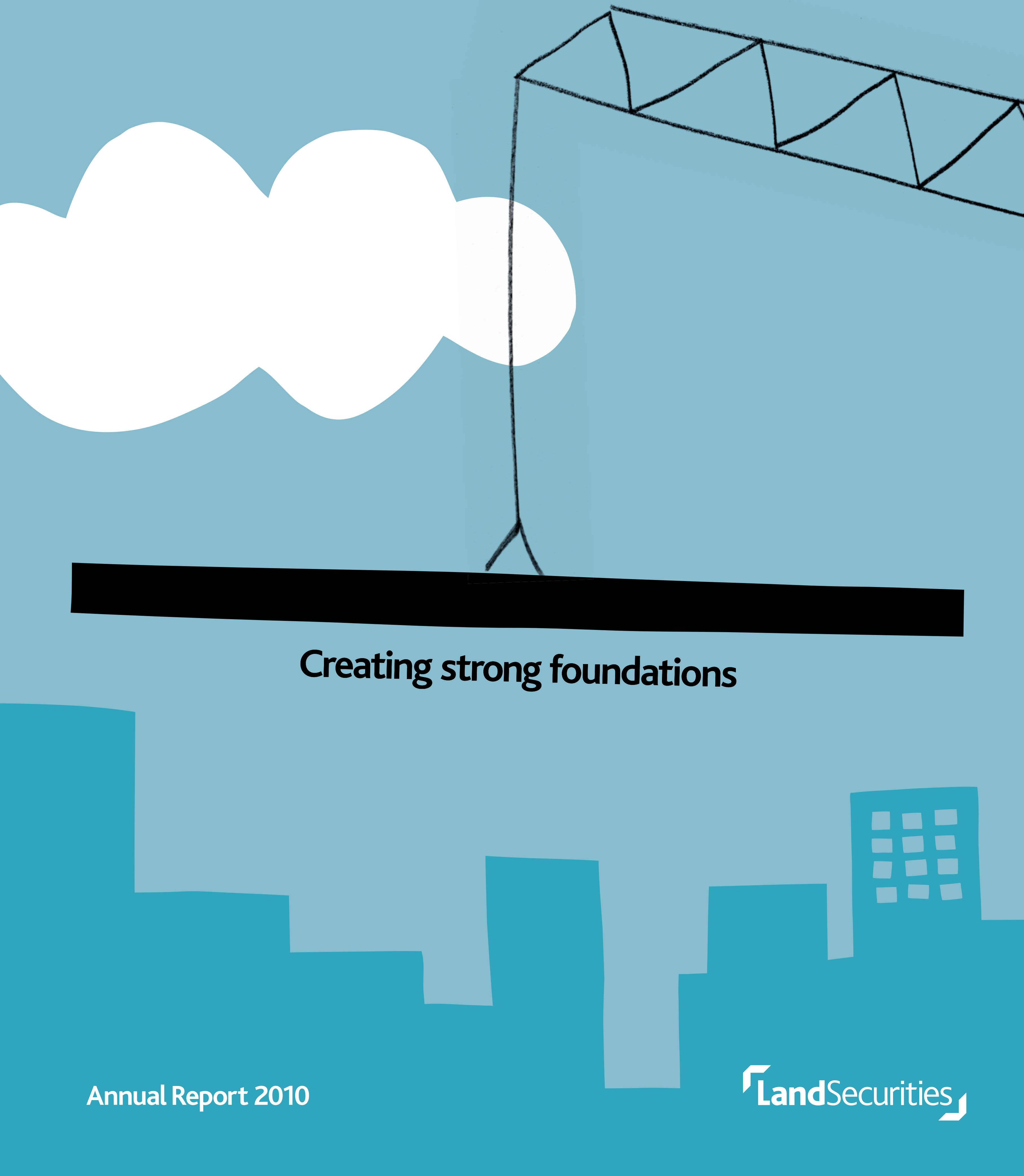


Creating strong foundations

Annual Report 2010

LandSecurities

Annual Report 2010 — Online content

Go to our online report for additional features and supporting content:
www.landsecurities.com/annualreport2010

Videos
See the inside story on some of our most important actions during the year

Creating strong foundations animated
Watch an animated version of our investment story in 2009/10

Executive report
Watch our Executive team review 2009/10 and discuss the year ahead

Create your own report
Tick the relevant boxes to create a bespoke, downloadable Annual Report

Chart generator
Use our chart generator to compare year-to-year figures

What's inside?

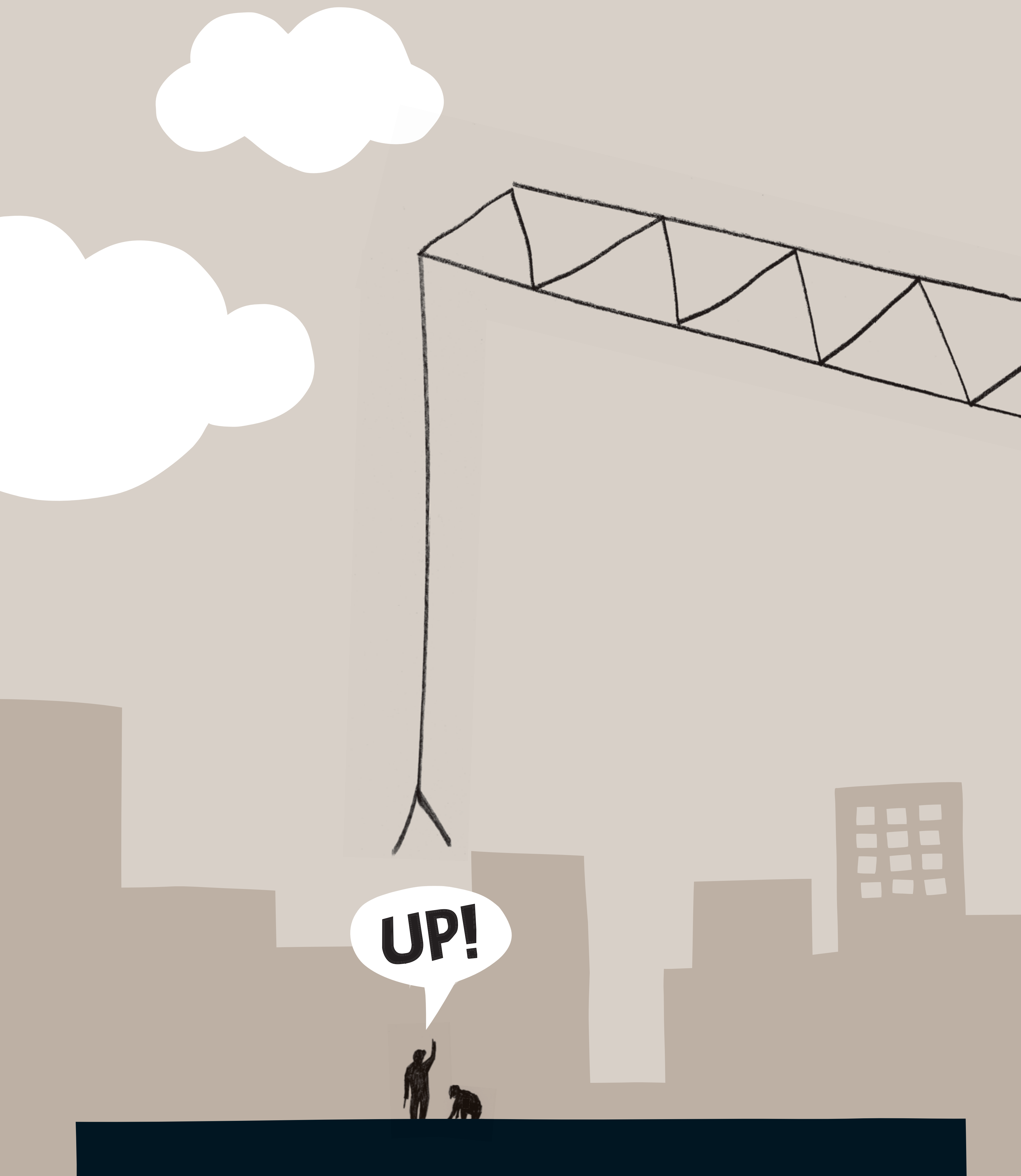
The essentials

Recent economic conditions produced a very sharp downturn in our market.

By navigating a clear and decisive line, we were able to protect value in the short term while shaping the Company for a more promising future.

Our actions mean we are in a strong position to take advantage as our market now moves from decline to recovery.

In this report, we describe how **what we did** in tough conditions has enabled us to respond to new opportunities and possibilities.

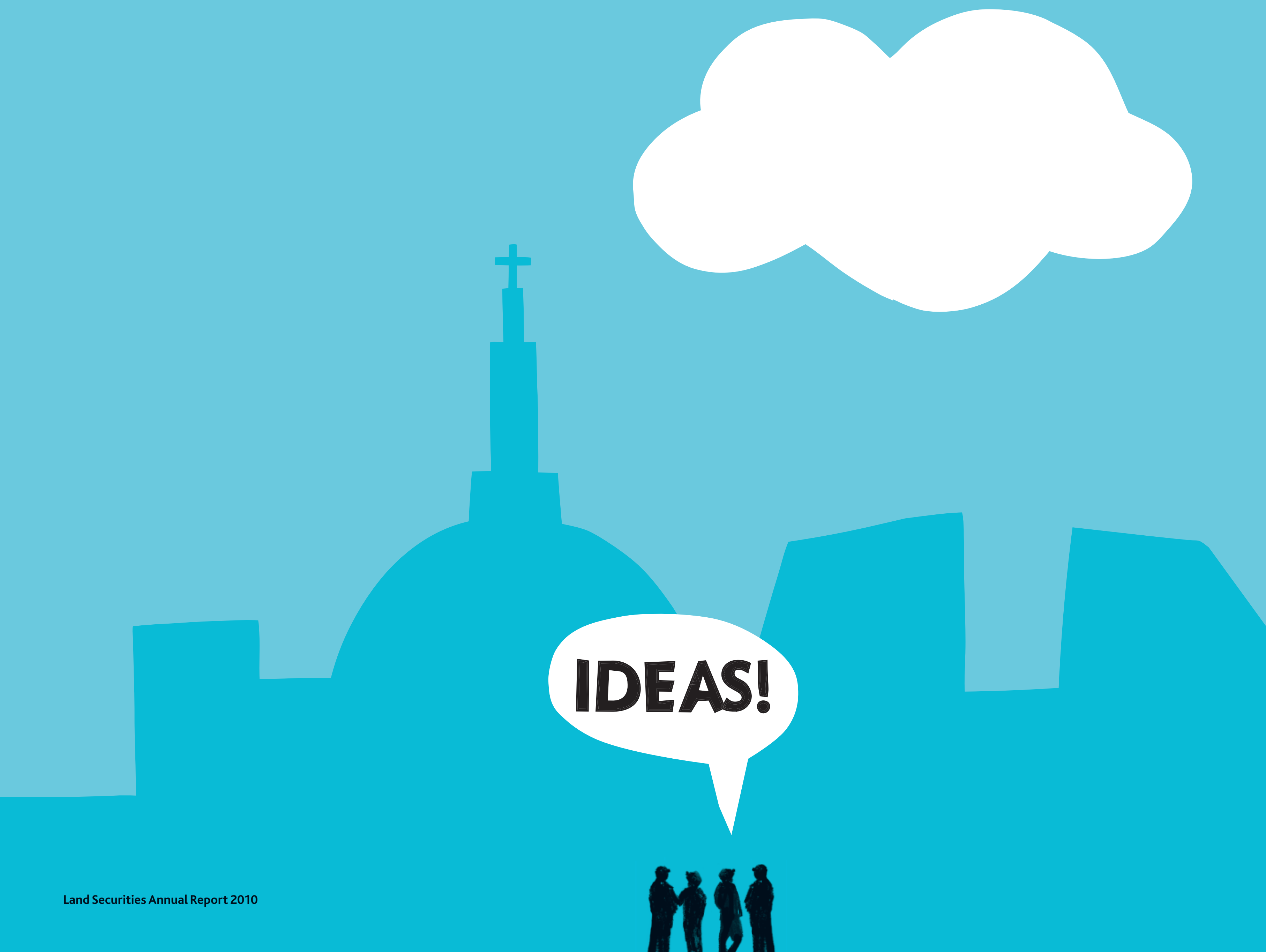

UP!

