes to the financial statements        |

## 140—160 Investor resource

Helpful analysis, summaries and information on business performance and shareholdings.

|     |                          |
|-----|--------------------------|
| 140 | Business analysis        |
| 150 | Five year summary        |
| 152 | Retail asset disclosures |
| 154 | London asset disclosures |
| 156 | Our investors            |
| 157 | Investor information     |
| 159 | Index                    |
| 160 | Glossary                 |
| IBC | Contact details          |

# Statement of Directors' responsibilities

in respect of the Annual Report and the financial statements

## The Annual Report 2011 contains the following statements regarding responsibility for the financial statements and business review included in the Annual Report.

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Directors' responsibility statement

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

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

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

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

Alison Carnwath\*, Chairman  
Francis Salway, Chief Executive  
David Rough\*  
Martin Greenslade  
Bo Lerenius\*  
Richard Akers  
Sir Stuart Rose\*  
Robert Noel  
Sir Christopher Bland\*  
Kevin O'Byrne\*  
Chris Bartram\*  
Simon Palley\* (appointed 1 August 2010)

\* Non-executive Directors

By order of the Board  
**Adrian de Souza**  
Group General Counsel and Company Secretary  
17 May 2011

# Independent auditors' report

to the members of Land Securities Group PLC

We have audited the financial statements of Land Securities Group PLC for the year ended 31 March 2011 which comprise the Group Income Statement, the Group and Company Balance Sheets, the Group and Company Statements of Cash Flows, the Group Statement of Comprehensive Income, the Group and Company Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

## Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' responsibilities set out on page 90, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2011 and of the Group's profit and Group's and Parent Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 71, in relation to going concern;
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

## John Waters (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
17 May 2011

# Income statement

for the year ended 31 March 2011

|  | Notes | Group<br>2011<br>£m | Group<br>2010<br>£m |
|--|-------|---------------------|---------------------|
| <b>Group revenue<sup>1</sup></b>   | 5     | <b>701.9</b>        | 833.4               |
| <b>Costs</b>   |       | <b>(270.8)</b>      | (392.5)             |
|  |       | <b>431.1</b>        | 440.9               |
| Profit/(loss) on disposal of investment properties                         | 4     | 75.7                | (32.5)              |
| Net surplus on revaluation of investment properties                        | 4     | 794.1               | 746.0               |
| Impairment charge on trading properties                                    | 4     | (1.4)               | (10.6)              |
| <b>Operating profit</b>  |       | <b>1,299.5</b>      | 1,143.8             |
| Interest expense   | 9     | (240.2)             | (248.9)             |
| Interest income  | 9     | 26.0                | 29.8                |
| Fair value movement on interest-rate swaps                                 | 9     | (1.9)               | 7.0                 |
|  |       | <b>1,083.4</b>      | 931.7               |
| Share of the profit of joint ventures (post-tax)                           | 18    | 143.9               | 137.6               |
| <b>Profit before tax</b>   |       | <b>1,227.3</b>      | 1,069.3             |
| Income tax   | 11    | 16.8                | 23.1                |
| <b>Profit for the financial year</b>                                       |       | <b>1,244.1</b>      | 1,092.4             |
| <b>Attributable to:</b>  |       |                     |                     |
| Owners of the Parent   |       | 1,241.6             | 1,088.9             |
| Non-controlling interests  |       | 2.5                 | 3.5                 |
| <b>Profit for the financial year</b>                                       |       | <b>1,244.1</b>      | 1,092.4             |
| <b>Earnings per share attributable to the owners of the Parent (pence)</b> |       |                     |                     |
| Basic earnings per share   | 12    | 162.33              | 144.04              |
| Diluted earnings per share   | 12    | 162.18              | 143.96              |

1. Group revenue excludes the share of joint ventures' income of £107.5m (2010: £101.7m).

# Statement of comprehensive income

for the year ended 31 March 2011

|   | Notes | Group<br>2011<br>£m | Group<br>2010<br>£m |
|---|-------|---------------------|---------------------|
| <b>Profit for the financial year</b>  |       | <b>1,244.1</b>      | 1,092.4             |
| Other comprehensive income consisting of:   |       |                     |                     |
| Actuarial gains/(losses) on defined benefit pension scheme                                      | 30    | 11.0                | (15.2)              |
| Deferred tax credit on actuarial losses on defined benefit pension scheme                       | 31    | –                   | 1.9                 |
| Share of joint ventures' fair value movement on interest-rate swaps treated as cash flow hedges | 18    | 12.4                | 2.6                 |
| <b>Other comprehensive income/(expense) for the financial year</b>                              |       | <b>23.4</b>         | (10.7)              |
| <b>Total comprehensive income for the financial year</b>  |       | <b>1,267.5</b>      | 1,081.7             |
| <b>Attributable to:</b>   |       |                     |                     |
| Owners of the Parent  |       | 1,265.0             | 1,078.2             |
| Non-controlling interests   |       | 2.5                 | 3.5                 |
| <b>Total comprehensive income for the financial year</b>  |       | <b>1,267.5</b>      | 1,081.7             |

# Balance sheets

at 31 March 2011

|  | Notes | Group            |                  | Company        |                |
|--|-------|------------------|------------------|----------------|----------------|
|  |       | 2011<br>£m       | 2010<br>£m       | 2011<br>£m     | 2010<br>£m     |
| <b>Non-current assets</b>  |       |                  |                  |                |                |
| Investment properties  | 14    | 8,889.0          | 8,044.3          | –              | –              |
| Other property, plant and equipment                                  | 15    | 11.3             | 12.8             | –              | –              |
| Net investment in finance leases                                     | 16    | 116.8            | 115.4            | –              | –              |
| Loan investments   | 17    | 72.2             | 84.3             | –              | –              |
| Investments in joint ventures  | 18    | 939.6            | 787.8            | –              | –              |
| Investments in subsidiary undertakings                               | 19    | –                | –                | 6,173.0        | 5,684.5        |
| Trade and other receivables  | 21    | 77.0             | –                | –              | –              |
| Pension surplus  | 30    | 8.7              | –                | –              | –              |
| <b>Total non-current assets</b>                                      |       | <b>10,114.6</b>  | <b>9,044.6</b>   | <b>6,173.0</b> | <b>5,684.5</b> |
| <b>Current assets</b>  |       |                  |                  |                |                |
| Trading properties and long-term development contracts               | 20    | 129.3            | 87.9             | –              | –              |
| Derivative financial instruments                                     | 26    | –                | 1.0              | –              | –              |
| Trade and other receivables  | 21    | 354.3            | 334.4            | 10.0           | 19.2           |
| Monies held in restricted accounts and deposits                      | 22    | 35.1             | 95.6             | –              | –              |
| Cash and cash equivalents  | 23    | 37.6             | 159.4            | 0.2            | 0.2            |
| <b>Total current assets</b>  |       | <b>556.3</b>     | <b>678.3</b>     | <b>10.2</b>    | <b>19.4</b>    |
| <b>Total assets</b>  |       | <b>10,670.9</b>  | <b>9,722.9</b>   | <b>6,183.2</b> | <b>5,703.9</b> |
| <b>Current liabilities</b>   |       |                  |                  |                |                |
| Borrowings   | 27    | (33.0)           | (308.6)          | –              | –              |
| Derivative financial instruments                                     | 26    | –                | (1.1)            | –              | –              |
| Trade and other payables   | 24    | (423.2)          | (395.5)          | (403.1)        | (8.1)          |
| Provisions   | 25    | (7.4)            | (1.5)            | –              | –              |
| Current tax liabilities  |       | (35.5)           | (111.0)          | –              | –              |
| <b>Total current liabilities</b>                                     |       | <b>(499.1)</b>   | <b>(817.7)</b>   | <b>(403.1)</b> | <b>(8.1)</b>   |
| <b>Non-current liabilities</b>                                       |       |                  |                  |                |                |
| Borrowings   | 27    | (3,351.3)        | (3,209.7)        | –              | –              |
| Derivative financial instruments                                     | 26    | (2.0)            | –                | –              | –              |
| Pension deficit  | 30    | –                | (6.5)            | –              | –              |
| Trade and other payables   | 24    | (6.2)            | –                | –              | –              |
| <b>Total non-current liabilities</b>                                 |       | <b>(3,359.5)</b> | <b>(3,216.2)</b> | <b>–</b>       | <b>–</b>       |
| <b>Total liabilities</b>   |       | <b>(3,858.6)</b> | <b>(4,033.9)</b> | <b>(403.1)</b> | <b>(8.1)</b>   |
| <b>Net assets</b>  |       | <b>6,812.3</b>   | <b>5,689.0</b>   | <b>5,780.1</b> | <b>5,695.8</b> |
| <b>Equity</b>  |       |                  |                  |                |                |
| <b>Capital and reserves attributable to the owners of the Parent</b> |       |                  |                  |                |                |
| Ordinary shares  | 33    | 77.6             | 76.5             | 77.6           | 76.5           |
| Share premium  |       | 785.5            | 785.3            | 785.5          | 785.3          |
| Capital redemption reserve   |       | 30.5             | 30.5             | 30.5           | 30.5           |
| Merger reserve   |       | –                | –                | 373.6          | 373.6          |
| Share-based payments   |       | 7.2              | 6.0              | 7.2            | 6.0            |
| Retained earnings  |       | 5,914.3          | 4,798.5          | 4,505.7        | 4,423.9        |
| Own shares   | 34    | (3.6)            | (6.9)            | –              | –              |
| <b>Equity attributable to the owners of the Parent</b>               |       | <b>6,811.5</b>   | <b>5,689.9</b>   | <b>5,780.1</b> | <b>5,695.8</b> |
| Non-controlling interests  |       | 0.8              | (0.9)            | –              | –              |
| <b>Total equity</b>  |       | <b>6,812.3</b>   | <b>5,689.0</b>   | <b>5,780.1</b> | <b>5,695.8</b> |

The financial statements on p92–138 were approved by the Board of Directors on 17 May 2011 and were signed on its behalf by:

FW Salway      MF Greenslade  
Directors

# Statement of changes in equity

| Group   | Attributable to owners of the Parent |                     |                                  |                            |                                      |                  |                | Non-controlling interest<br>£m | Total equity<br>£m |
|---|--------------------------------------|---------------------|----------------------------------|----------------------------|--------------------------------------|------------------|----------------|--------------------------------|--------------------|
|   | Ordinary shares<br>£m                | Share premium<br>£m | Capital redemption reserve<br>£m | Share-based payments<br>£m | Retained earnings <sup>1</sup><br>£m | Own shares<br>£m | Total<br>£m    |                                |                    |
| At 1 April 2009   | 76.2                                 | 785.2               | 30.5                             | 8.1                        | 3,935.9                              | (12.4)           | 4,823.5        | (3.3)                          | 4,820.2            |
| Profit for the year ended 31 March 2010   | –                                    | –                   | –                                | –                          | 1,088.9                              | –                | 1,088.9        | 3.5                            | 1,092.4            |
| Other comprehensive income:   |                                      |                     |                                  |                            |                                      |                  |                |                                |                    |
| Actuarial loss on pension scheme  | –                                    | –                   | –                                | –                          | (13.3)                               | –                | (13.3)         | –                              | (13.3)             |
| Fair value movement on interest-rate swaps treated as cash flow hedges              | –                                    | –                   | –                                | –                          | 2.6                                  | –                | 2.6            | –                              | 2.6                |
| <b>Total comprehensive income for the year ended 31 March 2010</b>                  | –                                    | –                   | –                                | –                          | <b>1,078.2</b>                       | –                | <b>1,078.2</b> | <b>3.5</b>                     | <b>1,081.7</b>     |
| Transactions with owners:   |                                      |                     |                                  |                            |                                      |                  |                |                                |                    |
| Exercise of options   | –                                    | 0.1                 | –                                | –                          | –                                    | –                | 0.1            | –                              | 0.1                |
| New share capital subscribed  | 0.3                                  | 17.3                | –                                | –                          | –                                    | –                | 17.6           | –                              | 17.6               |
| Transfer to retained earnings in respect of shares issued in lieu of cash dividends | –                                    | (17.3)              | –                                | –                          | 17.3                                 | –                | –              | –                              | –                  |
| Fair value of share-based payments  | –                                    | –                   | –                                | 6.0                        | –                                    | –                | 6.0            | –                              | 6.0                |
| Transfer of shares to employees on exercise of share options                        | –                                    | –                   | –                                | –                          | (5.5)                                | 5.5              | –              | –                              | –                  |
| Release on exercise/forfeiture of share options                                     | –                                    | –                   | –                                | (8.1)                      | 8.1                                  | –                | –              | –                              | –                  |
| Dividends to owners of the Parent   | –                                    | –                   | –                                | –                          | (235.5)                              | –                | (235.5)        | –                              | (235.5)            |
| Distribution paid to non-controlling interests                                      | –                                    | –                   | –                                | –                          | –                                    | –                | –              | (1.1)                          | (1.1)              |
| <b>Total transactions with owners of the Parent</b>                                 | <b>0.3</b>                           | <b>0.1</b>          | <b>–</b>                         | <b>(2.1)</b>               | <b>(215.6)</b>                       | <b>5.5</b>       | <b>(211.8)</b> | <b>(1.1)</b>                   | <b>(212.9)</b>     |
| <b>At 31 March 2010</b>   | <b>76.5</b>                          | <b>785.3</b>        | <b>30.5</b>                      | <b>6.0</b>                 | <b>4,798.5</b>                       | <b>(6.9)</b>     | <b>5,689.9</b> | <b>(0.9)</b>                   | <b>5,689.0</b>     |
| Profit for the year ended 31 March 2011   | –                                    | –                   | –                                | –                          | 1,241.6                              | –                | 1,241.6        | 2.5                            | 1,244.1            |
| <b>Other comprehensive income:</b>  |                                      |                     |                                  |                            |                                      |                  |                |                                |                    |
| Actuarial gain on pension scheme  | –                                    | –                   | –                                | –                          | 11.0                                 | –                | 11.0           | –                              | 11.0               |
| Fair value movement on interest-rate swaps treated as cash flow hedges              | –                                    | –                   | –                                | –                          | 12.4                                 | –                | 12.4           | –                              | 12.4               |
| <b>Total comprehensive income for the year ended 31 March 2011</b>                  | –                                    | –                   | –                                | –                          | <b>1,265.0</b>                       | –                | <b>1,265.0</b> | <b>2.5</b>                     | <b>1,267.5</b>     |
| Transactions with owners:   |                                      |                     |                                  |                            |                                      |                  |                |                                |                    |
| Exercise of options   | –                                    | 0.2                 | –                                | –                          | –                                    | –                | 0.2            | –                              | 0.2                |
| New share capital subscribed  | 1.1                                  | 69.7                | –                                | –                          | –                                    | –                | 70.8           | –                              | 70.8               |
| Transfer to retained earnings in respect of shares issued in lieu of cash dividend  | –                                    | (69.7)              | –                                | –                          | 69.7                                 | –                | –              | –                              | –                  |
| Fair value of share-based payments  | –                                    | –                   | –                                | 3.8                        | –                                    | –                | 3.8            | –                              | 3.8                |
| Settlement and transfer of shares to employees on exercise of share options         | –                                    | –                   | –                                | –                          | (7.9)                                | 3.5              | (4.4)          | –                              | (4.4)              |
| Release on exercise/forfeiture of share options                                     | –                                    | –                   | –                                | (2.6)                      | 2.6                                  | –                | –              | –                              | –                  |
| Dividends to owners of the Parent   | –                                    | –                   | –                                | –                          | (213.6)                              | –                | (213.6)        | –                              | (213.6)            |
| Distributions paid to non-controlling interests                                     | –                                    | –                   | –                                | –                          | –                                    | –                | –              | (0.8)                          | (0.8)              |
| Acquisition of own shares   | –                                    | –                   | –                                | –                          | –                                    | (0.2)            | (0.2)          | –                              | (0.2)              |
| <b>Total transactions with owners of the Parent</b>                                 | <b>1.1</b>                           | <b>0.2</b>          | <b>–</b>                         | <b>1.2</b>                 | <b>(149.2)</b>                       | <b>3.3</b>       | <b>(143.4)</b> | <b>(0.8)</b>                   | <b>(144.2)</b>     |
| <b>At 31 March 2011</b>   | <b>77.6</b>                          | <b>785.5</b>        | <b>30.5</b>                      | <b>7.2</b>                 | <b>5,914.3</b>                       | <b>(3.6)</b>     | <b>6,811.5</b> | <b>0.8</b>                     | <b>6,812.3</b>     |

1. Included within retained earnings are cumulative losses in respect of cash flow hedges (interest rate swaps) of £2.1m (2010: £14.5m).



# Statement of changes in equity

| Company  | Ordinary shares<br>£m | Share premium<br>£m | Capital redemption reserve<br>£m | Merger reserve <sup>1</sup><br>£m | Share-based payments<br>£m | Retained earnings<br>£m | Total<br>£m    |
|--|-----------------------|---------------------|----------------------------------|-----------------------------------|----------------------------|-------------------------|----------------|
| At 1 April 2009  | 76.2                  | 785.2               | 30.5                             | 373.6                             | 8.1                        | 3,549.9                 | 4,823.5        |
| Profit for the year ended 31 March 2010  | –                     | –                   | –                                | –                                 | –                          | 1,084.1                 | 1,084.1        |
| Exercise of options  | –                     | 0.1                 | –                                | –                                 | –                          | –                       | 0.1            |
| New share capital subscribed   | 0.3                   | 17.3                | –                                | –                                 | –                          | –                       | 17.6           |
| Transfer to retained earnings in respect of shares issued in lieu of cash dividend | –                     | (17.3)              | –                                | –                                 | –                          | 17.3                    | –              |
| Fair value of share-based payments (note 32)                                       | –                     | –                   | –                                | –                                 | 6.0                        | –                       | 6.0            |
| Release on exercise/forfeiture of share options                                    | –                     | –                   | –                                | –                                 | (8.1)                      | 8.1                     | –              |
| Dividends (note 10)  | –                     | –                   | –                                | –                                 | –                          | (235.5)                 | (235.5)        |
| <b>At 31 March 2010</b>  | <b>76.5</b>           | <b>785.3</b>        | <b>30.5</b>                      | <b>373.6</b>                      | <b>6.0</b>                 | <b>4,423.9</b>          | <b>5,695.8</b> |
| Profit for the year ended 31 March 2011  | –                     | –                   | –                                | –                                 | –                          | 223.1                   | 223.1          |
| Exercise of options  | –                     | 0.2                 | –                                | –                                 | –                          | –                       | 0.2            |
| New share capital subscribed   | 1.1                   | 69.7                | –                                | –                                 | –                          | –                       | 70.8           |
| Transfer to retained earnings in respect of shares issued in lieu of cash dividend | –                     | (69.7)              | –                                | –                                 | –                          | 69.7                    | –              |
| Fair value of share-based payments (note 32)                                       | –                     | –                   | –                                | –                                 | 3.8                        | –                       | 3.8            |
| Release on exercise/forfeiture of share options                                    | –                     | –                   | –                                | –                                 | (2.6)                      | 2.6                     | –              |
| Dividends (note 10)  | –                     | –                   | –                                | –                                 | –                          | (213.6)                 | (213.6)        |
| <b>At 31 March 2011</b>  | <b>77.6</b>           | <b>785.5</b>        | <b>30.5</b>                      | <b>373.6</b>                      | <b>7.2</b>                 | <b>4,505.7</b>          | <b>5,780.1</b> |

1. The merger reserve arose on 6 September 2002 when the Company acquired 100% of the issued share capital of Land Securities PLC. The merger reserve represents the excess of the cost of acquisition over the nominal value of the shares issued by the Company to acquire Land Securities PLC. The merger reserve does not represent a realised or distributable profit.

# Statement of cash flows

for the year ended 31 March 2011

|  | Notes | Group          |                  | Company        |                |
|--|-------|----------------|------------------|----------------|----------------|
|  |       | 2011<br>£m     | 2010<br>£m       | 2011<br>£m     | 2010<br>£m     |
| <b>Net cash generated from operations</b>                              |       |                |                  |                |                |
| Cash generated from operations   | 36    | 420.0          | 427.0            | 391.0          | 121.4          |
| Interest paid  |       | (218.7)        | (243.1)          | (3.9)          | (11.1)         |
| Interest received  |       | 18.0           | 16.2             | –              | 0.1            |
| Employer contributions to defined benefit pension scheme               | 30    | (5.1)          | (7.3)            | –              | –              |
| Corporation tax (paid)/received  |       | (60.7)         | (13.5)           | 5.9            | 2.6            |
| <b>Net cash inflow from operations</b>                                 |       | <b>153.5</b>   | <b>179.3</b>     | <b>393.0</b>   | <b>113.0</b>   |
| <b>Cash flows from investing activities</b>                            |       |                |                  |                |                |
| Investment property development expenditure                            |       | (139.7)        | (166.4)          | –              | –              |
| Acquisition of investment properties                                   |       | (371.3)        | (46.8)           | –              | –              |
| Other investment property related expenditure                          |       | (81.9)         | (50.7)           | –              | –              |
| Capital expenditure on properties                                      |       | (592.9)        | (263.9)          | –              | –              |
| Disposal of non-current investment properties                          |       | 535.0          | 847.8            | –              | –              |
| Net (expenditure)/proceeds on properties                               |       | (57.9)         | 583.9            | –              | –              |
| Expenditure on non-property related non-current assets                 |       | (4.5)          | (2.5)            | –              | –              |
| Net cash (outflow)/inflow from capital expenditure                     |       | (62.4)         | 581.4            | –              | –              |
| Receipts in respect of receivable finance leases                       |       | 1.0            | 6.9              | –              | –              |
| Loans repaid by/(advanced to) third parties                            | 17    | 16.2           | (33.3)           | –              | –              |
| Investment in joint ventures   |       | (81.7)         | (8.2)            | –              | –              |
| Divestment of joint ventures   |       | 0.3            | 209.8            | –              | –              |
| Loans to joint ventures and cash contributed                           |       | (17.3)         | (232.9)          | –              | –              |
| Repayment of loans to joint ventures                                   |       | 77.9           | 169.0            | –              | –              |
| Distributions from joint ventures                                      |       | 25.6           | 6.9              | –              | –              |
| Cash proceeds from disposal of Trillium (net of cash divested)         |       | –              | 25.0             | –              | –              |
| Investment in subsidiaries   |       | –              | –                | (250.0)        | –              |
| <b>Net cash (outflow)/inflow from investing activities</b>             |       | <b>(40.4)</b>  | <b>724.6</b>     | <b>(250.0)</b> | <b>–</b>       |
| <b>Cash flows from financing activities</b>                            |       |                |                  |                |                |
| Proceeds from new loans (net of finance fees)                          |       | 427.3          | 351.6            | –              | –              |
| Repayment of loans   | 27    | (556.0)        | (2,306.2)        | –              | –              |
| Termination of interest-rate swaps                                     |       | –              | (104.9)          | –              | –              |
| Premium on repurchase of bonds   |       | (22.5)         | –                | –              | –              |
| Decrease/(increase) in monies held in restricted accounts and deposits | 22    | 60.5           | (65.7)           | –              | –              |
| Decrease in finance leases payable                                     |       | (0.4)          | (9.1)            | –              | –              |
| Dividends paid to owners of the Parent                                 | 10    | (143.0)        | (217.9)          | (143.0)        | (217.9)        |
| Distributions paid to non-controlling interests                        |       | (0.8)          | (1.1)            | –              | –              |
| <b>Net cash outflow from financing activities</b>                      |       | <b>(234.9)</b> | <b>(2,353.3)</b> | <b>(143.0)</b> | <b>(217.9)</b> |
| <b>Decrease in cash and cash equivalents for the year</b>              |       | <b>(121.8)</b> | <b>(1,449.4)</b> | <b>–</b>       | <b>(104.9)</b> |
| Cash and cash equivalents at the beginning of the year                 |       | 159.4          | 1,608.8          | 0.2            | 105.1          |
| <b>Cash and cash equivalents at the end of the year</b>                | 23    | <b>37.6</b>    | <b>159.4</b>     | <b>0.2</b>     | <b>0.2</b>     |

# Notes to the financial statements

for the year ended 31 March 2011

## 1. Basis of preparation

These financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared in Sterling (rounded to the nearest hundred thousand), which is the presentation currency of the Group, and under the historical cost convention as modified by the revaluation of land and buildings, available-for-sale investments, derivative financial instruments and financial assets and liabilities held for trading. A summary of the more important Group accounting policies, which have been applied consistently across the Group, is set out in note 2 below.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates, disclosed in note 3, are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Land Securities Group PLC has not presented its own statement of comprehensive income (and separate income statement), as permitted by Section 408 of Companies Act 2006. The profit for the year of the Company, dealt with in its financial statements, was **£223.1m** (2010: £1,084.1m).

## 2. Significant accounting policies

The accounting policies are consistent with those applied in the year ended 31 March 2010, as amended to reflect the adoption of the new Standards, Amendments to Standards and Interpretations which are mandatory for the year ended 31 March 2011.

There are no new accounting standards or interpretations that are effective for the financial year beginning 1 April 2010 that have a material impact on the Group's financial statements.

The following accounting standards or interpretations were effective for the financial year beginning 1 April 2010 but have not had a material impact on the Group:

- IFRS 1 (revised) 'First time adoption'
- IFRS 1 (amendment) 'First time adoption'
- IFRS 2 (amendment) 'Share-based Payment – Group cash-settled share-based payment transactions'
- IFRS 3 (revised) 'Business combinations'
- IAS 27 (revised) 'Consolidated and separate financial statements'
- IAS 32 (amendment) 'Financial instruments: Presentation'
- IAS 39 (amendment) 'Financial instruments: Recognition and measurement'
- IFRIC 17 'Distributions of non-cash assets to owners'
- IFRIC 18 'Transfer of assets from customers'

The following accounting standards or interpretations are not yet effective and are not expected to have a material impact on the Group. None of these accounting standards or interpretations has been early adopted by the Group:

- IAS 24 (revised) 'Related party disclosures'
- IFRIC 14 (amendment) 'Prepayments of a Minimum Funding Requirement'
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'

In addition, there are a number of changes to standards as a result of the IASB's 2009 and 2010 Annual Improvements programme. None of these are expected to have a material impact on the Group.

## (a) Basis of consolidation

The consolidated financial statements for the year ended 31 March 2011 incorporate the financial statements of Land Securities Group PLC (the Company) and all its subsidiary undertakings (the Group). Subsidiary undertakings are those entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences and until the date control ceases.

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. Interests in joint ventures are accounted for using the equity method of accounting as permitted by IAS 31 'Interests in joint ventures'. The equity method requires the Group's share of the joint venture's post-tax profit or loss for the period to be presented separately in the income statement and the Group's share of the joint venture's net assets to be presented separately in the balance sheet. 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.

The Group's share of jointly controlled assets, related liabilities, income and expenses are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Intra-group balances and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with joint ventures are eliminated to the extent of the Group's interest in the joint venture or associate concerned. Unrealised losses are eliminated in the same way, but only to the extent that there is no evidence of impairment.

The majority of subsidiaries and joint ventures have the same year end as the Company, however, a small number of subsidiaries and joint ventures have non-coterminous year ends. In these circumstances, management accounts prepared to 31 March are used for the purpose of the Group consolidation.

## (b) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Senior Management Board, which consists of all the Executive Directors.

Unallocated expenses are costs incurred centrally which are neither directly attributable nor reasonably allocatable to individual segments. Unallocated assets are cash and cash equivalents, the pension surplus and deferred tax assets. Unallocated liabilities include short-term borrowings and overdrafts, and certain non-current liabilities (borrowings and deferred tax liabilities).

## (c) Investment properties

Investment properties are those properties, either owned by the Group or where the Group is a lessee under a finance lease, that are held either to earn rental income or for capital appreciation, or both. In addition, properties held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases.

# Notes to the financial statements

for the year ended 31 March 2011 continued

## 2. Significant accounting policies continued

### (c) Investment properties continued

Investment properties are measured initially at cost, including related transaction costs. After initial recognition at cost, investment properties are carried at their fair values based on market value determined by professional independent valuers at each reporting date. Properties are treated as acquired at the point when the Group assumes the significant risks and returns of ownership and as disposed when these are transferred to the buyer. Additions to investment properties consist of costs of a capital nature and, in the case of investment properties under development, capitalised interest. Certain internal staff and associated costs directly attributable to the management of major schemes during the construction phase are also capitalised.

The difference between the fair value of an investment property at the reporting date and its carrying amount prior to re-measurement is included in the income statement as a valuation surplus or deficit.

When the Group begins to redevelop an existing investment property for continued future use as an investment property, the property remains an investment property and is accounted for as such. When the Group begins to redevelop an existing investment property with a view to sell, the property is transferred to trading properties and held as a current asset. The property is re-measured to fair value as at the date of the transfer with any gain or loss being taken to the income statement. The re-measured amount becomes the deemed cost at which the property is then carried in trading properties.

Borrowing costs associated with direct expenditure on properties under development or undergoing major refurbishment are capitalised. The interest capitalised is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amount capitalised is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalised as from the commencement of the development work until the date of practical completion. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalised on the purchase cost of land or property acquired specifically for redevelopment in the short term but only where activities necessary to prepare the asset for redevelopment are in progress.

On sale of an asset, the asset is derecognised when the significant risks and returns associated with the asset have been transferred to the buyer. This generally occurs on unconditional exchange, except where payment or completion is expected to occur significantly after exchange. For conditional exchanges, the asset is derecognised when the conditions of the exchange are satisfied.

### (d) Property, plant and equipment

This category comprises computers, motor vehicles, furniture, fixtures and fittings and improvements to Group offices. These assets are stated at cost less accumulated depreciation and are depreciated to their residual value on a straight-line basis over their estimated useful lives of between two and five years.

The residual values and useful lives of all property, plant and equipment are reviewed, and adjusted if appropriate, at least at each financial year end.

### (e) Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost in the Company's balance sheet, less any provision for impairment in value.

### (f) Trading properties and long-term development contracts

Trading properties are those properties held for sale and are shown at the lower of cost and net realisable value.

Revenue on long-term development contracts is recognised according to the stage reached in the contract by reference to the value of work completed using the percentage of completion method. An appropriate estimate of the profit attributable to work completed is recognised once the outcome of the contract can be estimated reliably. The gross amount due from customers for contract work is shown as a receivable. The gross amount due comprises costs incurred plus recognised profits less the sum of recognised losses and progress billings. Where the sum of recognised losses and progress billings exceeds costs incurred plus recognised profits, the amount is shown as a liability.

### (g) Trade and finance lease receivables

Trade and finance lease receivables are recognised initially at fair value, subsequently at amortised cost and, where material, adjusted for the time value of money. A provision for impairment is established 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. If collection is expected in more than one year, they are classified as non-current assets.

### (h) Cash and cash equivalents

Cash and cash equivalents comprises cash balances, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or fewer. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are deducted from cash and cash equivalents for the purpose of the statement of cash flows.

### (i) Loan investments

Loan investments are non-derivative financial assets which are initially recognised at fair value plus acquisition costs. They are subsequently carried at amortised cost using the effective interest method.

### (j) Trade and other payables

Trade and other payables are initially stated at cost as cost equates to fair value and subsequently at amortised cost.

### (k) Provisions

A provision is recognised in the balance sheet when the Group has a constructive or legal obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

### (l) Borrowings

Borrowings other than bank overdrafts are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the income statement over the period of the borrowings, using the effective interest method.

Where existing borrowings are exchanged for new borrowings and the terms of the existing and new borrowings are not substantially different (as defined by IAS 39), the new borrowings are recognised initially at the carrying amount of the existing borrowings. The difference between the amount initially recognised and the redemption value of the new borrowings is recognised in the income statement over the period of the new borrowings, using the effective interest method.

# Notes to the financial statements

for the year ended 31 March 2011 continued

## (m) Pension benefits

In respect of defined benefit pension schemes, obligations are measured at discounted present value while scheme assets are measured at their fair value except annuities, which are valued to match the liability or benefit value. The operating and financing costs of such plans are recognised separately in the income statement. Service costs are spread using the projected-unit method. Financing costs are recognised in the periods in which they arise and are included in interest expense. Actuarial gains and losses arising from either experience differing from previous actuarial assumptions, or changes to those assumptions, are recognised immediately in other comprehensive income.

Contributions to defined contribution schemes are charged to the income statement as incurred.

## (n) Share capital

Ordinary shares are classed as equity. External costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

The consideration paid, including any directly attributable incremental costs, by any Group entity to acquire the Company's equity share capital, is deducted from equity until the shares are cancelled, reissued or disposed of. Where own shares are sold or reissued, the net consideration received is included in equity. Shares acquired by the Employee Share Ownership Plan (ESOP) are presented on the Group balance sheet as 'own shares'. Purchases of treasury shares are deducted from retained earnings.

## (o) Share-based payments

The cost of granting share options and other share-based remuneration to employees and Directors is recognised through the income statement. These are equity settled and therefore the fair value is measured at the grant date. Where the share awards have non-market related performance criteria the Group has used the Black-Scholes option valuation model to establish the relevant fair values. Where the share awards have a TSR market related performance criteria the Group has used the Monte Carlo simulation valuation model to establish the relevant fair values. The resulting values are amortised through the income statement over the vesting period of the options and other grants. For awards with non-market related criteria, the charge is reversed if it appears probable that the performance criteria will not be met.

## (p) Revenue

The Group recognises revenue on an accruals basis, when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Group. Revenue comprises rental income, service charges and other recoveries from tenants of the Group's investment and trading properties, proceeds of sales of its trading properties and income arising on long-term contracts. Rental income includes the income from managed operations such as car parks, food courts, serviced offices and flats. Service charges and other recoveries include income in relation to service charges and directly recoverable expenditure together with any chargeable management fees.

Rental income from investment property leased out under an operating lease is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the net consideration for the use of the property and are therefore recognised on the same straight-line basis.

When property is let out under a finance lease, the Group recognises a receivable at an amount equal to the net investment in the lease at inception of the lease. Rentals received are accounted for as repayments of principal and finance income as appropriate. Finance income is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the

remaining net investment in the finance lease. Contingent rents, being lease payments that are not fixed at the inception of a lease, for example turnover rents, are recorded as income in the periods in which they are earned.

## (q) Expenses

Property and contract expenditure is expensed as incurred with the exception of expenditure on long-term development contracts (see (f) above).

Rental payments made under an operating lease are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the net consideration for the use of the property and also recognised on a straight-line basis.

Minimum lease payments payable on finance leases and operating leases accounted for as finance leases under IAS 40 are apportioned between finance expense and reduction of the outstanding liability. Finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining liability. Contingent rents (as defined in (p) above) are charged as an expense in the periods in which they are incurred.

## (r) Impairment

The carrying amounts of the Group's non-financial assets, other than investment properties (see (c) above), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see below). An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. The value in use is determined as the net present value of the future cash flows expected to be derived from the asset, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount after the reversal does not exceed the amount that would have been determined, net of applicable depreciation, if no impairment loss had been recognised.

## (s) Derivative financial instruments (derivatives) and hedge accounting

The Group uses interest-rate swaps to help manage its interest-rate risk, and from time to time cross-currency swaps to manage its currency risk. In accordance with its treasury policy, the Group does not hold or issue derivatives for trading purposes.

Where hedge accounting is applied the Group documents, at the inception of the transaction, the relationship between the hedging instruments and the hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

All derivatives are initially recognised at fair value at the date the derivative is entered into and are subsequently re-measured at fair value. The fair value of interest-rate swaps is based on broker or counterparty quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for similar instruments at the measurement date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument.

# Notes to the financial statements

for the year ended 31 March 2011 continued

## 2. Significant accounting policies continued

### (s) Derivative financial instruments (derivatives) and hedge accounting continued

Cash flow hedges: Where a derivative is designated as a hedge of the variability of a highly probable forecast transaction (i.e. an interest payment) the element of the gain or loss on the derivative that is an effective hedge is recognised directly in other comprehensive income. Where the forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised in the statement of other comprehensive income are reclassified into the income statement in the same period or periods during which the asset acquired or liability assumed affects the income statement (i.e. when interest income or expense is recognised).

Derivatives that do not qualify for hedge accounting: The gain or loss on derivatives that do not qualify for hedge accounting, and the non-qualifying element of derivatives that do qualify for hedge accounting, are recognised in the income statement immediately.

### (t) Income tax

Income tax on the profit for the year comprises current and deferred tax. Current tax is the tax payable on the taxable income for the year and any adjustment in respect of previous years. Deferred tax is provided in full using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is determined using tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the asset is realised or the liability is settled.

No provision is made for temporary differences (i) arising on the initial recognition of assets or liabilities, other than on a business combination, that affect neither accounting nor taxable profit and (ii) relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future.

### (u) Leases

*A Group company is the lessee:*

(i) Operating lease – leases in which substantially all risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(ii) Finance lease – leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the commencement of the lease at the lower of the fair value of the property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The finance charges are charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The investment properties acquired under finance leases are subsequently carried at their fair value.

*A Group company is the lessor:*

(i) Operating lease – properties leased out to tenants under operating leases are included in investment properties in the balance sheet.

(ii) Finance lease – when assets are leased out under a finance lease, the present value of the minimum lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method before tax, which reflects a constant periodic rate of return. Where only the buildings element of a property lease is classified as a finance lease, the land element is shown within operating leases.

### (v) Dividends

Final dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

## 3. Significant judgements, key assumptions and estimates

The Group's significant accounting policies are stated in note 2 above. Not all of these significant accounting policies require management to make difficult, subjective or complex judgements or estimates. The following is intended to provide an understanding of the policies that management consider critical because of the level of complexity, judgement or estimation involved in their application and their impact on the consolidated financial statements. These judgements involve assumptions or estimates in respect of future events. Actual results may differ from these estimates.

### (a) Investment property valuation

The Group uses the valuation performed by its external valuers, Knight Frank LLP, as the fair value of its investment properties.

The valuation of the Group's property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental revenues from that particular property. As a result, the valuations the Group places on its property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility or low transaction flow in the commercial property market.

The investment property valuation contains a number of assumptions upon which Knight Frank LLP has based its valuation of the Group's properties as at 31 March 2011. The assumptions on which the Property Valuation Report has been based include, but are not limited to, matters such as the tenure and tenancy details for the properties, ground conditions at the properties, the structural condition of the properties, prevailing market yields and comparable market transactions. These assumptions are market standard and accord with the RICS Valuation Standards. However, if any assumptions made by the property valuer prove to be false, this may mean that the value of the Group's properties differs from their valuation, which could have a material effect on the Group's financial condition.

### (b) Finance lease calculations

In apportioning rentals on finance lease properties, the Group is required to estimate the split of the fair values of the properties concerned between land and buildings. The inception of many of the Group's leases took place many years ago and therefore reliable estimates are very difficult to obtain. Accordingly, the Group has had to apply its judgement in estimating the split at inception of certain finance lease properties.

### (c) Trading properties

Trading properties are carried at the lower of cost and net realisable value. The latter is assessed by the Group having regard to suitable valuations performed by its external valuer, Knight Frank LLP.

The estimation of the net realisable value of the Group's trading properties, especially the development land and infrastructure programmes, is inherently subjective due to a number of factors, including their complexity, unusually large size, the substantial expenditure required and long timescales to completion. In addition, as a result of these timescales to completion, the plans associated with these programmes could be subject to significant variation. As a result, and similar to the valuation of investment properties, the net realisable values of the Group's trading properties are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate.

# Notes to the financial statements

for the year ended 31 March 2011 continued

## 3. Significant judgements, key assumptions and estimates continued

### (c) Trading properties continued

If the assumptions upon which the external valuer has based their valuation prove to be false, this may have an impact on the net realisable value of the Group's properties, which would in turn have an effect on the Group's financial condition.

### (d) Trade receivables

The Group is required to judge when there is sufficient objective evidence to require the impairment of individual trade receivables. It does this on the basis of the age of the relevant receivables, external evidence of the credit status of the counterparty and the status of any disputed amounts.

### (e) Valuation of interest-rate swaps

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the balance sheet date.