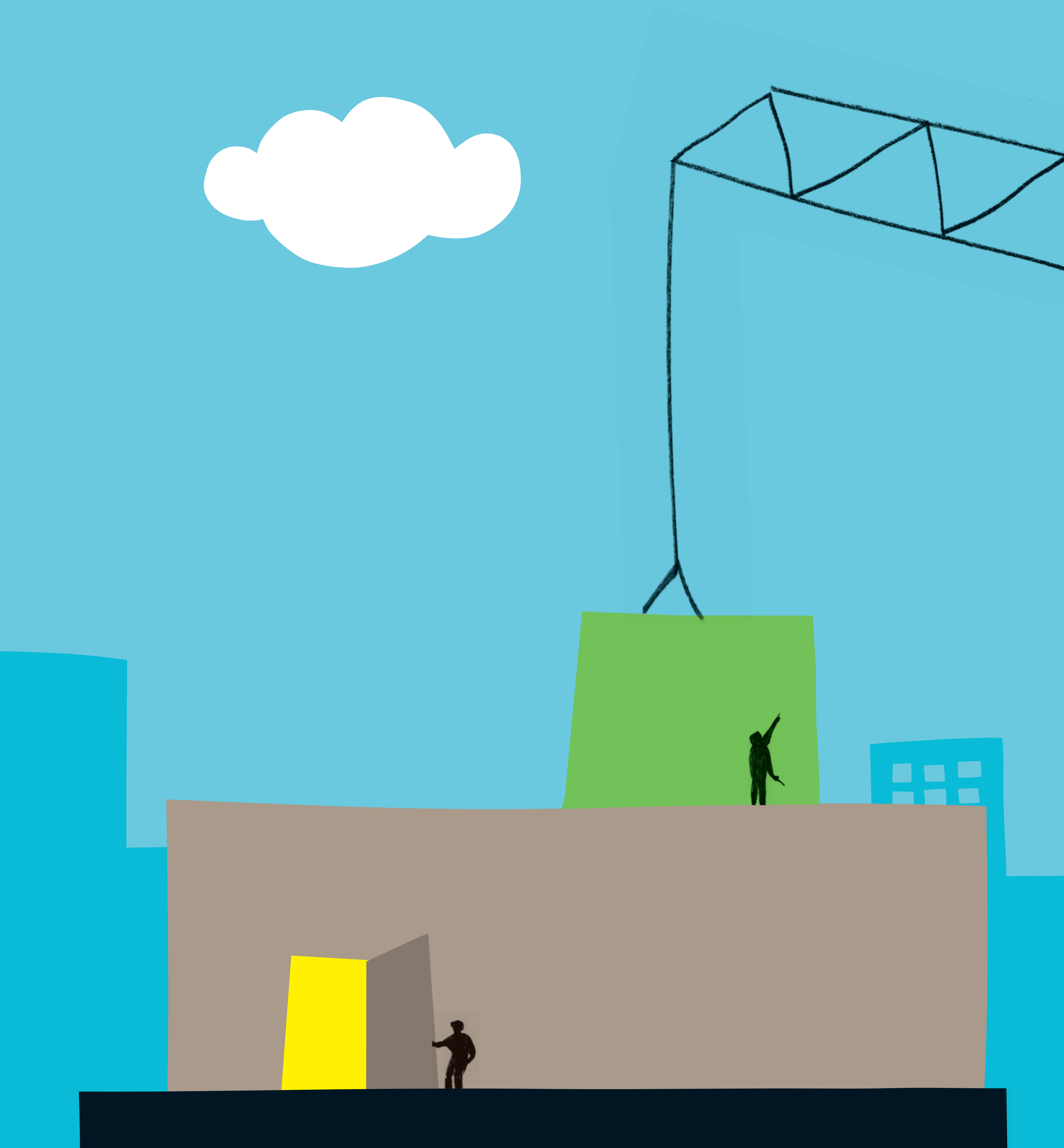
Over the following pages, we also set out **where we are** today.

We discuss our decision to restart major development, both in London and Retail.

We explain how our strong balance sheet is providing competitive advantage.

And we talk about the industry-leading ideas we introduced during the year.

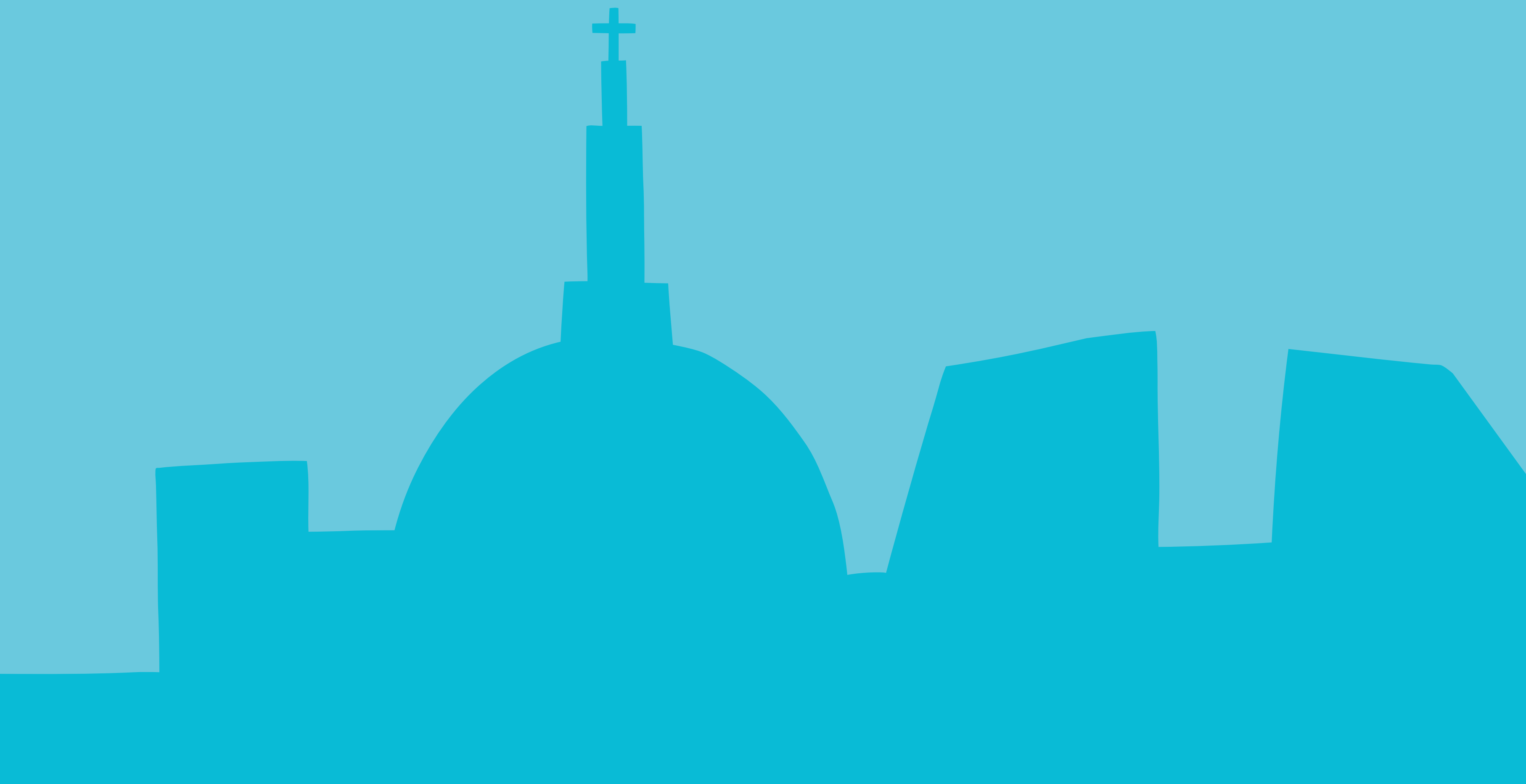


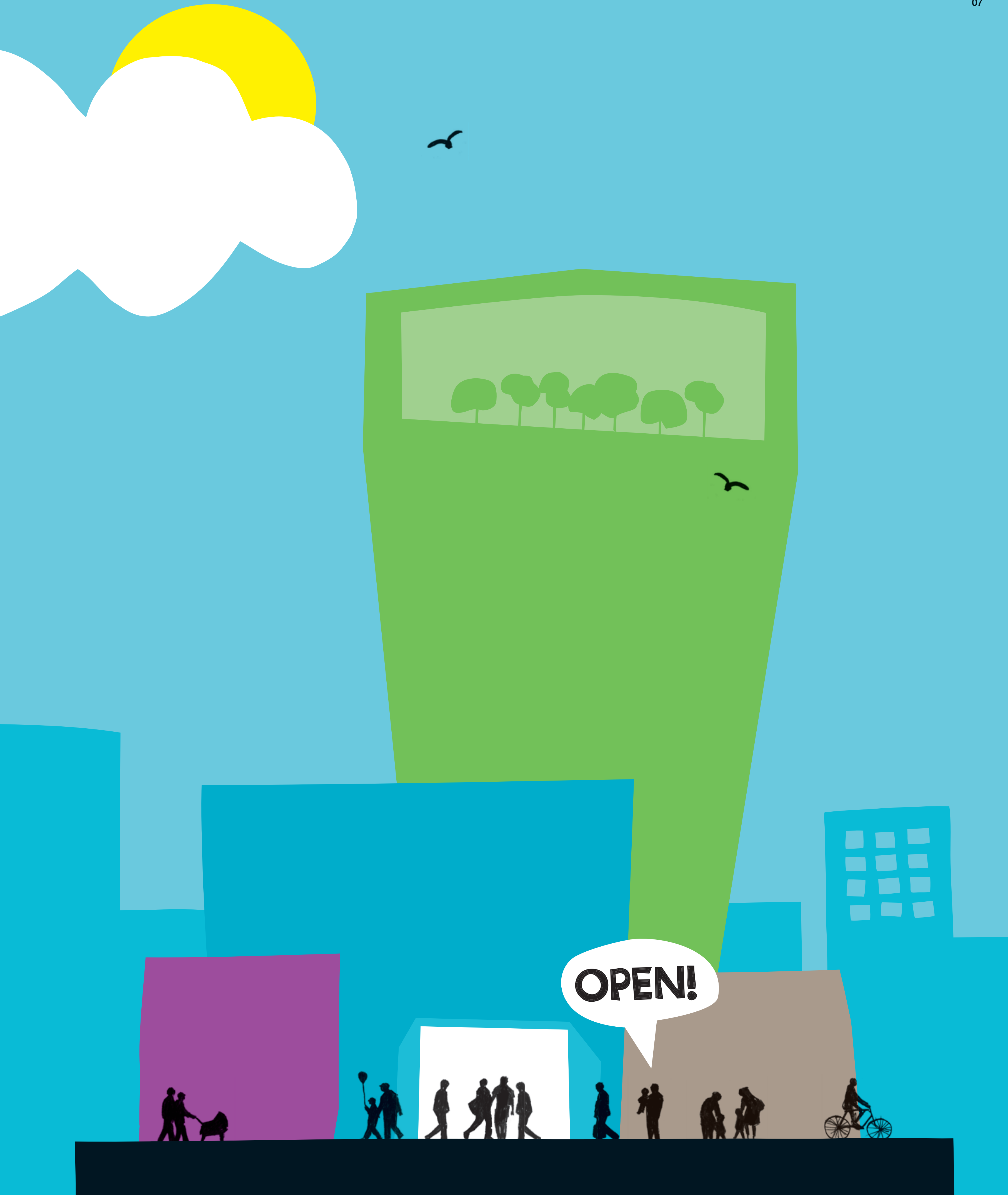


In a fast-changing market, the best companies are preparing now for the conditions we're likely to see tomorrow.

So, in this report we also outline **where we are going**, describing the work we are doing now to shape and support our Company, our industry and our communities.

Find out how our actions are, once again, creating strong foundations for future growth.




OPEN!

What we did

- We acted decisively
- We protected value
- We planned well ahead

For more on the rationale behind our key sales this year and our capital recycling strategy, watch the video www.landsecurities.com/annualreport2010

For more on the actions we've taken to manage our balance sheet, and the benefits we've gained as a result, watch the video www.landsecurities.com/annualreport2010

For more on our development pipeline and planning consents p16

Where we are

- We have restarted major development
- We have strengthened our team
- We have introduced industry-leading ideas

For more on our decision to restart development in London ahead of competitors, watch the video www.landsecurities.com/annualreport2010

For more on the people driving our Company p17

For more on our innovative ideas such as Clearlet leases and Brand Empire, watch the video www.landsecurities.com/annualreport2010

Where we are going

- We are identifying the development sites of tomorrow
- We are pursuing competitive advantage through sustainability
- We are building an even more responsive business

For more on how we spot, unlock and create value p18

For more on our commitment to sustainability, watch the video www.landsecurities.com/annualreport2010

For more on how we are meeting retailers' changing needs, watch the video www.landsecurities.com/annualreport2010

A concise review of Land Securities in 2009/10, from strategy to performance

In this section

Our strategy, vision and team

For more on how we are turning strategy into action please see the Chief Executive's report
p24—26

This represents a valuation increase of 10.3% – a clear sign of recovery. You can read about how we value our assets on p33

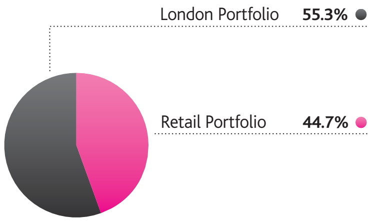
Land Securities Group

Our strategy is simple: we are focused on the two largest segments of the UK commercial property market – retail and London offices – which gives us a broad range of opportunities. In these market segments, we have strong relationships with occupiers and an exceptional set of skills. 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 the right product at the right point in the cycle while keeping a tight focus on cost and timing.

The Group's Board of Directors directs strategy. It also monitors the balance sheet and financial performance to ensure capital is allocated appropriately – both across the two businesses and between investment and development activity. Each business benefits from the Group's ability to provide operating efficiencies, debt and other shared resources.

Chart 1
Combined portfolio value
£9.54bn
Valuation surplus of 10.3%



"Our clear priorities and effective actions mean we are well placed for growth and able to respond quickly to opportunities."
Francis Salway
Chief Executive

Retail Portfolio

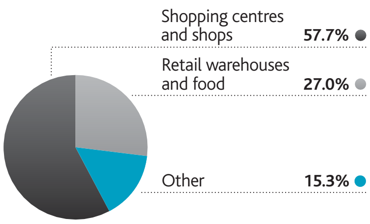
We develop and manage shopping centres and retail warehouses throughout the UK, working to spot, unlock and maximise the potential of assets. Our aim is to provide new and better ways for tenants to connect with customers so they can increase footfall, grow sales, control costs and offer a great leisure experience.

Our scale and expertise enables us to form strong relationships with a wide range of retailers.

We use our skills, knowledge and resources to increase returns from assets and move them up the retail hierarchy.