### (f) Compliance with the Real Estate Investment Trust (REIT) taxation regime

On 1 January 2007 the Group converted to a group REIT. In order to achieve and retain group REIT status, several entrance tests had to be met and certain on-going criteria must be maintained. The main criteria are as follows:

- at the start of each accounting period, the assets of the tax exempt business must be at least 75% of the total value of the Group's assets;
- at least 75% of the Group's total profits must arise from the tax exempt business; and
- at least 90% of the notional taxable profit of the property rental business must be distributed.

The Directors intend that the Group should continue as a group REIT for the foreseeable future, with the result that deferred tax is no longer recognised on temporary differences relating to the property rental business.

## 4. Segmental information

Management has determined the Group's operating segments based on the reports reviewed by the Senior Management Board ('SMB'), which consists of the four Executive Directors, to make strategic decisions.

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

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

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

# Notes to the financial statements

for the year ended 31 March 2011 continued

## 4. Segmental information continued

The segmental information provided to the SMB for the reportable segments for the year ended 31 March 2011 is as follows:

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

1. Included within rents payable is finance lease interest payable of £2.0m (2010: £2.3m) and £1.2m (2010: £1.5m) respectively for Retail Portfolio and London Portfolio.

2. Service charge income includes a management fee of £6.3m (2010: £6.4m) in relation to administration costs which are included in indirect property expenditure. Other property related income includes a management fee from joint ventures of £2.5m (2010: £1.3m) in relation to administration costs which are included in indirect property expenditure.

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



# Notes to the financial statements

for the year ended 31 March 2011 continued

## 4. Segmental information continued

| Group  | Retail Portfolio |                         |             | London Portfolio |                         |             | Year ended 31 March 2010 Total |                         |             |
|--|------------------|-------------------------|-------------|------------------|-------------------------|-------------|--------------------------------|-------------------------|-------------|
|  | Group<br>£m      | Joint<br>ventures<br>£m | Total<br>£m | Group<br>£m      | Joint<br>ventures<br>£m | Total<br>£m | Group<br>£m                    | Joint<br>ventures<br>£m | Total<br>£m |
| <b>Revenue profit</b>                            |                  |                         |             |                  |                         |             |                                |                         |             |
| Rental income                                    | 255.6            | 68.1                    | 323.7       | 304.7            | 10.4                    | 315.1       | 560.3                          | 78.5                    | 638.8       |
| Finance lease interest                           | 2.3              | 0.5                     | 2.8         | 3.6              | –                       | 3.6         | 5.9                            | 0.5                     | 6.4         |
| Gross rental income (before rents payable)       | 257.9            | 68.6                    | 326.5       | 308.3            | 10.4                    | 318.7       | 566.2                          | 79.0                    | 645.2       |
| Rents payable <sup>1</sup>                       | (12.3)           | (1.3)                   | (13.6)      | (6.4)            | –                       | (6.4)       | (18.7)                         | (1.3)                   | (20.0)      |
| Gross rental income (after rents payable)        | 245.6            | 67.3                    | 312.9       | 301.9            | 10.4                    | 312.3       | 547.5                          | 77.7                    | 625.2       |
| Service charge income <sup>2</sup>               | 32.3             | 9.2                     | 41.5        | 45.3             | 0.2                     | 45.5        | 77.6                           | 9.4                     | 87.0        |
| Service charge expense                           | (34.3)           | (10.7)                  | (45.0)      | (49.7)           | (0.2)                   | (49.9)      | (84.0)                         | (10.9)                  | (94.9)      |
| Net service charge expense                       | (2.0)            | (1.5)                   | (3.5)       | (4.4)            | –                       | (4.4)       | (6.4)                          | (1.5)                   | (7.9)       |
| Other property related income <sup>2</sup>       | 9.2              | 1.0                     | 10.2        | 12.8             | –                       | 12.8        | 22.0                           | 1.0                     | 23.0        |
| Direct property expenditure                      | (28.6)           | (11.8)                  | (40.4)      | (32.0)           | (0.4)                   | (32.4)      | (60.6)                         | (12.2)                  | (72.8)      |
| <b>Net rental income</b>                         | 224.2            | 55.0                    | 279.2       | 278.3            | 10.0                    | 288.3       | 502.5                          | 65.0                    | 567.5       |
| Indirect property expenditure <sup>2</sup>       | (20.8)           | (3.7)                   | (24.5)      | (19.1)           | (0.1)                   | (19.2)      | (39.9)                         | (3.8)                   | (43.7)      |
| Depreciation                                     | (0.4)            | –                       | (0.4)       | (1.6)            | –                       | (1.6)       | (2.0)                          | –                       | (2.0)       |
| <b>Segment profit before interest</b>            | 203.0            | 51.3                    | 254.3       | 257.6            | 9.9                     | 267.5       | 460.6                          | 61.2                    | 521.8       |
| Joint venture net interest expense               | –                | (22.4)                  | (22.4)      | –                | (10.2)                  | (10.2)      | –                              | (32.6)                  | (32.6)      |
| <b>Segment profit</b>                            | 203.0            | 28.9                    | 231.9       | 257.6            | (0.3)                   | 257.3       | 460.6                          | 28.6                    | 489.2       |
| Group services – income                          |                  |                         |             |                  |                         |             | 13.4                           | –                       | 13.4        |
| – expense  |                  |                         |             |                  |                         |             | (39.4)                         | –                       | (39.4)      |
| – eliminate non-revenue profit income            |                  |                         |             |                  |                         |             | (9.7)                          | –                       | (9.7)       |
| Interest expense                                 |                  |                         |             |                  |                         |             | (248.9)                        | –                       | (248.9)     |
| Interest income                                  |                  |                         |             |                  |                         |             | 29.8                           | –                       | 29.8        |
| Eliminate effect of bond exchange de-recognition |                  |                         |             |                  |                         |             | 13.8                           | –                       | 13.8        |
| Eliminate debt restructuring charges             |                  |                         |             |                  |                         |             | 3.6                            | –                       | 3.6         |
| <b>Revenue profit</b>                            |                  |                         |             |                  |                         |             | 223.2                          | 28.6                    | 251.8       |

1. Included within rents payable is finance lease interest payable of £2.3m and £1.5m respectively for Retail Portfolio and London Portfolio.

2. Service charge income includes a management fee of £6.4m in relation to administration costs which are included in indirect property expenditure. Other property related income includes a management fee from joint ventures of £1.3m in relation to administration costs which are included in indirect property expenditure.

| Group   | Retail Portfolio |                         |             | London Portfolio |                         |             | Year ended 31 March 2010 Total |                         |             |
|---|------------------|-------------------------|-------------|------------------|-------------------------|-------------|--------------------------------|-------------------------|-------------|
|   | Group<br>£m      | Joint<br>ventures<br>£m | Total<br>£m | Group<br>£m      | Joint<br>ventures<br>£m | Total<br>£m | Group<br>£m                    | Joint<br>ventures<br>£m | Total<br>£m |
| <b>Reconciliation to profit before tax</b>                                      |                  |                         |             |                  |                         |             |                                |                         |             |
| <b>Segment profit before interest</b>   | 203.0            | 51.3                    | 254.3       | 257.6            | 9.9                     | 267.5       | 460.6                          | 61.2                    | 521.8       |
| Trading properties sale proceeds  | 10.0             | 6.7                     | 16.7        | 3.5              | 5.6                     | 9.1         | 13.5                           | 12.3                    | 25.8        |
| Costs of sales of trading properties  | (8.1)            | (5.8)                   | (13.9)      | (5.8)            | (5.3)                   | (11.1)      | (13.9)                         | (11.1)                  | (25.0)      |
| Profit/(loss) on disposal of trading properties                                 | 1.9              | 0.9                     | 2.8         | (2.3)            | 0.3                     | (2.0)       | (0.4)                          | 1.2                     | 0.8         |
| Long-term development contract income   | –                | –                       | –           | 140.7            | –                       | 140.7       | 140.7                          | –                       | 140.7       |
| Long-term development contract expenditure                                      | –                | –                       | –           | (134.0)          | –                       | (134.0)     | (134.0)                        | –                       | (134.0)     |
| Profit on long-term development contracts                                       | –                | –                       | –           | 6.7              | –                       | 6.7         | 6.7                            | –                       | 6.7         |
|   | 204.9            | 52.2                    | 257.1       | 262.0            | 10.2                    | 272.2       | 466.9                          | 62.4                    | 529.3       |
| Investment property disposal proceeds   | 410.8            | 213.6                   | 624.4       | 408.7            | –                       | 408.7       | 819.5                          | 213.6                   | 1,033.1     |
| Carrying value of investment property disposals<br>(including lease incentives) | (434.1)          | (205.6)                 | (639.7)     | (417.9)          | –                       | (417.9)     | (852.0)                        | (205.6)                 | (1,057.6)   |
| (Loss)/profit on disposal of investment properties                              | (23.3)           | 8.0                     | (15.3)      | (9.2)            | –                       | (9.2)       | (32.5)                         | 8.0                     | (24.5)      |
| Net surplus on revaluation of investment properties                             | 341.5            | 100.3                   | 441.8       | 404.5            | 17.5                    | 422.0       | 746.0                          | 117.8                   | 863.8       |
| Impairment (charge)/release on trading properties                               | –                | (4.0)                   | (4.0)       | (10.6)           | 1.1                     | (9.5)       | (10.6)                         | (2.9)                   | (13.5)      |
|   | 523.1            | 156.5                   | 679.6       | 646.7            | 28.8                    | 675.5       | 1,169.8                        | 185.3                   | 1,355.1     |
| Group services – income   |                  |                         |             |                  |                         |             | 13.4                           | –                       | 13.4        |
| – expense   |                  |                         |             |                  |                         |             | (39.4)                         | –                       | (39.4)      |
| <b>Operating profit</b>   |                  |                         |             |                  |                         |             | 1,143.8                        | 185.3                   | 1,329.1     |
| Interest expense  |                  |                         |             |                  |                         |             | (248.9)                        | (32.6)                  | (281.5)     |
| Interest income   |                  |                         |             |                  |                         |             | 29.8                           | –                       | 29.8        |
| Fair value movement on interest-rate swaps                                      |                  |                         |             |                  |                         |             | 7.0                            | (1.4)                   | 5.6         |
| Joint venture tax adjustment  |                  |                         |             |                  |                         |             | –                              | 2.0                     | 2.0         |
| Joint venture net liabilities adjustment  |                  |                         |             |                  |                         |             | –                              | (15.7)                  | (15.7)      |
| <b>Profit before tax</b>  |                  |                         |             |                  |                         |             | 931.7                          | 137.6                   | 1,069.3     |

# Notes to the financial statements

for the year ended 31 March 2011 continued

## 4. Segmental information continued

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

# Notes to the financial statements

for the year ended 31 March 2011 continued

## 4. Segmental information continued

| Group  | Retail Portfolio |                         |                | London Portfolio |                         |                | Year ended 31 March 2010 |                         |                  |
|--|------------------|-------------------------|----------------|------------------|-------------------------|----------------|--------------------------|-------------------------|------------------|
|  | Group<br>£m      | Joint<br>ventures<br>£m | Total<br>£m    | Group<br>£m      | Joint<br>ventures<br>£m | Total<br>£m    | Group<br>£m              | Joint<br>ventures<br>£m | Total<br>£m      |
| <b>Balance sheet</b>                                   |                  |                         |                |                  |                         |                |                          |                         |                  |
| Investment properties                                  | 3,167.9          | 1,035.2                 | 4,203.1        | 4,876.4          | 191.9                   | 5,068.3        | 8,044.3                  | 1,227.1                 | 9,271.4          |
| Other property, plant and equipment                    | 4.5              | –                       | 4.5            | 8.3              | –                       | 8.3            | 12.8                     | –                       | 12.8             |
| Net investment in finance leases                       | 48.3             | 8.6                     | 56.9           | 67.1             | –                       | 67.1           | 115.4                    | 8.6                     | 124.0            |
| Trading properties and long-term development contracts | 2.0              | 15.0                    | 17.0           | 85.9             | 17.8                    | 103.7          | 87.9                     | 32.8                    | 120.7            |
| Trade and other receivables                            | 163.2            | 91.1                    | 254.3          | 171.2            | 2.1                     | 173.3          | 334.4                    | 93.2                    | 427.6            |
| Share of joint venture cash                            | –                | 18.6                    | 18.6           | –                | 8.4                     | 8.4            | –                        | 27.0                    | 27.0             |
| Joint venture net liabilities adjustment               | –                | 2.0                     | 2.0            | –                | –                       | –              | –                        | 2.0                     | 2.0              |
| <b>Segment assets</b>                                  | <b>3,385.9</b>   | <b>1,170.5</b>          | <b>4,556.4</b> | <b>5,208.9</b>   | <b>220.2</b>            | <b>5,429.1</b> | <b>8,594.8</b>           | <b>1,390.7</b>          | <b>9,985.5</b>   |
| Unallocated:   |                  |                         |                |                  |                         |                |                          |                         |                  |
| Cash and cash equivalents                              |                  |                         |                |                  |                         |                | 159.4                    | –                       | 159.4            |
| Monies held in restricted accounts                     |                  |                         |                |                  |                         |                | 95.6                     | –                       | 95.6             |
| Derivative financial instruments                       |                  |                         |                |                  |                         |                | 1.0                      | –                       | 1.0              |
| Loan investments                                       |                  |                         |                |                  |                         |                | 84.3                     | –                       | 84.3             |
| Joint venture liabilities                              |                  |                         |                |                  |                         |                | –                        | (602.9)                 | (602.9)          |
| <b>Total assets</b>                                    |                  |                         |                |                  |                         |                | <b>8,935.1</b>           | <b>787.8</b>            | <b>9,722.9</b>   |
| Trade and other payables                               | (106.3)          | (70.1)                  | (176.4)        | (160.0)          | (13.7)                  | (173.7)        | (266.3)                  | (83.8)                  | (350.1)          |
| Share of joint venture borrowings                      | –                | (354.8)                 | (354.8)        | –                | (164.3)                 | (164.3)        | –                        | (519.1)                 | (519.1)          |
| <b>Segment liabilities</b>                             | <b>(106.3)</b>   | <b>(424.9)</b>          | <b>(531.2)</b> | <b>(160.0)</b>   | <b>(178.0)</b>          | <b>(338.0)</b> | <b>(266.3)</b>           | <b>(602.9)</b>          | <b>(869.2)</b>   |
| Unallocated:   |                  |                         |                |                  |                         |                |                          |                         |                  |
| Borrowings   |                  |                         |                |                  |                         |                | (3,518.3)                | –                       | (3,518.3)        |
| Derivative financial instruments                       |                  |                         |                |                  |                         |                | (1.1)                    | –                       | (1.1)            |
| Current tax liabilities                                |                  |                         |                |                  |                         |                | (111.0)                  | –                       | (111.0)          |
| Trade and other payables                               |                  |                         |                |                  |                         |                | (129.2)                  | –                       | (129.2)          |
| Pension deficit  |                  |                         |                |                  |                         |                | (6.5)                    | –                       | (6.5)            |
| Provisions   |                  |                         |                |                  |                         |                | (1.5)                    | –                       | (1.5)            |
| Joint venture liabilities to assets                    |                  |                         |                |                  |                         |                | –                        | 602.9                   | 602.9            |
| <b>Total liabilities</b>                               |                  |                         |                |                  |                         |                | <b>(4,033.9)</b>         | <b>–</b>                | <b>(4,033.9)</b> |
| <b>Other segment items</b>                             |                  |                         |                |                  |                         |                |                          |                         |                  |
| Capital expenditure                                    | 40.4             | 93.2                    | 133.6          | 133.2            | 1.4                     | 134.6          | 173.6                    | 94.6                    | 268.2            |

# Notes to the financial statements

for the year ended 31 March 2011 continued

## 5. Group revenue

| Group   | 2011<br>£m   | 2010<br>£m   |
|---|--------------|--------------|
| Rental income (excluding adjustment for lease incentives) | 525.3        | 544.9        |
| Adjustment for lease incentives                           | 18.6         | 15.4         |
| Rental income   | 543.9        | 560.3        |
| Service charge income                                     | 77.0         | 77.6         |
| Other property related income                             | 28.3         | 22.0         |
| Trading property sales proceeds                           | 2.9          | 13.5         |
| Long-term development contract income                     | 39.4         | 140.7        |
| Finance lease interest                                    | 6.1          | 5.9          |
| Other income  | 4.3          | 13.4         |
|   | <b>701.9</b> | <b>833.4</b> |

## 6. Employee costs

| Group   | 2011<br>Number | 2010<br>Number |
|---|----------------|----------------|
| <b>The average monthly number of employees during the year (including Executive Directors) was:</b> |                |                |
| Indirect property or contract and administration  | 444            | 430            |
| Direct property or contract services:   |                |                |
| Full-time   | 182            | 174            |
| Part-time   | 66             | 47             |
|   | <b>692</b>     | <b>651</b>     |

The average number of employees for the year ended 31 March 2011 includes **40** employees (2010: four employees) in respect of our Brand Empire operations.

| Group   | 2011<br>£m  | 2010<br>£m  |
|---|-------------|-------------|
| <b>Employee costs (including Executive Directors)</b> |             |             |
| Salaries  | 44.0        | 40.0        |
| Social security                                       | 5.6         | 4.8         |
| Other pension (note 30)                               | 3.3         | 3.2         |
| Share-based payments (note 32)                        | 3.8         | 6.0         |
|   | <b>56.7</b> | <b>54.0</b> |

| Group                        | 2011<br>£m | 2010<br>£m |
|------------------------------|------------|------------|
| <b>Directors</b>             |            |            |
| Short-term employee benefits | 5.1        | 5.6        |
| Post-employment benefits     | 0.3        | 0.4        |
| Share-based payments         | 2.0        | 3.2        |
|                              | <b>7.4</b> | <b>9.2</b> |

Short-term employee benefits for 2010 have been re-presented to include social security costs of £0.6m.

With the exception of the Directors and the Group General Counsel and Company Secretary, who are employed by Land Securities Group PLC, all employees are employed by subsidiaries of the Group.

**One** Director (2010: one) has retirement benefits accruing under the defined contribution pension scheme. Retirement benefits accrue to **one** Director (2010: one) under the Group's defined benefit pension scheme. Information on Directors' emoluments, share options and interests in the Company's shares is given in the Directors' remuneration report on [p76—87](#).

# Notes to the financial statements

for the year ended 31 March 2011 continued

## 7. Auditor remuneration

| Group  | 2011<br>£m | 2010<br>£m |
|--|------------|------------|
| <b>Services provided by the Group's auditor</b>      |            |            |
| Audit fees:  |            |            |
| Parent company and consolidated financial statements | 0.2        | 0.2        |
| Subsidiary undertakings                              | 0.3        | 0.3        |
|  | 0.5        | 0.5        |
| Other fees:  |            |            |
| Services supplied pursuant to legislation            | 0.2        | 0.1        |
| Taxation services                                    | –          | 0.1        |
|  | 0.2        | 0.2        |
|  | 0.7        | 0.7        |

It is the Group's policy to employ the Group's auditors, PricewaterhouseCoopers LLP, on assignments additional to their statutory duties where their expertise and experience with the Group are important. Where appropriate, the Group seeks tenders for services and if fees are expected to be greater than £25,000 they are pre-approved by the Audit Committee. In addition, PricewaterhouseCoopers LLP also receives fees for statutory duties performed for some of our joint venture arrangements, of which our proportionate share of the fees were **£0.1m** (2010: £0.1m).

## 8. External valuer remuneration

| Group   | 2011<br>£m | 2010<br>£m |
|---|------------|------------|
| <b>Services provided by the Group's external valuer</b> |            |            |
| Valuation fees:   |            |            |
| Year and half-year valuations                           | 1.0        | 1.1        |
| Security Group valuation                                | 0.1        | 0.1        |
|   | 1.1        | 1.2        |
| Other consultancy and agency services                   | 0.9        | 0.5        |
|   | 2.0        | 1.7        |

The fee payable to Knight Frank LLP (Knight Frank), the Group's external valuers, for the year and half-year valuation is a fixed fee that is adjusted on an annual basis for acquisitions and disposals of investment properties in the reporting period to which the fee relates. Knight Frank also undertakes some other consultancy and agency work on behalf of the Group. Knight Frank has confirmed to us that the total fees paid by the Group represented less than 5% of their total revenue in each year. In addition, Knight Frank also receives fees for their duties performed for some of our joint venture arrangements, of which our proportionate share of the fees were **£0.1m** (2010: £0.1m).

## 9. Net interest expense

|  | Group          |                | Company      |               |
|--|----------------|----------------|--------------|---------------|
|  | 2011<br>£m     | 2010<br>£m     | 2011<br>£m   | 2010<br>£m    |
| <b>Interest expense</b>  |                |                |              |               |
| Bond and debenture debt  | (218.0)        | (200.9)        | –            | –             |
| Bank borrowings  | (10.5)         | (42.7)         | –            | –             |
| Other interest payable   | (1.8)          | (2.1)          | (3.9)        | (11.1)        |
| Amortisation of bond exchange de-recognition                     | (18.5)         | (13.8)         | –            | –             |
| Interest on pension scheme liabilities                           | (8.2)          | (7.2)          | –            | –             |
|  | (257.0)        | (266.7)        | (3.9)        | (11.1)        |
| Interest capitalised in relation to properties under development | 16.8           | 17.8           | –            | –             |
| <b>Total interest expense</b>                                    | <b>(240.2)</b> | <b>(248.9)</b> | <b>(3.9)</b> | <b>(11.1)</b> |
| <b>Interest income</b>   |                |                |              |               |
| Short-term deposits  | 0.5            | 8.5            | –            | –             |
| Interest received on loan investments                            | 6.8            | 3.7            | –            | –             |
| Other interest receivable  | 5.6            | 0.9            | –            | –             |
| Interest receivable from joint ventures                          | 4.5            | 10.1           | –            | –             |
| Expected return on pension scheme assets                         | 8.6            | 6.6            | –            | –             |
| <b>Total interest income</b>                                     | <b>26.0</b>    | <b>29.8</b>    | <b>–</b>     | <b>–</b>      |
| <b>Fair value movement on interest-rate swaps</b>                | <b>(1.9)</b>   | <b>7.0</b>     | <b>–</b>     | <b>–</b>      |
| <b>Net interest expense</b>                                      | <b>(216.1)</b> | <b>(212.1)</b> | <b>(3.9)</b> | <b>(11.1)</b> |

Included within rents payable (note 4) is finance lease interest payable of **£3.2m** (2010: £3.8m).

# Notes to the financial statements

for the year ended 31 March 2011 continued

## 10. Dividends

| Ordinary dividends paid           | Payment date    | Restated <sup>1</sup><br>per share<br>pence | Actual<br>per share<br>pence | Group and Company |            |
|-----------------------------------|-----------------|---|------------------------------|-------------------|------------|
|                                   |                 |   |                              | 2011<br>£m        | 2010<br>£m |
| For the year ended 31 March 2009: |                 |   |                              |                   |            |
| Third interim                     | 24 April 2009   | 14.9  | 16.5                         | –                 | 76.8       |
| Final                             | 24 July 2009    | 7.0   | 7.0                          | –                 | 52.9       |
| For the year ended 31 March 2010: |                 |   |                              |                   |            |
| First interim                     | 23 October 2009 | 7.0   | 7.0                          | –                 | 52.9       |
| Second interim                    | 15 January 2010 | 7.0   | 7.0                          | –                 | 52.9       |
| Third interim                     | 1 April 2010    | 7.0   | 7.0                          | 53.1              | –          |
| Final                             | 30 July 2010    | 7.0   | 7.0                          | 53.3              | –          |
| For the year ended 31 March 2011: |                 |   |                              |                   |            |
| First interim                     | 25 October 2010 | 7.0   | 7.0                          | 53.5              | –          |
| Second interim                    | 10 January 2011 | 7.0   | 7.0                          | 53.7              | –          |
| Gross dividend                    |                 |   |                              | 213.6             | 235.5      |

1. The restated dividend per share represents the theoretical dividend per share that would have been paid had the bonus shares inherent in the 2009 rights issue been in existence at the relevant dividend dates.

The Board has proposed a final quarterly dividend for the year ended 31 March 2011 of **7.2p** per share (2010: 7.0p), which will be 100% PID, to the extent it is paid in cash, and result in a further distribution of **£55.4m** (2010: £53.3m). It will be paid on 28 July 2011 to shareholders who are on the Register of Members on 24 June 2011. The final dividend is in addition to the third quarterly dividend of 7.0p or **£53.9m** paid on 26 April 2011 (2010: 7.0p or £53.1m). The total dividend paid and proposed in respect of the year ended 31 March 2011 is **28.2p** (2010: 28.0p).

The Company operates a scrip dividend scheme which provides shareholders with the option to receive their dividend in shares as opposed to cash. Shares issued in lieu of dividends during the year totalled **£70.8m** (2010: £17.6m). The difference between the gross dividend of £213.6m and the amount reported in the consolidated cash flow for the year of £143.0m is the shares issued in lieu of dividends (£70.8m) and the timing of the payment of the related withholding tax payments (£0.2m).

All of the dividends paid and payable comprise PIDs to the extent that these dividends are paid in cash. Scrip dividends may not currently be treated as qualifying towards the Group PID requirement.

## 11. Income tax

|  | Group         |               | Company      |              |
|--|---------------|---------------|--------------|--------------|
|  | 2011<br>£m    | 2010<br>£m    | 2011<br>£m   | 2010<br>£m   |
| <b>Current tax</b>                                     |               |               |              |              |
| Corporation tax credit for the year                    | –             | (4.3)         | (4.5)        | (5.9)        |
| Adjustment in respect of prior years                   | (16.8)        | (21.0)        | –            | 0.6          |
| <b>Total current tax credit</b>                        | <b>(16.8)</b> | <b>(25.3)</b> | <b>(4.5)</b> | <b>(5.3)</b> |
| <b>Deferred tax</b>                                    |               |               |              |              |
| Origination and reversal of timing differences         | –             | 2.2           | –            | –            |
| <b>Total deferred tax expense</b>                      | <b>–</b>      | <b>2.2</b>    | <b>–</b>     | <b>–</b>     |
| <b>Total income tax credit in the income statement</b> | <b>(16.8)</b> | <b>(23.1)</b> | <b>(4.5)</b> | <b>(5.3)</b> |

# Notes to the financial statements

for the year ended 31 March 2011 continued

## 11. Income tax continued

The tax for the year is lower than the standard rate of corporation tax in the UK of **28%** (2010: 28%). The differences are explained below:

|   | Group         |               | Company      |              |
|---|---------------|---------------|--------------|--------------|
|   | 2011<br>£m    | 2010<br>£m    | 2011<br>£m   | 2010<br>£m   |
| Profit before tax   | 1,227.3       | 1,069.3       | 218.8        | 1,078.8      |
| Profit before tax multiplied by the rate of corporation tax in the UK of <b>28%</b> (2010: 28%) | 343.6         | 299.4         | 61.3         | 302.1        |
| Effects of:   |               |               |              |              |
| Refund of conversion charge on developments   | –             | (4.3)         | –            | –            |
| Interest rate swap break costs and fair value movements   | 0.5           | (22.8)        | –            | –            |
| Prior year corporation tax adjustments  | (16.8)        | (21.0)        | –            | 0.6          |
| Prior year deferred tax adjustments   | –             | 1.2           | –            | –            |
| Non-allowable expenses and non-taxable items  | 1.0           | 1.3           | (65.8)       | (308.0)      |
| Losses carried forward  | 3.1           | 8.1           | –            | –            |
| Utilised losses brought forward   | (7.3)         | –             | –            | –            |
| Exempt property rental profits and revaluations in the year                                     | (351.2)       | (281.2)       | –            | –            |
| Exempt property losses/(gains) in the year  | 10.3          | (3.8)         | –            | –            |
| <b>Total income tax credit in the income statement (as above)</b>                               | <b>(16.8)</b> | <b>(23.1)</b> | <b>(4.5)</b> | <b>(5.3)</b> |

During the year the Group released provisions of £16.8m to the income statement which were created in prior years and are no longer required as the relevant uncertainties have now been cleared. In addition, a protective tax payment of £60.7m was paid in relation to an outstanding issue with HM Revenue & Customs for periods prior to REIT conversion. The Group holds a further provision of £25.8m for interest on overdue tax in relation to this matter, which may become payable if the matter is not settled in our favour. The provision will be released, and the tax paid recovered, if the Group's claims are successful. In the prior year the Group reached agreement in relation to a number of issues, resulting in payment of additional tax of £14.0m and a release of provisions to the income statement of £21.0m.

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.

## 12. Earnings per share

| Group   | 2011<br>£m     | 2010<br>£m     |
|---|----------------|----------------|
| <b>Profit for the financial year attributable to the owners of the Parent</b>         | <b>1,241.6</b> | <b>1,088.9</b> |
| Net surplus on revaluation of investment properties – Group                           | (794.1)        | (746.0)        |
| – Joint ventures  | (114.7)        | (117.8)        |
| (Profit)/loss on investment property disposals after current and deferred tax – Group | (75.7)         | 32.5           |
| – Joint ventures  | (3.6)          | (8.0)          |
| Net impairment charge/(release) on trading properties <sup>1</sup> – Group (note 20)  | 1.4            | 10.6           |
| – Joint ventures  | (2.1)          | 2.9            |
| Fair value movement on interest-rate swaps – Group                                    | 1.9            | (7.0)          |
| – Joint ventures  | 0.3            | 1.4            |
| Adjustment due to net liabilities on joint ventures <sup>2</sup>                      | 1.6            | 15.7           |
| Eliminate effect of one-off gains   | –              | (9.7)          |
| Tax adjustments related to prior periods <sup>3</sup>                                 | (16.8)         | (23.1)         |
| Eliminate effect of non-recurring revenue items <sup>3</sup>                          | (2.3)          | –              |
| Eliminate effect of debt restructuring charges and other interest items <sup>3</sup>  | 22.0           | 3.6            |
| Eliminate effect of bond exchange de-recognition <sup>3</sup>                         | 18.5           | 13.8           |
| <b>Adjusted earnings attributable to the owners of the Parent</b>                     | <b>278.0</b>   | <b>257.8</b>   |

- The impairment of trading properties has been removed from our 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 in previous years, partially reversed by surpluses in the current year.
- The calculation of EPRA adjusted earnings does not adjust for these items but it does adjust for any profits/losses on the disposal of trading properties.

|   | 2011<br>Number<br>million | 2010<br>Number<br>million |
|---|---------------------------|---------------------------|
| Weighted average number of ordinary shares  | 771.1                     | 762.5                     |
| Effect of weighted average number of treasury shares  | (5.9)                     | (5.9)                     |
| Effect of weighted average number of own shares   | (0.3)                     | (0.6)                     |
| <b>Weighted average number of ordinary shares for calculating basic earnings per share</b>            | <b>764.9</b>              | <b>756.0</b>              |
| Dilutive effect of share options for diluted earnings per share                                       | 0.7                       | 0.4                       |
| <b>Weighted average number of ordinary shares for calculating adjusted diluted earnings per share</b> | <b>765.6</b>              | <b>756.4</b>              |

# Notes to the financial statements

for the year ended 31 March 2011 continued

## 12. Earnings per share continued

| Group                                      | 2011<br>Pence | 2010<br>Pence |
|--|---------------|---------------|
| <b>Basic earnings per share</b>            | <b>162.33</b> | 144.04        |
| <b>Diluted earnings per share</b>          | <b>162.18</b> | 143.96        |
| <b>Adjusted earnings per share</b>         | <b>36.35</b>  | 34.10         |
| <b>Adjusted diluted earnings per share</b> | <b>36.31</b>  | 34.08         |

Management has chosen to disclose adjusted earnings per share in order to provide an indication of the Group's underlying business performance. Accordingly, it excludes the effect of debt and other restructuring charges, non-recurring items and other items of a capital nature. EPRA adjusted earnings per share is **33.39p** (2010: 34.75p). The EPRA measure has been disclosed here and in the Business analysis section in [Table 83](#) 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.

## 13. Net assets per share

| Group  | 2011<br>£m                | 2010<br>£m                |
|--|---------------------------|---------------------------|
| <b>Net assets attributable to the owners of the Parent</b>                         | <b>6,811.5</b>            | 5,689.9                   |
| Cumulative fair value movements on interest-rate swaps – Group                     | 2.0                       | 0.1                       |
| – Joint ventures   | 20.7                      | 37.2                      |
| <b>EPRA adjusted net assets</b>  | <b>6,834.2</b>            | 5,727.2                   |
| Reverse bond exchange de-recognition adjustment                                    | (467.5)                   | (486.0)                   |
| <b>Adjusted net assets attributable to the owners of the Parent</b>                | <b>6,366.7</b>            | 5,241.2                   |
| Reinstate bond exchange de-recognition adjustment                                  | 467.5                     | 486.0                     |
| Cumulative fair value movements on interest-rate swaps – Group                     | (2.0)                     | (0.1)                     |
| – Joint ventures   | (20.7)                    | (37.2)                    |
| Excess of fair value of debt over book value (note 27)                             | (558.7)                   | (476.5)                   |
| <b>EPRA triple net assets</b>  | <b>6,252.8</b>            | 5,213.4                   |
|  | 2011<br>Number<br>million | 2010<br>Number<br>million |
| Number of ordinary shares in issue   | 775.9                     | 764.6                     |
| Number of treasury shares  | (5.9)                     | (5.9)                     |
| Number of own shares   | (0.3)                     | (0.5)                     |
| <b>Number of ordinary shares used for calculating basic net assets per share</b>   | <b>769.7</b>              | 758.2                     |
| Dilutive effect of share options   | 0.9                       | 0.6                       |
| <b>Number of ordinary shares used for calculating diluted net assets per share</b> | <b>770.6</b>              | 758.8                     |
|  | 2011<br>Pence             | 2010<br>Pence             |
| <b>Net assets per share</b>  | <b>885</b>                | 750                       |
| <b>Diluted net assets per share</b>  | <b>884</b>                | 750                       |
| <b>Adjusted net assets per share</b>   | <b>827</b>                | 691                       |
| <b>Adjusted diluted net assets per share</b>                                       | <b>826</b>                | 691                       |
| <b>EPRA measure – adjusted diluted net assets per share</b>                        | <b>887</b>                | 755                       |
| – diluted triple net assets per share  | 812                       | 687                       |

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



# Notes to the financial statements

for the year ended 31 March 2011 continued

## 14. Investment properties

| Group   | Portfolio management<br>£m | Development programme<br>£m | Total<br>£m    |
|---|----------------------------|-----------------------------|----------------|
| Net book value at 1 April 2009  | 7,215.4                    | 714.0                       | 7,929.4        |
| Developments transferred from the development programme into portfolio management | 498.1                      | (498.1)                     | –              |
| Properties transferred from portfolio management into the development programme   | (237.9)                    | 237.9                       | –              |
| Property acquisitions   | 13.3                       | –                           | 13.3           |
| Capital expenditure   | 50.7                       | 122.9                       | 173.6          |
| Capitalised interest  | 0.7                        | 15.5                        | 16.2           |
| Disposals   | (824.5)                    | –                           | (824.5)        |
| Surrender premiums received   | (10.0)                     | –                           | (10.0)         |
| Depreciation  | (0.8)                      | –                           | (0.8)          |
| Transfer from trading properties  | 1.1                        | –                           | 1.1            |
| Valuation surplus   | 549.0                      | 197.0                       | 746.0          |
| <b>Net book value at 31 March 2010</b>  | <b>7,255.1</b>             | <b>789.2</b>                | <b>8,044.3</b> |
| Developments transferred from the development programme into portfolio management | 259.3                      | (259.3)                     | –              |
| Properties transferred from portfolio management into the development programme   | (210.2)                    | 210.2                       | –              |
| Property acquisitions   | 364.6                      | 11.9                        | 376.5          |
| Capital expenditure   | 81.5                       | 169.6                       | 251.1          |
| Capitalised interest  | –                          | 15.9                        | 15.9           |
| Disposals   | (313.9)                    | (241.5)                     | (555.4)        |
| Depreciation  | (0.5)                      | –                           | (0.5)          |
| Transfer to trading properties  | –                          | (37.0)                      | (37.0)         |
| Valuation surplus   | 592.1                      | 202.0                       | 794.1          |
| <b>Net book value at 31 March 2011</b>  | <b>8,028.0</b>             | <b>861.0</b>                | <b>8,889.0</b> |

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<br>£m | Development programme<br>£m | Total<br>£m     |
|--|----------------------------|-----------------------------|-----------------|
| <b>Net book value at 31 March 2010</b>                                   | <b>7,255.1</b>             | <b>789.2</b>                | <b>8,044.3</b>  |
| Plus: tenant lease incentives (note 21)                                  | 167.4                      | 4.5                         | 171.9           |
| Less: head leases capitalised (note 29)                                  | (50.6)                     | (2.0)                       | (52.6)          |
| Plus: properties treated as finance leases                               | 121.8                      | –                           | 121.8           |
| <b>Market value at 31 March 2010 – Group</b>                             | <b>7,493.7</b>             | <b>791.7</b>                | <b>8,285.4</b>  |
| – Joint ventures (note 18)   | 1,063.8                    | 191.2                       | 1,255.0         |
| <b>Market value at 31 March 2010 – Group and share of joint ventures</b> | <b>8,557.5</b>             | <b>982.9</b>                | <b>9,540.4</b>  |
| <b>Net book value at 31 March 2011</b>                                   | <b>8,028.0</b>             | <b>861.0</b>                | <b>8,889.0</b>  |
| Plus: tenant lease incentives (note 21)                                  | 183.9                      | 10.3                        | 194.2           |
| Less: head leases capitalised (note 29)                                  | (27.1)                     | (1.3)                       | (28.4)          |
| Plus: properties treated as finance leases                               | 130.9                      | 5.2                         | 136.1           |
| <b>Market value at 31 March 2011 – Group</b>                             | <b>8,315.7</b>             | <b>875.2</b>                | <b>9,190.9</b>  |
| – Joint ventures (note 18)   | 1,160.2                    | 207.8                       | 1,368.0         |
| <b>Market value at 31 March 2011 – Group and share of joint ventures</b> | <b>9,475.9</b>             | <b>1,083.0</b>              | <b>10,558.9</b> |

The net book value of leasehold properties where head leases have been capitalised is **£942.4m** (2010: 1,044.0m).

The fair value of the Group's investment properties at 31 March 2011 has been arrived at on the basis of a valuation carried out at that date by Knight Frank LLP, external valuers. The valuation by Knight Frank LLP, which conforms to Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors and with IVA 1 of the International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties. Fixed asset properties include capitalised interest of **£176.4m** (2010: £160.5m). The average rate of interest capitalisation for the year is **5.2%** (2010: 4.6%). The historical cost of investment properties is **£6,767.6m** (2010: £6,877.8m).

The current value of investment properties, including joint ventures, in respect of proposed developments is **£170.5m** (2010: £336.2m). Developments are transferred out of the development programme when physically complete and 95% let, or two years after practical completion, whichever is earlier. The schemes transferred out of the development programme during the year were 30 Eastbourne Terrace, W2; Dashwood House, EC2; The Elements, Livingston; and, Almondvale South Retail Park, Livingston.

The Group has outstanding capital commitments of **£157.8m** at 31 March 2011 (2010: £75.4m).