"We work to spot, unlock and maximise the potential of assets."
Richard Akers
Managing Director, Retail Portfolio

Chart 2
Retail Portfolio by capital value
£4.27bn
Valuation surplus of 11.7%



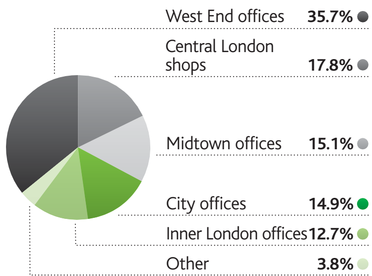
London Portfolio

We develop and manage prime London assets, creating a balanced portfolio that blends strong investment assets with medium- and long-term development opportunities. To meet demand and mitigate risk, we put emphasis on mixed-use schemes providing office, retail and residential accommodation. Using our knowledge, understanding and scale, we develop and invest to create high quality space for world-class businesses and brands.

We operate in a cyclical market and take early, decisive action on the timing and scope of key development and investment decisions.

"We take early, decisive action on the timing and scope of key development and investment decisions."
Robert Noel
Managing Director, London Portfolio

Chart 3
London Portfolio by capital value
£5.27bn
Valuation surplus of 9.1%



We own and manage more than 2.7 million m² of commercial property.

Who we are

1944
Company founded

1969
Established as leader in our industry

2010
Largest REIT in the UK

Land Securities is a FTSE 100 company and the largest Real Estate Investment Trust (REIT) in the UK on the basis of equity market capitalisation. We were founded by Harold Samuel in 1944 when he acquired Land Securities Investment Trust Limited, which at the time owned three houses in Kensington, London, together with some government stock. By 1969 Land Securities had established itself as the country's leading property business. In 2007 we converted to REIT status. We now own and manage more than 2.7 million m² of commercial property, from London offices to major shopping centres and out-of-town retail parks. In January 2009 we sold our Trillium property outsourcing business and now focus our activities on the London and Retail businesses.

Our vision and values

Shaping the future of property

- Customer Service
- Respect
- Integrity
- Excellence
- Innovation

Our vision, 'shaping the future of property', highlights our ambition to set the standards for tomorrow in our industry. This informs everything we do, from designing a new building to collecting rents, from managing our carbon footprint to setting the service charge, from looking at new business opportunities to signing new leases.

Our values embody the way in which we work together to fulfil that objective. 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.

Top 10 properties


1 Cardinal Place, SW1


2 New Street Square, EC4


3 Queen Anne's Gate, SW1


4 White Rose, Leeds


5 Cabot Circus, Bristol


6 Bankside 2&3, SE1


7 Gunwharf Quays, Portsmouth


8 Park House, W1


9 One New Change, EC4


10 St David's, Cardiff

Our management


Francis Salway
Chief Executive


Martin Greenslade
Finance Director


Richard Akers
Managing Director, Retail Portfolio


Robert Noel
Managing Director, London Portfolio

Our performance at a glance

You will find more information on how we value our assets on p33

This year's figure was impacted by our sales programme. Growing revenue profit over the medium term is a priority.

Our effective management of gearing served to increase the value of our net assets per share as the market turned.

Pre-tax profit

£1,069.3m

Our profit before tax this year.

Total dividend

28.0p

Four quarterly dividends of 7p reflect the decision taken in 2008/09 to rebase our dividend at a robust and sustainable level.

Revenue profit

£251.8m

Underlying profit before tax with certain exclusions – see the glossary on p148 for a full definition.

Chart 4
Land Securities performance vs IPD — ungeared total property return (%)

17.3%

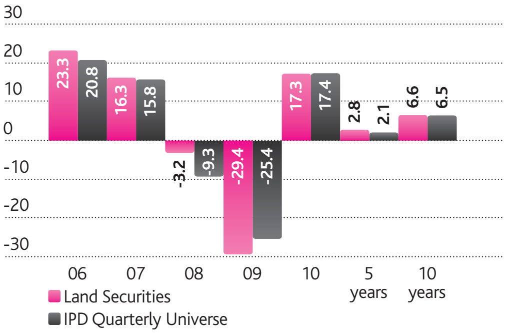


Chart 5
Dividends and adjusted diluted earnings per share (p)

34.08p 45.5%

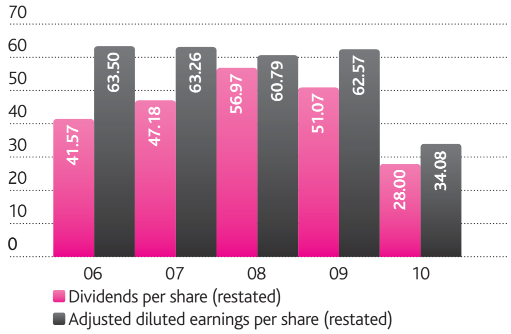
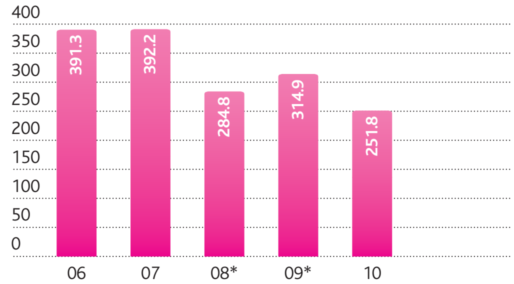


Chart 6
Revenue profit (£m)

£251.8m 20%



*Restated to exclude Trillium revenue profit

Chart 7
Combined portfolio value

£9.54bn

Valuation surplus of 10.3%

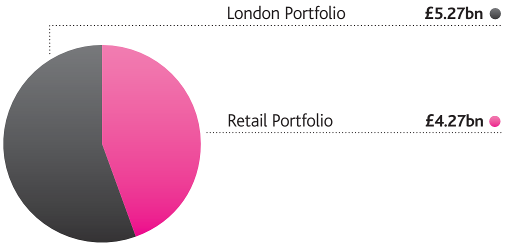
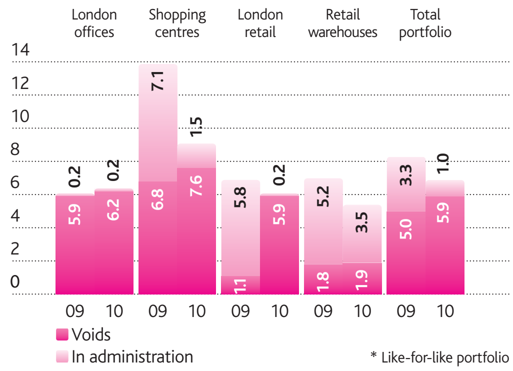


Chart 8
Voids and units in administration* (%)

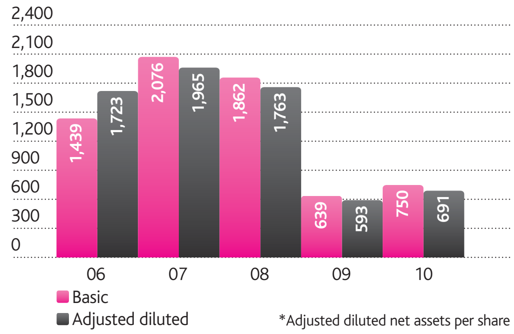
6.9% 1.4%



* Like-for-like portfolio

Chart 9
Net assets per share (p)

691p* 16.5%*



*Adjusted diluted net assets per share

Key performance indicators

Objective	Metric	Progress
To deliver sustainable long-term shareholder returns	• Three year Total Shareholder Return (TSR) performance compared to the TSR performance of an index of comparator group of FTSE 350 companies	• TSR outperformed competitor group by 5.9% for one year period from April 2009 (date of introduction of TSR performance metric)
Maximise the returns from the investment portfolio	• IPD outperformance in each core sector	• Shopping centres – outperformed IPD sector benchmark by 6.9% • Retail warehouses – outperformed IPD sector benchmark by 0.75% • London offices – underperformed IPD sector benchmark by 2.3%
Manage our balance sheet effectively	• Sell £1,019m of assets • Raise £420m through new debt facilities outside of Secured Group • Transfer £35m of additional assets into Security Group	• £1,030m of disposals achieved • £505m of new facilities secured with innovative deal on Queen Anne's Gate, London SW1 and debt raised against St David's 2 shopping centre • £237m of additional assets transferred into Security Group
Maximise development lettings	• £17m of development lettings • Progress Leeds Trinity pre-lettings	• £22.8m of lettings achieved with London Portfolio £10.9m and Retail Portfolio £11.9m • Leeds Trinity at 32% pre-let and 12% in solicitors' hands
Improve efficiency	• Deliver £10m of overhead savings	• £13.3m savings delivered against benchmark target
Ensure high levels of customer satisfaction	• Overall customer satisfaction in Retail and London businesses to exceed targets	• In both the London and Retail Portfolios we moved to an overall customer satisfaction score. Retail scored 4.17 against a target of 4.0 and London scored 3.74 against a target of 3.74
Attract, develop, retain and motivate high-performance individuals	• Employee engagement to exceed ETS industry benchmark	• Exceeded with a grand mean score of 3.10 (classified as excellent by our external survey provider) compared to 3.06 in the prior year

Our performance in Retail and London

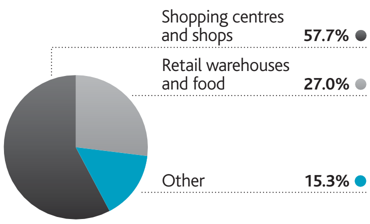
Retail Portfolio

Chart 10

Portfolio by capital value

£4.27bn

Valuation surplus of 11.7%



Our market

Initially, the economic outlook continued to cast a shadow over retail property investment values, but as we moved towards and beyond the half-year point we saw growing investor demand and a pronounced rise in values. Occupier markets remained tough, but well located retail assets with a strong position in a good catchment continue to attract retailers.

Highlights

- Valuation surplus of 11.7%
- Shopping centres outperformed IPD by 6.9%
- Retail warehouses outperformed IPD by 0.75%
- 350 lettings secured
- Successful opening of John Lewis at home, Poole
- Successful launch of St David's 2, Cardiff
- Acquired Atlas development site, Glasgow
- Acquired O2 Centre, NW3, and Westgate Shopping Centre, Oxford

What we do

We aim to deliver growing rental income, higher investment values and future development opportunities. To achieve this, we prioritise assets able to thrive in a fast-changing retail environment. We make locations more attractive through asset management. We transform undervalued areas into thriving destinations through development. We work closely with retailers and local authorities so we can respond to changing needs. And we recycle capital and apply skills to reposition assets up the value hierarchy.

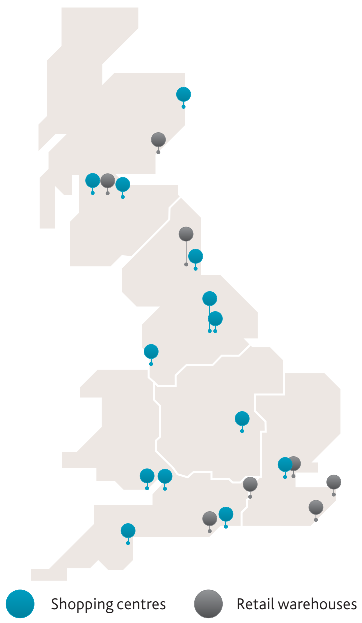
Objectives for 2010/11

- Outperform IPD
- Expand our out-of-town presence through new acquisitions and development
- Meet pre-letting targets for development schemes, including Leeds Trinity
- Protect income across our portfolio
- Maintain effective cost control, including capital expenditure and irrecoverable costs associated with shopping centres

Top 10 tenants

- DSG International
- Arcadia Group
- J Sainsbury
- Boots
- Marks & Spencer
- Next
- Home Retail Group
- Tesco
- H&M
- New Look

Top locations



Top 5 properties

1 White Rose, Leeds

2 Cabot Circus, Bristol

3 Gunwharf Quays, Portsmouth

4 St David's, Cardiff

5 The Centre, Livingston

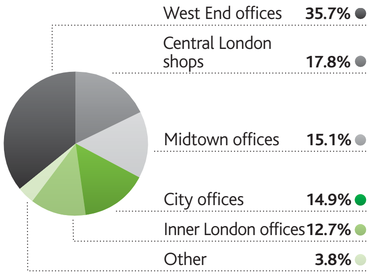
London Portfolio

Chart 11

Portfolio by capital value

£5.27bn

Valuation surplus of 9.1%



Our market

London's fundamental qualities as a capital city, high levels of transparency and the weakness of sterling helped draw significant interest from global investors. Investment values rose as a result. Rents were slower to respond to growing confidence, but the limited availability of prime office buildings started to drive rental value growth as we moved into the second half.

Highlights

- Valuation surplus of 9.1%
- £31m of new lettings secured during the year
- Completed largest single letting of second-hand office space in London since 2003
- Work started on site at three West End developments
- Retail component of One New Change, EC4, 90% let or in solicitors' hands
- Major planning permission successes

What we do

We aim to deliver growing rental income, higher investment values and future development opportunities. To achieve this, we invest in and dispose of assets early in the cycle to maximise returns. We ensure we understand our customers' changing circumstances, so we can evolve to meet their needs. We use a mixed-use, high quality product to mitigate risk, generate strong demand and achieve improved rental performance. And we maximise gains from new development through innovative master planning and other strategies.