# Notes to the financial statements

for the year ended 31 March 2011 continued

## 15. Other property, plant and equipment

| Group   | £m          |
|---|-------------|
| Book value at 1 April 2009                        | 14.3        |
| Capital expenditure                               | 3.1         |
| Disposals   | (0.6)       |
| Depreciation                                      | (4.0)       |
| Book value at the year ended 31 March 2010        | 12.8        |
| Capital expenditure                               | 4.6         |
| Disposals   | (0.1)       |
| Depreciation                                      | (6.0)       |
| <b>Book value at the year ended 31 March 2011</b> | <b>11.3</b> |

## 16. Net investment in finance leases

| Group  | 2011<br>£m   | 2010<br>£m   |
|--|--------------|--------------|
| <b>Non-current</b>                               |              |              |
| Finance leases – gross receivables               | 275.9        | 270.8        |
| Unearned finance income                          | (184.8)      | (181.1)      |
| Unguaranteed residual value                      | 25.7         | 25.7         |
|  | <b>116.8</b> | <b>115.4</b> |
| <b>Current</b>                                   |              |              |
| Finance leases – gross receivables               | 7.2          | 7.0          |
| Unearned finance income                          | (6.3)        | (6.1)        |
|  | <b>0.9</b>   | <b>0.9</b>   |
| <b>Total net investment in finance leases</b>    | <b>117.7</b> | <b>116.3</b> |
| <b>Gross receivables from finance leases:</b>    |              |              |
| Not later than one year                          | 7.2          | 7.0          |
| Later than one year but not more than five years | 29.1         | 28.0         |
| More than five years                             | 246.8        | 242.8        |
|  | <b>283.1</b> | <b>277.8</b> |
| Unearned future finance income                   | (191.1)      | (187.2)      |
| Unguaranteed residual value                      | 25.7         | 25.7         |
| <b>Net investment in finance leases</b>          | <b>117.7</b> | <b>116.3</b> |

The Group has leased out a number of investment properties under finance leases, which ranged from 35 to 100 years in duration from the inception of the lease. These are accounted for as finance lease receivables rather than investment properties.

The fair value of the Group's finance lease receivables approximates to the carrying amount.

## 17. Loan investments

| Group   | 2011                                 |                              |             | 2010                                 |                              |             |
|---|--------------------------------------|------------------------------|-------------|--------------------------------------|------------------------------|-------------|
|   | Real estate secured loan notes<br>£m | Loans to third parties<br>£m | Total<br>£m | Real estate secured loan notes<br>£m | Loans to third parties<br>£m | Total<br>£m |
| At the beginning of the year                      | 34.3                                 | 50.0                         | 84.3        | –                                    | 50.0                         | 50.0        |
| Additions   | –                                    | –                            | –           | 33.3                                 | –                            | 33.3        |
| Amortisation of loan note discount at acquisition | 4.1                                  | –                            | 4.1         | 1.0                                  | –                            | 1.0         |
| Redemptions                                       | (16.2)                               | –                            | (16.2)      | –                                    | –                            | –           |
| At the end of the year                            | <b>22.2</b>                          | <b>50.0</b>                  | <b>72.2</b> | <b>34.3</b>                          | <b>50.0</b>                  | <b>84.3</b> |

The credit quality of loan investments are assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. None of the loan investments are past due and are therefore not impaired.

# Notes to the financial statements

for the year ended 31 March 2011 continued

## 17. Loan investments continued

| Group  | 2011                                 |                              |             | 2010                                 |                              |             |
|--|--------------------------------------|------------------------------|-------------|--------------------------------------|------------------------------|-------------|
|  | Real estate secured loan notes<br>£m | Loans to third parties<br>£m | Total<br>£m | Real estate secured loan notes<br>£m | Loans to third parties<br>£m | Total<br>£m |
| Counterparties with external credit ratings    |                                      |                              |             |                                      |                              |             |
| AAA  | 22.2                                 | –                            | 22.2        | 34.3                                 | –                            | 34.3        |
|  | 22.2                                 | –                            | 22.2        | 34.3                                 | –                            | 34.3        |
| Counterparties without external credit ratings |                                      |                              |             |                                      |                              |             |
| Group 1 <sup>1</sup>                           | –                                    | –                            | –           | –                                    | –                            | –           |
| Group 2 <sup>2</sup>                           | –                                    | 50.0                         | 50.0        | –                                    | 50.0                         | 50.0        |
| Group 3 <sup>3</sup>                           | –                                    | –                            | –           | –                                    | –                            | –           |
|  | –                                    | 50.0                         | 50.0        | –                                    | 50.0                         | 50.0        |
|  | 22.2                                 | 50.0                         | 72.2        | 34.3                                 | 50.0                         | 84.3        |

1. Group 1 – new counterparty (less than six months).
2. Group 2 – existing counterparty (more than six months) with no defaults in the past.
3. Group 3 – existing counterparty (more than six months) with some defaults in the past.

## 18. Investments in joint ventures

The Group's joint ventures are described below:

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

1. Included within Other.

# Notes to the financial statements

for the year ended 31 March 2011 continued

## 18. Investments in joint ventures continued

| Group   | Year ended and as at 31 March 2011                  |  |                         |                                   |   |                                    |                                   |   |  |          |          |
|---|---|--|-------------------------|-----------------------------------|---|------------------------------------|-----------------------------------|---|--|----------|----------|
|   | The Scottish Retail Property Limited Partnership £m | Metro Shopping Fund Limited Partnership £m | Buchanan Partnership £m | St David's Limited Partnership £m | Bristol Alliance Limited Partnership £m | The Harvest Limited Partnership £m | The Oriana Limited Partnership £m | Westgate Oxford Alliance Limited Partnership £m | 20 Fenchurch Street Limited Partnership £m | Other £m | Total £m |
| <b>Income statement</b>   |   |  |                         |                                   |   |                                    |                                   |   |  |          |          |
| Rental income   | 7.7   | 9.8  | 8.8                     | 14.7                              | 18.9                                    | 4.9                                | 3.2                               | 1.8   | –  | 8.9      | 78.7     |
| Finance lease interest  | –   | –  | 0.2                     | –                                 | 0.3                                     | –                                  | –                                 | –   | –  | –        | 0.5      |
| Rents payable   | (0.1)   | –  | –                       | (2.6)                             | (0.5)                                   | –                                  | –                                 | (0.2)   | –  | (0.1)    | (3.5)    |
|   | 7.6   | 9.8  | 9.0                     | 12.1                              | 18.7                                    | 4.9                                | 3.2                               | 1.6   | –  | 8.8      | 75.7     |
| Service charge income   | 1.3   | 2.2  | 0.6                     | 2.1                               | 2.3                                     | 0.1                                | 0.2                               | 0.4   | –  | 0.2      | 9.4      |
| Service charge expense  | (1.3)   | (2.3)                                      | (0.6)                   | (3.0)                             | (2.5)                                   | (0.1)                              | (0.2)                             | (0.4)   | –  | (0.3)    | (10.7)   |
| Net service charge expense  | –   | (0.1)                                      | –                       | (0.9)                             | (0.2)                                   | –                                  | –                                 | –   | –  | (0.1)    | (1.3)    |
| Other property related income   | 0.3   | 0.1  | –                       | 0.4                               | 0.2                                     | –                                  | 0.1                               | –   | –  | –        | 1.1      |
| Direct property expenditure   | (1.9)   | (1.4)                                      | (1.8)                   | (3.7)                             | (2.6)                                   | (0.2)                              | (0.2)                             | (0.3)   | –  | (0.3)    | (12.4)   |
| <b>Net rental income</b>  | 6.0   | 8.4  | 7.2                     | 7.9                               | 16.1                                    | 4.7                                | 3.1                               | 1.3   | –  | 8.4      | 63.1     |
| Trading properties sale proceeds                                      | –   | –  | –                       | 11.2                              | –                                       | –                                  | –                                 | –   | –  | 6.6      | 17.8     |
| Cost of sales of trading properties                                   | –   | –  | –                       | (10.2)                            | –                                       | –                                  | –                                 | –   | –  | (8.3)    | (18.5)   |
| Profit/(loss) on disposal of trading properties                       | –   | –  | –                       | 1.0                               | –                                       | –                                  | –                                 | –   | –  | (1.7)    | (0.7)    |
| Indirect property expenditure   | (0.3)   | (0.6)                                      | (0.1)                   | (1.2)                             | (0.8)                                   | (0.2)                              | –                                 | (0.2)   | (0.1)                                      | (0.3)    | (3.8)    |
|   | 5.7   | 7.8  | 7.1                     | 7.7                               | 15.3                                    | 4.5                                | 3.1                               | 1.1   | (0.1)                                      | 6.4      | 58.6     |
| Investment property disposal proceeds                                 | –   | 119.9                                      | –                       | 1.7                               | 4.9                                     | –                                  | –                                 | –   | –  | –        | 126.5    |
| Carrying value of investment property disposals                       | –   | (117.7)                                    | –                       | (1.6)                             | (3.6)                                   | –                                  | –                                 | –   | –  | –        | (122.9)  |
| Profit on disposal of investment properties                           | –   | 2.2  | –                       | 0.1                               | 1.3                                     | –                                  | –                                 | –   | –  | –        | 3.6      |
| Net surplus on revaluation of investment properties                   | 1.1   | 6.9  | 13.1                    | 14.9                              | 12.7                                    | 9.9                                | 32.5                              | 1.4   | 15.0                                       | 7.2      | 114.7    |
| Impairment release on trading properties                              | –   | –  | –                       | –                                 | –                                       | –                                  | –                                 | –   | –  | 2.1      | 2.1      |
| <b>Operating profit</b>   | 6.8   | 16.9                                       | 20.2                    | 22.7                              | 29.3                                    | 14.4                               | 35.6                              | 2.5   | 14.9                                       | 15.7     | 179.0    |
| Net interest (expense)/income   | (3.3)   | (12.0)                                     | (4.1)                   | (4.1)                             | 0.1                                     | (2.9)                              | (2.8)                             | –   | (0.1)                                      | (3.5)    | (32.7)   |
| <b>Profit before tax</b>  | 3.5   | 4.9  | 16.1                    | 18.6                              | 29.4                                    | 11.5                               | 32.8                              | 2.5   | 14.8                                       | 12.2     | 146.3    |
| Income tax  | –   | (0.7)                                      | –                       | –                                 | –                                       | –                                  | –                                 | –   | –  | (0.1)    | (0.8)    |
|   | 3.5   | 4.2  | 16.1                    | 18.6                              | 29.4                                    | 11.5                               | 32.8                              | 2.5   | 14.8                                       | 12.1     | 145.5    |
| Net liabilities adjustment <sup>2</sup>                               | –   | –  | –                       | –                                 | –                                       | –                                  | –                                 | –   | –  | (1.6)    | (1.6)    |
| <b>Share of profits post tax</b>                                      | 3.5   | 4.2  | 16.1                    | 18.6                              | 29.4                                    | 11.5                               | 32.8                              | 2.5   | 14.8                                       | 10.5     | 143.9    |
| <b>Segment profit/(loss)</b>  | 2.4   | 0.3  | 3.0                     | 2.5                               | 15.4                                    | 1.6                                | (1.8)                             | 1.1   | (0.2)                                      | 2.6      | 26.9     |
| <b>Net investment</b>   |   |  |                         |                                   |   |                                    |                                   |   |  |          |          |
| At 1 April 2010   | 30.2  | 31.0                                       | 122.1                   | 173.6                             | 287.2                                   | 80.7                               | 14.8                              | –   | –  | 48.2     | 787.8    |
| Cash contributed  | 0.5   | 2.2  | 1.3                     | –                                 | –                                       | 2.0                                | –                                 | 29.1  | 46.2                                       | –        | 81.3     |
| Other contributions   | –   | –  | –                       | –                                 | –                                       | –                                  | –                                 | –   | 0.4  | –        | 0.4      |
| Distributions   | –   | (21.0)                                     | (3.6)                   | –                                 | –                                       | –                                  | –                                 | (1.0)   | –  | –        | (25.6)   |
| Fair value movement on cash flow hedges taken to comprehensive income | 2.2   | 9.2  | –                       | –                                 | –                                       | 0.9                                | –                                 | –   | –  | 0.1      | 12.4     |
| Loan advances   | –   | –  | –                       | 8.2                               | –                                       | –                                  | –                                 | –   | 9.1  | –        | 17.3     |
| Loan repayments   | –   | –  | –                       | (56.2)                            | (19.8)                                  | –                                  | –                                 | –   | –  | (1.9)    | (77.9)   |
| Share of profits of joint ventures post tax                           | 3.5   | 4.2  | 16.1                    | 18.6                              | 29.4                                    | 11.5                               | 32.8                              | 2.5   | 14.8                                       | 10.5     | 143.9    |
| <b>At 31 March 2011</b>   | 36.4  | 25.6                                       | 135.9                   | 144.2                             | 296.8                                   | 95.1                               | 47.6                              | 30.6  | 70.5                                       | 56.9     | 939.6    |
| <b>Balance sheet</b>  |   |  |                         |                                   |   |                                    |                                   |   |  |          |          |
| Investment properties <sup>1</sup>                                    | 98.9  | 109.3                                      | 132.2                   | 255.5                             | 281.5                                   | 96.7                               | 129.8                             | 29.7  | 69.8                                       | 124.6    | 1,328.0  |
| Current assets  | 7.3   | 6.2  | 7.5                     | 39.4                              | 25.8                                    | 45.6                               | 3.6                               | 2.0   | 1.5  | 55.8     | 194.7    |
|   | 106.2   | 115.5                                      | 139.7                   | 294.9                             | 307.3                                   | 142.3                              | 133.4                             | 31.7  | 71.3                                       | 180.4    | 1,522.7  |
| Current liabilities   | (5.3)   | (4.4)                                      | (3.8)                   | (57.3)                            | (7.9)                                   | (0.8)                              | (8.6)                             | (1.1)   | (0.8)                                      | (30.1)   | (120.1)  |
| Non-current liabilities   | (64.5)  | (85.5)                                     | –                       | (93.4)                            | (2.6)                                   | (46.4)                             | (77.2)                            | –   | –  | (93.8)   | (463.4)  |
|   | (69.8)  | (89.9)                                     | (3.8)                   | (150.7)                           | (10.5)                                  | (47.2)                             | (85.8)                            | (1.1)   | (0.8)                                      | (123.9)  | (583.5)  |
| Net liabilities adjustment <sup>2</sup>                               | –   | –  | –                       | –                                 | –                                       | –                                  | –                                 | –   | –  | 0.4      | 0.4      |
| <b>Net assets</b>   | 36.4  | 25.6                                       | 135.9                   | 144.2                             | 296.8                                   | 95.1                               | 47.6                              | 30.6  | 70.5                                       | 56.9     | 939.6    |
| <b>Capital commitments</b>  | 3.2   | 0.4  | 0.1                     | 4.4                               | 2.1                                     | –                                  | 1.9                               | 0.1   | 0.6  | 0.3      | 13.1     |
| <b>Market value of investment properties<sup>1</sup></b>              | 101.0   | 110.0                                      | 138.0                   | 268.1                             | 297.9                                   | 97.7                               | 129.8                             | 30.0  | 69.8                                       | 125.7    | 1,368.0  |
| <b>Net (debt)/cash</b>  | (62.5)  | (83.1)                                     | 2.1                     | (79.9)                            | 1.5                                     | (45.3)                             | (73.7)                            | 1.5   | 1.5  | (89.6)   | (427.5)  |

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

2. Joint ventures with net liabilities are carried at zero value in the balance sheet where there is no commitment to fund the deficit and any distributions are included in the consolidated income statement for the year.

# Notes to the financial statements

for the year ended 31 March 2011 continued

## 18. Investments in joint ventures continued

| Group   | Year ended and as at 31 March 2010                                 |   |                               |  |   |  |  |  |   |             | Total<br>£m    |
|---|--|---|-------------------------------|--|---|--|--|--|---|-------------|----------------|
|   | The Scottish<br>Retail<br>Property<br>Limited<br>Partnership<br>£m | Metro<br>Shopping<br>Fund<br>Limited<br>Partnership<br>£m | Buchanan<br>Partnership<br>£m | St David's<br>Limited<br>Partnership<br>£m | Bristol<br>Alliance<br>Limited<br>Partnership<br>£m | The<br>Harvest<br>Limited<br>Partnership<br>£m | The Oriana<br>Limited<br>Partnership<br>£m | Westgate<br>Oxford<br>Alliance<br>Limited<br>Partnership<br>£m | 20<br>Fenchurch<br>Street<br>Limited<br>Partnership<br>£m | Other<br>£m |                |
| <b>Income statement</b>   |  |   |                               |  |   |  |  |  |   |             |                |
| Rental income   | 7.5  | 11.8  | 8.6                           | 8.6  | 17.9  | 4.8  | 3.4  | –  | –   | 15.9        | <b>78.5</b>    |
| Finance lease interest  | –  | 0.1   | 0.1                           | –  | 0.3   | –  | –  | –  | –   | –           | <b>0.5</b>     |
| Rents payable   | (0.1)  | –   | –                             | (0.6)                                      | (0.5)   | –  | –  | –  | –   | (0.1)       | <b>(1.3)</b>   |
|   | 7.4  | 11.9  | 8.7                           | 8.0  | 17.7  | 4.8  | 3.4  | –  | –   | 15.8        | <b>77.7</b>    |
| Service charge income   | 1.2  | 2.4   | 0.5                           | 1.2  | 2.1   | 0.2  | 0.2  | –  | –   | 1.6         | <b>9.4</b>     |
| Service charge expense  | (1.1)  | (2.8)   | (0.6)                         | (1.7)                                      | (2.5)   | (0.1)  | (0.2)                                      | –  | –   | (1.9)       | <b>(10.9)</b>  |
| Net service charge income/(expense)                                   | 0.1  | (0.4)   | (0.1)                         | (0.5)                                      | (0.4)   | 0.1  | –  | –  | –   | (0.3)       | <b>(1.5)</b>   |
| Other property related income   | 0.3  | 0.2   | –                             | –  | 0.5   | –  | –  | –  | –   | –           | <b>1.0</b>     |
| Direct property expenditure   | (2.3)  | (1.1)   | (1.2)                         | (1.9)                                      | (3.8)   | (0.2)  | (0.4)                                      | –  | –   | (1.3)       | <b>(12.2)</b>  |
| <b>Net rental income</b>  | 5.5  | 10.6  | 7.4                           | 5.6  | 14.0  | 4.7  | 3.0  | –  | –   | 14.2        | <b>65.0</b>    |
| Trading properties sale proceeds                                      | –  | –   | –                             | –  | –   | –  | –  | –  | –   | 12.3        | <b>12.3</b>    |
| Cost of sales of trading properties                                   | –  | –   | –                             | –  | –   | –  | –  | –  | –   | (11.1)      | <b>(11.1)</b>  |
| Profit on disposal of trading properties                              | –  | –   | –                             | –  | –   | –  | –  | –  | –   | 1.2         | <b>1.2</b>     |
| Indirect property expenditure   | (0.4)  | (0.8)   | (0.1)                         | (1.6)                                      | (0.3)   | –  | (0.1)                                      | –  | –   | (0.5)       | <b>(3.8)</b>   |
|   | 5.1  | 9.8   | 7.3                           | 4.0  | 13.7  | 4.7  | 2.9  | –  | –   | 14.9        | <b>62.4</b>    |
| Investment property disposal proceeds                                 | –  | –   | –                             | –  | 0.8   | –  | –  | –  | –   | 212.8       | <b>213.6</b>   |
| Carrying value of investment property disposals                       | –  | –   | –                             | –  | (0.5)   | –  | –  | –  | –   | (205.1)     | <b>(205.6)</b> |
| Profit on disposal of investment properties                           | –  | –   | –                             | –  | 0.3   | –  | –  | –  | –   | 7.7         | <b>8.0</b>     |
| Net surplus on revaluation of investment properties                   | 9.5  | 45.1  | 5.7                           | 2.5  | 27.0  | 11.1   | 9.6  | –  | –   | 7.3         | <b>117.8</b>   |
| Impairment of trading properties                                      | –  | –   | –                             | –  | –   | –  | –  | –  | –   | (2.9)       | <b>(2.9)</b>   |
| <b>Operating profit</b>   | 14.6   | 54.9  | 13.0                          | 6.5  | 41.0  | 15.8   | 12.5                                       | –  | –   | 27.0        | <b>185.3</b>   |
| Net interest expense  | (3.3)  | (10.6)  | (3.9)                         | (3.3)                                      | –   | (3.1)  | (4.8)                                      | –  | –   | (5.0)       | <b>(34.0)</b>  |
| <b>Profit before tax</b>  | 11.3   | 44.3  | 9.1                           | 3.2  | 41.0  | 12.7   | 7.7  | –  | –   | 22.0        | <b>151.3</b>   |
| Income tax  | –  | (0.6)   | –                             | –  | –   | –  | –  | –  | –   | 2.6         | <b>2.0</b>     |
|   | 11.3   | 43.7  | 9.1                           | 3.2  | 41.0  | 12.7   | 7.7  | –  | –   | 24.6        | <b>153.3</b>   |
| Net liabilities adjustment <sup>2</sup>                               | –  | (16.5)  | –                             | –  | –   | –  | –  | –  | –   | 0.8         | <b>(15.7)</b>  |
| <b>Share of profits post tax</b>                                      | 11.3   | 27.2  | 9.1                           | 3.2  | 41.0  | 12.7   | 7.7  | –  | –   | 25.4        | <b>137.6</b>   |
| <b>Segment profit/(loss)</b>  | 1.8  | (0.8)   | 3.4                           | 2.0  | 13.7  | 1.6  | (2.0)                                      | –  | –   | 8.9         | <b>28.6</b>    |
| <b>Net investment</b>   |  |   |                               |  |   |  |  |  |   |             |                |
| At 1 April 2009   | 17.5   | –   | 114.4                         | 240.6                                      | 244.2   | 65.9   | 7.1  | –  | –   | 241.1       | <b>930.8</b>   |
| Cash contributed  | 1.2  | 2.5   | 2.0                           | –  | –   | 2.1  | –  | –  | –   | 0.4         | <b>8.2</b>     |
| Distributions   | –  | (1.1)   | (3.4)                         | –  | –   | –  | –  | –  | –   | (2.4)       | <b>(6.9)</b>   |
| Fair value movement on cash flow hedges taken to comprehensive income | 0.2  | 2.4   | –                             | –  | –   | –  | –  | –  | –   | –           | <b>2.6</b>     |
| Disposals   | –  | –   | –                             | –  | –   | –  | –  | –  | –   | (208.6)     | <b>(208.6)</b> |
| Capital advances  | –  | –   | –                             | 75.3                                       | 12.1  | –  | –  | –  | –   | –           | <b>87.4</b>    |
| Capital repayments  | –  | –   | –                             | (145.5)                                    | (10.1)  | –  | –  | –  | –   | (7.7)       | <b>(163.3)</b> |
| Share of profits of joint ventures post tax                           | 11.3   | 27.2  | 9.1                           | 3.2  | 41.0  | 12.7   | 7.7  | –  | –   | 25.4        | <b>137.6</b>   |
| <b>At 31 March 2010</b>   | 30.2   | 31.0  | 122.1                         | 173.6                                      | 287.2   | 80.7   | 14.8                                       | –  | –   | 48.2        | <b>787.8</b>   |
| <b>Balance sheet</b>  |  |   |                               |  |   |  |  |  |   |             |                |
| Investment properties <sup>1</sup>                                    | 96.3   | 217.0   | 118.6                         | 230.7                                      | 268.9   | 83.3   | 94.9                                       | –  | –   | 117.4       | <b>1,227.1</b> |
| Current assets  | 6.4  | 7.6   | 6.9                           | 6.8  | 29.5  | 45.7   | 2.9  | –  | –   | 55.8        | <b>161.6</b>   |
|   | 102.7  | 224.6   | 125.5                         | 237.5                                      | 298.4   | 129.0  | 97.8                                       | –  | –   | 173.2       | <b>1,388.7</b> |
| Current liabilities   | (4.9)  | (5.9)   | (3.4)                         | (26.5)                                     | (8.3)   | (1.2)  | (6.1)                                      | –  | –   | (27.5)      | <b>(83.8)</b>  |
| Non-current liabilities   | (67.6)   | (187.7)   | –                             | (37.4)                                     | (2.9)   | (47.1)   | (76.9)                                     | –  | –   | (99.5)      | <b>(519.1)</b> |
|   | (72.5)   | (193.6)   | (3.4)                         | (63.9)                                     | (11.2)  | (48.3)   | (83.0)                                     | –  | –   | (127.0)     | <b>(602.9)</b> |
| Net liabilities adjustment <sup>2</sup>                               | –  | –   | –                             | –  | –   | –  | –  | –  | –   | 2.0         | <b>2.0</b>     |
| <b>Net assets</b>   | 30.2   | 31.0  | 122.1                         | 173.6                                      | 287.2   | 80.7   | 14.8                                       | –  | –   | 48.2        | <b>787.8</b>   |
| <b>Capital commitments</b>  | 0.1  | 0.4   | –                             | 12.8                                       | 3.9   | 0.1  | –  | –  | –   | 0.3         | <b>17.6</b>    |
| <b>Market value of investment properties<sup>1</sup></b>              | 97.6   | 218.3   | 122.5                         | 233.0                                      | 286.5   | 84.1   | 95.0                                       | –  | –   | 118.0       | <b>1,255.0</b> |
| <b>Net (debt)/cash</b>  | (64.2)   | (183.0)   | 0.8                           | (34.4)                                     | 3.2   | (45.8)   | (74.1)                                     | –  | –   | (91.4)      | <b>(488.9)</b> |

# Notes to the financial statements

for the year ended 31 March 2011 continued

## 19. Investments in subsidiary undertakings

| Company  | 2011<br>£m     | 2010<br>£m     |
|--|----------------|----------------|
| At the beginning of the year                                     | 5,684.5        | 4,828.5        |
| Capital injection  | 250.0          | 850.0          |
| Capital contributions relating to share-based payments (note 32) | 3.8            | 6.0            |
| Reversal of past impairments                                     | 234.7          | –              |
| <b>At the end of the year</b>                                    | <b>6,173.0</b> | <b>5,684.5</b> |

In accordance with IFRIC 11 'IFRS 2 – Group and Treasury Transactions' the equity settled share-based charge for the employees of the Company's subsidiaries is treated as an increase in the cost of investment in the subsidiaries and a corresponding increase in the Company's equity.

The Directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. The principal Group undertakings, all of which are wholly owned, either directly by the Company or through a fellow subsidiary undertaking are:

### Wholly owned subsidiary undertakings

#### Group operations

Land Securities Properties Limited

#### Investment property business

Land Securities Intermediate Limited  
Land Securities Property Holdings Limited  
Ravenseft Properties Limited

The City of London Real Property Company Limited  
Ravenside Investments Limited

All principal subsidiary undertakings operate in Great Britain and are registered in England and Wales. A full list of subsidiary undertakings at 31 March 2011 will be appended to the Company's next annual return.

# Notes to the financial statements

for the year ended 31 March 2011 continued

## 20. Trading properties and long-term development contracts

| Group                               | 2011         |                               |                           | 2010         |                               |                           |
|-------------------------------------|--------------|-------------------------------|---------------------------|--------------|-------------------------------|---------------------------|
|                                     | Cost<br>£m   | Impairment<br>provision<br>£m | Realisable<br>value<br>£m | Cost<br>£m   | Impairment<br>provision<br>£m | Realisable<br>value<br>£m |
| Trading properties:                 |              |                               |                           |              |                               |                           |
| Development land and infrastructure | 211.6        | (104.0)                       | 107.6                     | 170.1        | (102.6)                       | 67.5                      |
| Other trading properties            | 15.8         | (0.3)                         | 15.5                      | 16.8         | (0.3)                         | 16.5                      |
| Long-term development contracts     | 6.2          | –                             | 6.2                       | 3.9          | –                             | 3.9                       |
|                                     | <b>233.6</b> | <b>(104.3)</b>                | <b>129.3</b>              | <b>190.8</b> | <b>(102.9)</b>                | <b>87.9</b>               |

The realisable value of the Group's trading properties at 31 March 2011 has been based on a valuation carried out at that date by Knight Frank LLP, external valuers.

| Group   | 2011<br>£m | 2010<br>£m   |
|---|------------|--------------|
| Long-term development contracts   |            |              |
| Income statement:   |            |              |
| Contract revenue recognised as revenue in the year  | 39.4       | 140.7        |
| Contract expenditure recognised as costs in the year  | (34.0)     | (134.0)      |
|   | <b>5.4</b> | <b>6.7</b>   |
| Balance sheet:  |            |              |
| Contract costs incurred and recognised profits (less recognised losses) to date                       | 483.7      | 526.3        |
| Advances received from customers  | (478.3)    | (527.8)      |
|   | <b>5.4</b> | <b>(1.5)</b> |
| Plus: gross amount due from customers for contract work (included in prepayments and deferred income) | 0.8        | 5.4          |
| <b>Balance at the end of the year</b>   | <b>6.2</b> | <b>3.9</b>   |

# Notes to the financial statements

for the year ended 31 March 2011 continued

## 21. Trade and other receivables

|  | Group        |              | Company     |             |
|--|--------------|--------------|-------------|-------------|
|  | 2011<br>£m   | 2010<br>£m   | 2011<br>£m  | 2010<br>£m  |
| Trade receivables  | 51.0         | 44.8         | –           | –           |
| Less: allowance for doubtful accounts                                  | (13.9)       | (20.2)       | –           | –           |
| Net trade receivables  | 37.1         | 24.6         | –           | –           |
| Property sales receivables   | 23.3         | 29.9         | –           | –           |
| Other receivables  | 11.5         | 13.6         | –           | –           |
| Tenant lease incentives  | 194.2        | 171.9        | –           | –           |
| Prepayments and accrued income   | 29.6         | 47.0         | 0.1         | –           |
| Current tax assets   | –            | –            | 4.5         | 5.9         |
| Net finance leases receivable within one year (note 16)                | 0.9          | 0.9          | –           | –           |
| Amounts due from joint ventures  | 57.7         | 46.5         | –           | –           |
| Loans to Group undertakings  | –            | –            | 5.4         | 13.3        |
| <b>Total current trade and other receivables</b>                       | <b>354.3</b> | <b>334.4</b> | <b>10.0</b> | <b>19.2</b> |
| Plus: non-current trade and other receivables (deferred consideration) | 77.0         | –            | –           | –           |
| <b>Total trade and other receivables</b>                               | <b>431.3</b> | <b>334.4</b> | <b>10.0</b> | <b>19.2</b> |

| Group                               | 1-30 days<br>past due<br>£m | Up to<br>6 months<br>past due<br>£m | Up to<br>12 months<br>past due<br>£m | More than<br>12 months<br>past due<br>£m | Total<br>£m |
|-------------------------------------|-----------------------------|-------------------------------------|--------------------------------------|--|-------------|
| <b>Accounts receivable past due</b> |                             |                                     |                                      |  |             |
| <b>As at 31 March 2011</b>          |                             |                                     |                                      |  |             |
| Past due but not impaired           | 28.0                        | 4.9                                 | 1.1                                  | –  | 34.0        |
| Past due and impaired               | 0.7                         | 2.6                                 | 2.6                                  | 11.1                                     | 17.0        |
|                                     | <b>28.7</b>                 | <b>7.5</b>                          | <b>3.7</b>                           | <b>11.1</b>                              | <b>51.0</b> |
| <b>As at 31 March 2010</b>          |                             |                                     |                                      |  |             |
| Past due but not impaired           | 20.8                        | 1.6                                 | –                                    | –  | 22.4        |
| Past due and impaired               | 3.6                         | 2.5                                 | 5.6                                  | 10.7                                     | 22.4        |
|                                     | <b>24.4</b>                 | <b>4.1</b>                          | <b>5.6</b>                           | <b>10.7</b>                              | <b>44.8</b> |

In accordance with IFRS 7, the amounts shown as past due represent the total credit exposure, not the amount actually past due. Trade receivables are all considered past due as they relate to rents receivable from tenants all of which are payable in advance.

| Group  | 2011<br>£m  | 2010<br>£m  |
|--|-------------|-------------|
| Movement in allowances for doubtful accounts |             |             |
| At the beginning of the year                 | 20.2        | 20.3        |
| Net (release)/charge to the income statement | (0.4)       | 3.0         |
| Utilised in the year                         | (5.9)       | (3.1)       |
| <b>At the end of the year</b>                | <b>13.9</b> | <b>20.2</b> |

| Group                               | 2011<br>£m   | 2010<br>£m   |
|-------------------------------------|--------------|--------------|
| Movement in tenant lease incentives |              |              |
| At the beginning of the year        | 171.9        | 189.3        |
| Revenue recognised                  | 18.6         | 15.4         |
| Capital incentives granted          | 7.9          | 1.3          |
| Provision for doubtful receivables  | (1.8)        | (2.4)        |
| Disposal of properties              | (2.4)        | (31.7)       |
| <b>At the end of the year</b>       | <b>194.2</b> | <b>171.9</b> |



# Notes to the financial statements

for the year ended 31 March 2011 continued

## 22. Monies held in restricted accounts and deposits

| Group                    | 2011<br>£m  | 2010<br>£m  |
|--------------------------|-------------|-------------|
| Cash at bank and in hand | 11.9        | 87.5        |
| Short-term deposits      | 6.0         | 6.0         |
| Liquidity funds          | 17.2        | 2.1         |
|                          | <b>35.1</b> | <b>95.6</b> |

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

The credit quality of monies held in restricted accounts and deposits can be assessed by reference to external credit ratings of the counterparty.

| Group                                       | 2011<br>£m  | 2010<br>£m  |
|---|-------------|-------------|
| Counterparties with external credit ratings |             |             |
| AAA   | 17.2        | 2.1         |
| AA  | –           | 76.7        |
| A+  | 11.9        | 10.8        |
| A   | 6.0         | 6.0         |
|   | <b>35.1</b> | <b>95.6</b> |

## 23. Cash and cash equivalents

|                          | Group       |              | Company    |            |
|--------------------------|-------------|--------------|------------|------------|
|                          | 2011<br>£m  | 2010<br>£m   | 2011<br>£m | 2010<br>£m |
| Cash at bank and in hand | 13.6        | 17.7         | 0.2        | 0.2        |
| Short-term deposits      | 24.0        | 11.8         | –          | –          |
| Liquidity funds          | –           | 129.9        | –          | –          |
|                          | <b>37.6</b> | <b>159.4</b> | <b>0.2</b> | <b>0.2</b> |

### Liquidity funds

The liquidity funds are AAA rated cash-investment funds with constant net asset values, offering the Group same day access to the funds deposited. These investments yielded an average return of **0.4%** in the year ended 31 March 2011 (2010: between 0.3% and 0.6%).

### Short-term deposits

The effective interest rate on short-term deposits was **0.3%** at 31 March 2011 (2010: 0.3%) and had an average maturity of **one day** (2010: one day).

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

| Group                                       | 2011<br>£m  | 2010<br>£m   |
|---|-------------|--------------|
| Counterparties with external credit ratings |             |              |
| AAA   | –           | 129.9        |
| AA  | 5.1         | 7.1          |
| A+  | 32.5        | 22.4         |
|   | <b>37.6</b> | <b>159.4</b> |

# Notes to the financial statements

for the year ended 31 March 2011 continued

## 24. Trade and other payables

|  | Group      |            | Company    |            |
|--|------------|------------|------------|------------|
|  | 2011<br>£m | 2010<br>£m | 2011<br>£m | 2010<br>£m |
| Trade payables                         | 12.2       | 9.9        | –          | –          |
| Capital payables                       | 74.6       | 47.8       | –          | –          |
| Other payables                         | 49.8       | 43.5       | 5.4        | 5.6        |
| Accruals and deferred income           | 228.1      | 238.5      | 4.5        | 2.5        |
| Amounts owed to joint ventures         | 58.5       | 55.8       | –          | –          |
| Loans from Group undertakings          | –          | –          | 393.2      | –          |
| Total current trade and other payables | 423.2      | 395.5      | 403.1      | 8.1        |
| Non-current trade and other payables   | 6.2        | –          | –          | –          |
| Total trade and other payables         | 429.4      | 395.5      | 403.1      | 8.1        |

Capital payables represent amounts due under contracts to purchase properties, which were unconditionally exchanged at the year end, and for work completed on investment properties but not paid for at the year end. Deferred income principally relates to rents received in advance.

## 25. Provisions

| Group   | Dilapidations | Onerous leases | Other      | Total      |
|---|---------------|----------------|------------|------------|
|   | £m            | £m             | £m         | £m         |
| At 1 April 2009   | –             | –              | –          | –          |
| Charge to income statement for the year   | 0.3           | 1.2            | –          | 1.5        |
| <b>At 31 March 2010</b>   | <b>0.3</b>    | <b>1.2</b>     | <b>–</b>   | <b>1.5</b> |
| Charge to income statement for the year   | –             | –              | 6.9        | 6.9        |
| Utilised in the year  | (0.3)         | (0.9)          | –          | (1.2)      |
| Released to the income statement in the year  | –             | (0.3)          | –          | (0.3)      |
| Reclassified from accruals  | –             | –              | 0.5        | 0.5        |
| <b>At 31 March 2011</b>   | <b>–</b>      | <b>–</b>       | <b>7.4</b> | <b>7.4</b> |
| <b>Included in the balance above, the following amounts are anticipated to be utilised within one year:</b> |               |                |            |            |
| At 31 March 2010  | 0.3           | 1.2            | –          | 1.5        |
| <b>At 31 March 2011</b>   | <b>–</b>      | <b>–</b>       | <b>7.4</b> | <b>7.4</b> |

### Dilapidations

Following all head office staff moving to 5 Strand, a provision for dilapidations was made in respect of 11 Strand in the prior year. The amounts provided were based on the estimate of the future costs determined on the basis of the present condition of the property. No provision remained at 31 March 2011.

### Onerous leases

An onerous lease provision was established in the prior year in respect of the lease at 11 Strand which expired at the end of 2010. No provision remained at 31 March 2011.

### Other

Other provisions relate to costs arising in the ordinary course of business.

# Notes to the financial statements

for the year ended 31 March 2011 continued

## 26. Derivative financial instruments

| Group                                | 2011         |                   | 2010         |                   |
|--------------------------------------|--------------|-------------------|--------------|-------------------|
|                                      | Assets<br>£m | Liabilities<br>£m | Assets<br>£m | Liabilities<br>£m |
| Interest-rate swaps (non-designated) | –            | (2.0)             | 1.0          | (1.1)             |
| <b>Total</b>                         | <b>–</b>     | <b>(2.0)</b>      | <b>1.0</b>   | <b>(1.1)</b>      |

### Interest-rate swaps

The Group uses interest-rate swaps to manage its exposure to interest-rate movements on its interest-bearing loans and investments. The fair value of these contracts is recorded in the balance sheet and is determined by discounting future cash flows at the prevailing market rates at the balance sheet date.

The change in fair value of the contracts that are not designated as hedging instruments is taken to the income statement. For contracts that are designated as cash flow hedges the change in the fair value of the contracts is recognised in the statement of comprehensive income. There was no ineffectiveness to be recognised from the designated cash flow hedges in either the current or prior year. The deferred asset or liability assumed is released to the income statement during the term of each relevant swap.

At the balance sheet date, the notional amount of outstanding derivative financial instruments was as follows:

| Group               | 2011<br>£m   | 2010<br>£m |
|---------------------|--------------|------------|
| Interest-rate swaps | <b>220.0</b> | 570.0      |
|                     | <b>220.0</b> | 570.0      |

### Valuation hierarchy

Interest-rate swaps are the only financial instruments which are carried at fair value. The table below shows the interest-rate swaps carried at fair value by valuation method.

| Group       | 2011          |               |               |             | 2010          |               |               |             |
|-------------|---------------|---------------|---------------|-------------|---------------|---------------|---------------|-------------|
|             | Level 1<br>£m | Level 2<br>£m | Level 3<br>£m | Total<br>£m | Level 1<br>£m | Level 2<br>£m | Level 3<br>£m | Total<br>£m |
| Assets      | –             | –             | –             | –           | –             | 1.0           | –             | 1.0         |
| Liabilities | –             | (2.0)         | –             | (2.0)       | –             | (1.1)         | –             | (1.1)       |

Note:

Level 1: valued using unadjusted quoted prices in active markets for identical financial instruments.

Level 2: valued using techniques based on information that can be obtained from observable market data.

Level 3: valued using techniques incorporating information other than observable market data as at least one input to the valuation cannot be based on observable market data.