Objectives for 2010/11

- Outperform IPD
- Submit further planning applications to ensure we can meet demand for offices in a supply-constrained market
- Let up balance of office and retail space at One New Change, EC4
- Achieve retail lettings at Park House, W1
- Achieve success with our nascent residential development programme

Top 10 tenants

- Government
- Deloitte
- Royal Bank of Scotland
- Bank of New York Mellon
- Metropolitan Police
- EDF Energy
- Microsoft
- Speechly Bircham
- Lloyds Banking Group
- Taylor Wessing

Development pipeline


2014
20 Fenchurch Street, EC3


2013
62 Buckingham Gate, SW1


2012
Park House, W1


2010
One New Change, EC4

Top 5 properties


1 Cardinal Place, SW1


2 New Street Square, EC4


3 Queen Anne's Gate, SW1


4 Bankside 2&3, SE1


5 Park House, W1

Our actions during the year

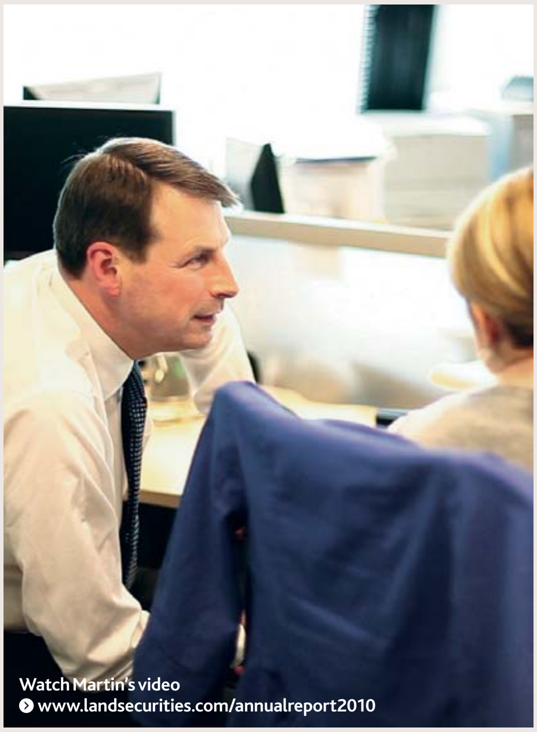
We acted decisively

We held developments and took action to protect our balance sheet strength. We sold assets where the opportunities to add value were limited.

Watch Gary's video
www.landsecurities.com/annualreport2010

We protected value

A focus on sales and treasury management helped maintain our AA credit rating, giving us the financial capacity to take advantage of opportunities as the market cycle turns.



Watch Martin's video
www.landsecurities.com/annualreport2010

We planned well ahead

We continued to nurture our development pipeline through the downturn. We achieved 306,360 m² of planning consents during the year and have schemes ready to develop as the cycle turns. Learn more in our Business Review p33—53.

We have strengthened our team

We worked to strengthen our team at all levels and added further expertise throughout the business. Appointments included a new Managing Director for the London Portfolio and a new Non-executive Director. Learn more in our Directors' Biographies p55.

We have restarted development

We were the first to restart major development in London. By delivering properties early we will gain the full benefit of an increasingly supply-constrained market.

Watch Colette's video
www.landsecurities.com/annualreport2010

Our actions during the year

We have introduced industry-leading ideas

The introduction of Clearlet leases shows how we're becoming ever more responsive to retailers' needs, and we're attracting new international retailers through our innovative Brand Empire venture.

Watch Ronan's video
www.landsecurities.com/annualreport2010

We are identifying the development sites of tomorrow

Across the London and Retail Portfolios we can see excellent opportunities to spot, unlock and create value at a range of locations. Learn more in our Business Review p33—53.

We are pursuing competitive advantage through sustainability

People prefer to work with and for a company making a positive difference to the world. Our development at One New Change will save over 900 tonnes of carbon dioxide emissions each year through geothermal technology.

Watch Neil's video
www.landsecurities.com/annualreport2010

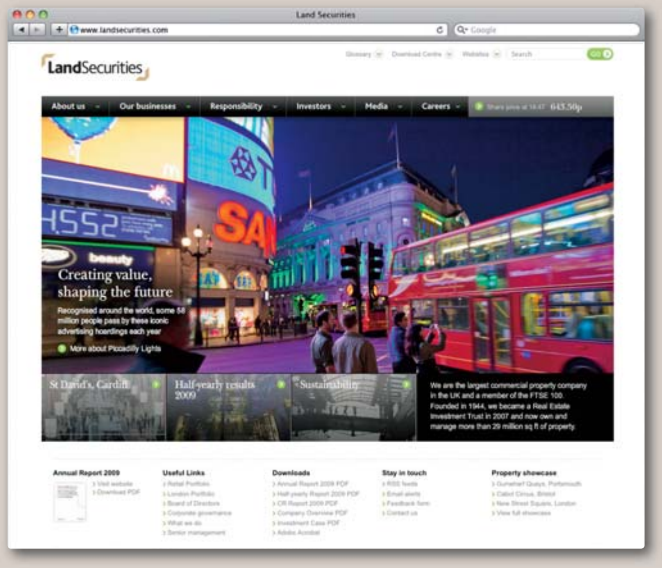
We are building an even more responsive business

The most successful businesses are looking for new ways to serve retail warehouse customers. The first John Lewis at home store at our Commerce Centre in Poole, demonstrates how we are evolving our portfolio, services, agreements and store formats to meet retailers' changing needs.

Watch Dominic's video
www.landsecurities.com/annualreport2010

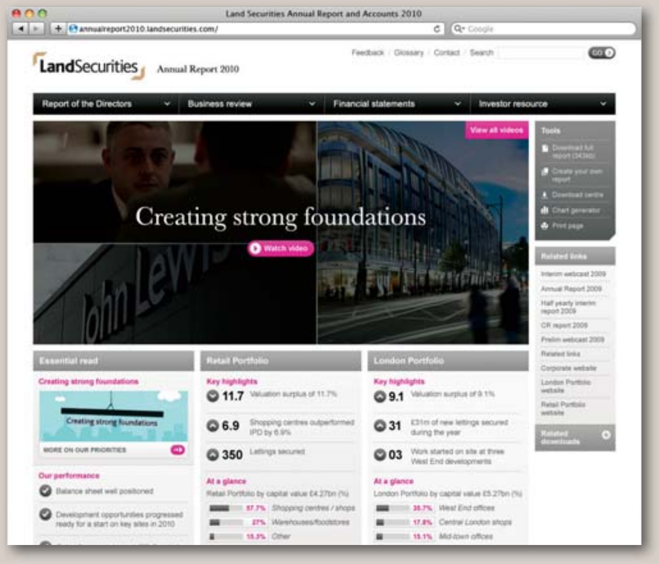
Where to get more information

Corporate website:
www.landsecurities.com



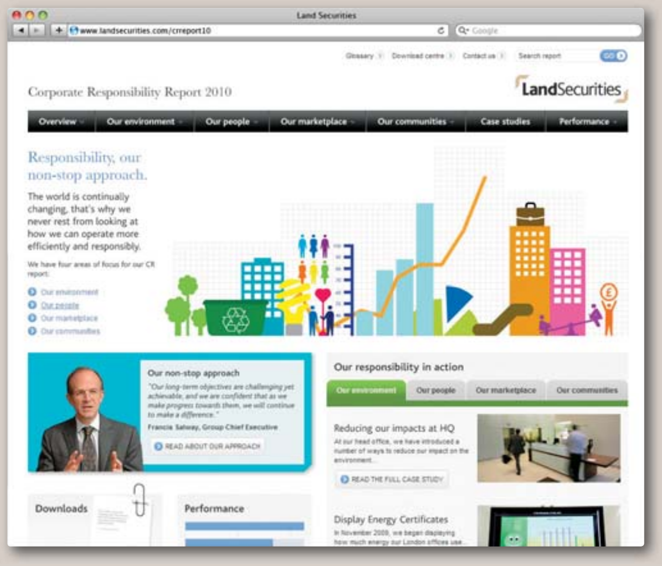
- Latest information for investors
- Our vision, strategy, objectives and values
- Information on our Retail Portfolio and London Portfolio
- Structure and Senior Management at Land Securities
- Corporate Responsibility
- Media centre
- Working at Land Securities
- Frequently asked questions

Online Annual Report:
www.landsecurities.com/annualreport2010



- Videos featuring key stories from the year
- Animated version of our investment story
- Executive team review of 2009/10
- Bespoke, downloadable Annual Report
- Chart generator for easy year-to-year comparisons

Corporate Responsibility Report:
www.landsecurities.com/crreport10



- Our approach to Corporate Responsibility
- Key activities and achievements in 2009/10
- How CR supports our business strategy
- How we work with our stakeholders
- What CR means to our employees
- The opportunities and challenges ahead

What's inside?

The essentials

Quick read p09—20

Concise review of our year, from strategy to performance.

Performance overview p12—13

From share and business performance charts to key performance indicators.

Chairman's message p22—23

Alison Carnwath discusses the Company's performance and position in a fast-moving market.

Chief Executive's statement p24—26

Francis Salway reviews our results and outlines how we are creating strong foundations for growth.

Report of the Directors p01—90

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

Financial statements p91—136

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

Investor resource p137—148

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

"We have the leadership qualities required to compete and win in a fast-moving market. And we have the financial firepower needed to make telling investments."
Alison Carnwath Chairman

Share price increased to £6.78 by the end of the financial year

55.1%

The downturn in the economy was rapid and severe, and the effects of this dramatic deterioration continue to be felt across the financial and business environment. Property has not been immune and everyone in our sector has faced profound challenges. The first half of the financial year brought the first glimpses of recovery in our market, however, and we saw a surprisingly vigorous upswing as the year progressed. The sustainability of asset values is driven by stable or increasing rents, and we began to see early evidence of this as we moved into the 2010 calendar year.

Against this background, our share price ended the financial year up 55.1% at £6.78. Our performance reflects both the improving market conditions and the effective measures we have taken to strengthen our position. The dividend for the year was 28.0p. Following shareholder approval in December 2009, the Company offered investors the option to receive a scrip dividend alternative. I am pleased that 41% of shareholders chose to participate in this scheme for the third quarterly dividend. It was also encouraging that our representations to government on this subject have not been in vain, with steps taken this year to permit scrip dividends to be treated as part of REIT Property Income Distributions (PID).

The commercial property market now enjoys a brighter outlook, but I do not expect the trajectory of growth to be smooth. It may take the UK economy a number of years to regain full strength. During this extended recovery period we are likely to see volatility in consumer spending and business investment, and our market may well experience bumps as a result. We are well prepared for these dynamics.

Given the profound changes taking place around us, we chose to take a long, hard look at the Company's strategy this year. Our examination was thorough, but we found no evidence to suggest we should move away from our chosen sectors. London remains a world-class capital with a breadth of successful businesses and a marked under-supply of high quality office space. Retail offers good potential for those able to meet retailers' changing needs and move assets up the retail hierarchy. We hold a strong position in both sectors.

We have drawn important lessons from recent events. We now have a heightened focus on maintaining asset liquidity, crystallising profits as markets rise, and managing balance sheet gearing to position the business to meet future development expenditure commitments. Our job is to steer the best course between caution and enthusiasm, and that means our financial structure must remain highly attuned to change.

During the year the Company was active in recycling capital and we strengthened our financial position significantly. As one of the world's largest REITs, with a £9.5bn portfolio of assets, we continue to have the scale and balance sheet required to create landmark developments. Our aspirations certainly match our capabilities, as our desire to restart the spectacular scheme at 20 Fenchurch Street, EC3, underlines. At the same time, pragmatism will continue to guide our actions, and, when necessary, we will seek partners to ensure we maintain the right ratio of risk to reward.

Table 12
Total shareholder returns*

	Over one year to 31 March 2010 (£)	Over five years to 31 March 2010 (£)
Land Securities	166.33	72.05
FTSE 100	152.20	136.11
FTSE 350 Real Estate	160.43	74.65

*Historical TSR performance in the value of a hypothetical £100
Source: Datastream

We remain patient in terms of when and where to make acquisitions. We have bought selectively, but we expect a wider range of opportunities to become available. In the meantime, well-judged leverage has enabled us to deliver attractive growth in net asset values through existing holdings. We will continue to pace our transactions carefully.

Corporate Responsibility is central to our agenda. A desire to define new standards across sustainability, community relations and employee development sets us apart as a landlord, partner and employer. Innovations such as our use of geothermal technology at One New Change, EC4 – which should save over 900 tonnes of carbon dioxide emissions annually – are driven by a determination to find long-term solutions to the most pressing issues facing customers and communities.

It is important that our mindset as a Company becomes ever more flexible and entrepreneurial. Our customers live in a very different world from three years ago and we must respond with better services and new ideas. Once again, our employees have demonstrated they are very much up to the task. I thank them for the remarkable energy, expertise and commitment they have shown this year.

We appointed two new Board members during the year. Robert Noel has become Managing Director of the London Portfolio, joining us from Great Portland Estates plc. He has an outstanding track record and is a great addition to the senior team. Chris Bartram has joined as a Non-executive Director. He has deep experience within the property industry and will provide sound counsel for our executives. Mike Hussey left us after seven years with the Company, five as Managing Director of the London Portfolio. The Board thanks him for his valued contribution and wishes him every success.

An external Board review conducted during the year highlighted both our good practice on governance and the complementary mix of experience on our Board. Recent years have tested the Non-executive and Executive teams, but the Board is stronger for coming through crisis together. We gained invaluable experience in the downturn and have emerged with a heightened commitment and a keen appetite for the opportunities ahead.

Conditions have challenged the character and constitution of this Company. I thank shareholders, customers, suppliers and colleagues for their support in demanding circumstances. We are now building good momentum. We see plenty of opportunities to use our exceptional skills and capabilities to create value. We have the leadership qualities required to compete and win in a fast-moving market. And we have the financial firepower needed to make telling investments.