### Credit quality

The credit quality of interest-rate swap assets can be assessed by reference to external credit ratings of the counterparty.

| Group                                       | 2011<br>£m | 2010<br>£m |
|---|------------|------------|
| Counterparties with external credit ratings |            |            |
| AA  | –          | 0.6        |
| A+  | –          | 0.4        |
|   | –          | 1.0        |

# Notes to the financial statements

for the year ended 31 March 2011 continued

## 27. Borrowings

| Group  | 2011                  |                    |                                    |                                     |                     |                     |
|--|-----------------------|--------------------|------------------------------------|-------------------------------------|---------------------|---------------------|
|  | Secured/<br>unsecured | Fixed/<br>floating | Effective<br>interest<br>rate<br>% | Nominal/<br>notional<br>value<br>£m | Fair<br>value<br>£m | Book<br>value<br>£m |
| <b>Current borrowings</b>                      |                       |                    |                                    |                                     |                     |                     |
| Sterling                                       |                       |                    |                                    |                                     |                     |                     |
| 4.625 per cent MTN due 2013                    | Secured               | Floating           | LIBOR +<br>margin                  | 23.5                                | 23.5                | 23.5                |
| 5.253 per cent QAG Bond                        | Secured               | Fixed              | 5.3                                | 9.3                                 | 9.9                 | 9.3                 |
| Amounts payable under finance leases (note 29) |                       | Fixed              | 7.4                                | 0.2                                 | 0.2                 | 0.2                 |
| <b>Total current borrowings</b>                |                       |                    |                                    | <b>33.0</b>                         | <b>33.6</b>         | <b>33.0</b>         |
| <b>Non-current borrowings</b>                  |                       |                    |                                    |                                     |                     |                     |
| Sterling                                       |                       |                    |                                    |                                     |                     |                     |
| 5.292 per cent MTN due 2015                    | Secured               | Fixed              | 5.3                                | 122.7                               | 129.9               | 122.6               |
| 4.875 per cent MTN due 2019                    | Secured               | Fixed              | 5.0                                | 400.0                               | 417.5               | 397.0               |
| 5.425 per cent MTN due 2022                    | Secured               | Fixed              | 5.4                                | 255.3                               | 267.0               | 254.6               |
| 4.875 per cent MTN due 2025                    | Secured               | Fixed              | 4.9                                | 300.0                               | 295.3               | 297.4               |
| 5.391 per cent MTN due 2026                    | Secured               | Fixed              | 5.4                                | 210.7                               | 215.1               | 209.8               |
| 5.391 per cent MTN due 2027                    | Secured               | Fixed              | 5.4                                | 608.9                               | 623.6               | 606.3               |
| 5.376 per cent MTN due 2029                    | Secured               | Fixed              | 5.4                                | 317.6                               | 322.9               | 316.0               |
| 5.396 per cent MTN due 2032                    | Secured               | Fixed              | 5.4                                | 322.8                               | 325.3               | 320.9               |
| 5.125 per cent MTN due 2036                    | Secured               | Fixed              | 5.1                                | 500.0                               | 485.2               | 498.6               |
| Bond exchange de-recognition adjustment        |                       |                    |                                    | –                                   | –                   | (467.5)             |
|  |                       |                    |                                    | <b>3,038.0</b>                      | <b>3,081.8</b>      | <b>2,555.7</b>      |
| 5.253 per cent QAG Bond                        | Secured               | Fixed              | 5.3                                | 339.5                               | 359.5               | 339.4               |
| Syndicated bank debt                           | Secured               | Floating           | LIBOR +<br>margin                  | 428.0                               | 428.0               | 428.0               |
| Bilateral facilities                           | Secured               | Floating           | LIBOR +<br>margin                  | –                                   | –                   | –                   |
| Amounts payable under finance leases (note 29) |                       | Fixed              | 7.4                                | 28.2                                | 40.1                | 28.2                |
| <b>Total non-current borrowings</b>            |                       |                    |                                    | <b>3,833.7</b>                      | <b>3,909.4</b>      | <b>3,351.3</b>      |
| <b>Total borrowings</b>                        |                       |                    |                                    | <b>3,866.7</b>                      | <b>3,943.0</b>      | <b>3,384.3</b>      |

### 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, and the Group's investment in the Bristol Alliance Limited Partnership, which totals **£8.7bn** at 31 March 2011 (2010: £7.8bn). The secured debt structure has a tiered operating covenant regime which gives the Group substantial flexibility when the loan to value and interest cover in the Security Group are less than 65% and more than 1.45 times respectively. If these limits are exceeded the operating environment becomes more restrictive with provisions to encourage the reduction in gearing (see note 28). The interest rate is fixed until the expected maturity, being two years before the legal maturity date for each MTN, whereupon the interest rate for the last two years is LIBOR plus a step-up margin. The effective interest rate includes the amortisation of issue costs. The MTN are listed on the Irish Stock Exchange and their fair values are based on their respective market prices.

The 4.625 per cent MTN due 2013 has been classed as a current borrowing as it was fully repaid on 3 May 2011.

### Syndicated bank debt

At 31 March 2011 the Group had a **£1.5bn** (2010: £1.5bn) authorised credit facility with a maturity of August 2013, which was £428.0m drawn. This facility is committed and is secured on the assets of the Security Group.

### Bilateral facilities

Committed Bilateral facilities totalling **£700.0m** (2010: £650.0m) are available to the Group and are secured on the assets of the Security Group. These facilities mature between April and November 2014. No drawings were made under these facilities at 31 March 2011 or 2010.

### Queen Anne's Gate (QAG) Bond

On 29 July 2009, the Group issued a **£360.3m** (2010: £360.3m) bond secured on the rental cash flows from the commercial lease with the UK Government over Queen Anne's Gate, London, SW1. The QAG Bond is a fully amortising bond with a final maturity in February 2027 and a fixed interest rate of 5.253%. At 31 March 2011, the bond had an amortised book value of **£348.7m** (2010: £356.9m).

### Fair values

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

# Notes to the financial statements

for the year ended 31 March 2011 continued

## 27. Borrowings continued

|  |                       |                    |                                    |                                     |                     |                     | 2010 |
|--|-----------------------|--------------------|------------------------------------|-------------------------------------|---------------------|---------------------|------|
| Group  | Secured/<br>unsecured | Fixed/<br>floating | Effective<br>interest<br>rate<br>% | Nominal/<br>notional<br>value<br>£m | Fair<br>value<br>£m | Book<br>value<br>£m |      |
| <b>Current borrowings</b>                      |                       |                    |                                    |                                     |                     |                     |      |
| Sterling                                       |                       |                    |                                    |                                     |                     |                     |      |
| 4.625 per cent MTN due 2013                    | Secured               | Fixed              | 4.7                                | 300.0                               | 305.2               | 299.9               |      |
| 5.253 per cent QAG Bond                        | Secured               | Fixed              | 5.3                                | 8.2                                 | 8.6                 | 8.2                 |      |
| Amounts payable under finance leases (note 29) |                       | Fixed              | 6.9                                | 0.5                                 | 0.5                 | 0.5                 |      |
| <b>Total current borrowings</b>                |                       |                    |                                    | <b>308.7</b>                        | <b>314.3</b>        | <b>308.6</b>        |      |
| <b>Non-current borrowings</b>                  |                       |                    |                                    |                                     |                     |                     |      |
| Sterling                                       |                       |                    |                                    |                                     |                     |                     |      |
| 5.292 per cent MTN due 2015                    | Secured               | Fixed              | 5.3                                | 391.5                               | 412.6               | 391.1               |      |
| 4.875 per cent MTN due 2019                    | Secured               | Fixed              | 5.0                                | 400.0                               | 409.8               | 397.0               |      |
| 5.425 per cent MTN due 2022                    | Secured               | Fixed              | 5.5                                | 255.3                               | 256.9               | 254.7               |      |
| 4.875 per cent MTN due 2025                    | Secured               | Fixed              | 4.9                                | 300.0                               | 280.5               | 297.4               |      |
| 5.391 per cent MTN due 2026                    | Secured               | Fixed              | 5.4                                | 210.7                               | 206.2               | 209.9               |      |
| 5.391 per cent MTN due 2027                    | Secured               | Fixed              | 5.4                                | 611.0                               | 596.6               | 608.6               |      |
| 5.376 per cent MTN due 2029                    | Secured               | Fixed              | 5.4                                | 317.9                               | 307.8               | 316.5               |      |
| 5.396 per cent MTN due 2032                    | Secured               | Fixed              | 5.4                                | 322.8                               | 312.0               | 321.1               |      |
| 5.125 per cent MTN due 2036                    | Secured               | Fixed              | 5.1                                | 500.0                               | 464.4               | 498.6               |      |
| Bond exchange de-recognition adjustment        | Secured               | Fixed              |                                    | –                                   | –                   | (486.0)             |      |
|  |                       |                    |                                    | 3,309.2                             | 3,246.8             | 2,808.9             |      |
| 5.253 per cent QAG Bond                        | Secured               | Fixed              | 5.3                                | 348.9                               | 366.0               | 348.7               |      |
| Syndicated bank debt                           | Secured               | Floating           | LIBOR +<br>margin                  | –                                   | –                   | –                   |      |
| Bilateral facilities                           | Secured               | Floating           | LIBOR +<br>margin                  | –                                   | –                   | –                   |      |
| Amounts payable under finance leases (note 29) |                       | Fixed              | 6.9                                | 52.1                                | 67.7                | 52.1                |      |
| <b>Total non-current borrowings</b>            |                       |                    |                                    | <b>3,710.2</b>                      | <b>3,680.5</b>      | <b>3,209.7</b>      |      |
| <b>Total borrowings</b>                        |                       |                    |                                    | <b>4,018.9</b>                      | <b>3,994.8</b>      | <b>3,518.3</b>      |      |

### Reconciliation of the movement in borrowings

| Group   | 2011<br>£m     | 2010<br>£m     |
|---|----------------|----------------|
| At the beginning of the year                            | 3,518.3        | 5,450.6        |
| Decrease in overdrafts                                  | –              | (0.3)          |
| Repayment of loans                                      | (556.0)        | (2,306.2)      |
| Proceeds from new loans                                 | 428.0          | 360.2          |
| Capitalisation of finance fees                          | –              | (0.2)          |
| Amortisation of finance fees                            | (0.3)          | 5.7            |
| Amortisation of bond exchange de-recognition adjustment | 18.5           | 13.8           |
| Net movement in finance lease obligations               | (24.2)         | (5.3)          |
| <b>At the end of the year</b>                           | <b>3,384.3</b> | <b>3,518.3</b> |

### Bond exchange de-recognition

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

# Notes to the financial statements

for the year ended 31 March 2011 continued

## 28. 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 [p34—37](#) and Our risks and how we manage them [p41—43](#). 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 and includes the use of derivative financial instruments to hedge certain risk exposures.

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

### Capital structure

The capital structure of the Group consists of shareholders' equity and net borrowings, including cash held on deposit. The type and maturity of the Group's borrowings are analysed further in note 27 and the Group's equity is analysed into its various components in the Statement of changes in equity. Capital is managed so as to promote the long-term success of the business and to maintain sustainable returns for shareholders.

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. After a period of rapid valuation decline, values began to stabilise in mid-2009, and have since experienced a strong rebound. As a result of this and other actions taken, the Board believes the Group now has an appropriate gearing level for this phase of the property cycle.

The Group's strategy is to maintain an appropriate net debt to total equity ratio (gearing) and loan-to-value ratio (LTV) to ensure that asset level performance is translated into enhanced returns for shareholders whilst maintaining an appropriate risk reward balance to accommodate changing financial and operating market cycles. The following table details a number of the Group's key metrics in relation to managing its capital structure.

| Group   | 2011           |                         |                 | 2010           |                         |                |
|---|----------------|-------------------------|-----------------|----------------|-------------------------|----------------|
|   | Group<br>£m    | Joint<br>ventures<br>£m | Combined<br>£m  | Group<br>£m    | Joint<br>ventures<br>£m | Combined<br>£m |
| <b>Property portfolio</b>                                   |                |                         |                 |                |                         |                |
| Market value of investment properties                       | 9,190.9        | 1,368.0                 | 10,558.9        | 8,285.4        | 1,255.0                 | 9,540.4        |
| Trading properties and long-term contracts                  | 129.3          | 46.2                    | 175.5           | 87.9           | 32.8                    | 120.7          |
|   | <b>9,320.2</b> | <b>1,414.2</b>          | <b>10,734.4</b> | <b>8,373.3</b> | <b>1,287.8</b>          | <b>9,661.1</b> |
| <b>Net debt</b>   |                |                         |                 |                |                         |                |
| Borrowings  | 3,384.3        | 442.6                   | 3,826.9         | 3,518.3        | 478.7                   | 3,997.0        |
| Cash and cash equivalents                                   | (37.6)         | (33.2)                  | (70.8)          | (159.4)        | (25.0)                  | (184.4)        |
| Monies held in restricted accounts and deposits             | (35.1)         | (2.6)                   | (37.7)          | (95.6)         | (2.0)                   | (97.6)         |
| Cumulative fair value movement on interest-rate swaps       | 2.0            | 20.7                    | 22.7            | 0.1            | 37.2                    | 37.3           |
| <b>Net debt</b>   | <b>3,313.6</b> | <b>427.5</b>            | <b>3,741.1</b>  | <b>3,263.4</b> | <b>488.9</b>            | <b>3,752.3</b> |
| Less: Cumulative fair value movement on interest-rate swaps | (2.0)          | (20.7)                  | (22.7)          | (0.1)          | (37.2)                  | (37.3)         |
| Reverse bond exchange de-recognition (note 27)              | 467.5          | –                       | 467.5           | 486.0          | –                       | 486.0          |
| <b>Adjusted net debt</b>                                    | <b>3,779.1</b> | <b>406.8</b>            | <b>4,185.9</b>  | <b>3,749.3</b> | <b>451.7</b>            | <b>4,201.0</b> |
| <b>Adjusted total equity</b>                                |                |                         |                 |                |                         |                |
| Total equity  | 6,812.3        |                         | 6,812.3         | 5,689.0        |                         | 5,689.0        |
| Cumulative fair value movement on interest-rate swaps       | 2.0            | 20.7                    | 22.7            | 0.1            | 37.2                    | 37.3           |
| Reverse bond exchange de-recognition (note 27)              | (467.5)        |                         | (467.5)         | (486.0)        |                         | (486.0)        |
| <b>Adjusted total equity</b>                                | <b>6,346.8</b> | <b>20.7</b>             | <b>6,367.5</b>  | <b>5,203.1</b> | <b>37.2</b>             | <b>5,240.3</b> |
| <b>Gearing</b>  | <b>48.6%</b>   |                         | <b>54.9%</b>    | 57.4%          |                         | 66.0%          |
| <b>Adjusted gearing</b>                                     | <b>59.5%</b>   |                         | <b>65.7%</b>    | 72.1%          |                         | 80.2%          |
| <b>Loan to value – Group</b>                                | <b>40.5%</b>   |                         | <b>39.0%</b>    | 44.8%          |                         | 43.5%          |
| <b>Loan to value – Security Group</b>                       | <b>40.1%</b>   |                         |                 | 45.5%          |                         |                |
| <b>Weighted average cost of debt</b>                        | <b>4.7%</b>    |                         | <b>4.9%</b>     | 5.2%           |                         | 5.3%           |

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

| Group   | 2011<br>£m       | 2010<br>£m       |
|---|------------------|------------------|
| Loans and receivables   | 503.5            | 418.7            |
| Financial liabilities at amortised cost                         | (3,813.7)        | (3,913.8)        |
| Net financial liabilities at fair value through profit and loss | (2.0)            | (0.1)            |
|   | <b>(3,312.2)</b> | <b>(3,495.2)</b> |

# Notes to the financial statements

for the year ended 31 March 2011 continued

## 28. Financial risk management continued

### Financial risk factors

#### (i) Credit risk

The Group's principal financial assets are cash and cash equivalents, trade and other receivables, finance lease receivables, amounts due from joint ventures, loans to third parties and commercial property backed loan notes. Further details concerning the credit risk of counterparties is provided in the note that specifically relates to each type of asset.

#### *Bank and financial institutions*

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

#### *Trade receivables*

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

#### *Property sales*

Property sales receivables primarily relate to the sale of one property, 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.

#### *Commercial property backed loan notes*

The Group has acquired investments in commercial property backed loan notes which have been independently rated with a rating of AAA.

#### (ii) Liquidity risk

The Group actively maintains a mixture of Notes with final maturities between 2013 and 2036, and medium-term committed bank facilities that are designed to ensure that the Group has sufficient available funds for its operations and its committed capital expenditure programme.

Management monitors the Group's available funds as follows:

|   | March<br>2011<br>£m | December<br>2010<br>£m | September<br>2010<br>£m | June<br>2010<br>£m | March<br>2010<br>£m |
|---|---------------------|------------------------|-------------------------|--------------------|---------------------|
| Group                                       |                     |                        |                         |                    |                     |
| Cash and cash equivalents                   | 37.6                | 35.5                   | 28.7                    | 15.0               | 159.4               |
| Undrawn committed credit lines <sup>1</sup> | 1,772.0             | 1,795.0                | 2,170.0                 | 1,090.0            | 1,400.0             |
| Available funds                             | 1,809.6             | 1,830.5                | 2,198.7                 | 1,105.0            | 1,559.4             |
| As a proportion of drawn debt               | 47.1%               | 47.0%                  | 58.0%                   | 27.5%              | 39.3%               |

1. Undrawn committed credit lines represent total undrawn committed facilities adjusted for amounts that would be restricted as a result of LTV covenants.

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

#### *Security Group*

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

As at 31 March 2011, the reported LTV for the Security Group was **40.1%** (2010: 45.5%), meaning that the Group was operating in Tier 1 and benefited from maximum operational flexibility.

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

# Notes to the financial statements

for the year ended 31 March 2011 continued

## 28. Financial risk management continued

### Non-Restricted Group

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

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

| Group   | 2011                  |                             |                        |                             |                             |                    |
|---|-----------------------|-----------------------------|------------------------|-----------------------------|-----------------------------|--------------------|
|   | Carrying amount<br>£m | Contractual cash flow<br>£m | Less than 1 year<br>£m | Between 1 and 2 years<br>£m | Between 2 and 5 years<br>£m | Over 5 years<br>£m |
| Borrowings (excluding finance lease liabilities) <sup>1</sup> | 3,355.9               | 6,294.9                     | 212.9                  | 190.1                       | 1,102.0                     | 4,789.9            |
| Finance lease liabilities <sup>1</sup>                        | 28.4                  | 253.4                       | 2.2                    | 2.1                         | 5.9                         | 243.2              |
| Derivative financial instruments                              | 2.0                   | 2.0                         | –                      | –                           | 2.0                         | –                  |
| Trade payables  | 12.2                  | 12.2                        | 12.2                   | –                           | –                           | –                  |
| Capital payables  | 74.6                  | 74.6                        | 74.6                   | –                           | –                           | –                  |
|   | <b>3,473.1</b>        | <b>6,637.1</b>              | <b>301.9</b>           | <b>192.2</b>                | <b>1,109.9</b>              | <b>5,033.1</b>     |

| Group   | 2010                  |                             |                        |                             |                             |                    |
|---|-----------------------|-----------------------------|------------------------|-----------------------------|-----------------------------|--------------------|
|   | Carrying amount<br>£m | Contractual cash flow<br>£m | Less than 1 year<br>£m | Between 1 and 2 years<br>£m | Between 2 and 5 years<br>£m | Over 5 years<br>£m |
| Borrowings (excluding finance lease liabilities) <sup>1</sup> | 3,465.7               | 6,658.5                     | 511.7                  | 200.6                       | 969.8                       | 4,976.4            |
| Finance lease liabilities <sup>1</sup>                        | 52.6                  | 410.2                       | 4.1                    | 3.9                         | 10.8                        | 391.4              |
| Derivative financial instruments                              | 1.1                   | 1.1                         | –                      | –                           | 1.1                         | –                  |
| Trade payables  | 9.9                   | 9.9                         | 9.9                    | –                           | –                           | –                  |
| Capital payables  | 47.8                  | 47.8                        | 47.8                   | –                           | –                           | –                  |
|   | <b>3,577.1</b>        | <b>7,127.5</b>              | <b>573.5</b>           | <b>204.5</b>                | <b>981.7</b>                | <b>5,367.8</b>     |

1. Contractual cash flows include the payment of future finance charges arising on liabilities in existence at the balance sheet date. 2011 and 2010 are presented on a consistent basis.

### (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 time frame. 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 2011, the Group (including joint ventures) had **£0.7bn** (2010: £1.1bn) of interest rate swaps in place, and its net debt was **92.1%** fixed (2010: 98.2%). Based on year end Group debt balances, a 1% increase in interest rates would increase the net interest payable in the income statement by £4.3m. At 31 March 2010, all Group debt was fixed and accordingly interest payable in the income statement was not sensitive to movements in interest rates. 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 2011 or at 31 March 2010.



# Notes to the financial statements

for the year ended 31 March 2011 continued

## 28. Financial risk management continued

### Financial maturity analysis

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

| Group  | 2011             |                     |                | 2010             |                     |                |
|--|------------------|---------------------|----------------|------------------|---------------------|----------------|
|  | Fixed rate<br>£m | Floating rate<br>£m | Total<br>£m    | Fixed rate<br>£m | Floating rate<br>£m | Total<br>£m    |
| One year or less, or on demand                   | 9.5              | 23.5                | 33.0           | 308.7            | –                   | 308.7          |
| More than one year but not more than two years   | 10.6             | –                   | 10.6           | 9.7              | –                   | 9.7            |
| More than two years but not more than five years | 162.1            | 428.0               | 590.1          | 427.4            | –                   | 427.4          |
| More than five years                             | 3,233.0          | –                   | 3,233.0        | 3,273.1          | –                   | 3,273.1        |
|  | <b>3,415.2</b>   | <b>451.5</b>        | <b>3,866.7</b> | <b>4,018.9</b>   | <b>–</b>            | <b>4,018.9</b> |

All of the Group's borrowings are denominated in Sterling.

## 29. Obligations under finance leases

| Group  | 2011<br>£m   | 2010<br>£m   |
|--|--------------|--------------|
| The minimum lease payments under finance leases fall due as follows: |              |              |
| Not later than one year  | 2.2          | 4.1          |
| Later than one year but not more than five years                     | 8.0          | 14.7         |
| More than five years   | 243.2        | 391.4        |
|  | <b>253.4</b> | <b>410.2</b> |
| Future finance charges on finance leases                             | (225.0)      | (357.6)      |
| Present value of finance lease liabilities                           | <b>28.4</b>  | <b>52.6</b>  |
| The present value of finance lease liabilities is as follows:        |              |              |
| Not later than one year  | 0.2          | 0.5          |
| Later than one year but not more than five years                     | (0.1)        | 0.8          |
| More than five years   | 28.3         | 51.3         |
|  | <b>28.4</b>  | <b>52.6</b>  |

The fair value of the Group's lease obligations, using a discount rate of **4.9%** (2010: 5.2%), is **£40.3m** (2010: £68.2m).

## 30. Net pension surplus/(deficit)

### Defined contribution scheme

A defined contribution scheme was introduced on 1 January 1999 for all new administrative and senior property based employees, subject to eligibility, together with a separate similar scheme, effective 1 April 1998, for other property based employees.

Pension costs for defined contribution schemes are as follows:

| Group                        | 2011<br>£m | 2010<br>£m |
|------------------------------|------------|------------|
| Defined contribution schemes | <b>2.0</b> | <b>2.2</b> |

# Notes to the financial statements

for the year ended 31 March 2011 continued

## 30. Net pension surplus/(deficit) continued

### Defined benefit scheme

The Pension & Assurance Scheme of the Land Securities Group of Companies (the Scheme) is a wholly-funded scheme, and the assets of the Scheme are held in a self-administered trust fund which is separate from the Group's assets.

Contributions to the Scheme are determined by a qualified independent actuary on the basis of triennial valuations using the projected-unit method. As the Scheme is closed to new members, the current service cost will be expected to increase as a percentage of salary, under the projected-unit method, as members approach retirement. A full actuarial valuation of the Land Securities Scheme was undertaken on 30 June 2009 by the independent actuaries, Hymans Robertson Consultants & Actuaries. As a result of this valuation, the Trustees and the Group have agreed that, in order to address the deficit at that time, the employer contributions of 30% of pensionable salary will be paid together with additional employer contributions of £4m per annum for a period of six years commencing on 1 July 2010. This valuation was updated to 31 March 2011 using, where required, assumptions prescribed by IAS 19, 'Employee Benefits'.

All death-in-service and benefits for incapacity arising during employment are wholly insured. No post-retirement benefits other than pensions are made available to employees of the Group.

The major assumptions used in the valuation were (in nominal terms):

| Group                                    | 2011<br>% | 2010<br>% |
|--|-----------|-----------|
| Rate of increase in pensionable salaries | 3.70      | 3.80      |
| Rate of increase in pensions in payment  | 3.70      | 3.80      |
| Discount rate                            | 5.70      | 5.60      |
| Inflation – Retail Price Index           | 3.70      | 3.80      |
| – Consumer Price Index                   | 3.20      | n/a       |
| Expected return on plan assets           | 6.02      | 6.10      |

The expected return on plan assets is based on expectations for bonds and equities. At the year end, the expected return on bonds is based on market yields of long-dated bonds at that date. The estimated expected return on equities includes an additional equity-risk premium.

In the year, the Group has changed the basis on which inflation is estimated from the Retail Price Index (RPI) to the Consumer Price Index (CPI) for part of the scheme's liability. This has been accounted for as a change in accounting estimate and has therefore been applied prospectively from 1 April 2010. The effect of the change was to decrease the present value of the defined benefit obligation by £2.1m.

The mortality assumptions used in this valuation were:

| Group  | 2011<br>Years | 2010<br>Years |
|--|---------------|---------------|
| Life expectancy at age 60 for current pensioners – Men                 | 29.9          | 29.7          |
| – Women  | 31.5          | 31.4          |
| Life expectancy at age 60 for future pensioners (current age 40) – Men | 32.9          | 32.8          |
| – Women  | 34.7          | 34.5          |

The fair value of the assets in the scheme (including annuities purchased to provide certain pensions in payment) and the expected rate of return (net of investment management expenses) were:

| Group                                | 2011<br>% | 2010<br>% | 2011<br>£m | 2010<br>£m   |
|--------------------------------------|-----------|-----------|------------|--------------|
| Equities                             | 7.50      | 7.50      | 64.0       | 62.4         |
| Bonds and insurance contracts        | 4.93      | 5.05      | 86.3       | 78.4         |
| Other                                | 0.50      | 0.50      | 0.3        | 0.8          |
| Fair value of scheme assets          |           |           | 150.6      | 141.6        |
| Present value of scheme liabilities  |           |           | (141.9)    | (148.1)      |
| <b>Net pension asset/(liability)</b> |           |           | <b>8.7</b> | <b>(6.5)</b> |

The major categories of plan assets as a percentage of total plan assets are as follows:

| Group                         | 2011<br>% | 2010<br>% |
|-------------------------------|-----------|-----------|
| Equities                      | 43        | 44        |
| Bonds and insurance contracts | 57        | 56        |

# Notes to the financial statements

for the year ended 31 March 2011 continued

## 30. Net pension surplus/(deficit) continued

The plan assets do not include any directly owned financial instruments issued by Land Securities Group PLC. Indirectly owned financial instruments had a fair value of less than **£0.1m** (2010: £0.1m).

| Group  | 2011<br>£m   | 2010<br>£m |
|--|--------------|------------|
| <b>Analysis of the amount charged to operating profit</b>        |              |            |
| Current service cost   | 1.3          | 1.0        |
| <b>Charge to operating profit</b>                                | <b>1.3</b>   | <b>1.0</b> |
| <b>Analysis of amount (credited)/charged to interest expense</b> |              |            |
| Expected return on plan assets                                   | (8.6)        | (6.6)      |
| Interest on scheme liabilities                                   | 8.2          | 7.2        |
| <b>Net (return)/expense</b>                                      | <b>(0.4)</b> | <b>0.6</b> |

The sensitivities regarding the principal assumptions used to measure the Scheme liabilities are set out below:

| Assumption        | Change in assumption      | Impact on Scheme liabilities     |
|-------------------|---------------------------|----------------------------------|
| Discount rate     | Increase/decrease by 0.1% | Decrease/increase by 2% or £3.0m |
| Rate of mortality | Increase by 1 year        | Increase by 2.5% or £3.7m        |

As the above table demonstrates, changes in assumptions can have a significant impact on the Scheme liabilities. The assumptions agreed with the Trustees of the Scheme for the triennial valuation and subsequent interim updates differ from those described by IAS 19, 'Employee Benefits'. Using these assumptions would result in a balance sheet deficit for the Scheme of £12.5m at 31 March 2011 as opposed to a surplus of £8.7m.

| Group   | 2011<br>£m   | 2010<br>£m   |
|---|--------------|--------------|
| <b>Changes in the present value of the defined benefit obligation</b> |              |              |
| At the beginning of the year  | 148.1        | 104.1        |
| Current service cost  | 1.3          | 1.0          |
| Interest cost   | 8.2          | 7.2          |
| Actuarial (gains)/losses  | (11.3)       | 40.4         |
| Benefits paid   | (4.6)        | (4.8)        |
| Contributions by plan participants                                    | 0.2          | 0.2          |
| <b>At the end of the year</b>   | <b>141.9</b> | <b>148.1</b> |

| Group   | 2011<br>£m   | 2010<br>£m   |
|---|--------------|--------------|
| <b>Changes in the fair value of plan assets</b>     |              |              |
| At the beginning of the year                        | 141.6        | 107.1        |
| Expected return on plan assets                      | 8.6          | 6.6          |
| Employer contributions                              | 5.1          | 7.3          |
| Actual return less expected return on scheme assets | (0.3)        | 25.2         |
| Benefits paid                                       | (4.6)        | (4.8)        |
| Contributions by plan participants                  | 0.2          | 0.2          |
| <b>At the end of the year</b>                       | <b>150.6</b> | <b>141.6</b> |

| Group  | 2011<br>£m | 2010<br>£m   |
|--|------------|--------------|
| <b>Analysis of the movement in the balance sheet surplus/(deficit)</b> |            |              |
| At the beginning of the year   | (6.5)      | 3.0          |
| Charge to operating profit   | (1.3)      | (1.0)        |
| Expected return on plan assets   | 8.6        | 6.6          |
| Interest on scheme liabilities   | (8.2)      | (7.2)        |
| Employer contributions   | 5.1        | 7.3          |
| Actuarial gains/(losses)   | 11.0       | (15.2)       |
| <b>At the end of the year</b>  | <b>8.7</b> | <b>(6.5)</b> |

| Group   | 2011<br>£m  | 2010<br>£m    |
|---|-------------|---------------|
| <b>Analysis of the amounts recognised in other comprehensive income</b> |             |               |
| <b>Analysis of gains and losses</b>                                     |             |               |
| Actual return less expected return on scheme assets                     | (0.3)       | 25.2          |
| Experience gains/(losses) arising on scheme liabilities                 | 11.3        | (40.4)        |
| <b>Actuarial gains/(losses)</b>   | <b>11.0</b> | <b>(15.2)</b> |

Actuarial gains and losses are recognised immediately through the Statement of comprehensive income.

# Notes to the financial statements

for the year ended 31 March 2011 continued

## 30. Net pension surplus/(deficit) continued

| Group   | 2011<br>£m | 2010<br>£m   | 2009<br>£m | 2008<br>£m  | 2007<br>£m   |
|---|------------|--------------|------------|-------------|--------------|
| <b>History of experience gains and losses</b>               |            |              |            |             |              |
| <b>Experience adjustments arising on scheme assets</b>      |            |              |            |             |              |
| Amount  | (0.3)      | 25.2         | (26.2)     | (12.1)      | (2.6)        |
| Percentage of scheme assets                                 | 0.2%       | 17.8%        | 24.5%      | 8.7%        | 1.8%         |
| <b>Experience adjustments arising on scheme liabilities</b> |            |              |            |             |              |
| Amount  | 11.3       | (40.4)       | 11.0       | (32.0)      | (1.3)        |
| Percentage of the present value of funded obligations       | 7.9%       | 27.3%        | 10.6%      | 25.8%       | 0.9%         |
| Present value of scheme liabilities                         | (141.9)    | (148.1)      | (104.1)    | (123.9)     | (150.0)      |
| Fair value of scheme assets                                 | 150.6      | 141.6        | 107.1      | 139.0       | 144.4        |
| Non-permissible surplus                                     | –          | –            | –          | (4.1)       | –            |
| <b>Surplus/(deficit)</b>                                    | <b>8.7</b> | <b>(6.5)</b> | <b>3.0</b> | <b>11.0</b> | <b>(5.6)</b> |

The contributions expected to be paid in respect of the defined-benefit scheme during the financial year ending 31 March 2012 amount to £5.1m.

The Company did not operate any defined-contribution schemes or defined-benefit schemes during the financial year ended 31 March 2011 or in the previous financial year.

## 31. Deferred taxation

| Group                                    | Pension deficit/<br>(surplus)<br>£m | Accelerated tax<br>depreciation<br>£m | Capitalised<br>interest<br>£m | Other<br>£m | Total<br>£m |
|--|-------------------------------------|---------------------------------------|-------------------------------|-------------|-------------|
| At 1 April 2009 – Assets                 | –                                   | 1.9                                   | –                             | –           | 1.9         |
| – Liabilities                            | (1.6)                               | –                                     | –                             | –           | (1.6)       |
|  | (1.6)                               | 1.9                                   | –                             | –           | 0.3         |
| Charged to income statement for the year | (0.3)                               | (1.9)                                 | –                             | –           | (2.2)       |
| Credited to other comprehensive income   | 1.9                                 | –                                     | –                             | –           | 1.9         |
| At 31 March 2010 and 2011 – Assets       | –                                   | –                                     | –                             | –           | –           |
| – Liabilities                            | –                                   | –                                     | –                             | –           | –           |
|  | –                                   | –                                     | –                             | –           | –           |

The Group has unutilised trading and other tax losses carried forward as at 31 March 2011 of approximately **£100.0m** (2010: £102.0m).

# Notes to the financial statements

for the year ended 31 March 2011 continued

## 32. Share-based payments

The Group's share-based payments are all equity settled and comprise the Savings Related Share Option Schemes (Sharesave), various Executive Share Option Schemes (ESOS), the Deferred Bonus Share Scheme related to the annual bonus scheme, the Long-Term Incentive Plan and Conditional shares granted on the appointment of a Board Director on 1 January 2010. In accordance with IFRS 2 'Share-based Payment' the fair value of equity-settled share-based payments to employees is determined at the date of grant and is expensed on a straight-line basis over the vesting period based on the Group's estimate of shares or options that will eventually vest.

The total cost recognised in the income statement is shown below:

| Group                                     | 2011<br>£m | 2010<br>£m |
|---|------------|------------|
| Savings Related Share Option Schemes      | 0.1        | 0.4        |
| Executive Share Option Schemes            | 0.6        | 0.6        |
| Deferred Bonus Share Scheme               | 0.5        | 0.9        |
| Long-Term Incentive Plan                  | 2.1        | 3.9        |
| Conditional shares granted 1 January 2010 | 0.5        | 0.2        |
|   | <b>3.8</b> | <b>6.0</b> |

### Savings Related Share Option Schemes

Under the 1993 and 2003 Savings Related Share Option Schemes all staff who have been with the Group for a continuous period of not less than six months are eligible to make regular monthly contributions into a Sharesave scheme operated by Lloyds Banking Group. On completion of the three, five or seven year contract period, ordinary shares in Land Securities Group PLC may be purchased at a price based upon the current market price at date of invitation less 20% discount. Options are satisfied by the issue of new shares. Options are normally forfeited if the employee leaves the scheme before the options vest or lapse if options are not exercised within six months of the bonus date. In certain circumstances leavers may exercise their options early based upon current savings. Alternatively, they may continue saving to receive the tax-free bonus at the end of the contract or withdraw their cash immediately. Fair-value calculations, which relate to the 2003 Scheme only, assume a lapse rate, based upon historic values, of approximately 20% for employees leaving the Group before vesting.

#### 1993 Savings Related Share Option Scheme

| Group                                       | Number of options |            | Weighted average exercise price |               |
|---|-------------------|------------|---------------------------------|---------------|
|   | 2011              | 2010       | 2011<br>Pence                   | 2010<br>Pence |
| At the beginning of the year                | 306               | 13,431     | 585                             | 585           |
| Exercised                                   | –                 | (5,008)    | –                               | 585           |
| Lapsed                                      | (306)             | (8,117)    | –                               | 585           |
| <b>At the end of the year</b>               | <b>–</b>          | <b>306</b> | <b>–</b>                        | <b>585</b>    |
| <b>Exercisable at the end of the year</b>   | <b>–</b>          | <b>306</b> | <b>–</b>                        | <b>585</b>    |
|   |                   |            | Years                           | Years         |
| Weighted average remaining contractual life |                   |            | –                               | –             |

No shares were exercised during the year and all outstanding shares had lapsed at 31 March 2011. The weighted average share price at the date of exercise during the previous year was 670p.

#### 2003 Savings Related Share Option Scheme

| Group                                       | Number of options |                | Weighted average exercise price |               |
|---|-------------------|----------------|---------------------------------|---------------|
|   | 2011              | 2010           | 2011<br>Pence                   | 2010<br>Pence |
| At the beginning of the year                | 692,070           | 350,927        | 447                             | 1162          |
| Granted                                     | 78,848            | 674,988        | 477                             | 388           |
| Exercised                                   | (17,407)          | (926)          | 436                             | 388           |
| Forfeited                                   | (56,526)          | (58,097)       | 441                             | 962           |
| Lapsed                                      | (63,945)          | (274,822)      | 686                             | 1108          |
| <b>At the end of the year</b>               | <b>633,040</b>    | <b>692,070</b> | <b>427</b>                      | <b>447</b>    |
| <b>Exercisable at the end of the year</b>   | <b>9,641</b>      | <b>14,814</b>  | <b>1238</b>                     | <b>1188</b>   |
|   |                   |                | Years                           | Years         |
| Weighted average remaining contractual life |                   |                | 2.57                            | 3.45          |

# Notes to the financial statements

for the year ended 31 March 2011 continued

## 32. Share-based payments continued

The options outstanding under the scheme are exercisable at prices between 388p and 1372p after three, five or seven years from the date of grant. 274 of the options outstanding are exercisable at 610p and 1,200 at 862p, 2,155 at 1032p, 10,620 at 1315p, 6,482 at 1372p, 540,614 at 388p and 71,695 at 477p during 2011 and the periods 2011 to 2012, 2011 to 2014, 2011 to 2013, 2012 to 2016 and 2013 to 2017, respectively.

The weighted average share price at the date of exercise during the year was **693p** (2010: 667p). During the year options were granted on 18 June 2010 (2010: 12 June 2009). The estimated fair value of the options granted in the year was **£0.1m** (2010: £0.5m).

### Executive Share Option Schemes

#### 2000 Executive Share Option Scheme

| Group                                       | Number of options |               | Weighted average exercise price |            |
|---|-------------------|---------------|---------------------------------|------------|
|   | 2011              | 2010          | 2011 Pence                      | 2010 Pence |
| At the beginning of the year                | 98,178            | 196,789       | 758                             | 752        |
| Forfeited                                   | (2,978)           | (98,611)      | 739                             | 744        |
| <b>At the end of the year</b>               | <b>95,200</b>     | <b>98,178</b> | <b>759</b>                      | <b>758</b> |
| <b>Exercisable at the end of the year</b>   | <b>95,200</b>     | <b>98,178</b> | <b>759</b>                      | <b>758</b> |
|   |                   |               | Years                           | Years      |
| Weighted average remaining contractual life |                   |               | 0.76                            | 1.72       |

No new grants to Directors and senior management of the Group have been made under this scheme since 19 July 2002.

These options have fully vested as the growth in the Group's normalised adjusted diluted earnings per share exceeded the growth in the Retail Price Index by 2.5% per annum over the vesting period.

Options are satisfied by the issue of new shares. Options are forfeited, in most circumstances, when an employee leaves the Group before vesting or lapse if they are not exercised within 10 years of the date of grant.

The options outstanding under the scheme are exercisable at prices between 732p and 783p up to 2012. No options were exercised during the year.

#### 2002 Executive Share Option Scheme

| Group                                       | Number of options |                | Weighted average exercise price |            |
|---|-------------------|----------------|---------------------------------|------------|
|   | 2011              | 2010           | 2011 Pence                      | 2010 Pence |
| At the beginning of the year                | 694,326           | 1,535,842      | 929                             | 934        |
| Exercised                                   | (10,924)          | –              | 710                             | –          |
| Forfeited                                   | (16,692)          | (841,516)      | 1044                            | 938        |
| <b>At the end of the year</b>               | <b>666,710</b>    | <b>694,326</b> | <b>930</b>                      | <b>929</b> |
| <b>Exercisable at the end of the year</b>   | <b>666,710</b>    | <b>694,326</b> | <b>930</b>                      | <b>929</b> |
|   |                   |                | Years                           | Years      |
| Weighted average remaining contractual life |                   |                | 2.92                            | 3.92       |

The final grants to Directors and senior management of the Group under this scheme were made on 12 July 2004.

These options have fully vested as the growth in the Group's normalised adjusted diluted earnings per share exceeded the growth in the Retail Price Index by 2.5% per annum over the vesting period. Options are satisfied by the issue of new shares.

Options are normally forfeited if the employee leaves the scheme before the options vest or lapse if options are not exercised within 10 years of the date of grant.

20,530, 205,000 and 441,180 of the options outstanding under the 2002 Executive Share Option Scheme are exercisable at 681p, 710p and 1044p respectively up to 2014.

The weighted average share price at the date of exercise for share options exercised during the year was 710p. No options were exercised during the previous year.

# Notes to the financial statements

for the year ended 31 March 2011 continued

## 32. Share-based payments continued

### 2005 Executive Share Option Scheme

| Group                                     | Number of options |                  | Weighted average exercise price |             |
|---|-------------------|------------------|---------------------------------|-------------|
|   | 2011              | 2010             | 2011 Pence                      | 2010 Pence  |
| At the beginning of the year              | 2,553,576         | 1,889,556        | 904                             | 1301        |
| Granted                                   | 974,252           | 1,198,821        | 584                             | 469         |
| Exercised                                 | (21,748)          | (3,894)          | 493                             | 469         |
| Forfeited                                 | (161,622)         | (530,907)        | 830                             | 1346        |
| <b>At the end of the year</b>             | <b>3,344,458</b>  | <b>2,553,576</b> | <b>817</b>                      | <b>904</b>  |
| <b>Exercisable at the end of the year</b> | <b>533,869</b>    | <b>189,705</b>   | <b>1517</b>                     | <b>1419</b> |

|   | Years | Years |
|---|-------|-------|
| Weighted average remaining contractual life | 7.91  | 8.39  |

The 2005 Executive Share Option Scheme is open to executives and management staff not eligible to participate in the Land Securities 2005 Long-Term Incentive Plan for senior executives. Options are granted in the ordinary shares of Land Securities Group PLC at the middle market price on the three dealing days immediately preceding the date of grant.

The three year vesting period is not subject to performance conditions. Options are satisfied by the transfer of shares.

Options are normally forfeited if the employee leaves the scheme before the options vest or lapse if options are not exercised within 10 years of the date of grant. Fair value calculations assume a lapse rate, based upon historic values, of 2% per annum for employees leaving the Group before vesting.

The options outstanding under the scheme are exercisable at 469p, 584p, 723p, 1095p, 1280p, 1560p and 1565p during the periods 2012 to 2019, 2013 to 2020, 2012 to 2019, 2011 to 2018, 2011 to 2015, 2011 to 2017, 2011 to 2016, respectively.

The weighted average share price at the date of exercise for share options exercised during the year was **718p** (2010: 679p). During the year options were granted on 29 June 2010 (2010: 1,196,877 on 29 June 2009 and 1,944 on 18 November 2009). The estimated fair value of the options granted on those dates was **£0.6m** (2010: £0.5m).

### Deferred Bonus Shares Scheme

| Group                                     | Number of shares |                |
|---|------------------|----------------|
|   | 2011             | 2010           |
| At the beginning of the year              | 142,756          | 222,512        |
| Granted                                   | 111,822          | –              |
| Capitalisation of dividends               | 11,072           | 7,826          |
| Exercised                                 | (22,127)         | (87,582)       |
| <b>At the end of the year</b>             | <b>243,523</b>   | <b>142,756</b> |
| <b>Exercisable at the end of the year</b> | <b>–</b>         | <b>–</b>       |

|   | Years | Years |
|---|-------|-------|
| Weighted average remaining contractual life | 1.60  | 1.77  |

The Executive Directors' Annual Bonus Scheme is structured in two distinct parts. Under the Bonus Opportunity participants are eligible for awards of up to 100% of salary, 25% to be taken in deferred shares. The underlying performance criteria are specific to each Executive Director and include Total Property Returns (TPR) vs. IPD benchmarks, Group Profit, Investment and Business Unit performance. Under the Additional Bonus Opportunity participants are eligible for additional awards of up to 200% of salary, 50% to be taken in deferred shares. Awards under the plan are satisfied by transfers of existing shares held by the ESOP trust.

The shares awarded under the Bonus Opportunity are deferred for three years and those awarded under the Additional Bonus Opportunity for two years. Deferred shares are normally forfeited if the Executive Director leaves employment during the period. Fair value has been adjusted for participants who have left the Group, but no adjustment has been made for future anticipated lapses.

The deferred shares outstanding under the scheme are to be issued at nil consideration subject to vesting conditions being met.

The weighted average share price at the date of exercise for shares exercised during the year was **576p** (2010: 480p). During the year deferred shares were granted on 29 June 2010 (2010: no shares were granted during the year). The estimated fair value of the rights over shares granted in 2011 was **£0.6m** (2010: £nil).

# Notes to the financial statements

for the year ended 31 March 2011 continued

## 32. Share-based payments continued

### 2005 Long-Term Incentive Plan

| Group                                       | Number of shares |                  |
|---|------------------|------------------|
|   | 2011             | 2010             |
| At the beginning of the year                | 1,791,301        | 1,066,022        |
| Granted                                     | 1,086,600        | 1,144,429        |
| Exercised                                   | (202,989)        | (287,091)        |
| Forfeited                                   | (316,809)        | (132,059)        |
| <b>At the end of the year</b>               | <b>2,358,103</b> | <b>1,791,301</b> |
| <b>Exercisable at the end of the year</b>   | <b>–</b>         | <b>–</b>         |
|   | <b>Years</b>     | <b>Years</b>     |
| Weighted average remaining contractual life | 1.66             | 1.66             |

The Long-Term Incentive Plan (LTIP) for Executive Directors and senior executives authorises the Remuneration Committee to make grants of LTIP Performance Shares with a face value of up to 100% of salary for participants. In addition, an award of Matching Shares can be made, linked to co-investment in shares by participants. The participant's investment can be made through deferral of an annual bonus award and/or through optional pledging of shares purchased in the market. The maximum level of matching is shares with a face value of 50% of salary for Executive Directors and 25% of salary for senior executives. On a two for one basis the maximum Matching Shares award is over shares with a value of 100% of salary for Executive Directors and 50% for senior executives. Awards of LTIP Performance Shares and Matching Shares are subject to the same performance measures over three years. For grants up to and including those made on 31 March 2009 half of any award will vest based on achieving increases in Normalised Adjusted Diluted Earnings Per Share (NADEPS). The other half will vest dependent on the Group's Total Property Return (TPR) equalling, or exceeding, IPD weighted indices which reflect the sector mix of Land Securities' investment portfolio. For awards commencing with the grant of LTIP Performance Shares on 29 June 2009, NADEPS has been replaced by a relative Total Shareholder Return (TSR) measure. Specifically, Land Securities' three year TSR performance (share price increase plus reinvested dividends) will be compared against the TSR performance of an index of a comparator group of FTSE 350 Real Estate Companies. Vesting is on a sliding scale between 0% for performance below the index and 100% for performance which beats the index by 4% per annum or more. Awards may be satisfied by the issue of new shares and/or transfer of treasury shares and/or transfer of shares other than treasury shares.

For awards made with the TPR performance condition, fair value calculations assume that LTIP and matching shares will be awarded at 50% of the maximum possible under the scheme and have been adjusted for participants who have left the scheme, but no adjustment has been made for future anticipated lapses. For the market based TSR awards the effect of the performance conditions is incorporated into the grant date fair value of the award. No subsequent adjustment to the charge can be made to reflect the outcome of the performance test. Adjustments can, however, be made for participants who leave the scheme before vesting.

The shares outstanding under the scheme are to be issued at nil consideration provided performance conditions are met.

The weighted average share price at the date of exercise for shares exercised during the year was **600p** (2010: 491p). Rights to receive **613,703** and **26,173** Performance Shares were granted on 30 June 2010 and 21 December 2010 respectively (2010: 722,135 Performance Shares were granted on 29 June 2009). Rights to receive **429,738** and **13,086** Matching Shares were granted on 30 July 2010 and 21 December 2010 respectively (2010: 422,294 Matching Shares were granted on 31 July 2010). The estimated fair value of the rights over the shares granted on those dates was **£2.4m** (2010: £2.2m).

### Conditional shares granted 1 January 2010

| Group                                       | Number of shares |                |
|---|------------------|----------------|
|   | 2011             | 2010           |
| At the beginning of the year                | 160,000          | –              |
| Granted                                     | –                | 160,000        |
| Exercised                                   | (34,000)         | –              |
| <b>At the end of the year</b>               | <b>126,000</b>   | <b>160,000</b> |
| <b>Exercisable at the end of the year</b>   | <b>–</b>         | <b>–</b>       |
|   | <b>Years</b>     | <b>Years</b>   |
| Weighted average remaining contractual life | 0.89             | 1.54           |

160,000 shares were granted to a Board Director on his appointment on 1 January 2010. **34,000** shares vested on 30 June 2010. A further 46,000 and 80,000 shares vest on 30 June 2011 and 30 June 2012, respectively, provided that he is employed at the vesting date for each tranche of shares. There are no other performance conditions. The weighted average share price at the date of exercise for shares exercised during the year was **567p**. The estimated fair value of the shares on the date of grant was **£1.0m**.



# Notes to the financial statements

for the year ended 31 March 2011 continued

## 32. Share-based payments continued

### Fair-value inputs for awards with non-market performance conditions

Fair values are calculated using the Black-Scholes option pricing model for awards with non-market performance conditions. Inputs into this model for each scheme are as follows:

|                                     | 2003 Savings Related Share Option Scheme | 2002 Executive Share Option Scheme | 2005 Executive Share Option Scheme | Deferred Bonus Shares | 2005 Long-Term Incentive Plan (awards issued before 31 March 2009) | Conditional shares granted 1 January 2011 |
|-------------------------------------|--|------------------------------------|------------------------------------|-----------------------|--|---|
| Range of share prices at grant date | 485p to 1903p                            | 756p to 1159p                      | 469p to 1737p                      | 584p to 1737p         | 485p to 1737p  | 661p                                      |
| Range of exercise prices            | 388p to 1523p                            | 756p to 1159p                      | 469p to 1737p                      | nil p                 | nil p  | nil p                                     |
| Expected volatility                 | 19% to 22%                               | 19%                                | 19% to 22%                         | 19% to 22%            | 19% to 22%   | 22%                                       |
| Expected life                       | 3 to 7 years                             | 3 to 5 years                       | 2.3 to 5 years                     | 3 to 5 years          | 2.3 to 5 years   | 0.5 to 2.5 years                          |
| Risk-free rate                      | 1.56% to 5.67%                           | 3.60% to 5.10%                     | 1.82% to 5.67%                     | 1.82% to 5.67%        | 1.27% to 5.67%   | 0.66% to 1.32%                            |
| Expected dividend yield             | 3.02% to 5.98%                           | 4.11% to 4.34%                     | 3.02% to 6.53%                     | 3.02% to 6.53%        | 3.02% to 6.53%   | 4.38%                                     |

Expected volatility was determined by calculating the historic volatility of the Group's share price over the previous 10 years. The expected life used in the model has been determined based upon management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations. Risk-free rate is the yield at the date of the grant of an option on a gilt-edged stock with a redemption date equal to the anticipated exercise of that option.

### Fair-value inputs for awards with market performance conditions

Fair values are calculated using the Monte-Carlo simulation option pricing model for awards with market performance conditions. Awards made under the 2005 Long-Term Incentive Plan which were granted after 31 March 2009 include a Total Shareholder Return (TSR) condition, which is a market based condition. The inputs into this model for the scheme are as follows:

|   | Range of share prices at date of grant | Range of exercise prices | Expected volatility – Group | Expected volatility – index of comparator companies | Correlation – Group vs. index |
|---|--|--------------------------|-----------------------------|---|-------------------------------|
| 2005 Long-Term Incentive Plan (awards issued after 31 March 2009) | 485p to 650p                           | nil p                    | 22%                         | 25%   | 85%                           |

## 33. Called up share capital

| Group and Company                          | Authorised                |                           | Allotted and fully paid |            |
|--|---------------------------|---------------------------|-------------------------|------------|
|  | 2011<br>Number<br>million | 2010<br>Number<br>million | 2011<br>£m              | 2010<br>£m |
| Ordinary shares of 10p each                | 1,000.0                   | 1,000.0                   | 77.6                    | 76.5       |
| Non-equity B shares of £1.02 each          | 38.9                      | 38.9                      | –                       | –          |
| Redeemable preference shares of £1.00 each | 0.1                       | 0.1                       | –                       | –          |
|  |                           |                           | 77.6                    | 76.5       |

|                                   | Number of shares   |                    |
|-----------------------------------|--------------------|--------------------|
|                                   | 2011               | 2010               |
| At the beginning of the year      | 764,649,482        | 761,908,210        |
| Issued on the exercise of options | 28,331             | 5,934              |
| Issued in lieu of cash dividends  | 11,195,141         | 2,735,338          |
| <b>At the end of the year</b>     | <b>775,872,954</b> | <b>764,649,482</b> |

The number of options over ordinary shares that were outstanding at 31 March 2011 was **4,739,408** (2010: 4,038,456). If all the options were exercised at that date then **1,394,950** new ordinary shares (2010: 1,484,880 new ordinary shares) would be issued and **3,344,458** shares would be required (2010: 2,553,576 shares transferred) from the Employee Share Ownership Plan (ESOP).

In July 2008 and 2009 the shareholders at the Annual General Meeting authorised the acquisition of shares issued by the Company representing up to 10% of its share capital to be held as treasury shares. At 31 March 2011 the Group owned **5,896,000** ordinary shares (2010: 5,896,000 ordinary shares) with a market value of **£43.2m** (2010: £39.9m).

# Notes to the financial statements

for the year ended 31 March 2011 continued

## 34. Own shares

| Group  | 2011<br>£m | 2010<br>£m |
|--|------------|------------|
| Cost at the beginning of the year                            | 6.9        | 12.4       |
| Acquisition of ordinary shares                               | 0.2        | –          |
| Transfer of shares to employees on exercise of share schemes | (3.5)      | (5.5)      |
| Cost at the end of the year                                  | 3.6        | 6.9        |

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 (note 32).

The number of shares held by the ESOP at 31 March 2011 was **287,988** (2010: 522,409). The market value of these shares at 31 March 2011 was **£2.1m** (2010: £3.5m).

## 35. Contingencies

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

The Group has a contingent asset in respect of Bankside 4, a previously owned property. The Bankside 4 sale agreement included an overage payment in relation to future sales of residential units on the site. An economic benefit under this agreement is probable but cannot be reliably estimated at this time.

## 36. Cash flow from operating activities

|  | Group        |              | Company      |              |
|--|--------------|--------------|--------------|--------------|
|  | 2011<br>£m   | 2010<br>£m   | 2011<br>£m   | 2010<br>£m   |
| Reconciliation of operating profit to net cash inflow from operating activities: |              |              |              |              |
| <b>Cash generated from operations</b>  |              |              |              |              |
| Operating profit   | 1,299.5      | 1,143.8      | 222.9        | 1,089.9      |
| Adjustments for:   |              |              |              |              |
| Depreciation   | 6.5          | 4.8          | –            | –            |
| (Profit)/loss on disposal of non-current properties                              | (75.7)       | 32.5         | –            | –            |
| Net valuation surplus on investment properties                                   | (794.1)      | (746.0)      | –            | –            |
| Impairment of trading properties   | 1.4          | 10.6         | –            | –            |
| Share-based payment charge   | 3.8          | 6.0          | –            | –            |
| Dividends from subsidiary undertaking <sup>1</sup>                               | –            | –            | –            | (1,100.0)    |
| Reversal of previous impairment  | –            | –            | (234.7)      | –            |
| Pension scheme charge  | 1.3          | 1.0          | –            | –            |
|  | 442.7        | 452.7        | (11.8)       | (10.1)       |
| Changes in working capital:  |              |              |              |              |
| Decrease in trading properties and long-term development contracts               | 1.2          | 10.1         | –            | –            |
| (Increase)/decrease in receivables   | (41.9)       | (30.0)       | 7.8          | 242.3        |
| Increase/(decrease) in payables and provisions                                   | 18.0         | (5.8)        | 395.0        | (110.8)      |
| <b>Net cash generated from operations</b>  | <b>420.0</b> | <b>427.0</b> | <b>391.0</b> | <b>121.4</b> |

1. Dividends received from subsidiary undertakings have been satisfied through the inter-company account and have no cash impact.

# Notes to the financial statements

for the year ended 31 March 2011 continued

## 37. Related party transactions

### Subsidiaries

During the year, the Company entered into transactions, in the normal course of business, with other related parties as follows:

| Company                                    | 2011<br>£m | 2010<br>£m |
|--|------------|------------|
| Transactions with subsidiary undertakings: |            |            |
| Recharge of costs                          | (147.1)    | 117.4      |
| Dividends received                         | –          | 1,100.0    |
| Interest paid                              | (3.9)      | (11.1)     |
| Investment in subsidiary                   | (250.0)    | (850.0)    |

At 31 March 2011, **£387.8m** was due to subsidiary undertakings (2010: £13.3m due from subsidiary undertakings).

### Joint ventures

As disclosed in note 18, 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:

| Group  | Year ended and as at 31 March 2011 |  |                                     |   | Year ended and as at 31 March 2010 |  |                                     |   |
|--|------------------------------------|--|-------------------------------------|---|------------------------------------|--|-------------------------------------|---|
|  | Revenues<br>£m                     | Net<br>investments<br>into joint<br>ventures<br>£m | Loans<br>to joint<br>ventures<br>£m | Amounts<br>owed<br>to joint<br>ventures<br>£m | Revenues<br>£m                     | Net<br>investments<br>into joint<br>ventures<br>£m | Loans<br>to joint<br>ventures<br>£m | Amounts<br>owed<br>to joint<br>ventures<br>£m |
| The Scottish Retail Property Limited Partnership | 0.5                                | 0.5  | 3.4                                 | (3.1)   | 0.7                                | 1.2  | 1.2                                 | –   |
| Metro Shopping Fund Limited Partnership          | 0.3                                | (18.8)   | 1.5                                 | –   | 0.4                                | 1.4  | 0.5                                 | (0.8)   |
| Buchanan Partnership                             | 4.2                                | (2.3)  | 0.5                                 | –   | 4.3                                | (1.4)  | 0.8                                 | –   |
| St David's Limited Partnership                   | 1.7                                | (48.0)   | 17.5                                | –   | 8.2                                | (70.2)   | 17.7                                | (0.4)   |
| The Martineau Galleries Limited Partnership      | 0.2                                | –  | –                                   | –   | 0.2                                | (2.3)  | 0.3                                 | –   |
| The Bull Ring Limited Partnership                | –                                  | –  | –                                   | –   | –                                  | (7.7)  | –                                   | –   |
| Bristol Alliance Limited Partnership             | 1.2                                | (19.8)   | 6.0                                 | –   | 1.1                                | 2.0  | 5.4                                 | –   |
| A2 Limited Partnership                           | –                                  | –  | –                                   | –   | –                                  | (0.1)  | –                                   | –   |
| Westgate Oxford Alliance Limited Partnership     | 0.5                                | 28.1   | 0.6                                 | –   | –                                  | –  | –                                   | –   |
| 20 Fenchurch Street Limited Partnership          | 0.4                                | 55.3   | 0.1                                 | –   | –                                  | –  | –                                   | –   |
| Countryside Land Securities (Springhead) Limited | –                                  | (1.9)  | 1.0                                 | –   | –                                  | 0.4  | 0.8                                 | –   |
| The Ebbsfleet Limited Partnership                | –                                  | –  | 0.2                                 | –   | –                                  | –  | 0.2                                 | –   |
| The Harvest Limited Partnership                  | 0.5                                | 2.0  | 0.8                                 | (43.6)  | 0.3                                | 2.1  | 0.7                                 | (43.2)  |
| The Oriana Limited Partnership                   | 0.1                                | –  | 6.9                                 | –   | 0.2                                | –  | 4.0                                 | –   |
| Millshaw Property Co. Limited                    | –                                  | –  | –                                   | (11.8)  | –                                  | –  | –                                   | (11.4)  |
| Fen Farm Developments Limited                    | 0.1                                | –  | 16.6                                | –   | 0.1                                | –  | 12.7                                | –   |
| The Empress State Limited Partnership            | –                                  | –  | 0.1                                 | –   | –                                  | –  | 0.1                                 | –   |
| HNJV Limited                                     | –                                  | –  | 2.5                                 | –   | –                                  | –  | 2.1                                 | –   |
|  | 9.7                                | (4.9)  | 57.7                                | (58.5)  | 15.5                               | (74.6)   | 46.5                                | (55.8)  |

Further detail of the above transactions and balances can be seen in note 18.

### 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'. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' remuneration report on [p76—87](#).

|                              | 2011<br>£m | 2010<br>£m |
|------------------------------|------------|------------|
| Short-term employee benefits | 5.1        | 5.6        |
| Post-employment benefits     | 0.3        | 0.4        |
| Share-based payments         | 2.0        | 3.2        |
|                              | 7.4        | 9.2        |

Short-term employee benefits for 2010 have been re-presented to include social security costs of £0.6m.

# Notes to the financial statements

for the year ended 31 March 2011 continued

## 38. Operating lease arrangements

The Group earns rental income by leasing its investment and operating properties to tenants under non-cancellable operating leases.

At the balance sheet date, the Group had contracted with tenants to receive the following future minimum lease payments:

|  | 2011<br>£m     | 2010<br>£m     |
|--|----------------|----------------|
| Not later than one year                          | 462.1          | 463.0          |
| Later than one year but not more than five years | 1,772.2        | 1,740.0        |
| More than five years                             | 3,368.3        | 3,464.2        |
|  | <b>5,602.6</b> | <b>5,667.2</b> |

The total of contingent rents recognised as income during the year was **£37.1m** (2010: £37.1m).

# Contents

## 30—88 Report of the Directors

Covering the most significant strategic, financial and operational developments during the year.

|    |                                    |
|----|------------------------------------|
| 30 | Our Chairman's message             |
| 32 | Chief Executive's statement        |
| 34 | Financial review                   |
| 38 | Business review                    |
| 38 | – Why and how we develop           |
| 39 | – Group business review            |
| 41 | – Our risks and how we manage them |
| 44 | – Retail Portfolio                 |
| 52 | – London Portfolio                 |
| 60 | Board of Directors                 |
| 62 | Corporate Responsibility           |
| 68 | Corporate governance               |
| 76 | Directors' remuneration report     |

## 90—138 Financial statements

Including the independent auditors' report, the income statement, balance sheets and the notes to the financial statements.

|    |  |
|----|--|
| 90 | Statement of Directors' responsibilities |
| 91 | Independent auditors' report             |
| 92 | Income statement                         |
| 92 | Statement of comprehensive income        |
| 93 | Balance sheets                           |
| 94 | Statement of changes in equity           |
| 96 | Statement of cash flows                  |
| 97 | Notes to the financial statements        |

## 140—160 Investor resource

Helpful analysis, summaries and information on business performance and shareholdings.

|     |                          |
|-----|--------------------------|
| 140 | Business analysis        |
| 150 | Five year summary        |
| 152 | Retail asset disclosures |
| 154 | London asset disclosures |
| 156 | Our investors            |
| 157 | Investor information     |
| 159 | Index                    |
| 160 | Glossary                 |
| IBC | Contact details          |

# Business analysis

Detailed and transparent analysis of the Company's business performance, with comprehensive information on our portfolio, occupiers, rental income and our performance relative to IPD.

**% Portfolio by value and number of property holdings at 31 March 2011**

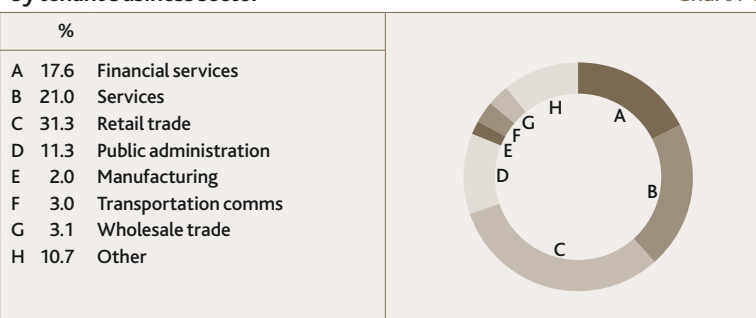
**Table 73**

| £m           | Value %      | Number of properties |
|--------------|--------------|----------------------|
| 0 – 9.99     | 1.9          | 53                   |
| 10 – 24.99   | 2.9          | 20                   |
| 25 – 49.99   | 9.1          | 29                   |
| 50 – 99.99   | 17.3         | 24                   |
| 100 – 149.99 | 17.8         | 15                   |
| 150 – 199.99 | 9.9          | 6                    |
| 200 +        | 41.1         | 12                   |
| <b>Total</b> | <b>100.0</b> | <b>159</b>           |

Includes share of joint venture properties.

**Contracted rental income breakdown by tenant business sector**

**Chart 74**



**Yield changes – like-for-like portfolio**

**Table 75**

|                                   | 31 March 2010       |                    | 31 March 2011       |  |                    |
|-----------------------------------|---------------------|--------------------|---------------------|--|--------------------|
|                                   | Net initial yield % | Equivalent yield % | Net initial yield % | Topped-up net initial yield <sup>1</sup> % | Equivalent yield % |
| Shopping centres and shops        | 6.5                 | 7.0                | 6.2                 | 6.5  | 6.5                |
| Retail warehouses and food stores | 5.8                 | 6.3                | 5.2                 | 5.4  | 5.7                |
| Central London shops              | 4.8                 | 5.4                | 4.2                 | 4.2  | 5.2                |
| London office                     | 6.4                 | 6.3                | 5.8                 | 6.3  | 5.9                |
| <b>Total portfolio</b>            | <b>6.2</b>          | <b>6.4</b>         | <b>5.7</b>          | <b>6.1</b>                                 | <b>6.0</b>         |

1. Net initial yield adjusted to reflect the annualised cash rent that will apply at the expiry of current lease incentives.

**Combined portfolio value by location at 31 March 2011**

**Table 76**

|   | Shopping centres and shops % | Retail warehouses % | Office %    | Hotel, Leisure and other % | Location total % |
|---|------------------------------|---------------------|-------------|----------------------------|------------------|
| London                                      | 12.8                         | 0.7                 | 42.9        | 4.7                        | 61.1             |
| South-East and Eastern                      | 3.0                          | 4.5                 | 0.1         | 1.5                        | 9.1              |
| Midlands                                    | 0.9                          | 1.2                 | 0.1         | 0.5                        | 2.7              |
| Wales and South-West                        | 6.6                          | 0.9                 | –           | 0.1                        | 7.6              |
| North, North West, Yorkshire and Humberside | 7.1                          | 3.2                 | 0.2         | 0.7                        | 11.2             |
| Scotland and Northern Ireland               | 6.1                          | 1.8                 | –           | 0.4                        | 8.3              |
| <b>Total</b>                                | <b>36.5</b>                  | <b>12.3</b>         | <b>43.3</b> | <b>7.9</b>                 | <b>100.0</b>     |

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

Property Income Distribution (PID)

Chart 79

Who can claim exemption from deduction of withholding tax on Property Income Distributions?<sup>1</sup>

- UK companies
- Charities
- Local Authorities
- UK Pension Schemes
- Managers of PEPs, ISAs and Child Trust Funds

Who is unlikely to be able to claim exemption from deduction of withholding tax on Property Income Distributions?<sup>2</sup>

- Overseas shareholders<sup>2</sup>
- Individual private shareholders

1. See Investor information p157 – 158 for how eligible shareholders can claim exemption.  
2. May be able to reclaim some or all of the withholding tax under relevant double taxation treaty.

Top 12 occupiers

Table 77

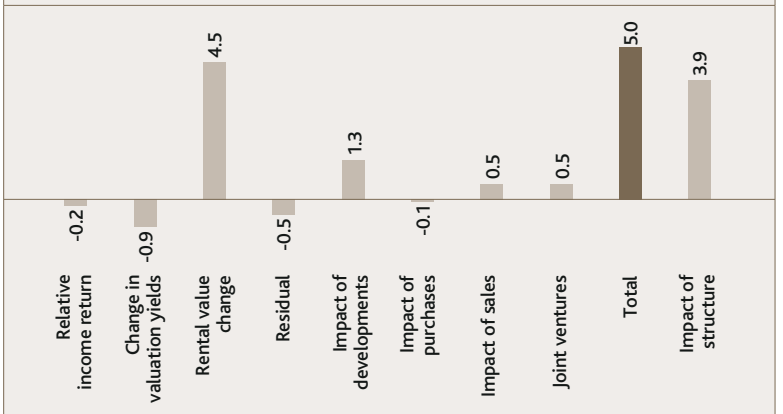
|                                 | % of Group rent <sup>1</sup> |
|---------------------------------|------------------------------|
| Central Government <sup>2</sup> | 7.8                          |
| Accor Hotels                    | 4.5                          |
| Royal Bank of Scotland          | 2.9                          |
| Deloitte                        | 2.6                          |
| Sainsbury's                     | 2.0                          |
| Arcadia Group                   | 1.7                          |
| K&L Gates                       | 1.6                          |
| Dixons Retail                   | 1.5                          |
| Bank of New York Mellon         | 1.5                          |
| Next                            | 1.4                          |
| Boots                           | 1.4                          |
| Taylor Wessing                  | 1.3                          |
|                                 | <b>30.2</b>                  |

1. Includes share of joint venture properties.  
2. Rent from Central Government excluding Queen Anne's Gate, SW1 is 3.7%.

Analysis of performance relative to IPD

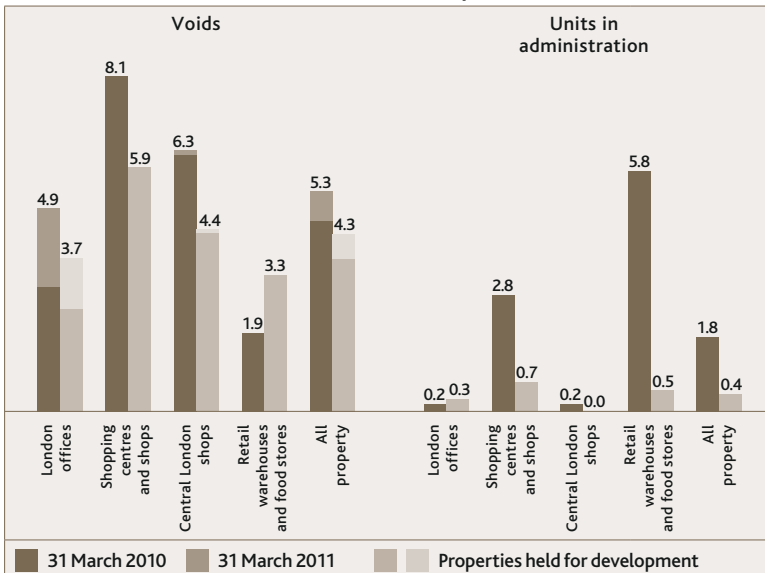
Chart 80

Attribution analysis, ungeared total return, 12 months to 31 March 2011, relative to IPD Quarterly Universe (Source IPD)



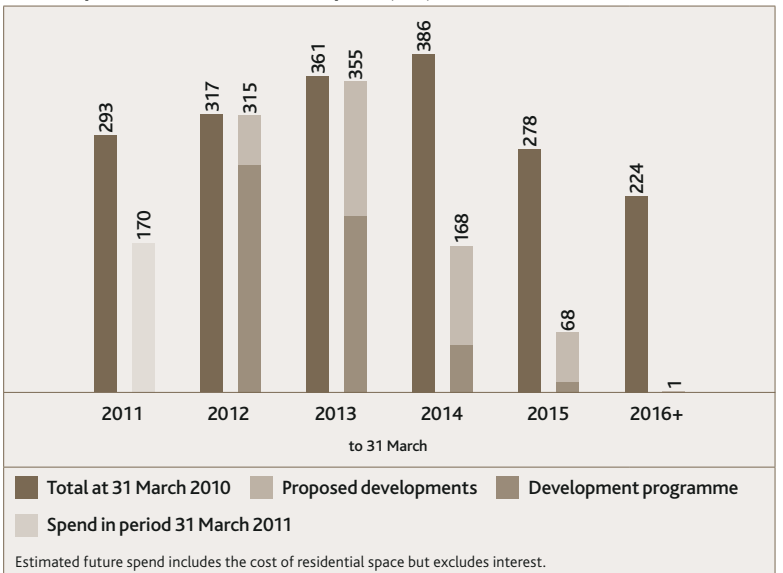
Voids and units in administration like-for-like portfolio

Chart 78



Development estimated future spend (£m)

Chart 81



Combined portfolio value by location

Chart 82

| <b>Scotland</b>            |  |             |
|----------------------------|--|-------------|
| Retail warehouses          |  | 1.8%        |
| Shopping centres and shops |  | 6.1%        |
| Offices                    |  | –           |
| Other                      |  | 0.4%        |
| <b>Total</b>               |  | <b>8.3%</b> |

| <b>North, North-West, Yorkshire and Humberside</b> |  |              |
|--|--|--------------|
| Retail warehouses                                  |  | 3.2%         |
| Shopping centres and shops                         |  | 7.1%         |
| Offices  |  | 0.2%         |
| Other  |  | 0.7%         |
| <b>Total</b>                                       |  | <b>11.2%</b> |

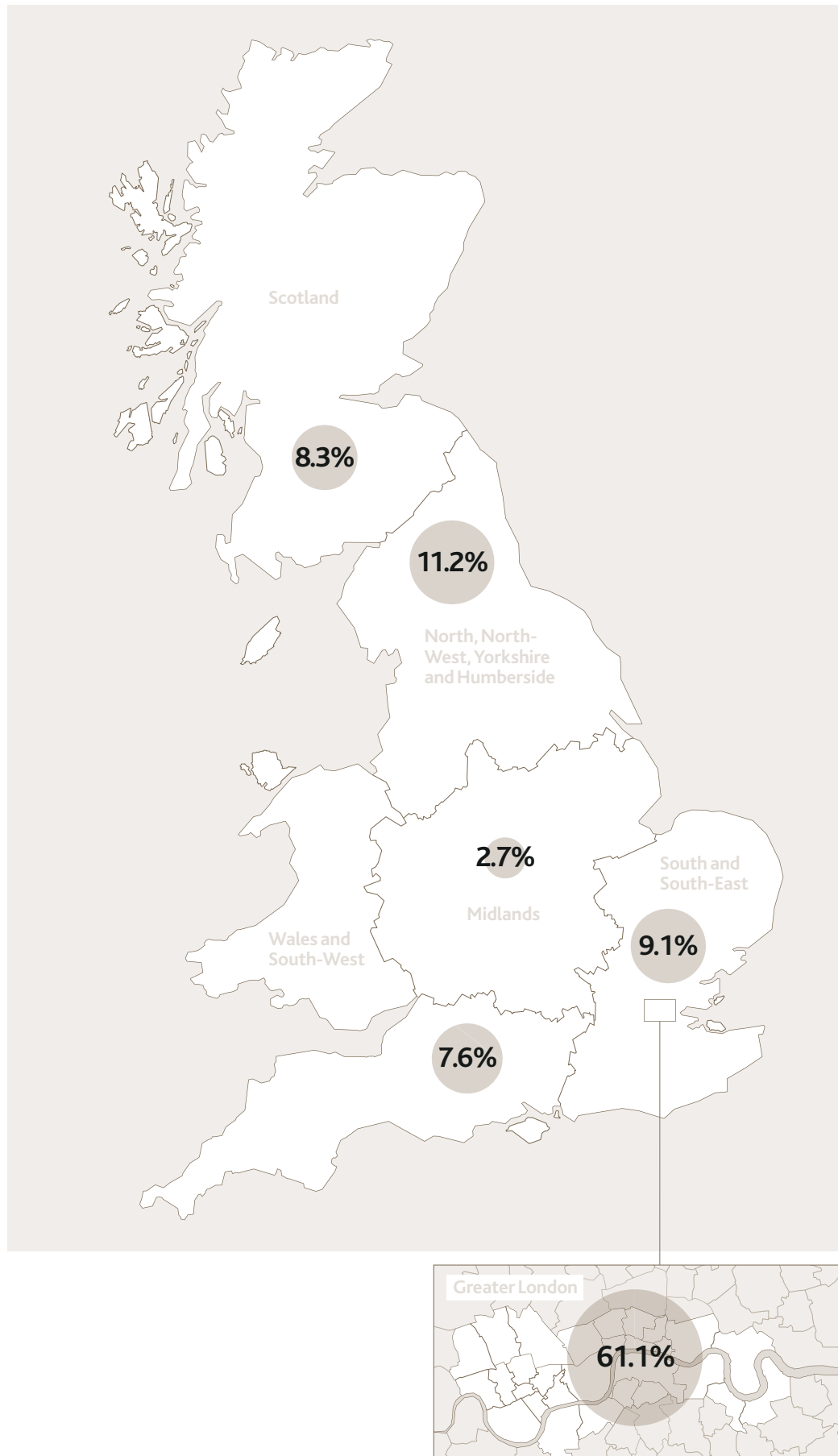
| <b>Midlands</b>            |  |             |
|----------------------------|--|-------------|
| Retail warehouses          |  | 1.2%        |
| Shopping centres and shops |  | 0.9%        |
| Offices                    |  | 0.1%        |
| Other                      |  | 0.5%        |
| <b>Total</b>               |  | <b>2.7%</b> |

| <b>Wales and South-West</b> |  |             |
|-----------------------------|--|-------------|
| Retail warehouses           |  | 0.9%        |
| Shopping centres and shops  |  | 6.6%        |
| Offices                     |  | –           |
| Other                       |  | 0.1%        |
| <b>Total</b>                |  | <b>7.6%</b> |

| <b>South and South-East</b> |  |             |
|-----------------------------|--|-------------|
| Retail warehouses           |  | 4.5%        |
| Shopping centres and shops  |  | 3.0%        |
| Offices                     |  | 0.1%        |
| Other                       |  | 1.5%        |
| <b>Total</b>                |  | <b>9.1%</b> |

| <b>Greater London</b>      |  |              |
|----------------------------|--|--------------|
| Retail warehouses          |  | 0.7%         |
| Shopping centres and shops |  | 12.8%        |
| Offices                    |  | 42.9%        |
| Other                      |  | 4.7%         |
| <b>Total</b>               |  | <b>61.1%</b> |

| <b>Total by use</b>        |  |               |
|----------------------------|--|---------------|
| Retail warehouses          |  | 12.3%         |
| Shopping centres and shops |  | 36.5%         |
| Offices                    |  | 43.3%         |
| Other                      |  | 7.9%          |
| <b>Total</b>               |  | <b>100.0%</b> |





## EPRA performance measures

Table 83

|                               | Definition for EPRA measure  | Notes | 31 March 2011            |                              | 31 March 2010            |                        |
|-------------------------------|--|-------|--------------------------|------------------------------|--------------------------|------------------------|
|                               |  |       | Land Securities' Measure | EPRA Measure                 | Land Securities' Measure | EPRA Measure           |
| Adjusted earnings             | Recurring earnings from core operational activity  | 12    | <b>£278.0m</b>           | <b>£255.4m<sup>1</sup></b>   | £257.8m                  | £262.7m <sup>1</sup>   |
| Adjusted earnings per share   | Adjusted diluted earnings per weighted number of ordinary shares   | 12    | <b>36.31p</b>            | <b>33.36p<sup>1</sup></b>    | 34.08p                   | 34.73p <sup>1</sup>    |
| Adjusted net assets           | Net asset value adjusted to exclude fair value movements on interest rate swaps  | 13    | <b>£6,366.7m</b>         | <b>£6,834.2m<sup>2</sup></b> | £5,241.2m                | £5,727.2m <sup>2</sup> |
| Adjusted net assets per share | Adjusted diluted net assets per share  | 13    | <b>826p</b>              | <b>887p<sup>2</sup></b>      | 691p                     | 755p <sup>2</sup>      |
| Triple net assets             | Adjusted net assets amended to include the fair value of financial instruments and debt                                | 13    | <b>£6,252.8m</b>         | <b>£6,252.8m</b>             | £5,213.4m                | £5,213.4m              |
| Triple net assets per share   | Diluted triple net assets per share  | 13    | <b>812p</b>              | <b>812p</b>                  | 687p                     | 687p                   |
| Net Initial Yield (NIY)       | Annualised rental income less non-recoverable costs as a % of market value plus assumed purchasers' costs <sup>3</sup> |       | <b>5.3%</b>              | <b>5.3%</b>                  | 5.7%                     | 5.7%                   |
| Topped-up NIY                 | NIY adjusted for rent free periods <sup>3</sup>  |       | <b>5.8%</b>              | <b>5.8%</b>                  | 6.3%                     | 6.3%                   |
| Void/Vacancy Rate             | ERV of vacant space as a % of ERV of combined portfolio <sup>4</sup>   |       | <b>5.2%</b>              | <b>5.2%</b>                  | 6.0%                     | 6.0%                   |

1. EPRA adjusted earnings and EPRA adjusted earnings per share include the effect of debt restructuring charges (net of taxation) of £22.0m (2010: £3.6m), the effect of bond exchange de-recognition charges of £18.5m (2010: £13.8m), the effect of non-recurring revenue items of £2.3m (2010: £nil) and non-revenue tax adjustments of £16.8m (2010: £23.1m) but exclude the profit on the sale of trading properties of £1.2m (2010: £0.8m).
2. EPRA adjusted net assets and adjusted diluted net assets per share include the effect of bond exchange de-recognition of £467.5m (2010: £486.0m).
3. Our NIY and Topped-up NIY are calculated by our external valuers and are consistent with EPRA NIY and Topped-up NIY. Further analysis on NIY is given in the Combined Portfolio Analysis.
4. Based on our combined portfolio excluding the development programme. Further analysis is given in the Combined Portfolio Analysis.