Alison Carnwath
Chairman

For a comprehensive review of our performance this year, please read our Chief Executive's report p24—26
and the Financial review p27—32

To watch Francis's video go to:
www.landsecurities.com/annualreport2010/francis

"As the commercial property market moved from downturn to recovery, our actions focused on ensuring that we positioned the business to exploit the opportunities we see ahead. We end the year with plans which will build on the strong foundations we have created."
Francis Salway Chief Executive

Chart 13
Net assets per share (p)

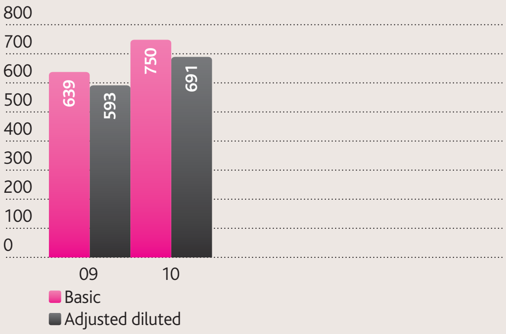
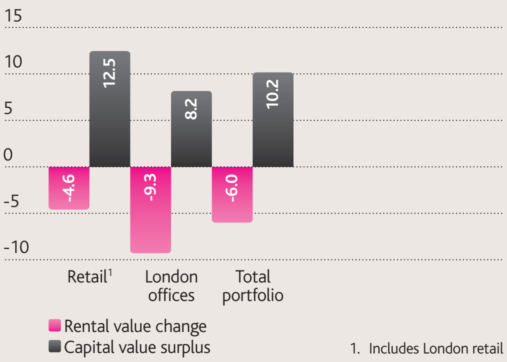


Chart 14
Rental and capital value trends
Like-for-like portfolio

12 months ended 31 March 2010



1. Includes London retail

Performance

We have delivered a year of good growth in shareholders' net assets and we believe we have the potential to deliver attractive relative returns in the future. Our confidence is built upon the opportunities in our existing portfolio for delivering developments into a supply-constrained market in London, allied to our focus on growing income and revenue profit in the medium term.

The year saw a dramatic turnaround in the UK commercial property market, with falling values in the first six months giving way to a rapid recovery in the second half. Investors returned in numbers and this led to sharp increases in property values, with the valuation of our investment properties increasing by 10.3% over the full year and the value of our shareholders' adjusted diluted net assets increasing by 16.5%.

This performance reflects the improved environment in commercial property, but it is also the result of our management of balance sheet gearing so that it was positioned to drive NAV growth. We held a relatively high gearing ratio at 50% loan-to-value at the low point in the cycle during the second and third quarters of 2009, which ensured a healthy conversion rate of growth in property values into growth in shareholders' net assets. Looking ahead we are now moving back to our more normal target gearing range of 35%–45% with our actual loan-to-value ratio at 31 March 2010 being 43.5%. This transition has been achieved through a combination of some £1bn of property sales and the rise in property values.

Whilst capital values rose over the year, there was still negative pressure on rental values over the year as a whole, reflecting the general weakness in the economy. So, rental values were down 6.0% across our like-for-like portfolio over the 12 months, which was split between a negative 5.7% in the first half and a fractionally negative 0.3% in the second half. We are pleased that the evidence for our portfolio in the second half shows that the trend in rental values has now generally bottomed out.

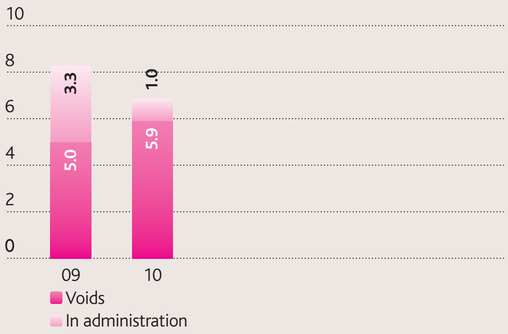
Our portfolio performed broadly in line with the IPD Quarterly Universe, delivering an ungeared total property return of 17.3% compared to 17.4% on the IPD benchmark. Our shopping centres delivered particularly strong relative performance, beating the benchmark by 6.9%, and our retail warehouses outperformed by 0.75%. Our performance on London offices was held back by a number of pre-development sites which were flat or slightly negative over the period but represent a future source of value.

Our pre-tax profit for the year was £1,069.3m (2009: £4,773.2m loss). This figure includes the valuation surplus on our investment portfolio of £863.8m. Our measure of recurring income profit is revenue profit, which excludes the revaluation surplus. Revenue profit was £251.8m, down 20.0% on the prior year, but slightly ahead of market expectations.

This reduction in revenue profit was attributable to the dilutive impact of asset sales, which were undertaken to manage balance sheet ratios, and also the loss of income from tenant insolvencies and lease expiries on pre-development properties. In 2010/11 we will continue to see the balance of the full year effect of dilution from sales and some further lease expiries on pre-development properties. However, helping to offset these impacts will be our initiatives to grow income from the rest of the portfolio.

Looking beyond this current year, we expect revenue profit to grow through a combination of portfolio lettings, bringing back dormant development sites into productive use and completing development projects at a rental yield in excess of our cost of debt. Our policy is broadly to match trends in dividends to underlying earnings. So we expect to maintain our dividend at the same level of 28.0 pence per share for 2010/11, but will look to grow the dividend as revenue profit growth returns.

Table 15
Voids and units in administration
Total like-for-like portfolio



Focus on lettings

Our key priorities for the past year were maintaining portfolio income, securing lettings on recently completed developments and creating the platform to deliver future development projects into a strengthening economy.

At the beginning of the year, it was widely expected that portfolio vacancy rates would rise sharply with further insolvencies. However, we succeeded in reducing our units in administration from 3.3% to just 1.0%. We also contained the increase in voids on our like-for-like portfolio at 5.9% in March 2010 compared to 5.0% at the beginning of the period. Our success on lettings reflects both the energy of our property leasing teams and also our long-established relationships with occupiers.

On development projects, our target was to achieve £17m of lettings and we significantly exceeded this, securing as much as £23m of new lettings. In partnership with Capital Shopping Centres, we opened the St David's 2 Shopping Centre in Cardiff in October, and the scheme is now 74% let or in solicitors' hands with good footfall and retail trading figures. In London, our largest completed development is at Dashwood, EC2 in the City, which moved from being 9% let in March 2009 to 88% let now.

Also in London, we continued our track record of success on mixed-use developments with One New Change, next to St. Paul's Cathedral. This scheme is due for completion in autumn 2010 and was named both Overall and Mixed Use Winner in the 2010 MIPIM European Architectural Review Future Projects Award. Our tactics on leasing One New Change, EC4 illustrate our priorities in current market conditions – patience and flexibility. During the year we focused on the importance of having the retail element let and trading by the opening date and the retail space is now 90% spoken for in terms of space let or in solicitors' hands. On the office side, we have taken a longer-term approach. The rapid recovery in the London office market, together with the increasingly tangible quality of the development, gives us confidence we will gain more attractive lease agreements with office occupiers as we move towards full launch in autumn 2010.

Balance sheet strength

An important ingredient in terms of our ability to create value for shareholders in the future is our balance sheet capacity. We further strengthened our balance sheet in the year through increasing the average duration of our debt from 9.6 years to 11.8 years – one of the longest durations for any commercial property company. This was achieved by extending £650m of bank facilities for a further 4.5 years and launching an innovative £360m bond secured against the rent from an office building let to the Government at Queen Anne's Gate, SW1. We will continue to manage an appropriate balance between duration and flexibility in our debt facilities.

Our secured debt structure, together with its AA credit rating, provides us with an efficient source of finance to fund both our development projects and acquisitions.

Business positioned to exploit opportunities

After continuing to nurture our future development pipeline during the downturn, we moved quickly to announce the start of three major development projects in London. This will give us competitive advantage on timing of delivery as we move into the recovery phase of the cycle.

We have an unrivalled pipeline of potential projects in London and we see these as being an attractive source of value creation as we bring them forward to fruition. We will deliver most of these projects ourselves, but we will partner or forward sell some to manage our overall risk exposure to development and the specific risk exposure on some of the very largest projects.

In London, we expect to be developing into a sharply rising market and so plan to crystallise rent levels through lettings close to the time of scheme completion.

In contrast, our tactics on retail development will be to secure a significant level of pre-letting before commencing projects. At our major 70,000m^2 shopping centre development at Leeds Trinity, we have either concluded pre-lettings or are at an advanced stage of negotiations with sufficient retailers to meet our pre-letting threshold. Assuming these negotiations are successfully concluded, we expect to start this scheme during 2010. We also plan a number of smaller retail developments in edge-of-town and out-of-town locations with the sound foundations of pre-lettings to supermarket operators and other leading retail brands. During 2009, we delivered the first store for John Lewis at home in Poole, and we now have planning consent, or resolution to grant consent, for three developments with J Sainsbury.

In terms of acquisitions, we have felt no need to make hasty investment decisions. More and larger opportunities will emerge over the next few years, as banks and others sell properties to strengthen their balance sheets and reduce exposure to the property market. Our objective is to build sustainable business momentum over time, and we have the balance sheet capacity to do this.

We have made a small number of selective acquisitions in the retail sector, each of which offer future asset management or development opportunities. We purchased a prime retail development site in the centre of Glasgow from a receiver acting on behalf of Lloyds Bank. And since our financial year end, we have acquired the O2 Centre, Finchley Road, NW3, a London suburban shopping centre, a market segment we favour, and also a 50% interest in a shopping centre with redevelopment potential in the middle of Oxford.

Land Securities' proposition

- Clear plan for delivering value
- Portfolio with extensive organic opportunities – and a balance sheet to deliver them
- Focus on rebuilding revenue profit growth in medium term
- Disciplined capital recycling —good asset liquidity
- Underpinned by strong management team —committed to capital recycling —committed to strong occupier relationships

Stakeholder engagement

We continue to work innovatively with a range of stakeholders to mutual benefit. For example, this year we worked with a small number of retailers to develop 'Clearlet leases', which are short, simple legal documents that contain clauses making it easier for retailers to plan their businesses. We also launched our innovative Brand Empire initiative, which has established a new way for international retailers to enter the UK market.

We are working closely with customers in the increasingly important area of sustainability. The UK is due to reduce CO_2 emissions by 34% by 2020; commercial property accounts for 18% of these emissions currently, so the challenges here are substantial and collaboration vital. Land Securities have long taken an active approach to sustainability and this year we launched a number of new schemes, including the voluntary introduction of Display Energy Certificates across our London office portfolio. In February 2010, our work was recognised when we won three Sustainable City Awards and were named winner of the Sustain Magazine 'Leadership In Sustainability' Award.

Outlook

Our plans to drive shareholder value are clear and focus on the two largest segments of the UK commercial property market – retail and London offices. These are the market segments where we have established relationships with occupiers, an exceptional set of skills and a broad range of opportunities.

Our outlook for the commercial property market is always coloured by wider trends in the economy. And it is clear that, both in the UK and internationally, there are still residual imbalances from the financial downturn. We expect investor interest in the UK commercial property market to continue, although more properties are likely to be brought to the market for sale. In the short term this may restore equilibrium between buyers and sellers, and potentially even lead to some ripples in the pricing of property investments. However, we are now looking to rental values as the next driver of growth. We are well placed to drive both income and capital returns as rental values recover through our unrivalled development pipeline and an investment portfolio with limited over-renting. We expect occupier markets to be stronger in London than for retail properties and so we plan to allocate a high proportion of our capital expenditure on developments to the London market.

Our actions in the year mean we are well placed to exploit recovery in occupier markets, and to respond quickly to a new set of opportunities. With a sound balance sheet and a talented management team, we have the potential to set Land Securities apart and lead our sector in this fast evolving market.

Francis Salway
Chief Executive

To watch Martin's video go to:
www.landsecurities.com/annualreport2010/martin

"The measures we took during the year have enabled us to emerge in good shape from some very difficult conditions."
Martin Greenslade Finance Director

Following a period of exceptional turbulence in the global economy, 2009/10 saw the return of positive financial dynamics in our market and a robust performance from the Group. Profit before tax was £1,069.3m, compared to a loss of £4,773.2m for the previous 12 months.

In my Financial Review last year I indicated that revenue profit, our measure of underlying profit before tax, would fall in 2009/10 as a result of the economic environment and the impact of the sales required to maintain our liquidity and sound capital base. We saw the effect of these factors during the year, with revenue profit down by 20.0%, from £314.9m to £251.8m.

Asset sales have an adverse effect on revenue profit, but our disposals during the year served to enhance the balance sheet. Our Security Group's AA rating was reaffirmed and we were able to extend £650m of bank facilities to 2014. This meant we ended the year in an excellent position from which to address opportunities as our market evolves.

While revenue profit was down, the value of our assets grew by 10.3%. Our gearing amplified the valuation gains, with adjusted diluted net assets per share up by 16.5%, from 593p to 691p.

Looking into 2010/11, we expect revenue profit to be adversely affected by the full year effect of the sales we made in 2009/10, together with some lease expiries on properties we are preparing for redevelopment. On the other hand, we see good opportunities to grow income through letting up developments and voids in our existing portfolio, while reducing void-related costs. We will also obtain some benefit from acquisitions made early in 2010/11.

The measures we took during the year have enabled us to emerge in good shape from some very difficult conditions. Over the following pages we set out a detailed review which shows how the combination of market conditions and our actions have translated into hard facts and figures. You will see that we now have the financial strength to compete and succeed as changing conditions bring opportunities to drive revenue profit growth in the medium term.

Martin Greenslade
Finance Director

Headline results

The Group's profit before tax for the year ended 31 March 2010 was £1,069.3m, compared to a loss of £4,773.2m for the previous year. Revenue profit, our measure of underlying profit before tax, reduced by 20.0% from £314.9m to £251.8m.

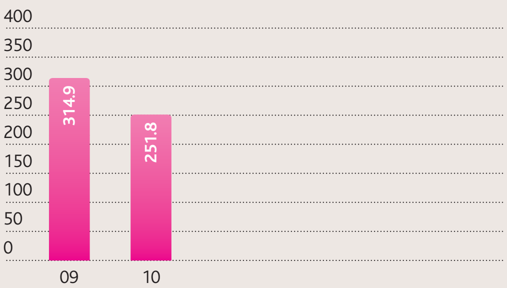
Basic earnings per share was 144.04p compared to a loss per share of 918.04p last year. Adjusted diluted earnings per share was 34.08p (2009: 62.57p), down 45.5% on the comparable period.

The combined investment portfolio (including joint ventures) was valued at 31 March 2010 at £9.54bn which included a valuation surplus of £863.8m or 10.3% over the year. Net assets per share increased by 111p (17.4%) from 639p at the end of March 2009 to 750p in March 2010, with adjusted diluted net assets per share increasing by 16.5% from 593p at March 2009 to 691p.