## Reconciliation of net book value of the investment properties to the market value

Table 84

|   | 31 March 2011                   |                   |                 | 31 March 2010                   |                   |          |
|---|---------------------------------|-------------------|-----------------|---------------------------------|-------------------|----------|
|   | Group (excl. joint ventures) £m | Joint ventures £m | Total £m        | Group (excl. joint ventures) £m | Joint ventures £m | Total £m |
| Net book value  | <b>8,889.0</b>                  | <b>1,328.0</b>    | <b>10,217.0</b> | 8,044.3                         | 1,227.1           | 9,271.4  |
| Plus: amount included in prepayments in respect of lease incentives | <b>194.2</b>                    | <b>36.1</b>       | <b>230.3</b>    | 171.9                           | 24.5              | 196.4    |
| Less: head leases capitalised                                       | <b>(28.4)</b>                   | <b>(4.6)</b>      | <b>(33.0)</b>   | (52.6)                          | (4.9)             | (57.5)   |
| Plus: properties treated as finance leases                          | <b>136.1</b>                    | <b>8.5</b>        | <b>144.6</b>    | 121.8                           | 8.3               | 130.1    |
| Market value  | <b>9,190.9</b>                  | <b>1,368.0</b>    | <b>10,558.9</b> | 8,285.4                         | 1,255.0           | 9,540.4  |

## Top 10 property holdings

Table 85

Total value £3.9bn  
(37% of combined portfolio)

| Name                          | Principal occupiers    | Ownership interest % |        | Floor area m <sup>2</sup> | Annualised net rent <sup>1</sup> £m | Let by income % | Weighted average unexpired lease term (yrs) |                        |           |     |        |        |      |     |      |                |        |        |                     |           |     |        |        |     |    |      |     |        |        |         |  |  |                        |            |     |         |        |      |                        |            |                          |             |        |        |        |      |                          |             |     |        |           |      |    |     |           |  |     |     |  |         |         |  |                            |                            |            |     |        |        |      |    |     |        |        |       |      |       |        |       |      |       |                       |                 |    |        |         |      |    |      |                |                       |                 |     |        |         |                   |                        |      |                |       |       |     |      |        |                   |                       |                        |     |        |        |      |    |     |          |        |       |      |        |        |                               |                       |    |        |         |      |    |     |          |       |      |     |     |
|-------------------------------|------------------------|----------------------|--------|---------------------------|-------------------------------------|-----------------|---|------------------------|-----------|-----|--------|--------|------|-----|------|----------------|--------|--------|---------------------|-----------|-----|--------|--------|-----|----|------|-----|--------|--------|---------|--|--|------------------------|------------|-----|---------|--------|------|------------------------|------------|--------------------------|-------------|--------|--------|--------|------|--------------------------|-------------|-----|--------|-----------|------|----|-----|-----------|--|-----|-----|--|---------|---------|--|----------------------------|----------------------------|------------|-----|--------|--------|------|----|-----|--------|--------|-------|------|-------|--------|-------|------|-------|-----------------------|-----------------|----|--------|---------|------|----|------|----------------|-----------------------|-----------------|-----|--------|---------|-------------------|------------------------|------|----------------|-------|-------|-----|------|--------|-------------------|-----------------------|------------------------|-----|--------|--------|------|----|-----|----------|--------|-------|------|--------|--------|-------------------------------|-----------------------|----|--------|---------|------|----|-----|----------|-------|------|-----|-----|
| Cardinal Place, SW1           | Microsoft              | 100                  | Retail | 7,700                     | 37.5                                | 97              | 7.0   |                        |           |     |        |        |      |     |      |                |        |        |                     |           |     |        |        |     |    |      |     |        |        |         |  |  |                        |            |     |         |        |      |                        |            |                          |             |        |        |        |      |                          |             |     |        |           |      |    |     |           |  |     |     |  |         |         |  |                            |                            |            |     |        |        |      |    |     |        |        |       |      |       |        |       |      |       |                       |                 |    |        |         |      |    |      |                |                       |                 |     |        |         |                   |                        |      |                |       |       |     |      |        |                   |                       |                        |     |        |        |      |    |     |          |        |       |      |        |        |                               |                       |    |        |         |      |    |     |          |       |      |     |     |
|                               | Wellington Management  |                      | Office | 52,300                    |                                     |                 |   | New Street Square, EC4 | Deloitte  | 100 | Retail | 1,800  | 31.8 | 100 | 12.3 | Taylor Wessing | Office | 62,600 | One New Change, EC4 | K&L Gates | 100 | Retail | 20,600 | 2.4 | 81 | 12.8 | CME | Office | 31,700 | H&M     |  |  | M&S                    |            |     | Topshop |        |      | Queen Anne's Gate, SW1 | Government | 100                      | Office      | 32,800 | 27.3   | 100    | 15.5 | White Rose Centre, Leeds | Sainsbury's | 100 | Retail | 65,000    | 21.0 | 98 | 8.1 | Debenhams |  |     | M&S |  |         | Primark |  |                            | Gunwharf Quays, Portsmouth | Vue Cinema | 100 | Retail | 31,300 | 19.2 | 99 | 7.3 | M&S    | Office | 2,800 | Nike | Other | 24,300 | Gap   |      |       | Cabot Circus, Bristol | House of Fraser | 50 | Retail | 114,200 | 19.4 | 97 | 10.4 | Harvey Nichols | Other                 | 8,800           | H&M |        |         | Bankside 2&3, SE1 | Royal Bank of Scotland | 100  | Retail         | 3,500 | 16.1  | 100 | 16.2 | Office | 35,200            | Piccadilly Circus, W1 | Boots                  | 100 | Retail | 5,200  | 12.2 | 95 | 3.7 | Barclays | Office | 1,500 |      | Other  | 440    | St David's Dewi Sant, Cardiff | John Lewis            | 50 | Retail | 130,100 | 14.8 | 84 | 9.0 | New Look |       |      | H&M |     |
| New Street Square, EC4        | Deloitte               | 100                  | Retail | 1,800                     | 31.8                                | 100             | 12.3  |                        |           |     |        |        |      |     |      |                |        |        |                     |           |     |        |        |     |    |      |     |        |        |         |  |  |                        |            |     |         |        |      |                        |            |                          |             |        |        |        |      |                          |             |     |        |           |      |    |     |           |  |     |     |  |         |         |  |                            |                            |            |     |        |        |      |    |     |        |        |       |      |       |        |       |      |       |                       |                 |    |        |         |      |    |      |                |                       |                 |     |        |         |                   |                        |      |                |       |       |     |      |        |                   |                       |                        |     |        |        |      |    |     |          |        |       |      |        |        |                               |                       |    |        |         |      |    |     |          |       |      |     |     |
|                               | Taylor Wessing         |                      | Office | 62,600                    |                                     |                 |   | One New Change, EC4    | K&L Gates | 100 | Retail | 20,600 | 2.4  | 81  | 12.8 | CME            | Office | 31,700 |                     | H&M       |     |        |        |     |    |      | M&S |        |        | Topshop |  |  | Queen Anne's Gate, SW1 | Government | 100 | Office  | 32,800 | 27.3 | 100                    | 15.5       | White Rose Centre, Leeds | Sainsbury's | 100    | Retail | 65,000 | 21.0 |                          | 98          |     | 8.1    | Debenhams |      |    |     |           |  | M&S |     |  | Primark |         |  | Gunwharf Quays, Portsmouth |                            | Vue Cinema |     | 100    | Retail |      |    |     | 31,300 | 19.2   | 99    | 7.3  | M&S   | Office | 2,800 | Nike | Other |                       | 24,300          |    | Gap    |         |      |    |      |                | Cabot Circus, Bristol | House of Fraser | 50  | Retail | 114,200 | 19.4              | 97                     | 10.4 | Harvey Nichols | Other | 8,800 | H&M |      |        | Bankside 2&3, SE1 |                       | Royal Bank of Scotland |     | 100    | Retail |      |    |     | 3,500    | 16.1   | 100   | 16.2 | Office | 35,200 |                               | Piccadilly Circus, W1 |    | Boots  | 100     |      |    |     | Retail   | 5,200 | 12.2 | 95  | 3.7 |
| One New Change, EC4           | K&L Gates              | 100                  | Retail | 20,600                    | 2.4                                 | 81              | 12.8  |                        |           |     |        |        |      |     |      |                |        |        |                     |           |     |        |        |     |    |      |     |        |        |         |  |  |                        |            |     |         |        |      |                        |            |                          |             |        |        |        |      |                          |             |     |        |           |      |    |     |           |  |     |     |  |         |         |  |                            |                            |            |     |        |        |      |    |     |        |        |       |      |       |        |       |      |       |                       |                 |    |        |         |      |    |      |                |                       |                 |     |        |         |                   |                        |      |                |       |       |     |      |        |                   |                       |                        |     |        |        |      |    |     |          |        |       |      |        |        |                               |                       |    |        |         |      |    |     |          |       |      |     |     |
|                               | CME                    |                      | Office | 31,700                    |                                     |                 |   |                        |           |     |        |        |      |     |      |                |        |        |                     |           |     |        |        |     |    |      |     |        |        |         |  |  |                        |            |     |         |        |      |                        |            |                          |             |        |        |        |      |                          |             |     |        |           |      |    |     |           |  |     |     |  |         |         |  |                            |                            |            |     |        |        |      |    |     |        |        |       |      |       |        |       |      |       |                       |                 |    |        |         |      |    |      |                |                       |                 |     |        |         |                   |                        |      |                |       |       |     |      |        |                   |                       |                        |     |        |        |      |    |     |          |        |       |      |        |        |                               |                       |    |        |         |      |    |     |          |       |      |     |     |
|                               | H&M                    |                      |        |                           |                                     |                 |   |                        |           |     |        |        |      |     |      |                |        |        |                     |           |     |        |        |     |    |      |     |        |        |         |  |  |                        |            |     |         |        |      |                        |            |                          |             |        |        |        |      |                          |             |     |        |           |      |    |     |           |  |     |     |  |         |         |  |                            |                            |            |     |        |        |      |    |     |        |        |       |      |       |        |       |      |       |                       |                 |    |        |         |      |    |      |                |                       |                 |     |        |         |                   |                        |      |                |       |       |     |      |        |                   |                       |                        |     |        |        |      |    |     |          |        |       |      |        |        |                               |                       |    |        |         |      |    |     |          |       |      |     |     |
|                               | M&S                    |                      |        |                           |                                     |                 |   |                        |           |     |        |        |      |     |      |                |        |        |                     |           |     |        |        |     |    |      |     |        |        |         |  |  |                        |            |     |         |        |      |                        |            |                          |             |        |        |        |      |                          |             |     |        |           |      |    |     |           |  |     |     |  |         |         |  |                            |                            |            |     |        |        |      |    |     |        |        |       |      |       |        |       |      |       |                       |                 |    |        |         |      |    |      |                |                       |                 |     |        |         |                   |                        |      |                |       |       |     |      |        |                   |                       |                        |     |        |        |      |    |     |          |        |       |      |        |        |                               |                       |    |        |         |      |    |     |          |       |      |     |     |
|                               | Topshop                |                      |        |                           |                                     |                 |   |                        |           |     |        |        |      |     |      |                |        |        |                     |           |     |        |        |     |    |      |     |        |        |         |  |  |                        |            |     |         |        |      |                        |            |                          |             |        |        |        |      |                          |             |     |        |           |      |    |     |           |  |     |     |  |         |         |  |                            |                            |            |     |        |        |      |    |     |        |        |       |      |       |        |       |      |       |                       |                 |    |        |         |      |    |      |                |                       |                 |     |        |         |                   |                        |      |                |       |       |     |      |        |                   |                       |                        |     |        |        |      |    |     |          |        |       |      |        |        |                               |                       |    |        |         |      |    |     |          |       |      |     |     |
| Queen Anne's Gate, SW1        | Government             | 100                  | Office | 32,800                    | 27.3                                | 100             | 15.5  |                        |           |     |        |        |      |     |      |                |        |        |                     |           |     |        |        |     |    |      |     |        |        |         |  |  |                        |            |     |         |        |      |                        |            |                          |             |        |        |        |      |                          |             |     |        |           |      |    |     |           |  |     |     |  |         |         |  |                            |                            |            |     |        |        |      |    |     |        |        |       |      |       |        |       |      |       |                       |                 |    |        |         |      |    |      |                |                       |                 |     |        |         |                   |                        |      |                |       |       |     |      |        |                   |                       |                        |     |        |        |      |    |     |          |        |       |      |        |        |                               |                       |    |        |         |      |    |     |          |       |      |     |     |
| White Rose Centre, Leeds      | Sainsbury's            | 100                  | Retail | 65,000                    | 21.0                                | 98              | 8.1   |                        |           |     |        |        |      |     |      |                |        |        |                     |           |     |        |        |     |    |      |     |        |        |         |  |  |                        |            |     |         |        |      |                        |            |                          |             |        |        |        |      |                          |             |     |        |           |      |    |     |           |  |     |     |  |         |         |  |                            |                            |            |     |        |        |      |    |     |        |        |       |      |       |        |       |      |       |                       |                 |    |        |         |      |    |      |                |                       |                 |     |        |         |                   |                        |      |                |       |       |     |      |        |                   |                       |                        |     |        |        |      |    |     |          |        |       |      |        |        |                               |                       |    |        |         |      |    |     |          |       |      |     |     |
|                               | Debenhams              |                      |        |                           |                                     |                 |   |                        |           |     |        |        |      |     |      |                |        |        |                     |           |     |        |        |     |    |      |     |        |        |         |  |  |                        |            |     |         |        |      |                        |            |                          |             |        |        |        |      |                          |             |     |        |           |      |    |     |           |  |     |     |  |         |         |  |                            |                            |            |     |        |        |      |    |     |        |        |       |      |       |        |       |      |       |                       |                 |    |        |         |      |    |      |                |                       |                 |     |        |         |                   |                        |      |                |       |       |     |      |        |                   |                       |                        |     |        |        |      |    |     |          |        |       |      |        |        |                               |                       |    |        |         |      |    |     |          |       |      |     |     |
|                               | M&S                    |                      |        |                           |                                     |                 |   |                        |           |     |        |        |      |     |      |                |        |        |                     |           |     |        |        |     |    |      |     |        |        |         |  |  |                        |            |     |         |        |      |                        |            |                          |             |        |        |        |      |                          |             |     |        |           |      |    |     |           |  |     |     |  |         |         |  |                            |                            |            |     |        |        |      |    |     |        |        |       |      |       |        |       |      |       |                       |                 |    |        |         |      |    |      |                |                       |                 |     |        |         |                   |                        |      |                |       |       |     |      |        |                   |                       |                        |     |        |        |      |    |     |          |        |       |      |        |        |                               |                       |    |        |         |      |    |     |          |       |      |     |     |
|                               | Primark                |                      |        |                           |                                     |                 |   |                        |           |     |        |        |      |     |      |                |        |        |                     |           |     |        |        |     |    |      |     |        |        |         |  |  |                        |            |     |         |        |      |                        |            |                          |             |        |        |        |      |                          |             |     |        |           |      |    |     |           |  |     |     |  |         |         |  |                            |                            |            |     |        |        |      |    |     |        |        |       |      |       |        |       |      |       |                       |                 |    |        |         |      |    |      |                |                       |                 |     |        |         |                   |                        |      |                |       |       |     |      |        |                   |                       |                        |     |        |        |      |    |     |          |        |       |      |        |        |                               |                       |    |        |         |      |    |     |          |       |      |     |     |
| Gunwharf Quays, Portsmouth    | Vue Cinema             | 100                  | Retail | 31,300                    | 19.2                                | 99              | 7.3   |                        |           |     |        |        |      |     |      |                |        |        |                     |           |     |        |        |     |    |      |     |        |        |         |  |  |                        |            |     |         |        |      |                        |            |                          |             |        |        |        |      |                          |             |     |        |           |      |    |     |           |  |     |     |  |         |         |  |                            |                            |            |     |        |        |      |    |     |        |        |       |      |       |        |       |      |       |                       |                 |    |        |         |      |    |      |                |                       |                 |     |        |         |                   |                        |      |                |       |       |     |      |        |                   |                       |                        |     |        |        |      |    |     |          |        |       |      |        |        |                               |                       |    |        |         |      |    |     |          |       |      |     |     |
|                               | M&S                    |                      | Office | 2,800                     |                                     |                 |   |                        |           |     |        |        |      |     |      |                |        |        |                     |           |     |        |        |     |    |      |     |        |        |         |  |  |                        |            |     |         |        |      |                        |            |                          |             |        |        |        |      |                          |             |     |        |           |      |    |     |           |  |     |     |  |         |         |  |                            |                            |            |     |        |        |      |    |     |        |        |       |      |       |        |       |      |       |                       |                 |    |        |         |      |    |      |                |                       |                 |     |        |         |                   |                        |      |                |       |       |     |      |        |                   |                       |                        |     |        |        |      |    |     |          |        |       |      |        |        |                               |                       |    |        |         |      |    |     |          |       |      |     |     |
|                               | Nike                   |                      | Other  | 24,300                    |                                     |                 |   |                        |           |     |        |        |      |     |      |                |        |        |                     |           |     |        |        |     |    |      |     |        |        |         |  |  |                        |            |     |         |        |      |                        |            |                          |             |        |        |        |      |                          |             |     |        |           |      |    |     |           |  |     |     |  |         |         |  |                            |                            |            |     |        |        |      |    |     |        |        |       |      |       |        |       |      |       |                       |                 |    |        |         |      |    |      |                |                       |                 |     |        |         |                   |                        |      |                |       |       |     |      |        |                   |                       |                        |     |        |        |      |    |     |          |        |       |      |        |        |                               |                       |    |        |         |      |    |     |          |       |      |     |     |
|                               | Gap                    |                      |        |                           |                                     |                 |   |                        |           |     |        |        |      |     |      |                |        |        |                     |           |     |        |        |     |    |      |     |        |        |         |  |  |                        |            |     |         |        |      |                        |            |                          |             |        |        |        |      |                          |             |     |        |           |      |    |     |           |  |     |     |  |         |         |  |                            |                            |            |     |        |        |      |    |     |        |        |       |      |       |        |       |      |       |                       |                 |    |        |         |      |    |      |                |                       |                 |     |        |         |                   |                        |      |                |       |       |     |      |        |                   |                       |                        |     |        |        |      |    |     |          |        |       |      |        |        |                               |                       |    |        |         |      |    |     |          |       |      |     |     |
| Cabot Circus, Bristol         | House of Fraser        | 50                   | Retail | 114,200                   | 19.4                                | 97              | 10.4  |                        |           |     |        |        |      |     |      |                |        |        |                     |           |     |        |        |     |    |      |     |        |        |         |  |  |                        |            |     |         |        |      |                        |            |                          |             |        |        |        |      |                          |             |     |        |           |      |    |     |           |  |     |     |  |         |         |  |                            |                            |            |     |        |        |      |    |     |        |        |       |      |       |        |       |      |       |                       |                 |    |        |         |      |    |      |                |                       |                 |     |        |         |                   |                        |      |                |       |       |     |      |        |                   |                       |                        |     |        |        |      |    |     |          |        |       |      |        |        |                               |                       |    |        |         |      |    |     |          |       |      |     |     |
|                               | Harvey Nichols         |                      | Other  | 8,800                     |                                     |                 |   |                        |           |     |        |        |      |     |      |                |        |        |                     |           |     |        |        |     |    |      |     |        |        |         |  |  |                        |            |     |         |        |      |                        |            |                          |             |        |        |        |      |                          |             |     |        |           |      |    |     |           |  |     |     |  |         |         |  |                            |                            |            |     |        |        |      |    |     |        |        |       |      |       |        |       |      |       |                       |                 |    |        |         |      |    |      |                |                       |                 |     |        |         |                   |                        |      |                |       |       |     |      |        |                   |                       |                        |     |        |        |      |    |     |          |        |       |      |        |        |                               |                       |    |        |         |      |    |     |          |       |      |     |     |
|                               | H&M                    |                      |        |                           |                                     |                 |   |                        |           |     |        |        |      |     |      |                |        |        |                     |           |     |        |        |     |    |      |     |        |        |         |  |  |                        |            |     |         |        |      |                        |            |                          |             |        |        |        |      |                          |             |     |        |           |      |    |     |           |  |     |     |  |         |         |  |                            |                            |            |     |        |        |      |    |     |        |        |       |      |       |        |       |      |       |                       |                 |    |        |         |      |    |      |                |                       |                 |     |        |         |                   |                        |      |                |       |       |     |      |        |                   |                       |                        |     |        |        |      |    |     |          |        |       |      |        |        |                               |                       |    |        |         |      |    |     |          |       |      |     |     |
| Bankside 2&3, SE1             | Royal Bank of Scotland | 100                  | Retail | 3,500                     | 16.1                                | 100             | 16.2  |                        |           |     |        |        |      |     |      |                |        |        |                     |           |     |        |        |     |    |      |     |        |        |         |  |  |                        |            |     |         |        |      |                        |            |                          |             |        |        |        |      |                          |             |     |        |           |      |    |     |           |  |     |     |  |         |         |  |                            |                            |            |     |        |        |      |    |     |        |        |       |      |       |        |       |      |       |                       |                 |    |        |         |      |    |      |                |                       |                 |     |        |         |                   |                        |      |                |       |       |     |      |        |                   |                       |                        |     |        |        |      |    |     |          |        |       |      |        |        |                               |                       |    |        |         |      |    |     |          |       |      |     |     |
|                               |                        |                      | Office | 35,200                    |                                     |                 |   |                        |           |     |        |        |      |     |      |                |        |        |                     |           |     |        |        |     |    |      |     |        |        |         |  |  |                        |            |     |         |        |      |                        |            |                          |             |        |        |        |      |                          |             |     |        |           |      |    |     |           |  |     |     |  |         |         |  |                            |                            |            |     |        |        |      |    |     |        |        |       |      |       |        |       |      |       |                       |                 |    |        |         |      |    |      |                |                       |                 |     |        |         |                   |                        |      |                |       |       |     |      |        |                   |                       |                        |     |        |        |      |    |     |          |        |       |      |        |        |                               |                       |    |        |         |      |    |     |          |       |      |     |     |
| Piccadilly Circus, W1         | Boots                  | 100                  | Retail | 5,200                     | 12.2                                | 95              | 3.7   |                        |           |     |        |        |      |     |      |                |        |        |                     |           |     |        |        |     |    |      |     |        |        |         |  |  |                        |            |     |         |        |      |                        |            |                          |             |        |        |        |      |                          |             |     |        |           |      |    |     |           |  |     |     |  |         |         |  |                            |                            |            |     |        |        |      |    |     |        |        |       |      |       |        |       |      |       |                       |                 |    |        |         |      |    |      |                |                       |                 |     |        |         |                   |                        |      |                |       |       |     |      |        |                   |                       |                        |     |        |        |      |    |     |          |        |       |      |        |        |                               |                       |    |        |         |      |    |     |          |       |      |     |     |
|                               | Barclays               |                      | Office | 1,500                     |                                     |                 |   |                        |           |     |        |        |      |     |      |                |        |        |                     |           |     |        |        |     |    |      |     |        |        |         |  |  |                        |            |     |         |        |      |                        |            |                          |             |        |        |        |      |                          |             |     |        |           |      |    |     |           |  |     |     |  |         |         |  |                            |                            |            |     |        |        |      |    |     |        |        |       |      |       |        |       |      |       |                       |                 |    |        |         |      |    |      |                |                       |                 |     |        |         |                   |                        |      |                |       |       |     |      |        |                   |                       |                        |     |        |        |      |    |     |          |        |       |      |        |        |                               |                       |    |        |         |      |    |     |          |       |      |     |     |
|                               |                        |                      | Other  | 440                       |                                     |                 |   |                        |           |     |        |        |      |     |      |                |        |        |                     |           |     |        |        |     |    |      |     |        |        |         |  |  |                        |            |     |         |        |      |                        |            |                          |             |        |        |        |      |                          |             |     |        |           |      |    |     |           |  |     |     |  |         |         |  |                            |                            |            |     |        |        |      |    |     |        |        |       |      |       |        |       |      |       |                       |                 |    |        |         |      |    |      |                |                       |                 |     |        |         |                   |                        |      |                |       |       |     |      |        |                   |                       |                        |     |        |        |      |    |     |          |        |       |      |        |        |                               |                       |    |        |         |      |    |     |          |       |      |     |     |
| St David's Dewi Sant, Cardiff | John Lewis             | 50                   | Retail | 130,100                   | 14.8                                | 84              | 9.0   |                        |           |     |        |        |      |     |      |                |        |        |                     |           |     |        |        |     |    |      |     |        |        |         |  |  |                        |            |     |         |        |      |                        |            |                          |             |        |        |        |      |                          |             |     |        |           |      |    |     |           |  |     |     |  |         |         |  |                            |                            |            |     |        |        |      |    |     |        |        |       |      |       |        |       |      |       |                       |                 |    |        |         |      |    |      |                |                       |                 |     |        |         |                   |                        |      |                |       |       |     |      |        |                   |                       |                        |     |        |        |      |    |     |          |        |       |      |        |        |                               |                       |    |        |         |      |    |     |          |       |      |     |     |
|                               | New Look               |                      |        |                           |                                     |                 |   |                        |           |     |        |        |      |     |      |                |        |        |                     |           |     |        |        |     |    |      |     |        |        |         |  |  |                        |            |     |         |        |      |                        |            |                          |             |        |        |        |      |                          |             |     |        |           |      |    |     |           |  |     |     |  |         |         |  |                            |                            |            |     |        |        |      |    |     |        |        |       |      |       |        |       |      |       |                       |                 |    |        |         |      |    |      |                |                       |                 |     |        |         |                   |                        |      |                |       |       |     |      |        |                   |                       |                        |     |        |        |      |    |     |          |        |       |      |        |        |                               |                       |    |        |         |      |    |     |          |       |      |     |     |
|                               | H&M                    |                      |        |                           |                                     |                 |   |                        |           |     |        |        |      |     |      |                |        |        |                     |           |     |        |        |     |    |      |     |        |        |         |  |  |                        |            |     |         |        |      |                        |            |                          |             |        |        |        |      |                          |             |     |        |           |      |    |     |           |  |     |     |  |         |         |  |                            |                            |            |     |        |        |      |    |     |        |        |       |      |       |        |       |      |       |                       |                 |    |        |         |      |    |      |                |                       |                 |     |        |         |                   |                        |      |                |       |       |     |      |        |                   |                       |                        |     |        |        |      |    |     |          |        |       |      |        |        |                               |                       |    |        |         |      |    |     |          |       |      |     |     |

1. Group share.

**Average rents at 31 March 2011****Table 86**

|                                   | Average rent<br>£/m <sup>2</sup> | Average ERV<br>£/m <sup>2</sup> |
|-----------------------------------|----------------------------------|---------------------------------|
| <b>Retail</b>                     |                                  |                                 |
| Shopping centres and shops        | n/a                              | n/a                             |
| Retail warehouses and food stores | 212                              | 206                             |
| <b>Offices</b>                    |                                  |                                 |
| London office portfolio           | 396                              | 384                             |

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.

**Like-for-like reversionary potential****Table 87**

|                            | 31 March<br>2011<br>% of rent | 31 March<br>2010<br>% of rent |
|----------------------------|-------------------------------|-------------------------------|
| Reversionary potential     |                               |                               |
| Gross reversions           | 8.2                           | 6.5                           |
| Over-rented                | (7.2)                         | (9.7)                         |
| Net reversionary potential | 1.0                           | (3.2)                         |

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, £16.6m is subject to a lease expiry or break clause in the next five years.

**One year performance relative to IPD****Ungeared total returns – year to 31 March 2011****Table 88**

|                            | Land<br>Securities<br>% | IPD<br>% |
|----------------------------|-------------------------|----------|
| Retail – Shopping centres  | 14.7                    | 12.9     |
| Retail – Retail warehouses | 16.9 <sup>1</sup>       | 11.3     |
| Central London retail      | 32.3                    | 20.0     |
| Central London offices     | 16.0 <sup>2</sup>       | 18.1     |
| Total portfolio            | 16.8                    | 11.3     |

IPD Quarterly Universe

1. Including supermarkets.
2. Including inner London offices.

# Combined portfolio analysis

## The like-for-like-segmental analysis

|  | Market value <sup>1</sup> |                     | Valuation surplus <sup>2</sup> |                            | Rental income <sup>3</sup> |                     | Annualised rental income <sup>4</sup> | Annualised net rent <sup>5</sup> |                     | Net estimated rental value <sup>6</sup> |                     |
|--|---------------------------|---------------------|--------------------------------|----------------------------|----------------------------|---------------------|---------------------------------------|----------------------------------|---------------------|---|---------------------|
|  | 31 March 2011<br>£m       | 31 March 2010<br>£m | Surplus/<br>(deficit)<br>£m    | Surplus/<br>(deficit)<br>% | 31 March 2011<br>£m        | 31 March 2010<br>£m | 31 March 2011<br>£m                   | 31 March 2011<br>£m              | 31 March 2010<br>£m | 31 March 2011<br>£m                     | 31 March 2010<br>£m |
| <b>Shopping centres and shops</b>                      |                           |                     |                                |                            |                            |                     |                                       |                                  |                     |   |                     |
| Shopping centres and shops                             | 1,833.4                   | 1,692.6             | 118.6                          | 7.0                        | 145.5                      | 145.0               | 141.4                                 | 132.4                            | 133.3               | 140.5                                   | 140.8               |
| Central London shops                                   | 787.7                     | 683.9               | 98.0                           | 14.3                       | 33.9                       | 34.6                | 35.4                                  | 36.0                             | 34.8                | 49.8                                    | 40.3                |
|  | 2,621.1                   | 2,376.5             | 216.6                          | 9.1                        | 179.4                      | 179.6               | 176.8                                 | 168.4                            | 168.1               | 190.3                                   | 181.1               |
| <b>Retail warehouses</b>                               |                           |                     |                                |                            |                            |                     |                                       |                                  |                     |   |                     |
| Retail warehouses and food stores                      | 1,202.7                   | 1,079.0             | 114.5                          | 10.9                       | 69.6                       | 64.2                | 70.1                                  | 69.7                             | 69.7                | 73.0                                    | 71.9                |
| <b>Total retail</b>                                    | <b>3,823.8</b>            | <b>3,455.5</b>      | <b>331.1</b>                   | <b>9.7</b>                 | <b>249.0</b>               | <b>243.8</b>        | <b>246.9</b>                          | <b>238.1</b>                     | <b>237.8</b>        | <b>263.3</b>                            | <b>253.0</b>        |
| <b>London offices</b>                                  |                           |                     |                                |                            |                            |                     |                                       |                                  |                     |   |                     |
| West End   | 1,678.2                   | 1,586.0             | 88.0                           | 5.7                        | 109.5                      | 109.1               | 107.9                                 | 106.2                            | 110.1               | 96.8                                    | 91.4                |
| City   | 422.8                     | 369.8               | 51.3                           | 13.9                       | 27.4                       | 28.5                | 27.9                                  | 26.7                             | 28.5                | 29.2                                    | 26.7                |
| Mid-town   | 311.6                     | 279.1               | 9.0                            | 4.0                        | 19.6                       | 20.4                | 14.7                                  | 14.0                             | 19.6                | 25.4                                    | 24.0                |
| Inner London   | 726.2                     | 668.6               | 55.9                           | 8.8                        | 49.5                       | 47.9                | 48.1                                  | 48.8                             | 48.5                | 45.4                                    | 42.7                |
| <b>Total London offices</b>                            | <b>3,138.8</b>            | <b>2,903.5</b>      | <b>204.2</b>                   | <b>7.4</b>                 | <b>206.0</b>               | <b>205.9</b>        | <b>198.6</b>                          | <b>195.7</b>                     | <b>206.7</b>        | <b>196.8</b>                            | <b>184.8</b>        |
| Rest of UK   | 41.9                      | 44.9                | (6.5)                          | (13.6)                     | 3.7                        | 3.5                 | 3.6                                   | 3.6                              | 3.6                 | 4.2                                     | 4.4                 |
| <b>Total offices</b>                                   | <b>3,180.7</b>            | <b>2,948.4</b>      | <b>197.7</b>                   | <b>7.0</b>                 | <b>209.7</b>               | <b>209.4</b>        | <b>202.2</b>                          | <b>199.3</b>                     | <b>210.3</b>        | <b>201.0</b>                            | <b>189.2</b>        |
| Other  | 744.4                     | 676.2               | 53.8                           | 7.8                        | 46.7                       | 46.0                | 47.8                                  | 48.2                             | 47.6                | 49.6                                    | 47.2                |
| <b>Like-for-like portfolio<sup>11</sup></b>            | <b>7,748.9</b>            | <b>7,080.1</b>      | <b>582.6</b>                   | <b>8.4</b>                 | <b>505.4</b>               | <b>499.2</b>        | <b>496.9</b>                          | <b>485.6</b>                     | <b>495.7</b>        | <b>513.9</b>                            | <b>489.4</b>        |
| Proposed developments <sup>12</sup>                    | 170.5                     | 71.0                | 27.7                           | 19.4                       | 4.2                        | 10.3                | 2.3                                   | 2.2                              | 8.9                 | 9.6                                     | 9.6                 |
| Completed developments <sup>13</sup>                   | 1,153.4                   | 1,028.8             | 112.1                          | 11.6                       | 61.7                       | 51.6                | 62.5                                  | 60.1                             | 46.8                | 70.5                                    | 69.2                |
| Acquisitions <sup>14</sup>                             | 403.1                     | 5.7                 | 5.7                            | 1.5                        | 12.1                       | –                   | 23.2                                  | 22.3                             | 0.1                 | 23.6                                    | 0.3                 |
| Sales and restructured interests <sup>15</sup>         | –                         | 670.1               | –                              | –                          | 16.5                       | 60.5                | –                                     | –                                | 21.9                | –                                       | 52.9                |
| Development programme <sup>16</sup>                    | 1,083.0                   | 684.7               | 171.9                          | 19.4                       | 29.3                       | 23.6                | 38.4                                  | 25.4                             | 25.2                | 103.4                                   | 82.2                |
| <b>Combined portfolio</b>                              | <b>10,558.9</b>           | <b>9,540.4</b>      | <b>900.0</b>                   | <b>9.7</b>                 | <b>629.2</b>               | <b>645.2</b>        | <b>623.3</b>                          | <b>595.6</b>                     | <b>598.6</b>        | <b>721.0</b>                            | <b>703.6</b>        |
| Surplus on investment property reclassified as trading |                           |                     | 8.8                            | 31.2                       | –                          | –                   |                                       |                                  |                     |   |                     |
| Properties treated as finance leases                   |                           |                     | –                              | –                          | (6.6)                      | (6.4)               |                                       |                                  |                     |   |                     |
| <b>Combined portfolio</b>                              |                           |                     | <b>908.8</b>                   | <b>9.7</b>                 | <b>622.6</b>               | <b>638.8</b>        |                                       |                                  |                     |   |                     |

## Total portfolio analysis

|  |                 |                |              |             |              |              |              |              |              |              |              |
|--|-----------------|----------------|--------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Shopping centres and shops</b>                      |                 |                |              |             |              |              |              |              |              |              |              |
| Shopping centres and shops                             | 2,852.9         | 2,460.8        | 195.5        | 7.5         | 198.3        | 206.6        | 202.4        | 192.5        | 180.3        | 233.4        | 204.2        |
| Central London shops                                   | 1,015.4         | 993.2          | 179.1        | 21.5        | 44.1         | 44.2         | 46.0         | 42.7         | 42.3         | 63.3         | 69.8         |
|  | 3,868.3         | 3,454.0        | 374.6        | 10.9        | 242.4        | 250.8        | 248.4        | 235.2        | 222.6        | 296.7        | 274.0        |
| <b>Retail warehouses</b>                               |                 |                |              |             |              |              |              |              |              |              |              |
| Retail warehouses and food stores                      | 1,298.3         | 1,150.6        | 127.2        | 11.2        | 74.4         | 72.9         | 75.2         | 73.1         | 73.7         | 78.2         | 76.4         |
| <b>Total retail</b>                                    | <b>5,166.6</b>  | <b>4,604.6</b> | <b>501.8</b> | <b>11.0</b> | <b>316.8</b> | <b>323.7</b> | <b>323.6</b> | <b>308.3</b> | <b>296.3</b> | <b>374.9</b> | <b>350.4</b> |
| <b>London offices</b>                                  |                 |                |              |             |              |              |              |              |              |              |              |
| West End   | 1,874.6         | 1,883.8        | 115.9        | 6.8         | 116.7        | 123.7        | 109.1        | 106.9        | 119.4        | 121.0        | 135.6        |
| City   | 1,017.5         | 788.0          | 107.0        | 12.0        | 40.3         | 47.9         | 43.7         | 31.6         | 40.0         | 64.9         | 64.7         |
| Mid-town   | 909.5           | 794.5          | 69.7         | 9.8         | 51.1         | 48.8         | 43.8         | 45.1         | 41.0         | 57.2         | 54.9         |
| Inner London   | 726.2           | 678.1          | 55.9         | 8.8         | 50.0         | 48.8         | 48.1         | 48.8         | 49.1         | 45.4         | 43.5         |
| <b>Total London offices</b>                            | <b>4,527.8</b>  | <b>4,144.4</b> | <b>348.5</b> | <b>8.8</b>  | <b>258.1</b> | <b>269.2</b> | <b>244.7</b> | <b>232.4</b> | <b>249.5</b> | <b>288.5</b> | <b>298.7</b> |
| Rest of UK   | 42.2            | 50.9           | (6.2)        | (13.0)      | 3.7          | 4.0          | 3.6          | 3.7          | 3.6          | 4.3          | 5.7          |
| <b>Total offices</b>                                   | <b>4,570.0</b>  | <b>4,195.3</b> | <b>342.3</b> | <b>8.6</b>  | <b>261.8</b> | <b>273.2</b> | <b>248.3</b> | <b>236.1</b> | <b>253.1</b> | <b>292.8</b> | <b>304.4</b> |
| Other  | 822.3           | 740.5          | 55.9         | 7.3         | 50.6         | 48.3         | 51.4         | 51.2         | 49.2         | 53.3         | 48.8         |
| <b>Combined portfolio</b>                              | <b>10,558.9</b> | <b>9,540.4</b> | <b>900.0</b> | <b>9.7</b>  | <b>629.2</b> | <b>645.2</b> | <b>623.3</b> | <b>595.6</b> | <b>598.6</b> | <b>721.0</b> | <b>703.6</b> |
| Surplus on investment property reclassified as trading |                 |                | 8.8          | 31.2        | –            | –            |              |              |              |              |              |
| Properties treated as finance leases                   |                 |                | –            | –           | (6.6)        | (6.4)        |              |              |              |              |              |
| <b>Combined portfolio</b>                              |                 |                | <b>908.8</b> | <b>9.7</b>  | <b>622.6</b> | <b>638.8</b> |              |              |              |              |              |
| <b>Represented by:</b>                                 |                 |                |              |             |              |              |              |              |              |              |              |
| Investment portfolio                                   | 9,190.9         | 8,285.4        | 794.1        | 9.8         | 550.0        | 566.2        | 545.8        | 519.7        | 525.6        | 637.0        | 612.8        |
| Share of joint ventures                                | 1,368.0         | 1,255.0        | 114.7        | 9.5         | 79.2         | 79.0         | 77.5         | 75.9         | 73.0         | 84.0         | 90.8         |
| <b>Combined portfolio</b>                              | <b>10,558.9</b> | <b>9,540.4</b> | <b>908.8</b> | <b>9.7</b>  | <b>629.2</b> | <b>645.2</b> | <b>623.3</b> | <b>595.6</b> | <b>598.6</b> | <b>721.0</b> | <b>703.6</b> |