Profit before tax

The largest driver behind the improvement in the profit before tax was the valuation surplus on our combined investment portfolio (including joint ventures) of £863.8m (2009: £4,743.7m deficit). The market value of our properties increased by 10.3% (2009: 34.2% decline). London property values have been favourably impacted by significant interest from global investors and, although letting conditions in the retail sector remained challenging, our retail assets performed well, particularly in the second half of the year.

Chart 16
Revenue profit (£m)
£251.8m 20%



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.

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

Table 17
Revenue profit

	Retail Portfolio £m	London Portfolio £m	31 March 2010 £m	Retail Portfolio £m	London Portfolio £m	31 March 2009 £m
Gross rental income*	312.9	312.3	625.2	362.9	348.2	711.1
Net service charge expense	(2.5)	(4.4)	(6.9)	(4.9)	(6.3)	(11.2)
Direct property expenditure (net)	(31.2)	(19.6)	(50.8)	(39.5)	(15.3)	(54.8)
Net rental income	**279.2**	**288.3**	**567.5**	**318.5**	**326.6**	**645.1**
Indirect costs	(24.9)	(20.8)	(45.7)	(27.1)	(25.0)	(52.1)
Segment profit before interest	**254.3**	**267.5**	**521.8**	**291.4**	**301.6**	**593.0**
Unallocated expenses (net)			(35.7)			(33.4)
Net interest – Group			(201.7)			(218.0)
Net interest – joint ventures			(32.6)			(26.7)
Revenue profit			**251.8**			**314.9**

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

Revenue profit declined from £314.9m last year to £251.8m mainly due to a 12% decline in net rental income. In total, net rental income was £77.6m lower than last year, with £68.6m of the decline due to the sale of investment properties. Significant disposals during the year included Portman House, W1; One Wood Street, EC2; 40/50 Eastbourne Terrace, W2; Bullring, Birmingham; Fremlin Walk, Maidstone and 50% of Princesshay, Exeter. Net rental income from the like-for-like portfolio declined by £19.6m, largely due to the failure of a number of retailers and a £3.0m decline in turnover rents from our Accor hotel properties. Compared to last year, developments added £12.4m with the increase coming from our schemes in Bristol, Cardiff and Livingston.

Earnings per share

Basic earnings per share was 144.04p, compared to a loss per share from continuing operations of 918.04p last year, the improvement being predominantly due to the valuation surplus on the investment property portfolio (98.7p per share compared to a loss last year of 791.7p per share).

In the same way that we adjust profit before tax to remove capital and one-off items to give revenue profit, we also report an adjusted earnings per share figure. Adjusted diluted earnings per share from continuing activities reduced by 45.5% from 62.57p last year to 34.08p per share this year. This was largely due to the reduction in revenue profit and the full year impact of the additional shares following the Rights Issue last year.

Property Income Distribution (PID)

Who can claim exemption from deduction of withholding tax on Property Income Distributions?[1]

- 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?

- Overseas shareholders[2]
- Individual private shareholders

1. See Investor information p145—147 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.

Total dividend

We are recommending a final dividend payment of 7.0p per share. Taken together with the three quarterly dividends of 7.0p, our full year dividend will be 28.0p per share (2009: 51.7p) or £212.2m (2009: £283.3m). This is in line with guidance given at the time of our Rights Issue and in our 2009 Annual Report.

During the year we introduced a scrip dividend scheme, which provides shareholders with the option to receive their dividend in shares as opposed to cash. The take up for the dividend paid on 15 January 2010 was 33%, resulting in a cash saving of £17.6m, while the scrip dividend take up for the third quarterly dividend paid on 1 April 2010 was 41%. Following the implementation of the scrip alternative, our Dividend Reinvestment Plan (DRIP) was suspended. A scrip alternative will be offered for the final dividend payment on 30 July 2010. Shareholders who wish to participate but have not yet completed a Mandate Form should download this form from our corporate website and send the completed form to our Registrars, Equiniti. Mandate Forms must be received by Equiniti at least 15 working days before the relevant dividend payment date to be eligible for that particular dividend. The calculation price for the scrip dividend alternative in respect of the final dividend payable on 30 July 2010 will be announced on 30 June 2010 and will be based upon the share price on 23, 24, 25, 28 and 29 June 2010.

All of the dividends paid and payable in respect of the financial year ended 31 March 2010, comprise Property Income Distributions (PID) from REIT qualifying activities to the extent that these dividends are paid in cash. PIDs are subject to 20% withholding tax for relevant shareholders. Scrip dividends are not treated as qualifying towards the Group PID requirement and are not subject to 20% withholding tax.

Net assets

At 31 March 2010, our net assets per share were 750p, an increase of 111p compared to the year ended 31 March 2009. The increase in our net assets was primarily driven by the increase in value of our investment property portfolio.

In common with other property companies, we calculate an adjusted measure of net assets which we believe better reflects the underlying net assets attributable to shareholders. Our adjusted net assets are lower than our reported net assets primarily due to an adjustment to our debt. Under IFRS we do not show our debt at its nominal value, although we believe it would be more appropriate to do so, and we therefore adjust our net assets accordingly. At 31 March 2010, adjusted diluted net assets per share were 691p per share, an increase of 98p or 16.5% from 31 March 2009.

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

Table 18
Net assets

	Year ended 31 March 2010 £m	Year ended 31 March 2009 £m
Net assets at the beginning of the year	**4,823.5**	9,582.9
Adjusted earnings	**257.8**	325.0
Valuation surplus/(deficits) on investment properties	**863.8**	(4,743.7)
Impairment of development land and infrastructure	**(13.5)**	(104.3)
Losses on investment property disposals	**(24.5)**	(127.9)
Other	**5.3**	(119.5)
Profit/(loss) after tax attributable to owners of the Parent	**1,088.9**	(4,770.4)
Loss on discontinued operations	**–**	(420.9)
Dividends paid	**(217.9)**	(302.4)
Rights Issue	**–**	755.7
Other reserve movements	**(4.6)**	(21.4)
Net assets at the end of the year	**5,689.9**	4,823.5
Mark-to-market on interest-rate swaps	**37.3**	150.2
Debt adjusted to nominal value	**(486.0)**	(499.8)
Adjusted net assets at the end of the year	**5,241.2**	4,473.9

Net pension deficit

The Group operates a defined benefit pension scheme which is closed to new members. At 31 March 2010 the net deficit was £6.5m, compared to a £3.0m surplus recognised at 31 March 2009. The change is primarily due to the actuarial assumptions adopted increasing the liabilities of the scheme by more than the return on the scheme's assets. This has been partially offset by additional employer contributions agreed as part of the triennial funding review concluded in January 2010.

Further details regarding the defined benefit pension scheme, including the assumptions adopted and the related sensitivities, can be found in note 29 to the financial statements p126—128.

Cash flow, net debt and gearing

During the year, net debt decreased by £660.2m to £3,263.4m. This reduction was primarily driven by proceeds from the disposal of investment properties (£826.2m) and the disposal of our joint venture interest in the Bullring, Birmingham (£209.8m). The only investment property acquired in the year was the Atlas development site opposite Buchanan Galleries in Glasgow. Capital expenditure in the year totalled £219.6m of which £102.7m related to the development at One New Change, London, EC4.

We also invested £65.2m in our joint ventures, consisting mainly of £81.7m on our major developments in Cardiff and Bristol offset by capital repayments of £10.1m and £7.7m from Bristol and Bullring, respectively.

Table 19

Cash flow and net debt

	Year ended 31 March 2010 £m	Year ended 31 March 2009 £m
Operating cash inflow after interest and tax	179.3	367.2
Dividends paid	(217.9)	(302.4)
Non-current assets:		
Acquisitions	(46.8)	(86.1)
Disposals	847.8	823.0
Capital expenditure	(219.6)	(429.8)
	581.4	307.1
Trillium disposal:		
Gross proceeds	25.0	444.0
Net debt divested	–	48.6
	25.0	492.6
Loans advanced to third parties	(33.3)	(50.0)
Receipts from the disposal group (part of Trillium's PPP activities)	–	113.5
Joint ventures and associates	(65.2)	(117.0)
Divestment of a joint venture (Bullring)	209.8	–
Proceeds from the Rights Issue	–	755.7
Fair value of interest-rate swaps	7.0	(105.6)
Other movements	(25.9)	(0.2)
Decrease in net debt	660.2	1,460.9
Net debt at the beginning of the year	(3,923.6)	(5,384.5)
Net debt at the end of the year	(3,263.4)	(3,923.6)

Our interest cover, excluding our share of joint ventures, has increased from 1.89 times in 2009 to 1.92 times in 2010. 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 2010 was 1.73 times.

Gearing has reduced from 81.4% at 31 March 2009 to 57.4% at 31 March 2010. The reduction is principally due to the reduction in net debt and increase in net assets. Details of the Group's gearing are set out in Table 20, which also shows the impact of joint venture debt, although the lenders to our joint ventures have no recourse to the Group for repayment.

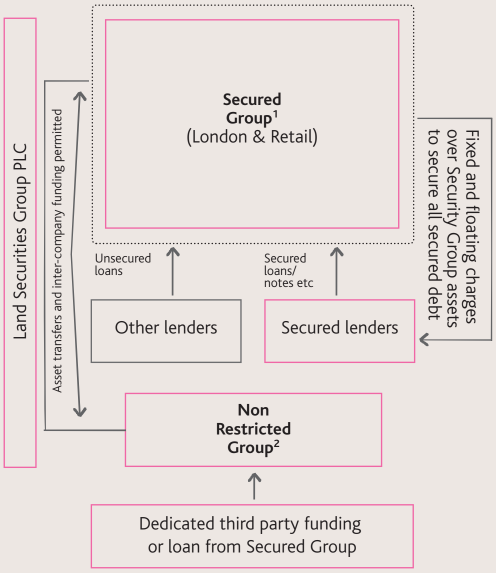
Adjusted gearing, which recognises the nominal value of our debt, reduced from 97.3% at 31 March 2009 to 72.1% at 31 March 2010. Adjusted gearing including our share of joint ventures reduced from 105.9% to 80.2% over the same period. In common with other property companies, we also show our Group LTV ratio.

Table 20
Gearing

	31 March 2010 %	31 March 2009 %
Gearing – on book value of balance sheet debt	**57.4**	81.4
Adjusted gearing*	**72.1**	97.3
Adjusted gearing* – as above plus notional share of joint venture debt	**80.2**	105.9
Group LTV	**44.8**	52.2
Group LTV – as above plus notional share of joint venture debt	**43.5**	49.6
Security Group LTV	**45.5**	76.7

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

Chart 21
Funding structure



1. Retail and London assets totalling £7,766.0m, securing £3,532.5m of net debt.
2. Includes joint venture interests, assets with dedicated third party funding and strategic land holdings.

Financing strategy

The Group monitors and adjusts its capital structure with a view to promoting the long-term success of the business and maintaining sustainable returns for shareholders. A key element of the Group's capital structure is that the majority of 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. Our secured debt structure provides for different operating environments which apply in 'tiers' determined by levels of LTV and Interest Cover Ratios (ICR), although it is LTV which is the more likely determinant of which operating environment applies. These ratios do not trigger an event of default until LTV exceeds 100% or historic or projected ICR is less than 1.0 times. However, our operating environment becomes more restrictive at higher levels of LTV/lower levels of ICR. There are minimal operational restrictions on the Group in Tier 1 (LTV below 55%), our current level, and Tier 2 (LTV: 55% to 65%). Above an LTV of 65%, our operating environment becomes more restrictive with provisions designed to encourage a reduction in gearing including mandatory debt amortisation.

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 assets on which we have raised separate, 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 the specific asset or joint venture.

Chart 22
Expected debt maturities (nominal) (£m)

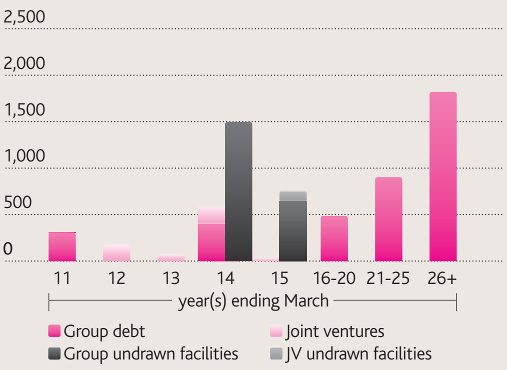
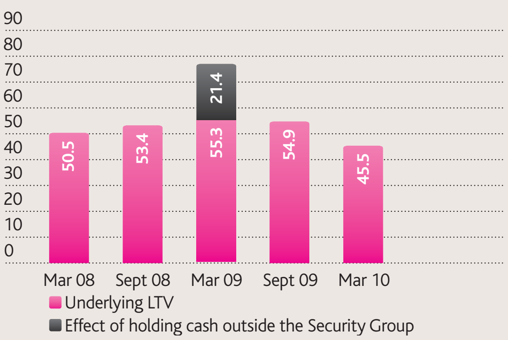


Chart 23
Security Group LTV history (%)



Financing and capital

In January 2009, at a time of unprecedented falls in the commercial property market, we drew down £1.1bn of credit facilities to ensure their continued availability. As a result of this decision, the Security Group temporarily entered a more restrictive operating environment in June 2009.

The focus for the year, therefore, was on our cash flows, the level of available facilities and the maturity of our debt. During the year, we refinanced £650.0m of our existing committed bilateral facilities, extending them in to the financial year ending March 2015. Outside the Security Group, our joint venture in St David's, Cardiff raised a new £290.0m facility, of which £74.4m is currently drawn (our share £37.2m). We also issued an innovative AAA-rated £360.0m amortising bond secured on the income stream from our Government-let property at Queen Anne's Gate, London SW1.