# Combined portfolio analysis continued

## The like-for-like segmental analysis

|  | Gross estimated rental value <sup>7</sup> |                     | Net initial yield <sup>8</sup> |                    | Equivalent yield <sup>9</sup> |                    | Voids (by ERV) <sup>10</sup> |                    |
|--|---|---------------------|--------------------------------|--------------------|-------------------------------|--------------------|------------------------------|--------------------|
|  | 31 March 2011<br>£m                       | 31 March 2010<br>£m | 31 March 2011<br>%             | 31 March 2010<br>% | 31 March 2011<br>%            | 31 March 2010<br>% | 31 March 2011<br>%           | 31 March 2010<br>% |
| <b>Shopping centres and shops</b>              |   |                     |                                |                    |                               |                    |                              |                    |
| Shopping centres and shops                     | 150.1                                     | 150.5               | 6.2                            | 6.5                | 6.5                           | 7.0                | 5.9                          | 8.1                |
| Central London shops                           | 50.1                                      | 41.0                | 4.2                            | 4.8                | 5.2                           | 5.4                | 4.4                          | 6.3                |
|  | 200.2                                     | 191.5               | 5.6                            | 6.0                | 6.1                           | 6.5                | 5.5                          | 7.7                |
| <b>Retail warehouses</b>                       |   |                     |                                |                    |                               |                    |                              |                    |
| Retail warehouses and food stores              | 73.5                                      | 72.4                | 5.2                            | 5.8                | 5.7                           | 6.3                | 3.3                          | 1.9                |
| <b>Total retail</b>                            | <b>273.7</b>                              | <b>263.9</b>        | <b>5.4</b>                     | <b>5.9</b>         | <b>6.0</b>                    | <b>6.5</b>         | <b>4.9</b>                   | <b>6.1</b>         |
| <b>London offices</b>                          |   |                     |                                |                    |                               |                    |                              |                    |
| West End                                       | 96.8                                      | 91.4                | 6.0                            | 6.2                | 5.9                           | 6.1                | 3.3                          | 4.2                |
| City   | 30.0                                      | 27.6                | 5.3                            | 6.6                | 6.0                           | 6.6                | 7.7                          | 12.3               |
| Mid-town                                       | 26.2                                      | 24.7                | 3.8                            | 6.3                | 6.0                           | 7.0                | 4.2                          | 2.4                |
| Inner London                                   | 46.2                                      | 43.0                | 6.3                            | 6.7                | 5.8                           | 6.2                | 1.7                          | 3.0                |
| <b>Total London offices</b>                    | <b>199.2</b>                              | <b>186.7</b>        | <b>5.8</b>                     | <b>6.4</b>         | <b>5.9</b>                    | <b>6.3</b>         | <b>3.7</b>                   | <b>4.9</b>         |
| Rest of UK                                     | 4.3                                       | 4.4                 | 8.0                            | 7.8                | 9.1                           | 9.0                | 7.0                          | 15.9               |
| <b>Total offices</b>                           | <b>203.5</b>                              | <b>191.1</b>        | <b>5.8</b>                     | <b>6.4</b>         | <b>6.0</b>                    | <b>6.3</b>         | <b>3.8</b>                   | <b>5.1</b>         |
| Other  | 49.4                                      | 47.4                | 6.3                            | 6.8                | 6.4                           | 6.9                | 2.8                          | 1.3                |
| <b>Like-for-like portfolio<sup>11</sup></b>    | <b>526.6</b>                              | <b>502.4</b>        | <b>5.7</b>                     | <b>6.2</b>         | <b>6.0</b>                    | <b>6.4</b>         | <b>4.3</b>                   | <b>5.3</b>         |
| Proposed developments <sup>12</sup>            | 9.6                                       | 9.6                 | 4.4                            | 4.8                | 4.5                           | 5.2                | n/a                          | n/a                |
| Completed developments <sup>13</sup>           | 71.9                                      | 70.5                | 4.7                            | 4.0                | 5.6                           | 6.1                | n/a                          | n/a                |
| Acquisitions <sup>14</sup>                     | 24.4                                      | 0.3                 | 5.0                            | 2.1                | 5.6                           | 6.4                | n/a                          | n/a                |
| Sales and restructured interests <sup>15</sup> | –   | 55.0                | –                              | 5.5                | –                             | 6.3                | n/a                          | n/a                |
| Development programme <sup>16</sup>            | 104.9                                     | 84.5                | 1.9                            | 1.4                | 5.4                           | 6.1                | n/a                          | n/a                |
| <b>Combined portfolio</b>                      | <b>737.4</b>                              | <b>722.3</b>        | <b>5.3</b>                     | <b>5.7</b>         | <b>5.9</b>                    | <b>6.4</b>         | <b>n/a</b>                   | <b>n/a</b>         |

## Total portfolio analysis

|                                   |              |              |            |            |            |            |
|-----------------------------------|--------------|--------------|------------|------------|------------|------------|
| <b>Shopping centres and shops</b> |              |              |            |            |            |            |
| Shopping centres and shops        | 244.9        | 217.4        | 5.8        | 5.8        | 6.4        | 6.8        |
| Central London shops              | 64.2         | 70.8         | 3.9        | 4.4        | 5.2        | 5.4        |
|                                   | 309.1        | 288.2        | 5.3        | 5.5        | 6.1        | 6.5        |
| <b>Retail warehouses</b>          |              |              |            |            |            |            |
| Retail warehouses and food stores | 78.8         | 76.8         | 5.1        | 5.8        | 5.7        | 6.2        |
| <b>Total retail</b>               | <b>387.9</b> | <b>365.0</b> | <b>5.2</b> | <b>5.5</b> | <b>6.0</b> | <b>6.4</b> |
| <b>London offices</b>             |              |              |            |            |            |            |
| West End                          | 121.0        | 136.3        | 6.0        | 6.1        | 5.9        | 6.1        |
| City                              | 65.7         | 65.8         | 2.8        | 3.9        | 5.6        | 6.4        |
| Mid-town                          | 58.8         | 56.3         | 4.5        | 4.8        | 5.4        | 6.1        |
| Inner London                      | 46.2         | 43.8         | 6.3        | 6.7        | 5.8        | 6.2        |
| <b>Total London offices</b>       | <b>291.7</b> | <b>302.2</b> | <b>4.7</b> | <b>5.4</b> | <b>5.6</b> | <b>6.3</b> |
| Rest of UK                        | 4.4          | 5.8          | 8.0        | 6.9        | 9.1        | 9.1        |
| <b>Total offices</b>              | <b>296.1</b> | <b>308.0</b> | <b>5.1</b> | <b>5.6</b> | <b>5.7</b> | <b>6.2</b> |
| Other                             | 53.4         | 49.3         | 6.3        | 6.8        | 6.4        | 6.9        |
| <b>Combined portfolio</b>         | <b>737.4</b> | <b>722.3</b> | <b>5.3</b> | <b>5.7</b> | <b>5.9</b> | <b>6.4</b> |
| <b>Represented by:</b>            |              |              |            |            |            |            |
| Investment portfolio              | 651.6        | 628.4        | 5.3        | 5.8        | 6.0        | 6.4        |
| Share of joint ventures           | 85.8         | 93.9         | 4.9        | 4.8        | 5.5        | 6.3        |
| <b>Combined portfolio</b>         | <b>737.4</b> | <b>722.3</b> | <b>5.3</b> | <b>5.7</b> | <b>5.9</b> | <b>6.4</b> |

### Notes:

- The market value figures include the Group's share of joint ventures, and are determined by the Group's valuers, in accordance with the RICS Valuation Standards.
- The valuation surplus is stated after adjusting for the effect of SIC 15 under IFRS.
- Rental income is as reported in the income statement, on an accruals basis, and adjusted for the spreading of lease incentives over the term certain of the lease in accordance with SIC 15. It is stated gross, prior to the deduction of ground rents and without deduction for operational outgoings on car park and commercialisation activities.
- Annualised rental income is annual 'rental income' (as defined in 3 above) at the balance sheet date, except that car park and commercialisation income are included on a net basis (after deduction for operational outgoings). Annualised rental income includes temporary lettings.
- Annualised net rent is annual cash rent, after the deduction of ground rents, as at the balance sheet date. It is calculated with the same methodology as annualised rental income but is stated net of ground rent and before SIC 15 adjustments.

- Net estimated rental value is gross estimated rental value, as defined in the glossary, after deducting expected ground rents.
- Gross estimated rental value (ERV) – refer to glossary.
- Net initial yield is a calculation by the Group's external valuers as the yield that would be received by a purchaser, based on the estimated net rental income expressed as a percentage of the acquisition cost, being the market value plus assumed usual purchasers' costs at the reporting date. This calculation is in line with EPRA guidance. Estimated net rental income is the passing cash rent less ground rent at the balance sheet date, estimated non-recoverable outgoings and void costs including service charges, insurance costs and void rates.
- Calculated by the Group's valuers, equivalent yield is the internal rate of return from an investment property, based on the gross outlays for the purchase of a property (including purchase costs), reflecting reversions to current market rent, and such items as voids and non-recoverable expenditure but disregarding potential changes in market rents. The calculation assumes rent is received annually in arrears.
- Voids – refer to glossary.

- The like-for-like portfolio includes all properties which have been in the portfolio since 1 April 2009 but excluding those which were acquired, sold or included in the development programme at any time during the period. Capital expenditure on refurbishments, acquisitions of head leases and similar capital expenditure has been allocated to the like-for-like portfolio in preparing this table.
- Proposed developments – refer to glossary.
- Completed developments represent those properties previously included in the development programme, which have been transferred from the development programme since 1 April 2009.
- Includes all properties acquired in the period since 1 April 2009.
- Includes all properties sold in the period since 1 April 2009.
- The development programme consists of authorised and committed developments, projects under construction and developments which have reached practical completion within the last two years but are not yet 95% let. Yield figures are only calculated for properties in the development programme that have reached practical completion.

# Combined portfolio reconciliation

## Income statement – rental income reconciliation

|   | Retail Portfolio<br>£m | London Portfolio<br>£m | Other<br>£m | 31 March<br>2011<br>£m | Retail Portfolio<br>£m | London Portfolio<br>£m | Other<br>£m | 31 March<br>2010<br>£m |
|---|------------------------|------------------------|-------------|------------------------|------------------------|------------------------|-------------|------------------------|
| Combined portfolio                                      | 316.8                  | 258.1                  | 54.3        | 629.2                  | 323.7                  | 269.2                  | 52.3        | 645.2                  |
| Central London shops (excluding Metro Shopping Fund LP) | (42.4)                 | 42.4                   | –           | –                      | (41.6)                 | 41.6                   | –           | –                      |
| Inner London offices including Metro Shopping Fund LP   | 0.5                    | (0.5)                  | –           | –                      | 0.6                    | (0.6)                  | –           | –                      |
| Rest of UK offices                                      | 3.6                    | 0.1                    | (3.7)       | –                      | 4.0                    | –                      | (4.0)       | –                      |
| Other   | 43.9                   | 6.7                    | (50.6)      | –                      | 39.8                   | 8.5                    | (48.3)      | –                      |
|   | 322.4                  | 306.8                  | –           | 629.2                  | 326.5                  | 318.7                  | –           | 645.2                  |
| Less finance lease adjustment                           | (2.9)                  | (3.7)                  | –           | (6.6)                  | (2.8)                  | (3.6)                  | –           | (6.4)                  |
| <b>Total rental income for combined portfolio</b>       | <b>319.5</b>           | <b>303.1</b>           | <b>–</b>    | <b>622.6</b>           | <b>323.7</b>           | <b>315.1</b>           | <b>–</b>    | <b>638.8</b>           |

## Market value reconciliation

|   | Retail Portfolio<br>£m | London Portfolio<br>£m | Other<br>£m | 31 March<br>2011<br>£m | Retail Portfolio<br>£m | London Portfolio<br>£m | Other<br>£m | 31 March<br>2010<br>£m |
|---|------------------------|------------------------|-------------|------------------------|------------------------|------------------------|-------------|------------------------|
| Combined portfolio                                      | 5,166.6                | 4,527.8                | 864.5       | 10,558.9               | 4,604.6                | 4,144.4                | 791.4       | 9,540.4                |
| Central London shops (excluding Metro Shopping Fund LP) | (1,015.4)              | 1,015.4                | –           | –                      | (941.1)                | 941.1                  | –           | –                      |
| Inner London offices including Metro Shopping Fund LP   | –                      | –                      | –           | –                      | 9.5                    | (9.5)                  | –           | –                      |
| Rest of UK offices                                      | 42.2                   | –                      | (42.2)      | –                      | 50.9                   | –                      | (50.9)      | –                      |
| Other   | 630.5                  | 191.8                  | (822.3)     | –                      | 541.7                  | 198.8                  | (740.5)     | –                      |
| <b>Per business unit</b>                                | <b>4,823.9</b>         | <b>5,735.0</b>         | <b>–</b>    | <b>10,558.9</b>        | <b>4,265.6</b>         | <b>5,274.8</b>         | <b>–</b>    | <b>9,540.4</b>         |

## Gross estimated rental value reconciliation

|   | Retail Portfolio<br>£m | London Portfolio<br>£m | Other<br>£m | 31 March<br>2011<br>£m | Retail Portfolio<br>£m | London Portfolio<br>£m | Other<br>£m | 31 March<br>2010<br>£m |
|---|------------------------|------------------------|-------------|------------------------|------------------------|------------------------|-------------|------------------------|
| Combined portfolio                                      | 387.9                  | 291.7                  | 57.8        | 737.4                  | 365.0                  | 302.2                  | 55.1        | 722.3                  |
| Central London shops (excluding Metro Shopping Fund LP) | (64.2)                 | 64.2                   | –           | –                      | (67.5)                 | 67.5                   | –           | –                      |
| Inner London offices including Metro Shopping Fund LP   | –                      | –                      | –           | –                      | 0.8                    | (0.8)                  | –           | –                      |
| Rest of UK offices                                      | 4.4                    | –                      | (4.4)       | –                      | 5.8                    | –                      | (5.8)       | –                      |
| Other   | 44.2                   | 9.2                    | (53.4)      | –                      | 40.6                   | 8.7                    | (49.3)      | –                      |
| <b>Per business unit</b>                                | <b>372.3</b>           | <b>365.1</b>           | <b>–</b>    | <b>737.4</b>           | <b>344.7</b>           | <b>377.6</b>           | <b>–</b>    | <b>722.3</b>           |

# Lease lengths

|                                   | Unexpired lease term at 31 March 2011 |                            |  |                            |
|-----------------------------------|---------------------------------------|----------------------------|--|----------------------------|
|                                   | Like-for-like portfolio               |                            | Like-for-like portfolio, completed developments and acquisitions |                            |
|                                   | Median <sup>1</sup><br>years          | Mean <sup>1</sup><br>years | Median <sup>1</sup><br>years                                     | Mean <sup>1</sup><br>years |
| <b>Shopping centres and shops</b> |                                       |                            |  |                            |
| Shopping centres and shops        | 5.9                                   | 7.4                        | 6.5  | 8.0                        |
| Central London shops              | 4.4                                   | 8.8                        | 4.4  | 6.4                        |
|                                   | 5.6                                   | 7.8                        | 6.1  | 7.7                        |
| <b>Retail warehouses</b>          |                                       |                            |  |                            |
| Retail warehouses and food stores | 9.2                                   | 10.4                       | 9.6  | 10.8                       |
| <b>Total retail</b>               | <b>6.8</b>                            | <b>8.1</b>                 | <b>7.1</b>   | <b>8.5</b>                 |
| <b>London offices</b>             |                                       |                            |  |                            |
| West End                          | 5.7                                   | 9.0                        | 5.6  | 8.9                        |
| City                              | 3.9                                   | 6.0                        | 4.0  | 5.9                        |
| Mid-town                          | 4.0                                   | 11.1                       | 12.3   | 11.9                       |
| Inner London                      | 8.1                                   | 8.8                        | 8.1  | 8.8                        |
| <b>Total London offices</b>       | <b>6.2</b>                            | <b>8.7</b>                 | <b>5.6</b>   | <b>8.6</b>                 |
| Rest of UK                        | 2.2                                   | 2.9                        | 2.2  | 2.9                        |
| <b>Total offices</b>              | <b>5.6</b>                            | <b>8.6</b>                 | <b>6.0</b>   | <b>8.5</b>                 |
| Other                             | 7.5                                   | 10.2                       | 7.6  | 10.2                       |
| <b>Total</b>                      | <b>6.9</b>                            | <b>8.5</b>                 | <b>7.2</b>   | <b>8.9</b>                 |

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

# Development pipeline financial summary

|   | Cumulative movements on the development programme to 31 March 2011 |   |                                 |  |  | Total scheme details <sup>6</sup> |   |   |  |                                 | Valuation surplus/ (deficit) for year ended 31 March 2011 <sup>1</sup> £m |
|---|--|---|---------------------------------|--|--|-----------------------------------|---|---|--|---------------------------------|---|
|   | Market value at start of scheme £m                                 | Capital expenditure incurred to date £m | Capitalised interest to date £m | Valuation surplus/ (deficit) to date <sup>1</sup> £m | Disposals, SIC15 rent and other adjustments £m | Market value at 31 March 2011 £m  | Estimated total capital expenditure <sup>4</sup> £m | Estimated total capitalised interest £m | Estimated total development cost <sup>2</sup> £m | Net income/ ERV <sup>3</sup> £m |   |
| <b>Developments let and transferred or sold</b>                                       |  |   |                                 |  |  |                                   |   |   |  |                                 |   |
| Shopping centres and shops  | 12.7   | 140.0                                   | 8.4                             | (67.2)   | 1.6  | 95.5                              | 140.0   | 8.4                                     | 161.1  | 7.0                             | 7.3   |
| Retail warehouses and food stores   | 24.1   | 6.9                                     | 0.6                             | 20.4   | 0.9  | 52.9                              | 6.9   | 0.6                                     | 31.6   | 3.0                             | 9.8   |
| London Portfolio  | 271.1  | 87.2                                    | 3.2                             | 62.0   | (278.8)  | 144.7                             | 82.1  | 3.2                                     | 142.4  | 8.4                             | 66.8  |
|   | 307.9  | 234.1                                   | 12.2                            | 15.2   | (276.3)  | 293.1                             | 229.0   | 12.2                                    | 335.1  | 18.4                            | 83.9  |
| <b>Developments after practical completion, approved or in progress</b>               |  |   |                                 |  |  |                                   |   |   |  |                                 |   |
| Shopping centres and shops  | 92.8   | 369.8                                   | 19.3                            | (94.4)   | (1.7)  | 385.8                             | 654.2   | 41.8                                    | 788.8  | 48.7                            | 52.6  |
| Retail warehouses and food stores   | –  | –                                       | –                               | –  | –  | –                                 | –   | –                                       | –  | –                               | –   |
| London Portfolio  | 294.5  | 388.8                                   | 53.6                            | (50.8)   | 11.1   | 697.2                             | 567.2   | 64.6                                    | 926.3  | 61.9                            | 119.3   |
|   | 387.3  | 758.6                                   | 72.9                            | (145.2)  | 9.4  | 1,083.0                           | 1,221.4   | 106.4                                   | 1,715.1  | 110.6                           | 171.9   |
| <b>Movement on proposed developments for the year ended 31 March 2011<sup>5</sup></b> |  |   |                                 |  |  |                                   |   |   |  |                                 |   |
| <b>Proposed developments</b>  |  |   |                                 |  |  |                                   |   |   |  |                                 |   |
| Shopping centres and shops  | –  | –                                       | –                               | –  | –  | –                                 | –   | –                                       | –  | –                               | –   |
| Retail warehouses and food stores   | 23.0   | 0.2                                     | –                               | 2.2  | 0.1  | 25.5                              | 11.6  | –                                       | 37.1   | 2.0                             | 2.2   |
| London Portfolio  | 94.0   | 25.5                                    | –                               | 25.5   | –  | 145.0                             | 369.5   | 24.5                                    | 539.0  | 42.0                            | 25.5  |
|   | 117.0  | 25.7                                    | –                               | 27.7   | 0.1  | 170.5                             | 381.1   | 24.5                                    | 576.1  | 44.0                            | 27.7  |

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 2011 is included in the estimated total cost. Estimated total development cost includes the cost of residential properties for shopping centres and shops of £10.6m in the development programme.
3. Net headline annual rent on let units plus net ERV at 31 March 2011 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 2011.
5. Opening market value for proposed developments includes our share of 20 Fenchurch Street, EC3.
6. Total scheme details exclude properties sold in the period.

# Five year summary

|  | 2011<br>£m     | 2010<br>£m     | 2009<br>£m       | 2008 <sup>1</sup><br>£m | 2007 <sup>2</sup><br>£m |
|--|----------------|----------------|------------------|-------------------------|-------------------------|
| <b>Income statement</b>  |                |                |                  |                         |                         |
| <b>Before exceptional items</b>  |                |                |                  |                         |                         |
| Group revenue  | 701.9          | 833.4          | 821.2            | 818.0                   | 1,641.1                 |
| Costs  | (270.8)        | (392.5)        | (326.4)          | (317.4)                 | (1,046.2)               |
|  | 431.1          | 440.9          | 494.8            | 500.6                   | 594.9                   |
| Profit/(loss) on disposal of investment properties                     | 75.7           | (32.5)         | (130.8)          | 57.3                    | 118.2                   |
| Net surplus/(deficit) on revaluation of investment properties          | 794.1          | 746.0          | (4,113.4)        | (1,158.4)               | 1,307.6                 |
| Impairment of trading properties                                       | (1.4)          | (10.6)         | (92.3)           | –                       | –                       |
| Operating profit/(loss)  | 1,299.5        | 1,143.8        | (3,841.7)        | (600.5)                 | 2,020.7                 |
| Net interest expense   | (216.1)        | (212.1)        | (332.5)          | (286.4)                 | (220.9)                 |
|  | 1,083.4        | 931.7          | (4,174.2)        | (886.9)                 | 1,799.8                 |
| Share of the profit/(loss) of joint ventures (post-tax)                | 143.9          | 137.6          | (599.0)          | (101.1)                 | 81.3                    |
| Profit/(loss) before tax   | 1,227.3        | 1,069.3        | (4,773.2)        | (988.0)                 | 1,881.1                 |
| Income tax   | 16.8           | 23.1           | (0.5)            | 15.1                    | (445.0)                 |
| <b>Profit/(loss) after tax</b>   | <b>1,244.1</b> | <b>1,092.4</b> | <b>(4,773.7)</b> | <b>(972.9)</b>          | <b>1,436.1</b>          |
| <b>Exceptional items</b>   |                |                |                  |                         |                         |
| Exceptional tax in joint ventures                                      | –              | –              | –                | –                       | 98.0                    |
| <b>Total exceptional items</b>   | <b>–</b>       | <b>–</b>       | <b>–</b>         | <b>–</b>                | <b>98.0</b>             |
| Tax on exceptional items   | –              | –              | –                | –                       | 1,994.2                 |
| <b>Exceptional items post tax</b>                                      | <b>–</b>       | <b>–</b>       | <b>–</b>         | <b>–</b>                | <b>2,092.2</b>          |
| <b>Profit/(loss) for the financial year from continuing activities</b> | <b>1,244.1</b> | <b>1,092.4</b> | <b>(4,773.7)</b> | <b>(972.9)</b>          | <b>3,528.3</b>          |
| <b>Discontinued operations</b>   | <b>–</b>       | <b>–</b>       | <b>(420.9)</b>   | <b>142.1</b>            | <b>–</b>                |
| <b>Profit/(loss) for the financial year</b>                            | <b>1,244.1</b> | <b>1,092.4</b> | <b>(5,194.6)</b> | <b>(830.8)</b>          | <b>3,528.3</b>          |
| <b>Revaluation surplus/(deficit) for the year:</b>                     |                |                |                  |                         |                         |
| Group  | 794.1          | 746.0          | (4,113.4)        | (1,158.4)               | 1,307.6                 |
| Joint ventures   | 114.7          | 117.8          | (630.3)          | (134.2)                 | 75.1                    |
| <b>Total</b>   | <b>908.8</b>   | <b>863.8</b>   | <b>(4,743.7)</b> | <b>(1,292.6)</b>        | <b>1,382.7</b>          |
| <b>Revenue profit</b>  | <b>274.7</b>   | <b>251.8</b>   | <b>314.9</b>     | <b>284.8</b>            | <b>392.2</b>            |

1. The results for the year ended 31 March 2008 have been restated, in compliance with IFRS 5, to reclassify the results of Trillium from continuing activities to discontinued operations.
2. The results from continuing activities for the year ended 31 March 2007 include the results of Trillium which was disposed of in January 2009.



# Five year summary

|   | 2011<br>£m       | 2010<br>£m       | 2009<br>£m       | 2008<br>£m       | 2007<br>£m       |
|---|------------------|------------------|------------------|------------------|------------------|
| <b>Balance sheet</b>  |                  |                  |                  |                  |                  |
| Investment properties   | 8,889.0          | 8,044.3          | 7,929.4          | 12,296.7         | 13,319.3         |
| Operating properties  | –                | –                | –                | 544.8            | 551.5            |
| Other property, plant and equipment   | 11.3             | 12.8             | 14.3             | 73.6             | 78.2             |
| Net investment in finance leases  | 116.8            | 115.4            | 116.3            | 333.7            | 262.4            |
| Loan investments  | 72.2             | 84.3             | 50.0             | –                | –                |
| Goodwill  | –                | –                | –                | 148.6            | 129.6            |
| Investment in joint ventures  | 939.6            | 787.8            | 930.8            | 1,410.6          | 1,338.8          |
| Investment in associate undertakings  | –                | –                | –                | 42.9             | –                |
| Investment in Public Private Partnerships   | –                | –                | –                | 25.4             | –                |
| Pension surplus   | 8.7              | –                | 3.0              | 11.0             | –                |
| Deferred tax assets   | –                | –                | 1.9              | 0.9              | –                |
| Trade and other receivables   | 77.0             | –                | –                | –                | –                |
| <b>Total non-current assets</b>   | <b>10,114.6</b>  | <b>9,044.6</b>   | <b>9,045.7</b>   | <b>14,888.2</b>  | <b>15,679.8</b>  |
| Trading properties and long-term development contracts                              | 129.3            | 87.9             | 94.9             | 173.0            | 148.3            |
| Derivative financial instruments  | –                | 1.0              | –                | 4.3              | 14.6             |
| Trade and other receivables   | 354.3            | 334.4            | 392.1            | 838.0            | 641.8            |
| Monies held in restricted accounts and deposits                                     | 35.1             | 95.6             | 29.9             | –                | –                |
| Cash and cash equivalents   | 37.6             | 159.4            | 1,609.1          | 48.4             | 52.7             |
| Non-current assets classified as held for sale                                      | –                | –                | –                | 664.1            | 2,420.3          |
| <b>Total current assets</b>   | <b>556.3</b>     | <b>678.3</b>     | <b>2,126.0</b>   | <b>1,727.8</b>   | <b>3,277.7</b>   |
| Borrowings  | (33.0)           | (308.6)          | (1.1)            | (794.0)          | (1,683.2)        |
| Derivative financial instruments  | –                | (1.1)            | (112.0)          | (10.7)           | –                |
| Trade and other payables  | (423.2)          | (395.5)          | (625.8)          | (927.2)          | (783.9)          |
| Provisions  | (7.4)            | (1.5)            | –                | (40.9)           | (19.5)           |
| Current tax liabilities   | (35.5)           | (111.0)          | (161.5)          | (161.0)          | (535.8)          |
| Liabilities directly associated with non-current assets classified as held for sale | –                | –                | –                | (427.7)          | (1,601.0)        |
| <b>Total current liabilities</b>  | <b>(499.1)</b>   | <b>(817.7)</b>   | <b>(900.4)</b>   | <b>(2,361.5)</b> | <b>(4,623.4)</b> |
| Borrowings  | (3,351.3)        | (3,209.7)        | (5,449.5)        | (4,632.5)        | (3,472.0)        |
| Derivative financial instruments  | (2.0)            | –                | –                | –                | –                |
| Pension deficit   | –                | (6.5)            | –                | –                | (5.6)            |
| Provisions  | –                | –                | –                | (36.7)           | (61.2)           |
| Deferred tax liabilities  | –                | –                | (1.6)            | (2.4)            | (4.0)            |
| Trade and other payables  | (6.2)            | –                | –                | –                | –                |
| <b>Total non-current liabilities</b>  | <b>(3,359.5)</b> | <b>(3,216.2)</b> | <b>(5,451.1)</b> | <b>(4,671.6)</b> | <b>(3,542.8)</b> |
| <b>Net assets</b>   | <b>6,812.3</b>   | <b>5,689.0</b>   | <b>4,820.2</b>   | <b>9,582.9</b>   | <b>10,791.3</b>  |
| <b>Net debt</b>   | <b>(3,313.6)</b> | <b>(3,263.4)</b> | <b>(3,923.6)</b> | <b>(5,384.5)</b> | <b>(5,087.9)</b> |
| <b>Results per share from continuing activities</b>                                 |                  |                  |                  |                  |                  |
| Total dividend payable in respect of the financial year (actual)                    | 28.20p           | 28.00p           | 56.50p           | 64.00p           | 53.00p           |
| Total dividend payable in respect of the financial year (restated) <sup>1</sup>     | n/a              | n/a              | 51.70p           | 57.68p           | 47.76p           |
| Basic earnings/(loss) per share <sup>2,3</sup>                                      | 162.33p          | 144.04p          | (918.04)p        | (188.43)p        | 679.04p          |
| Diluted earnings/(loss) per share <sup>2,3</sup>                                    | 162.18p          | 143.96p          | (918.04)p        | (188.43)p        | 676.29p          |
| Adjusted earnings per share <sup>2,3</sup>  | 36.35p           | 34.10p           | 62.60p           | 60.93p           | 63.51p           |
| Adjusted diluted earnings per share <sup>2,3</sup>                                  | 36.31p           | 34.08p           | 62.57p           | 60.79p           | 63.26p           |
| Net assets per share <sup>2,3</sup>   | 885p             | 750p             | 639p             | 1862p            | 2076p            |
| Diluted net assets per share <sup>2,3</sup>   | 884p             | 750p             | 639p             | 1859p            | 2070p            |
| Adjusted net assets per share <sup>2,3</sup>  | 827p             | 691p             | 593p             | 1765p            | 1972p            |
| Adjusted diluted net assets per share <sup>2,3</sup>                                | 826p             | 691p             | 593p             | 1763p            | 1965p            |

1. The restated total dividend payable represents the theoretical dividend per share that would have been paid had the bonus shares inherent in the Rights Issue been in existence at the relevant dividend dates.
2. The earnings/(loss) per share and the net asset 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 the reclassification of the Trillium discontinued operations from continuing activities to discontinued operations.
3. The earnings/(loss) per share and the net asset per share for the year ended 31 March 2007 has been adjusted for the bonus element inherent in the Rights Issue that was approved on 9 March 2009.

# Retail asset disclosures

At 31 March 2011

| Asset   | Type/Location   | Ownership | Freehold/Leasehold | Office floorspace (m <sup>2</sup> ) | Retail floorspace (m <sup>2</sup> ) |        |
|---|-----------------|-----------|--------------------|-------------------------------------|-------------------------------------|--------|
| <b>&gt;£200m</b>                                |                 |           |                    |                                     |                                     |        |
| Hotels – Accor                                  | Other           | 100%      | Freehold/Leasehold | –                                   | –                                   |        |
| Cabot Circus, Bristol                           | Shopping Centre | 50%       | Leasehold          | –                                   | 114,200                             |        |
| Gunwharf Quays, Portsmouth                      | Shopping Centre | 100%      | Freehold           | 2,800                               | 31,300                              |        |
| St David's Dewi Sant, Cardiff                   | Shopping Centre | 50%       | Leasehold          | –                                   | 130,100                             |        |
| The Centre, Livingston                          | Shopping Centre | 100%      | Freehold           | –                                   | 86,900                              |        |
| White Rose, Leeds                               | Shopping Centre | 100%      | Leasehold          | –                                   | 65,000                              |        |
| <b>£100-200m</b>                                |                 |           |                    |                                     |                                     |        |
| Bon Accord & St Nicholas Centre, Aberdeen       | Shopping Centre | 50%       | Leasehold          | –                                   | 39,900                              |        |
| Buchanan Galleries, Glasgow                     | Shopping Centre | 50%       | Leasehold          | –                                   | 55,800                              |        |
| Lewisham Shopping Centre, London                | Shopping Centre | 100%      | Freehold           | –                                   | 21,800                              |        |
| Overgate, Dundee                                | Shopping Centre | 100%      | Leasehold          | –                                   | 39,000                              |        |
| Princesshay, Exeter                             | Shopping Centre | 50%       | Leasehold          | –                                   | 33,700                              |        |
| The Bridges, Sunderland                         | Shopping Centre | 100%      | Leasehold          | –                                   | 51,100                              |        |
| The O2 Centre, Finchley, London                 | Shopping Centre | 100%      | Leasehold          | –                                   | 23,500                              |        |
| Trinity Leeds                                   | Shopping Centre | 100%      | Freehold           | –                                   | 75,900                              |        |
| <b>£50-100m</b>                                 |                 |           |                    |                                     |                                     |        |
| Corby Town Centre, Corby                        | Shopping Centre | 100%      | Freehold           | 10,800                              | 52,800                              |        |
| Southside Centre, Wandsworth, London            | Shopping Centre | 50%       | Freehold           | 70                                  | 45,400                              |        |
| St Johns Centre, Liverpool                      | Shopping Centre | 100%      | Freehold           | –                                   | 29,700                              |        |
| The Galleria, Hatfield                          | Shopping Centre | 100%      | Freehold           | –                                   | 25,400                              |        |
| West 12 Shopping Centre, Shepherds Bush, London | Shopping Centre | 100%      | Freehold           | 1,900                               | 17,700                              |        |
| <b>£25-50m</b>                                  |                 |           |                    |                                     |                                     |        |
| Buchanan Street, Glasgow                        | Shopping Centre | 100%      | Freehold           | –                                   | 10,700                              |        |
| Cathedral Plaza, Worcester                      | Shopping Centre | 100%      | Freehold           | –                                   | 20,400                              |        |
| Clayton Square Shopping Centre, Liverpool       | Shopping Centre | 100%      | Freehold           | –                                   | 15,700                              |        |
| Designer Outlet Mall, Livingston                | Shopping Centre | 50%       | Freehold           | –                                   | 29,800                              |        |
| Westgate Shopping Centre, Oxford                | Shopping Centre | 50%       | Leasehold          | –                                   | 29,300                              |        |
| <b>£100-200m</b>                                |                 |           |                    |                                     |                                     |        |
| Lakeside Retail Park, West Thurrock             | Retail Park     | Yes       | 100%               | Freehold                            | –                                   | 33,000 |
| Retail World Team Valley, Gateshead             | Retail Park     | Yes       | 100%               | Leasehold                           | –                                   | 35,300 |
| Westwood Cross, Thanet                          | Retail Park     | Yes       | 100%               | Freehold                            | –                                   | 44,100 |
| <b>£50-100m</b>                                 |                 |           |                    |                                     |                                     |        |
| Bexhill Retail Park, Bexhill-on-Sea             | Retail Park     | Partial   | 100%               | Freehold                            | –                                   | 24,100 |
| Kingsway West Retail Park, Dundee               | Retail Park     | No        | 100%               | Freehold                            | –                                   | 27,300 |
| Poole Retail Park, Poole                        | Retail Park     | Partial   | 100%               | Freehold                            | –                                   | 19,300 |
| The Peel Centre, Bracknell                      | Retail Park     | Yes       | 100%               | Leasehold                           | –                                   | 15,700 |
| <b>£25-50m</b>                                  |                 |           |                    |                                     |                                     |        |
| Almondvale Retail Park, Livingston              | Retail Park     | Yes       | 100%               | Freehold                            | –                                   | 10,500 |
| Almondvale South Retail Park, Livingston        | Retail Park     | Yes       | 100%               | Freehold                            | –                                   | 15,100 |
| Blackpool Retail Park, Blackpool                | Retail Park     | No        | 100%               | Freehold                            | –                                   | 12,800 |
| Derwent & Derwent Howe Retail Park, Workington  | Retail Park     | Yes       | 100%               | Freehold                            | –                                   | 13,900 |
| Garratt Lane, Wandsworth, London                | Retail Park     | Yes       | 50%                | Freehold                            | –                                   | 7,300  |
| Greyhound Retail Park, Chester                  | Retail Park     | Yes       | 100%               | Freehold                            | –                                   | 18,900 |
| Lindis Retail Park, Lincoln                     | Retail Park     | Partial   | 50%                | Freehold                            | –                                   | 14,300 |
| Meteor Retail Park, Derby                       | Retail Park     | No        | 100%               | Freehold                            | –                                   | 17,300 |
| Nene Valley Retail Park, Northampton            | Retail Park     | Yes       | 100%               | Freehold                            | –                                   | 13,600 |
| Ravenside Retail Park, Chesterfield             | Retail Park     | Partial   | 100%               | Freehold                            | –                                   | 9,600  |
| The West Swindon Centre, Swindon                | Retail Park     | Yes       | 100%               | Freehold                            | 600                                 | 9,700  |
| Victoria Street, Grimsby                        | Retail Park     | Yes       | 100%               | Freehold                            | –                                   | 10,000 |

Notes:

Floor areas represent the full property areas whereas the annualised net rent and asset value represent Land Securities' share.

Floor areas are rounded to the nearest 100m<sup>2</sup> for areas over 500m<sup>2</sup> and rounded to nearest 10m<sup>2</sup> for areas under 500m<sup>2</sup>.

Annualised net rent is annual cash rent, after the deduction of ground rents, as at the balance sheet date. It is calculated with the same methodology as annualised rental income but is stated net of ground rent and before SIC 15 adjustments.