Our success in raising new debt and extending existing facilities, together with the cash raised from investment property sales, enabled us to repay £2.1bn of drawn credit facilities in the Security Group by November, which returned the Security Group to the more flexible Tier 1 operating regime.

At 31 March 2010, our net borrowings (including joint ventures) amounted to £3,657.5m (£4,170.0m at March 2009). Cash and committed but undrawn facilities were £2,447.0m. In the Security Group, £3,532.5m of net debt was secured against £7,766.0m of assets, giving a Security Group LTV ratio of 45.5%.

The weighted average duration of the Group's debt (including joint ventures) is 11.8 years with a weighted average cost of debt of 5.3%.

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 2010, Group debt was 98.2% fixed.

Taxation

As a consequence of the Group's conversion to REIT status, income and capital gains from our qualifying property rental business are now exempt from UK corporation tax. The tax credit for the period of £23.1m (2009: £0.5m charge) comprises a current year credit of £4.3m arising as a result of the refund of REIT conversion charges following the sale of recently completed developments, a prior year corporation tax credit of £21.0m (2009: £0.3m charge) following resolution of a number of prior year issues, less a net deferred tax charge of £2.2m (2009: £0.2m charge). The prior year tax credit for the period has not been recognised as part of our adjusted earnings as it is non-recurring and relates to the period before we became a REIT.

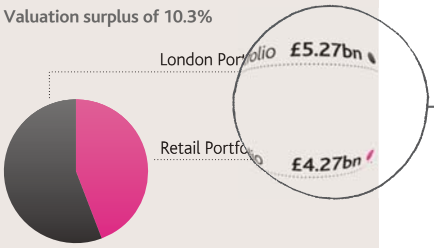
Business review

How do we value our property assets?

1 Combined portfolio value p12

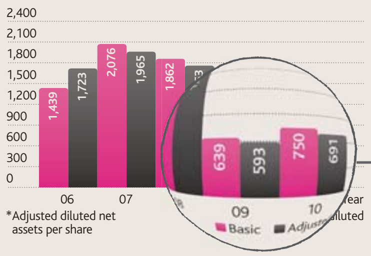
£9.54bn

Valuation surplus of 10.3%

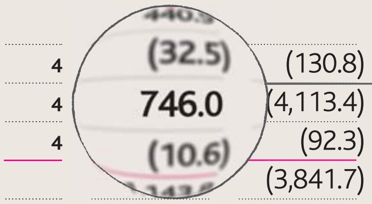


2 Net assets per share p12

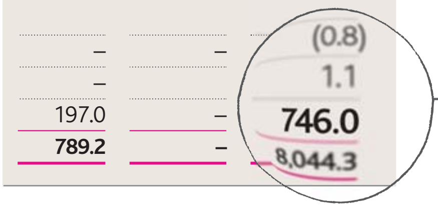
691p* 16.5%*



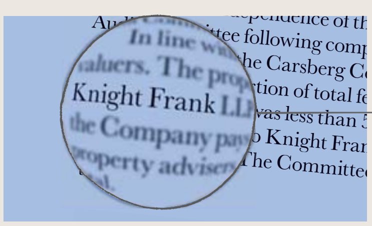
3 Net surplus/(deficit) on revaluation of investment properties p94



4 Valuation surplus p111



5 A note from the Audit Committee p72—73



What is a valuation?

A valuation is an estimate of the financial value of a property at a particular point in time. A valuation is based on what a willing buyer would pay a willing seller, in the opinion of the valuer. The valuer has full access to the relevant information on each property in the way that a buyer would. Our properties are revalued every six months, covering both investment properties and developments.

Why is a valuation so important?

Clear, accurate and timely valuations promote transparency in commercial property. In the UK, we have a highly transparent property market and a well-regarded valuation industry. Our system of frequent valuations conducted by external valuers compares well with many overseas markets, where shareholders often have to rely on annual Directors' valuations.

How do valuations affect our measures of financial performance?

The valuation is a vital component in helping shareholders assess the value of our Company 1. It puts a price on all our assets as to their worth. This also helps a shareholder see how well they have performed every six months. Given this close relationship between asset valuations and financial performance, valuations have a significant effect on a company's net assets per share*. This is a key indicator of our performance 2.

Where else can I see the impact of the valuation in the report and accounts?

Changes to the value of our portfolio are visible in a number of places in the Financial Statements, including the income statement 3, balance sheet 4 and a number of notes. As we have already highlighted, these changes are most clearly visible in our net asset per share measure*.

How are valuations calculated?

Published by the Royal Institution of Chartered Surveyors (RICS), 'The Red Book' provides valuation standards, mandatory rules and best practice guidance for all RICS members undertaking valuations. Our external valuers follow the standards, rules and guidance set out in this publication. When valuing, our external valuers will assess the market value for an asset on the basis that a potential transaction has taken place on the valuation date, using the 'willing buyer, willing seller' criteria.

Who values our portfolio?

Our valuers are Knight Frank LLP, one of the major valuers in our industry. They have a national network of offices and the expertise required to value office, retail, retail warehouse and other types of property anywhere in the UK.

We monitor the independence of our valuers in three key ways. First, the total fees paid to Knight Frank by us constitute less than 5% of their total fee income 5. Second, our valuers and our external auditors – PricewaterhouseCoopers (PwC) – are in independent communication throughout the valuation process. Third, our Audit Committee Chairman and external auditors attend key valuation meetings to ensure independence is observed. For more on valuation and corporate governance please see p72 and 73.

* Net asset value per share is calculated by deducting our total liabilities (e.g. debt) from our total assets (e.g. properties) and dividing the result by the number of ordinary shares in issue.

Group business review

Chart 24
Floorspace under management ('000m^2)

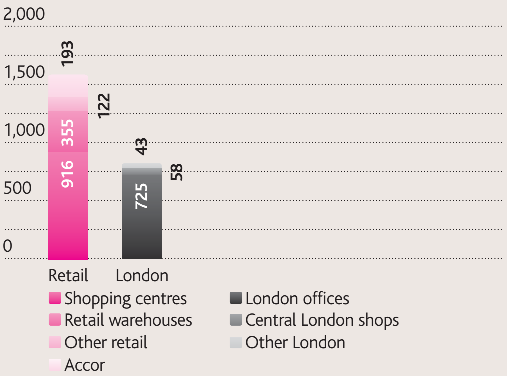


Table 25
Top 12 global REITs

Rank	Company	Mkt cap £m
1	Westfield Group	16,841
2	Simon Property Group	15,814
3	Unibail-Rodamco	12,218
4	Public Storage	10,289
5	Vornado Realty Trust	9,078
6	Equity Residential	7,275
7	Boston Properties	6,913
8	HCP	6,393
9	Host Hotels & Resorts	6,321
10	Annaly Capital Management	6,265
11	Stockland	5,753
12	Land Securities	5,144

Source: Datastream, as at 31 March 2010

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

This review discusses some of the key actions we took during the year to strengthen our businesses, culture and commitments. Our actions affect many different individuals, but the following sections highlight three particularly important groups – our customers, our employees and the wider community. This matches the way we report on Corporate Responsibility (CR), which reflects our belief that CR should be fully integrated with the fundamental business priorities of the Group.

Our business model

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

Our customers

Every day thousands of people work in a building owned or managed by us, and thousands more visit our shops. We work with a wide range of businesses and organisations, and you can find more detailed information about our partnerships with customers in the Retail Portfolio and London Portfolio business reviews in this Annual Report.

Across the Group, Government is our largest customer and represents 9.3% of the combined portfolio. The largest customer in Retail is DSG International, representing 1.5% of the combined portfolio.

This year we continued to help customers find new and better ways to mitigate the effects of tough commercial conditions. Successful initiatives included the development of simplified Clearlet leases, and the launch of our Brand Empire venture, which is attracting overseas retailers to our shopping centres. We also started the national rollout of On Brand. Developed at our White Rose Shopping Centre, Leeds, this programme ensures that every employee knows and can talk about the latest promotions, offers and events in their centre. Our aim is to enhance the shoppers' and the retailers' experiences, from the moment they encounter our shopping centre to the end of their visit.

Customer satisfaction is one of our key performance indicators, and you can see how we performed against our targets this year on p13. In brief, our customer satisfaction survey score remained consistent from 4.18 to 4.17 out of 5.0 in Retail, and up from 3.68 to 3.74 out of 5.0 in London.

Throughout the year we placed great importance on good communication with retailers and occupiers. Every one of our customers has a day-to-day Land Securities contact for matters affecting their business. We also conduct annual customer satisfaction surveys, carry out quarterly occupier review meetings in our shopping centres, hold regular liaison meetings with occupiers, and attend industry conferences to enable customers to meet our senior teams.

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 are very proud of the expertise, ambition and commitment of our employees, especially as we have all experienced demanding and sometimes unsettling times in the commercial property sector in recent years.

This year, our annual employee engagement survey saw a good overall response rate of 78%, with more than 96% of employees who responded agreeing that 'I am proud to be part of the Land Securities Group'.

During the year we developed and launched a new Company vision. This was the result of a major consultative exercise involving many of our employees. We used workshops, forums, artwork and other forms of discussion and feedback to gain our employees' views on what sets Land Securities apart. This generated an enormously powerful and productive response, and we have captured the essence of this in the phrase 'Shaping the future of property'. Together with our values, this vision underlines our commitment to lead our industry and set new standards for tomorrow. The exercise also defined five fundamental qualities that employees see at the heart of the Company, and these now shape the way we manage our people, and the way we have reported on progress in the following:

- Thought leadership
- Best team
- Strong partnerships
- Business excellence
- Sustainable environment.

Our communities

When our founder, Harold Samuel, coined the phrase 'location, location, location' he captured the truth that the best buildings draw people together. We want to be a good neighbour and invest in employment, education and enterprise opportunities to help create sustainable local communities.

We invest in local communities and encourage our teams to listen, respond and develop enduring partnerships with local residents, community groups, business communities and local Government. We actively encourage our teams to engage through charitable engagement, volunteering programmes and other local initiatives. All of our major properties have proactive local engagement programmes up and running.

As part of our commitment we run 'The Foundation'. This organisation 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.

We liaise regularly with local councils and have constructive working relationships with a range of organisations, with a focus on local regeneration projects.

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 principal consultant 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 get the Environmental Management Standard 14001.

For the last three years we have been at the top of the Dow Jones global super sector, and named as one of the world's 20 most sustainable companies. During the year we also won three accolades in The Sustainable City Awards – the Leadership Award 2009/10; Tackling Climate Change Category winner 2009/10; and Responsible Waste Management Category winner 2009/10.

Corporate Responsibility

Our day-to-day work – no matter how small the task – impacts somebody somewhere. Our aim is to ensure that the impact is positive. We believe companies should act responsibly. We also believe that responsibility works best when it makes a difference for everyone – including our employees and shareholders. Every action we carry out must be commercially sound and make a difference. Only then can it truly be sustainable.

To read more about our approach to Corporate Responsibility and our performance this year, please go to p56—64.

Our risks and how we manage them

—The tables below show the principal risks we face

During 2009/10 we increased the average duration of our debt from 9.6 years to 11.8 years.

Financial risks

Risk description	Impact	Mitigation
Liability structure		
• Future fall in property values may impact LTV ratio and reduce availability of future financing.	• Inability to fund operations and capital expenditure programme.	• Liquidity and gearing kept under constant review. • 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 assets are available to sell/provide security for raising new debt.
• Limited debt market capacity.	• Unable to meet existing debt maturities and forward cash requirements.	• Long-term facilities in place. • Ongoing monitoring and management of the forecast cash position. • Commitments are not taken on if funding is not available.
Treasury risk		
• Failure of bank and financial institution counterparties.	• Loss of cash and deposits.	• Only use independently-rated banks and financial institutions with a minimum rating of A. • Weekly review of credit ratings of all financial institution counterparties. • Group Treasury ensures that funds deposited with a single financial institution remain within the Group's policy limits.
• Treasury loss or fraud.	• Loss of cash and deposits.	• Clear segregation of duties between the treasury front office and back office operations. • Counterparty reconciliations. • Clearly defined delegations of authority.

People risks

Risk description	Impact	Mitigation
People skills		
• Failure to have the right people and skills in the business.	• Lack the skills required to deliver the business objectives.	• Succession planning and skill gaps reviewed by Nominations Committee and processes established.
• Unable to retain and attract the best talent.	• Loss of knowledge and key skills.	• Implementation of talent management processes. • Remuneration review undertaken by the Board. • Breadth and quality of portfolio and development projects.

Property investment risks

Risk description	Impact	Mitigation
Consumers		
• Change in consumer behaviours.	• Cutbacks in retailer opening programme. • Increasing voids. • Reduced rental growth.	• Bespoke research commissioned on the impact of structural change in the Retail sector, the results of which are factored into our Retail business plans. • Diversified tenant base. • Strong established locations and relationships with occupiers. • Pre-letting of key units before committing to development. • Void management through temporary lettings and void mitigation strategies. • Large portfolio allows portfolio leasing deals and flexibility to further reduce voids.
Asset illiquidity		
• Asset concentration and lot size.	• Assets may be illiquid and therefore difficult to flex balance sheet gearing.	• Large multi-asset portfolio. • No one asset is more than 6.6% of our combined portfolio. • Average investment property lot size of £48.2m. • Asset liquidity of the portfolio kept under regular review.
Environment		
• Increasing Government intervention and customers' expectations.	• Inhibit the viability of our development programme and place greater demand on our resources.	• Dedicated specialist environment personnel. • Established policy and procedures including ISO 14001 certified environmental system. • Active environmental programme addressing key areas of impact (energy and waste).
Lease expiries		
• Leases are not renewed.	• Increased levels of voids. • Impact on revenue if major occupier fails to renew lease.	• Profile of future lease expiry dates kept under regular review. • Target for maximum % of leases subject to expiry in any one year. • Diversified tenant base. • Strong established locations and relationships with occupiers. • Of our income 65.1% is derived from tenants who make less than a 1% contribution to rent roll. • Variety of asset types and geographic spread. • Experienced and skilled in-house leasing teams. • Void management and empty rates mitigation.
Asset volatility		
• Volatility of asset values.	• Risk of negative interaction between falling property values and balance sheet gearing.	• Asset liquidity of the portfolio kept under regular review. • Target ranges for balance sheet gearing. • Secure income flows under UK lease structure.