(e) extended

| Other floorspace (m <sup>2</sup> ) | Principal occupiers                               | Annualised net rent (£m) | Year of construction                                 | Year of last refurbishment                        |
|------------------------------------|---|--------------------------|--|---|
| 229,600                            | Accor   | 28.0                     | Various  | –   |
| 8,800                              | House of Fraser, Harvey Nichols, H&M              | 19.4                     | 2008   | –   |
| 24,300                             | Vue Cinema, M&S, Nike, Gap                        | 19.2                     | 2001   | –   |
| –                                  | John Lewis, New Look, H&M                         | 14.8                     | SD1 – 1982<br>SD2 – 2009                             | SD1 – 1991 & 2009                                 |
| –                                  | Debenhams, M&S, H&M, Next, Boots                  | 17.1                     | Phase 1 – 1976<br>Phase 2 – 1996<br>Phase 3 – 2008   | Phase 1 – 1996 & 2008<br>Phase 2 – 2008           |
| –                                  | Sainsbury's, Debenhams, Primark, M&S              | 21.0                     | 1997   | –   |
| –                                  | Next, Boots, New Look, River Island               | 7.3                      | St Nicholas Centre – 1985<br>Bon Accord – 1990       | St Nicholas Centre – 2009<br>Bon Accord – Ongoing |
| –                                  | John Lewis, New Look, H&M, Boots, Next            | 9.2                      | 1999   | –   |
| –                                  | M&S, TK Maxx, Boots, BHS, H&M                     | 7.0                      | 1975   | 1991 & 2007                                       |
| –                                  | Debenhams, Next, Arcadia, Gap, Primark            | 11.3                     | 2000   | –   |
| –                                  | Debenhams, Arcadia, New Look, Next, River Island  | 6.8                      | 2007   | –   |
| –                                  | Debenhams, Tesco, Next, H&M, New Look             | 12.3                     | Phase 1 – 1969<br>Phase 2 – 2000<br>Market Sq – 2001 | Phase 1 – 1988                                    |
| 3,900                              | Sainsbury's, Vue Cinema, Starbucks, Esporta       | 7.9                      | 1998   | –   |
| –                                  | M&S, H&M, Arcadia, Next, Primark                  | 6.1                      | Current development                                  | –   |
| –                                  | Primark, TK Maxx, New Look, Arcadia, Wilkinsons   | 5.9                      | 1950s/1970s  | 2007 (e)  |
| 5,700                              | Waitrose, Virgin Active, Primark, Cineworld       | 5.1                      | 1971   | 2003  |
| –                                  | Argos, Wilkinsons, Aldi, Poundland, New Look      | 7.1                      | St Johns – 1969<br>Williamson Sq – 1999              | St Johns – 1989                                   |
| 3,800                              | M&S, TK Maxx, Gap, Sports Soccer                  | 6.8                      | 1990   | –   |
| 4,400                              | Morrisons, Poundland, JJB, Boots, Argos           | 4.1                      | 1970   | 2001  |
| 4,200                              | Forever21, Gap, Paperchase                        | 0.2                      | Current development                                  | –   |
| 2,300                              | Monsoon, H&M, Next, White Stuff, Arcadia          | 2.7                      | 1968   | 2002  |
| –                                  | Boots, Clas Ohlson, Mothercare                    | 2.9                      | 1989   | 2008  |
| –                                  | M&S, Gap, Ted Baker, Pizza Express, Mamas & Papas | 2.6                      | 2001   | –   |
| –                                  | Sainsbury's, Primark, Sports World, Next          | 1.9                      | 1972   | 1986  |
| Other floorspace (m <sup>2</sup> ) | Principal occupiers                               | Annualised net rent (£m) | Year of construction                                 | Year of last refurbishment                        |
| –                                  | Currys, Next, Toys R Us, Argos, Mothercare        | 8.4                      | 1987   | 2004  |
| –                                  | TK Maxx, Next, Boots, Mothercare, Arcadia         | 10.4                     | 1986   | 2003  |
| –                                  | M&S, Debenhams, H&M, Next                         | 9.0                      | 2005   | 2007(e)   |
| –                                  | Tesco, Next, B&Q, Boots                           | 5.1                      | 1989   | 2004  |
| –                                  | Next Home, Currys, Dunelm, Homebase, Toys R Us    | 4.8                      | Phase 1 – 1987<br>Phase 2 – 2004                     | –   |
| –                                  | John Lewis at home, Boots, Next Home, Mothercare  | 3.6                      | 1987   | 2006  |
| –                                  | Morrisons, Tesco Home Plus, Next, Sports Direct   | 4.5                      | 1988   | 2009 and ongoing                                  |
| –                                  | Dixons, Argos, Carpetright, Dreams, Pets at Home  | 2.3                      | 1997   | –   |
| –                                  | Sainsbury's, Toys R Us                            | 1.0                      | 2002   | 2010  |
| –                                  | Currys, Pets at Home, Staples, Harveys, Halfords  | 2.1                      | 1993   | 1996 (e)  |
| –                                  | Morrisons, Currys, Halfords, Pets at Home, B&Q    | 2.0                      | 1988   | –   |
| –                                  | Sainsbury's                                       | 1.2                      | 1988   | –   |
| –                                  | DFS, Dunelm, Pets at Home, John Lewis at home     | 3.4                      | 1990   | –   |
| –                                  | Sainsbury's, Matalan                              | 1.3                      | 1993   | 2010 (e)  |
| –                                  | DFS, Staples, Lidl, Pets at Home, Carpetright     | 2.2                      | 1987   | 1994 (e)  |
| –                                  | Currys, PC World, Carpetright, Staples            | 2.7                      | 1988   | 2003  |
| –                                  | Currys, Next, Pets at Home                        | 1.6                      | 1985   | 2004 (e)  |
| –                                  | Asda  | 1.4                      | 1980/82  | –   |
| –                                  | Tesco, PC World                                   | 1.6                      | 2004   | –   |

# London asset disclosures

At 31 March 2011

| Asset                                    | Type/Location | Ownership | Freehold/Leasehold | Office floorspace (m <sup>2</sup> ) | Retail floorspace (m <sup>2</sup> ) |
|--|---------------|-----------|--------------------|-------------------------------------|-------------------------------------|
| <b>&gt;£200m</b>                         |               |           |                    |                                     |                                     |
| Bankside 2 & 3, Southwark Street, SE1    | Inner London  | 100%      | Leasehold          | 35,200                              | 3,500                               |
| Cardinal Place, Victoria Street, SW1     | West End      | 100%      | Freehold           | 52,300                              | 7,700                               |
| New Street Square, New Fetter Lane, EC4  | Mid-town      | 100%      | Leasehold          | 62,600                              | 1,800                               |
| One New Change, Cheapside, EC4           | City          | 100%      | Leasehold          | 31,700                              | 20,600                              |
| Piccadilly Circus, W1                    | West End      | 100%      | Freehold           | 1,500                               | 5,200                               |
| Queen Anne's Gate, Petty France, SW1     | West End      | 100%      | Freehold           | 32,800                              | –                                   |
| Times Square, Queen Victoria Street, EC4 | City          | 95%       | Freehold           | 34,300                              | 340                                 |

## £100-200m

|  |              |      |                    |        |        |
|--|--------------|------|--------------------|--------|--------|
| 123 Victoria Street, SW1                 | West End     | 100% | Freehold           | 16,500 | 3,000  |
| Arundel Great Court, Arundel Street, WC2 | Mid-town     | 100% | Freehold/Leasehold | 33,000 | 700    |
| Dashwood House, Old Broad Street, EC2    | City         | 100% | Leasehold          | 13,900 | 700    |
| Eland House, Bressenden Place, SW1       | West End     | 100% | Freehold           | 24,000 | –      |
| Empress State Building, Lillie Road, SW6 | Inner London | 50%  | Freehold           | 41,900 | –      |
| Harbour Exchange, E14                    | Inner London | 100% | Leasehold          | 41,800 | –      |
| Kingsgate House, Victoria Street, SW1    | West End     | 100% | Freehold           | 15,000 | 2,800  |
| Oriana, Oxford Street, W1                | West End     | 50%  | Freehold/Leasehold | 8,300  | 11,400 |
| Portland House, Bressenden Place, SW1    | West End     | 100% | Freehold           | 28,300 | –      |
| Victoria Circle, SW1                     | West End     | 100% | Freehold/Leasehold | 18,700 | 2,600  |

## £50-100m

|   |              |      |          |        |       |
|---|--------------|------|----------|--------|-------|
| 10, 20 & 30 Eastbourne Terrace, W2          | West End     | 100% | Freehold | 18,100 | –     |
| 20 Fenchurch St, EC3                        | City         | 50%  | Freehold | 1,700  | 400   |
| 30 Old Bailey & 60 Ludgate Hill, EC4        | City         | 100% | Freehold | 20,100 | 2,100 |
| 32-50 Strand, WC2                           | Mid-town     | 100% | Freehold | 8,700  | 3,400 |
| 62 Buckingham Gate, SW1                     | West End     | 100% | Freehold | –      | –     |
| Haymarket House, Haymarket, SW1             | West End     | 100% | Freehold | 7,500  | 3,400 |
| Hill House, Little New Street, EC4          | Mid-town     | 100% | Freehold | 15,800 | –     |
| Holborn Gate, High Holborn, WC1             | Mid-town     | 100% | Freehold | 12,700 | 1,000 |
| Oxford House, Oxford Street, W1             | West End     | 100% | Freehold | 5,700  | 1,700 |
| Red Lion Court, Park Street, SE1            | Inner London | 100% | Freehold | 12,900 | –     |
| Thomas More Square, E1                      | Inner London | 50%  | Freehold | 50,100 | 1,200 |
| Westminster City Hall, Victoria Street, SW1 | West End     | 100% | Freehold | 16,600 | 440   |

## £25-50m

|   |              |      |                    |        |       |
|---|--------------|------|--------------------|--------|-------|
| 7 Soho Square, W1                           | West End     | 100% | Freehold           | 4,100  | 1,500 |
| 15 Bonhill Street, EC2                      | City         | 100% | Freehold           | 10,300 | –     |
| 24 Southwark Bridge Road, SE1               | Inner London | 100% | Freehold           | 9,000  | –     |
| 47 Mark Lane, EC3                           | City         | 100% | Freehold           | 7,800  | 1,600 |
| 110 Cannon Street, EC4                      | City         | 100% | Freehold           | 7,000  | –     |
| 130 Wood Street, EC2                        | City         | 100% | Freehold           | 5,000  | 700   |
| 140 Aldersgate, EC1                         | City         | 100% | Leasehold          | 8,000  | 600   |
| City Forum, City Road, EC1                  | City         | 100% | Freehold           | 12,200 | –     |
| City Gate, 14/22 Southwark Bridge Road, SE1 | Inner London | 100% | Freehold/Leasehold | 7,800  | –     |
| IPC Tower, 76 Shoe Lane, EC4                | Mid-town     | 100% | Leasehold          | 10,600 | 700   |
| Moorgate Hall, Moorgate, EC2                | City         | 100% | Leasehold          | 6,200  | 1,600 |

Notes:

Floor areas represent the full property areas whereas the annualised net rent and asset value represent Land Securities' share.

Floor areas are rounded to the nearest 100m<sup>2</sup> for areas over 500m<sup>2</sup> and rounded to nearest 10m<sup>2</sup> for areas under 500m<sup>2</sup>.

Annualised net rent is annual cash rent, after the deduction of ground rents, as at the balance sheet date. It is calculated with the same methodology as annualised rental income but is stated net of ground rent and before SIC 15 adjustments.

(e) extended

| Other floorspace (m <sup>2</sup> ) | Principal occupiers   | Annualised net rent (£m) | Year of construction | Year of last refurbishment |
|------------------------------------|---|--------------------------|----------------------|----------------------------|
| –                                  | The Royal Bank of Scotland  | 16.1                     | 2007                 | –                          |
| 280                                | Microsoft, 3i, EDF Trading  | 37.5                     | 2006                 | –                          |
| 20                                 | Deloitte, Taylor Wessing, Speechly Bircham  | 31.8                     | 2008                 | –                          |
| –                                  | K&L Gates, CME, H&M, M&S, Topshop   | 2.4                      | 2010                 | –                          |
| 440                                | TDK Europe, Barclays, Boots, McDonalds  | 12.2                     | Various              | 2001                       |
| –                                  | Central Government  | 27.3                     | 1977                 | 2007                       |
| 190                                | Bank of New York Mellon, Dechert, Wall Street System Services                               | 13.9                     | 2003                 | –                          |
| 450                                | –   | 2.8                      | 1977                 | Current refurbishment      |
| 10,500                             | Detica, British American Tobacco, Swissôtel   | 5.4                      | 1975                 | 2004                       |
| –                                  | Edwards, Angell Palmer & Dodge, Cadwalader Wickersham & Taft, Mitsubishi Pharma             | 1.7                      | 1976                 | 2008                       |
| –                                  | Central Government  | 12.4                     | 1995                 | –                          |
| 1,500                              | Metropolitan Police Authority   | 6.9                      | 1961                 | 2003                       |
| –                                  | The Bank of New York International, Telety UK Ltd, HSBC, Cognizant Technology Solution, TMI | 10.5                     | 1988/1989            | –                          |
| –                                  | Central Government  | 9.4                      | 1966                 | 1987                       |
| –                                  | Boots, Sainsbury's  | 3.2                      | Various              | 1998/1999                  |
| 1,200                              | Tradedoubler, Regus   | 9.5                      | 1962                 | Rolling – latest 2010      |
| 14,200                             | Citibase, Sainsbury's, Central Government, The Grosvenor Hotel, The Thistle Hotel           | 8.1                      | Various              | –                          |
| 70                                 | Colin Buchanan & Partners, Davy Process Technology  | 4.4                      | 1955/57              | Rolling – latest 2009      |
| 170                                | –   | 0.1                      | Current development  | –                          |
| –                                  | Voluntary Service Centres   | 1.0                      | 1961                 | 1984/1985                  |
| –                                  | Superdrug, Natwest Bank   | 1.6                      | 1957                 | 1996 and on site 2011      |
| –                                  | –   | –                        | Current development  | –                          |
| 700                                | Incisive Media, Curtis Brown Group, Whitbread Group, A3D2                                   | 4.6                      | 1955                 | Rolling – latest 2011      |
| –                                  | Deloitte  | 5.3                      | 1973                 | 2002                       |
| 470                                | Good Relations, Regus   | 4.0                      | 1974                 | Rolling – latest 2010      |
| –                                  | Dixons Retail   | 3.9                      | 1964                 | 2006                       |
| –                                  | Lloyds Banking Group  | 4.3                      | 1990                 | –                          |
| 1,400                              | News International, Virgin Media, Easynet   | 7.1                      | 1990                 | 2008/2009                  |
| –                                  | Westminster City Council  | 3.2                      | 1963                 | –                          |
| 110                                | Barton Wilmore, Tiger Aspect Holdings, Tripadvisor  | 2.6                      | 1949                 | 2003                       |
| –                                  | National Grid Property Holding, American Express Europe, Aston Carter                       | 2.0                      | 1975                 | 1999                       |
| –                                  | Schroder Investment Services  | 2.7                      | 1972                 | 2010                       |
| 80                                 | AXA Insurance, PBS Management Services  | 2.6                      | 1964                 | Rolling – latest 2010      |
| –                                  | K&L Gates   | 2.9                      | 1977                 | Imminent                   |
| –                                  | RWE Supply & Trading, Buzzacott   | 1.1                      | 1981                 | 2006                       |
| 170                                | Kaye Scholer LLP, City & Guilds of London Institute   | 2.6                      | 2004                 | –                          |
| –                                  | BT Property, Lubbock Fine, Deloitte   | 2.1                      | 1985                 | –                          |
| 1,300                              | Unisys, Motability Finance  | 2.2                      | 1986                 | –                          |
| 100                                | Itochu Europe, Sodexo   | 3.5                      | 1972                 | 1996                       |
| 50                                 | HSH Nordbank, Panmure Gordon, Eden Financial  | 3.5                      | 1990                 | Rolling – latest 2011      |

# Our investors

Analysis of our shareholder community, including breakdowns by geography and size of holding. We show how our investors compare to those of other organisations within our industry, the FTSE 100 and the FTSE 350 Real Estate sector.

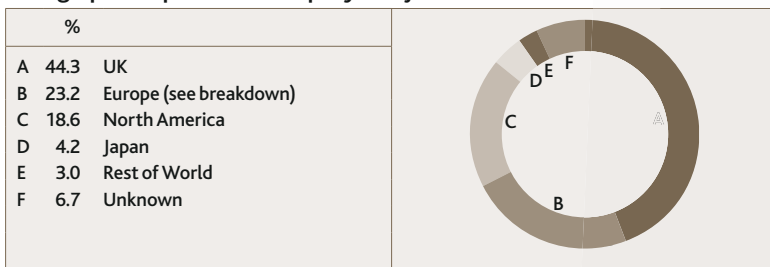
Analysis of equity shareholdings by size of holding

Table 92

| Range               | Number of holdings | %             | Balance as at 31 March 2011 | %             |
|---------------------|--------------------|---------------|-----------------------------|---------------|
| 1 – 500             | 9,624              | 41.68         | 2,453,616                   | 0.32          |
| 501 – 1,000         | 5,426              | 23.50         | 3,989,034                   | 0.51          |
| 1,001 – 5,000       | 6,262              | 27.12         | 12,667,192                  | 1.63          |
| 5,001 – 10,000      | 630                | 2.73          | 4,500,455                   | 0.58          |
| 10,001 – 50,000     | 565                | 2.45          | 12,806,015                  | 1.65          |
| 50,001 – 100,000    | 125                | 0.54          | 8,630,898                   | 1.11          |
| 100,001 – 500,000   | 268                | 1.16          | 59,515,423                  | 7.67          |
| 500,001 – 1,000,000 | 81                 | 0.35          | 57,869,354                  | 7.46          |
| 1,000,001 – Highest | 111                | 0.47          | 613,440,967                 | 79.07         |
| <b>Totals</b>       | <b>23,092</b>      | <b>100.00</b> | <b>775,872,954</b>          | <b>100.00</b> |

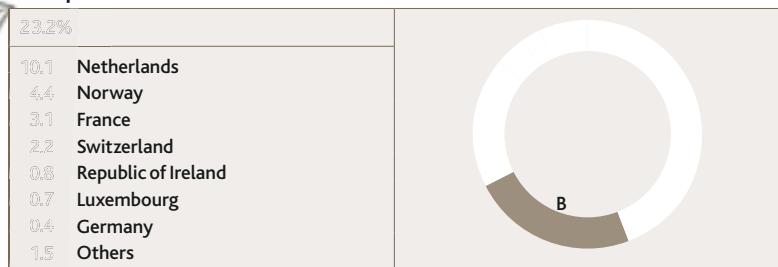
Geographical split of the Company's major shareholders

Chart 89



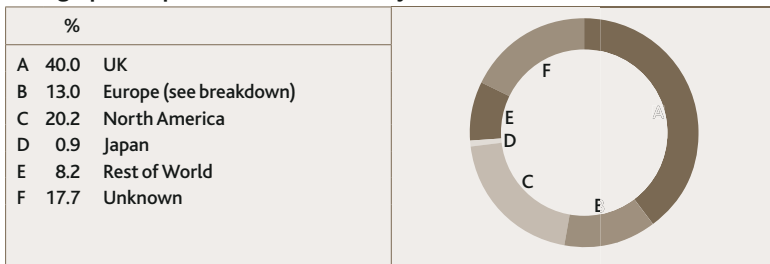
European breakdown

Chart 93



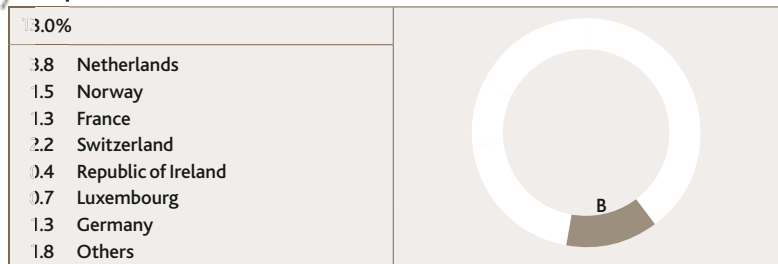
Geographical split of the FTSE 100's major shareholders

Chart 90



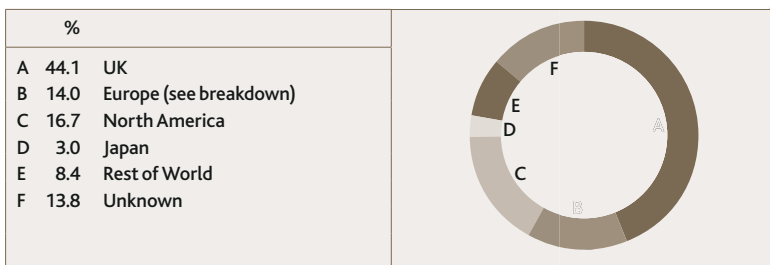
European breakdown

Chart 94



Geographical split of the FTSE 350 Real Estate sector major shareholders

Chart 91



European breakdown

Chart 95



## Financial calendar

Table 96

|   | Date           |
|---|----------------|
| Ex-dividend date – 2010/11 final dividend               | 22 June 2011   |
| Record date – 2010/11 final dividend                    | 24 June 2011   |
| Quarter One Interim Management Statement announcement   | 20 July 2011   |
| AGM – London  | 21 July 2011   |
| Payment date – 2010/11 final dividend                   | 28 July 2011   |
| Ex-dividend date – 1st interim dividend                 | September 2011 |
| Payment date – 1st interim dividend                     | October 2011   |
| 2011/12 Half-yearly results announcement                | November 2011  |
| Ex-dividend date – 2nd interim dividend                 | December 2011  |
| Payment date – 2nd interim dividend                     | January 2012   |
| Quarter Three Interim Management Statement announcement | January 2012   |
| Ex-dividend date – 3rd interim dividend                 | March 2012     |
| Payment date – 3rd interim dividend                     | April 2012     |
| 2011/12 Annual results announcement                     | May 2012       |

## REIT balance of business tests (£m)

Table 97

|  | 12 months ended 31 March 2011 |                   |                  | 12 months ended 31 March 2010 |                   |                  |
|--|-------------------------------|-------------------|------------------|-------------------------------|-------------------|------------------|
|  | Tax-exempt business           | Residual business | Adjusted results | Tax-exempt business           | Residual business | Adjusted results |
| Profit before tax (£m)                 | 218.8                         | 22.4              | 241.2            | 232.4                         | 11.9              | 244.3            |
| Balance of business – 75% profits test | 90.7%                         | 9.3%              |                  | 95.1%                         | 4.9%              |                  |
| Adjusted total assets (£m)             | 10,295.1                      | 958.9             | 11,254.0         | 9,497.8                       | 826.0             | 10,323.8         |
| Balance of business – 75% assets test  | 91.5%                         | 8.5%              |                  | 92.0%                         | 8.0%              |                  |

### Scrip dividends

Following the approval by shareholders of the introduction of a Scrip Dividend scheme at a General Meeting on 14 December 2009, the Company offers shareholders the option to receive a Scrip dividend – an issue of shares available to shareholders at no dealing or stamp duty reserve tax costs. Shareholders have the option to forgo their cash dividend for the share alternative. Details of the scheme, including the rules, and the required mandate forms for participation are available in the Investor section of [www.landsecurities.com](http://www.landsecurities.com) or, alternatively, please contact:

The Share Dividend Team,  
Equiniti,  
Aspect House, Spencer Road,  
Lancing, West Sussex BN99 6DA  
Telephone: 0871 384 2268\*  
International dialling: +44 (0)121 415 7049

### REIT dividend payments

As a UK REIT, the Company is exempted from corporation tax on rental income and gains on its property rental business but is required to pay Property Income Distributions (PIDs). UK shareholders will generally be taxed on PIDs received at their full marginal tax rates. However, should a shareholder opt to receive their dividend as shares (under the Scrip Dividend scheme) instead of cash then this form of dividend would be treated as a non-PID and would be subject to tax on the cash equivalent of the Scrip as though it were an ordinary UK dividend. This is because the Company currently offers Scrip dividends as non-PID. However, following recent changes in legislation, the Company is now

permitted to pay Scrip dividends as a PID and may do so in future. For those shareholders who do not opt to receive shares but instead continue to receive a cash dividend, the Company currently expects that the cash dividend will be paid entirely as a PID.

For most shareholders, PIDs will be paid after deducting withholding tax at the basic rate. However, certain categories of shareholder are entitled to receive PIDs without withholding tax, principally UK resident companies, UK public bodies, UK pension funds and managers of ISAs, PEPs and Child Trust Funds. A detailed note on the tax consequences for shareholders and forms to enable certain classes of shareholder to claim exemption from withholding tax are available in the Investor section of [www.landsecurities.com](http://www.landsecurities.com)

### Balance of business tests

REIT legislation specifies conditions in relation to the type of business a REIT may conduct, which the Group is required to meet in order to retain its REIT status. In summary, at least 75% of the Group's profits must be derived from REIT qualifying activities (the 75% profits test) and 75% of the Group's assets must be employed in REIT qualifying activities (the 75% assets test). Qualifying activities means a property rental business. For the result of these tests for the Group for the financial year, and at the balance sheet date, see [Table 97](#).

### Our website

Our corporate website gives you access to share price and dividend information as well as sections on managing your shares electronically and corporate governance; and other debt and equity

investor information on the Group. To access the website please go to the Investor section of [www.landsecurities.com](http://www.landsecurities.com)

### Registrar

All general enquiries concerning holdings of ordinary shares in Land Securities Group PLC, should be addressed to:

Equiniti,  
Aspect House, Spencer Road,  
Lancing, West Sussex BN99 6DA  
Telephone: 0871 384 2128\*  
Textphone: 0871 384 2255\*  
International dialling: +44 (0)121 415 7049  
Website: [www.shareview.co.uk](http://www.shareview.co.uk)

An online share management service is available, enabling shareholders to access details of their Land Securities shareholdings electronically. Shareholders wishing to view this information, together with additional information such as indicative share prices and information on recent dividends, should visit the Investor section of [www.landsecurities.com](http://www.landsecurities.com) or [www.shareview.co.uk/myportfolio](http://www.shareview.co.uk/myportfolio)

### e-communication

UK shareholders may wish to consider receiving communications electronically. Shareholders who opt to receive electronic communications can also submit their proxy votes electronically. To register for this service, shareholders should visit the Investor section of [www.landsecurities.com](http://www.landsecurities.com) or [www.shareview.co.uk/myportfolio](http://www.shareview.co.uk/myportfolio)

### Payment of dividends

Shareholders whose dividends are not currently paid to mandated accounts may wish to consider having their dividends paid directly into their bank or building society account. This has a number of advantages, including the crediting of cleared funds into the nominated account on the dividend payment date. If shareholders would like their future dividends to be paid in this way, they should contact the registrars or complete a mandate instruction available from the Investor section at [www.landsecurities.com](http://www.landsecurities.com) and return it to the registrars. Under this arrangement tax vouchers are sent to the shareholder's registered address.

### Dividends for shareholders resident outside the UK

Instead of waiting for a sterling cheque to arrive by mail, you can ask us to send your dividends direct to your bank account. This is a service our registrar can arrange in over 30 different countries worldwide and it normally costs less than paying in a sterling cheque. For more information contact the Company's registrar, Equiniti, on +44 (0)121 415 7047 or download an application form online at [www.shareview.co.uk/myportfolio](http://www.shareview.co.uk/myportfolio) or by writing to our registrars at the address given.

### Low-cost share dealing facilities

Equiniti provides both existing and prospective UK shareholders with simple ways of buying and selling Land Securities Group PLC ordinary shares by telephone, internet or post.

For telephone dealing, call 0845 603 7037 between 8.00am and 4.30pm Monday to Friday. For internet dealing, log on to [www.shareview.co.uk/dealing](http://www.shareview.co.uk/dealing). For postal dealing, call 0871 384 2248\* for full details and a form.

Existing shareholders will need to provide the account/shareholder reference number, shown on the share certificate.

Other brokers and banks or building societies also offer share dealing facilities.

### ShareGift

Shareholders with a small number of shares, the value of which makes it uneconomic to sell them, may wish to consider donating them to the charity ShareGift (registered charity 1052686), which specialises in using such holdings for charitable benefit. A ShareGift Donation form can be obtained from the registrar and further information about ShareGift is available at [www.sharegift.org](http://www.sharegift.org) or by writing to:  
ShareGift,  
17 Carlton House Terrace,  
London SW1Y 5AH  
Telephone: 020 7930 3737

### Corporate Individual Savings Accounts (ISAs)

The Company has arranged for a Corporate ISA to be managed by Equiniti Financial Services Limited, who can be contacted at:  
Aspect House,  
Spencer Road,  
Lancing, West Sussex BN99 6UY  
Telephone: 0871 384 2244\*

### Capital gains tax

For the purpose of capital gains tax, the price of the Company's ordinary shares at 31 March 1982, adjusted for the capitalisation issue in November 1983 and the Scheme of Arrangement in September 2002, was 203p. On the assumption that the 5 for 8 Rights Issue in March 2009 was taken up in full, the adjusted price would be 229p.

### Unclaimed Assets Register

The Company participates in the Unclaimed Assets Register, which provides a search facility for financial assets which may have been forgotten. For further information, contact:  
The Unclaimed Assets Register,  
PO Box 9501, Nottingham NG80 1WD  
Telephone: 0870 241 1713  
Fax: 0115 976 8785  
Website: [www.uar.co.uk](http://www.uar.co.uk)

### Share price information

The latest information on Land Securities Group PLC share price is available on our website  
[www.landsecurities.com](http://www.landsecurities.com)

### Unsolicited mail

The Company is obliged by law to make its share register available on request to other organisations. If you wish to limit the receipt of unsolicited mail you can write to the Mailing Preference Service, an independent organisation whose services are free to you. If you would like more details, you should write to:  
The Mailing Preference Service  
FREEPOST 29  
LON 20771  
London W1E 0ZT  
Or telephone their helpline on 0845 703 4599 or register on their website at [www.mpsonline.org.uk](http://www.mpsonline.org.uk)

### Registered office

5 Strand, London WC2N 5AF  
Registered in England and Wales  
No. 4369054

### Offices

5 Strand, London WC2N 5AF  
and at:  
City Exchange, 11 Albion Street, Leeds LS1 5ES  
120 Bath Street, Glasgow G2 2EN

\*Calls to 0871 telephone numbers are charged at 8p per minute from a BT landline. Other telephone providers' costs may vary. Lines open 8.30am to 5.30pm, Monday to Friday, excluding bank holidays.



# Index

|  |           |  |  |  |  |
|--|-----------|--|--|--|--|
| <b>B</b>   |           |  |  |  |  |
| Board of Directors                                     | 60-61     |  |  |  |  |
| Business analysis                                      | 140-149   |  |  |  |  |
| Our performance in detail                              | 140-141   |  |  |  |  |
| Investment property business                           |           |  |  |  |  |
| – combined portfolio reconciliation                    | 148       |  |  |  |  |
| Development pipeline financial summary                 | 149       |  |  |  |  |
| Investment property business                           |           |  |  |  |  |
| – combined portfolio analysis                          | 146-147   |  |  |  |  |
| Business model   | 39        |  |  |  |  |
| Business review  | 38-59     |  |  |  |  |
| <b>C</b>   |           |  |  |  |  |
| Chairman's message                                     | 30        |  |  |  |  |
| Chief Executive's statement                            | 32        |  |  |  |  |
| Contact details  | 158       |  |  |  |  |
| Contents   | 29,89,139 |  |  |  |  |
| Corporate governance                                   | 68-75     |  |  |  |  |
| A note from our Chairman                               | 68        |  |  |  |  |
| How we govern the Company                              | 69        |  |  |  |  |
| Compliance with the Combined Code                      | 69        |  |  |  |  |
| Role of the Board                                      | 69        |  |  |  |  |
| Board meetings and the agenda                          | 69        |  |  |  |  |
| Board balance and independence                         | 69        |  |  |  |  |
| Board access to appropriate information                | 69-70     |  |  |  |  |
| Professional development support and training          |           |  |  |  |  |
| for Directors  | 70        |  |  |  |  |
| Evaluation of the performance of the Board             | 70        |  |  |  |  |
| Conflicts of interest                                  | 71        |  |  |  |  |
| Approach to Investor Relations                         | 71        |  |  |  |  |
| Financial reporting and the 'going concern' basis      |           |  |  |  |  |
| for accounting   | 71        |  |  |  |  |
| Internal controls to manage risk                       | 71-72     |  |  |  |  |
| Key risk management processes                          | 72        |  |  |  |  |
| Letter from the Chairman of Nominations Committee      | 73        |  |  |  |  |
| Letter from the Chairman of the Audit Committee        | 74-75     |  |  |  |  |
| Corporate Responsibility                               | 62-67     |  |  |  |  |
| Why CR matters   | 62        |  |  |  |  |
| Our environment  | 63        |  |  |  |  |
| Our people   | 64        |  |  |  |  |
| Our marketplace  | 64-65     |  |  |  |  |
| Our communities  | 65-66     |  |  |  |  |
| Progress 2010/11                                       | 67        |  |  |  |  |
| Key Focus 2011/12                                      | 67        |  |  |  |  |
| Customers  | 39        |  |  |  |  |
| <b>D</b>   |           |  |  |  |  |
| Directors' remuneration report                         | 76-87     |  |  |  |  |
| A note from the Remuneration Committee                 | 76        |  |  |  |  |
| Q&A  | 77        |  |  |  |  |
| Policies   | 78-81     |  |  |  |  |
| Payments to Directors                                  | 82-83     |  |  |  |  |
| Tables   | 84-87     |  |  |  |  |
| <b>E</b>   |           |  |  |  |  |
| The essential read                                     | 1-28      |  |  |  |  |
| What we've been up to                                  | 2-16      |  |  |  |  |
| Who we are   | 18        |  |  |  |  |
| Our strategy   | 18        |  |  |  |  |
| Our market   | 18        |  |  |  |  |
| Our management   | 19        |  |  |  |  |
| Our vision   | 19        |  |  |  |  |
| Our values   | 19        |  |  |  |  |
| Our performance at a glance                            | 20-23     |  |  |  |  |
| Top 20 properties                                      | 24-25     |  |  |  |  |
| Our year at a glance                                   | 26-27     |  |  |  |  |
| Our outlook  | 28        |  |  |  |  |
| <b>F</b>   |           |  |  |  |  |
| Financial calendar                                     | 157       |  |  |  |  |
| Financial review                                       | 34-37     |  |  |  |  |
| Headline results                                       | 34        |  |  |  |  |
| Revenue profit   | 34        |  |  |  |  |
| Earnings per share                                     | 35        |  |  |  |  |
| Total dividend   | 35        |  |  |  |  |
| Net assets   | 35        |  |  |  |  |
| Cash flow, net debt and gearing                        | 36        |  |  |  |  |
| Financing structure and strategy                       | 36-37     |  |  |  |  |
| Hedging  | 37        |  |  |  |  |
| Taxation   | 37        |  |  |  |  |
| Financial statements                                   | 90-138    |  |  |  |  |
| Statement of Directors' responsibilities               | 90        |  |  |  |  |
| Independent auditors' report                           | 91        |  |  |  |  |
| Income statement                                       | 92        |  |  |  |  |
| Statement of comprehensive income                      | 92        |  |  |  |  |
| Balance sheets   | 93        |  |  |  |  |
| Statement of changes in equity                         | 94-95     |  |  |  |  |
| Statement of cash flows                                | 96        |  |  |  |  |
| Five year summary                                      | 150-151   |  |  |  |  |
| <b>G</b>   |           |  |  |  |  |
| Glossary   | 160       |  |  |  |  |
| <b>I</b>   |           |  |  |  |  |
| Investor analysis                                      | 156       |  |  |  |  |
| Investor information                                   | 157-158   |  |  |  |  |
| <b>K</b>   |           |  |  |  |  |
| Key metrics  | 20-21     |  |  |  |  |
| KPIs   | 22        |  |  |  |  |
| <b>L</b>   |           |  |  |  |  |
| London Portfolio                                       | 52-59     |  |  |  |  |
| Progress on our key objectives                         | 52        |  |  |  |  |
| Our performance  | 54        |  |  |  |  |
| Sales and acquisitions                                 | 54,56     |  |  |  |  |
| Top 5 properties                                       | 55        |  |  |  |  |
| Asset management                                       | 56        |  |  |  |  |
| Development and planning                               | 56        |  |  |  |  |
| Top London Portfolio properties over £100m by location | 57        |  |  |  |  |
| Key objectives for 2011/12                             | 58        |  |  |  |  |
| Looking ahead  | 58        |  |  |  |  |
| Development pipeline                                   | 59        |  |  |  |  |
| London asset disclosures                               | 154-155   |  |  |  |  |
| <b>N</b>   |           |  |  |  |  |
| Notes to the financial statements                      | 97-138    |  |  |  |  |
| <b>P</b>   |           |  |  |  |  |
| Payment policy   | 88        |  |  |  |  |
| People   | 39-40     |  |  |  |  |
| Principal risks  | 41-43     |  |  |  |  |
| Risks and how we manage them                           | 41        |  |  |  |  |
| Financial  | 42        |  |  |  |  |
| Property investment                                    | 42-43     |  |  |  |  |
| People   | 43        |  |  |  |  |
| Development  | 43        |  |  |  |  |
| <b>R</b>   |           |  |  |  |  |
| Report of the Directors                                | 30-88     |  |  |  |  |
| Report of the Directors – Additional disclosures       | 88        |  |  |  |  |
| Share capital  | 88        |  |  |  |  |
| Substantial shareholders                               | 88        |  |  |  |  |
| Directors' indemnities                                 | 88        |  |  |  |  |
| Auditors and disclosure of information to auditors     | 88        |  |  |  |  |
| Annual General Meeting                                 | 88        |  |  |  |  |
| Retail Portfolio                                       | 44-51     |  |  |  |  |
| Progress on our key objectives                         | 44        |  |  |  |  |
| Our performance  | 46        |  |  |  |  |
| Top 5 properties                                       | 47        |  |  |  |  |
| Asset management                                       | 48,50     |  |  |  |  |
| Sales and acquisitions                                 | 48        |  |  |  |  |
| Top Retail Portfolio properties over £50m by location  | 49        |  |  |  |  |
| Key objectives for 2011/12                             | 50        |  |  |  |  |
| Development and planning                               | 50        |  |  |  |  |
| Looking ahead  | 50        |  |  |  |  |
| Development pipeline                                   | 51        |  |  |  |  |
| Retail asset disclosures                               | 152-153   |  |  |  |  |
| <b>T</b>   |           |  |  |  |  |
| Total Shareholder Return                               | 21,30,84  |  |  |  |  |



# Forward-looking statements

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

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as "anticipates", "aims", "due", "could", "may", "should", "expects", "believes", "intends", "plans", "targets", "goal or estimates". By their very nature forward looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. 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 Annual Report or made subsequently, which are attributable to Land Securities Group PLC or any other member of the Group or persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. Each forward-looking statement speaks only as of the date of this Annual Report or on the date the forward-looking statement is made. Land Securities Group PLC does not intend to update any forward-looking statements.

Design by [saslondon.com](http://saslondon.com)  
Words by Tim Rich  
Photography by Lee Mawdsley  
Board portrait by Philip Gatward  
Graphic Illustrations by  
Jeremy Christopher  
Hand lettering by Charles Stewart

Land Securities Group PLC  
Copyright and trade mark notices  
All rights reserved.  
©Copyright 2011 Land Securities Group PLC.

Land Securities, LandSecurities (stylised), the Cornerstones logo and Making Property Work, are trade marks of Land Securities Group PLC.

All other trade marks and registered trade marks are the property of their respective owners.

This Report is printed on Hello Silk and Munken Polar paper and has been independently certified on behalf of the Forest Stewardship Council (FSC). The inks used are all vegetable oil based.

Printed at St Ives Westerham Press Ltd, ISO9001, ISO14001, FSC certified and CarbonNeutral®



Land Securities Group PLC  
5 Strand, London WC2N 5AF

T +44 (0)20 7413 9000  
E [investor.relations@landsecurities.com](mailto:investor.relations@landsecurities.com)  
W [www.landsecurities.com](http://www.landsecurities.com)

# *A new landmark for London*

## **One New Change**

Some people questioned whether the One New Change site next to St Paul's Cathedral was right for an innovative mixed-use scheme. Our thoughtful approach has created a new landmark for London – a groundbreaking development with unique views of Wren's masterpiece.