Property development risks

Risk description	Impact	Mitigation
Development pipeline		
• Size of development pipeline and associated leasing risk.	• Major impact on resources, in particular funding, income and potentially dividend cover.	• Risk analysis of speculative development pipeline on capital and income basis. • Clearly defined delegations of authority.
• Failure to manage development activity in line with market cycle.	• Capital expenditure programme does not deliver required returns.	• Strategy of flexing size of development programme according to the outlook for the market cycle. • In-house property market research capability. • Skilled in-house development teams.

Retail Portfolio

To watch Richard's video go to:
www.landsecurities.com/annualreport2010/richard

"We are emerging from very tough conditions in resilient shape. We have protected income, secured new lettings and sold properties with limited growth prospects. We will continue to create value by letting vacant space and undertaking developments with significant pre-lettings." *Richard Akers*
Managing Director, Retail Portfolio

Progress on our key objectives for 2009/10

Objective	Progress
• Protect income through proactive asset management	• Secured £27m lettings and reduced units in administration from 5.1% to 1.8% • Achieved rental growth at key locations, including Gunwharf Quays, Portsmouth; The Galleria, Hatfield and the N1 Centre, Islington
• Continue to make sales as appropriate	• Sold Bullring, Birmingham, as had no active role in asset management and were unable to utilise asset for debt purposes • Sold 50% share of Exeter assets while retaining responsibility for asset management and future development
• Identify acquisition and uplift opportunities	• Acquired The Atlas Site, Glasgow, helping us to maximise the development potential of our Buchanan Street holdings • Achieved planning success to enhance Sainsbury's foodstores in Lincoln and Wandsworth, through Harvest Partnership
• Maintain position as best-in-class for development and customer service	• Enabled John Lewis Partnership to launch its first new format 'at home' shop, in Poole, Dorset • Retail customer satisfaction survey score remained consistently high at 4.17
• Complete and maximise lettings at current developments	• St David's Shopping Centre, Cardiff now 74% let or in solicitors' hands. • Achieved strong progress on pre-lettings at Leeds Trinity, now 44% let or in solicitors' hands. H&M, River Island and Next signed up.

How we create value

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

- Prioritising 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 our capital and applying our skills to reposition assets higher up the value hierarchy

Our performance at a glance

Highlights

- Valuation surplus of 11.7%
- Shopping centres outperformed IPD sector benchmark by 6.9%
- Retail warehouses outperformed IPD sector benchmark by 0.75%
- 350 lettings secured during the year
- Successful opening of new John Lewis at home store in Poole
- Successful launch of St David's 2 shopping centre in Cardiff
- Acquired Atlas development site in Glasgow, O2 Centre, Finchley Road NW3, and Westgate Shopping Centre, Oxford

Chart 26
Retail Portfolio by capital value

£4.27bn

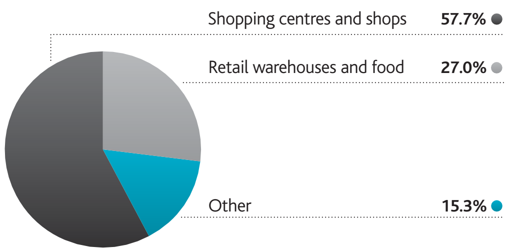


Chart 27
Retail valuations at 31 March 2010 (£bn)

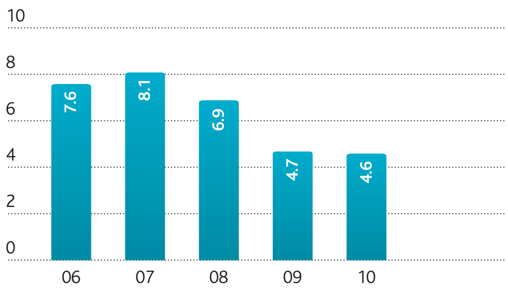
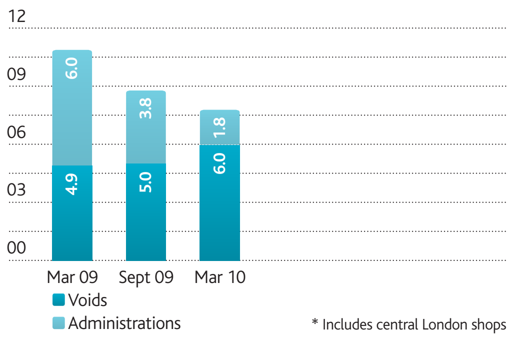


Table 28
Retail Portfolio valuation and performance summary

	31 March 2010 £m	31 March 2009 £m
Combined portfolio valuation	**4,265.7**	4,317.6
Like-for-like		
Investment portfolio valuation	**3,584.5**	3,140.0
Net rental income	**279.2**	318.5
Gross estimated rental value	**286.1**	300.6
Voids by estimated rental value	**5.8%**	5.1%

Chart 29
Voids and units in administration – Retail* (% of ERV)



* Includes central London shops

Table 30
Top 10 retail tenants (% of Group income)

	%
DSG International	1.5
Arcadia Group	1.5
J Sainsbury	1.3
Boots	1.2
Marks & Spencer	1.0
Next	0.9
Home Retail Group	0.9
Tesco	0.8
H&M	0.8
New Look	0.7
	10.6
Retail other (excluding Accor)	42.2
Total (all retail tenants)	**52.8**

Chart 31
Retail Portfolio — tenant diversification (% of Group income)

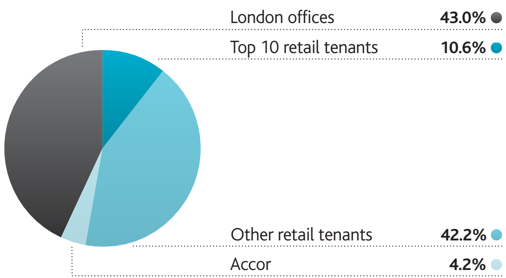
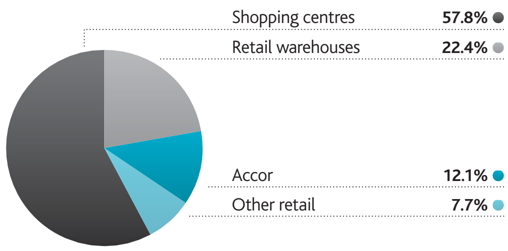


Chart 32
Retail Portfolio floorspace under management

1.59 million m²



Business commentary

Our market

At the start of the year the economic outlook continued to cast a shadow over retail property investment values, but the picture improved significantly as we moved towards and beyond the half-year point, with growing investor demand for shopping centres and retail warehouses. We saw a pronounced rise in values for retail warehousing, which was a result of particularly strong buying interest from institutional investors.

While occupier markets remained tough this year, well located retail assets in a good catchment continue to attract retailers. We saw consistent leasing activity from a number of well-known brands both in shopping centres and the retail warehouse market.

The first half saw the sector continue to be hit by further retailer insolvencies, but the level of units in administration in our portfolio remained relatively stable and then declined in the second half due to our focus on securing new lettings.

Our performance

The valuation of our Retail Portfolio resulted in a surplus for the year of 11.7% overall, with shopping centres and shops up 8.3% and retail warehouses and food stores up 22.5%.

Rental values in our like-for-like portfolio fell 6.3% for our shopping centres and shops, and 4.7% for our retail warehouses and food stores over the year as a whole. However, the rate of decline was ameliorating as the year progressed and, in the second half, rental values fell by just 0.7% for shopping centres and shops, and by 0.2% for our retail warehouses and food stores.

On the basis of ungeared total property returns, our shopping centres outperformed the IPD Quarterly Universe by 6.9% and our retail warehouses outperformed by 0.75%. The primary reasons for this outperformance were higher levels of occupancy coupled with the completion of a number of key asset management initiatives.

We significantly reduced the proportion of units in administration from 5.1% in March 2009 to 1.8% at year-end. Voids across our like-for-like Retail Portfolio were 5.8% compared to 5.1% at March 2009. Within this 5.8% void figure, 1.8% is occupied under temporary lettings. These results reflect good leasing progress assisted by our established relationships with retailers.

Table 33
Net rental income

	31 March 2010 £m	31 March 2009 £m	Change £m
Like-for-like investment properties	**228.5**	242.0	(13.5)
Proposed development properties	**7.2**	8.6	(1.4)
Ongoing developments	**7.1**	2.8	4.3
Completed developments	**12.3**	4.5	7.8
Acquisitions since 1 April 2008	**0.2**	–	0.2
Sales since 1 April 2008	**20.2**	55.2	(35.0)
Non-property related income	**3.7**	5.4	(1.7)
Net rental income	**279.2**	**318.5**	**(39.3)**

The variance in net rental income compared to the same period last year is mainly attributable to our sales programme, which resulted in a decline of £35m. The decline in net rental income on like-for-like investment properties is attributable to the full year effect of the vacant units that resulted from the failure of a number of retailers in the second half of 2008/09 and also a fall in the income from the Accor hotel portfolio, reflecting the difficult trading conditions within the hospitality sector. However, this has been partially offset by an increase in income from our completed developments in Bristol, Livingston and Cardiff, which opened in September 2008, October 2008 and October 2009, respectively.

Our strategy

Despite recent turbulence in our market, our strategy has remained clear, consistent and in tune with evolving retail trends. We work to ensure our shopping centres – both large and small – provide shoppers with convenience, great leisure experiences and a breadth of successful retail brands. And we continue to develop our retail warehouse portfolio so major brands can provide attractive and convenient out-of-town options for shoppers.

We look to improve assets, raising them up the retail hierarchy and positioning them to become dominant in their catchment. Our key objective is to maximise long-term returns from our portfolio.

The fundamentals of our strategy are well suited to the market's recovery phase, but over the next 12 months we will be placing particular emphasis on four key priorities. We will look to expand our out-of-town presence through new acquisitions and development. We will continue our intense focus on meeting pre-letting targets for development schemes, including Leeds Trinity. We will continue to work to protect income across our portfolio. And we will maintain effective cost control on capital expenditure and irrecoverable costs associated with shopping centres.

Sales and acquisitions

This year asset sales totalled £625.5m. On average, sales were at 1.6% below the 31 March 2009 valuation (before disposal costs) and showed an average income yield of 7.6%. We chose to sell assets that offered less opportunity to create value through development and active asset management.

The largest disposal related to our one-third ownership in the Bullring, Birmingham, which was sold to the Future Fund of Australia for close to £210m in September 2009. We had no operational control of the Bullring asset and saw limited opportunities to create additional value through asset management.

In December 2009, we sold a 50% share of our leasehold interests in Exeter city centre to The Crown Estate for close to £100m. This transaction has enabled us to extract capital while retaining the asset management, property management and future development functions for this estate.

Other asset disposals this year included retail warehouse parks and food stores in Bury, Melton Mowbray, Plymouth, Liverpool, Edmonton, Swansea and Chester, together with shopping centres in Maidstone and Welwyn.

After conversion to REIT status in 2007 we became a net seller of retail assets and initially enjoyed the capital gains tax benefits REIT status brings to transactions. Even as we moved into the downturn we succeeded in making good sales. In 2007 and 2008 we disposed of nine retail warehouse assets with a combined value of £300m, at an average yield of 5.2%. In 2009 we sold a further five assets for £170m bringing the combined average yield up to 6.2% for this whole period. We have sold many of our older retail warehouse assets, some dating back to the early 1980s and now have a very robust portfolio, with a low level of voids and significant opportunities for development and enhancement.

Top 5 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, Marks & Spencer, Primark.

Acquisition date
1995

Completion
March 1997

Form of ownership
leasehold

Ownership interest
100%

Area
63,170m²

Passing rent[1]
£27m

Let by income[3]
99%

2 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
111,480m²

Passing rent[2]
£18m

Let by income[3]
95%

3 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, Marks & Spencer, Nike, Gap.

Acquisition date
2001

Completion
N/A

Form of ownership
freehold

Ownership interest
100%

Area
41,250m²

Passing rent
£19m

Let by income[3]
99%

4 St David's, Cardiff

This is now the dominant shopping centre in Cardiff. Having opened in October 2009, visitor numbers reached 20 million within its first six months and a further 40 stores have opened since launch.

Principal occupiers
John Lewis, New Look, H&M.

Acquisition date
1993

Completion
October 2009

Form of ownership
leasehold

Ownership interest
50%

Area
130,060m²

Passing rent[2]
£12m

Let by income[3]
74%

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, Marks & Spencer, Bhs.

Acquisition date
1973

Completion
Phase 1: September 1976
Phase 2: August 1996
Phase 3: October 2008

Form of ownership
freehold

Ownership interest
100%

Area
88,260m²

Passing rent
£15m

Let by income[3]
92%

1. A proportion of this income is paid in ground rent.
2. Refers to Land Securities' share of total passing rent.
3. May include units in administration where lease has not been surrendered.

Business commentary

In December 2009 we completed the purchase of the property known as The Atlas Site for just under £10m – a relatively small but important transaction that demonstrates how we create value. Located on Glasgow's Buchanan Street, The Atlas Site is directly opposite the Buchanan Galleries shopping centre, which we jointly own with Henderson Global Investors. Ownership of the new asset will help us to maximise the development potential of our Buchanan Street holdings, as we work to cement its place as the dominant pitch in this major city.

Since the year end, we have also acquired the O2 in Finchley Road, NW3 and a 50% stake in The Westgate Centre, Oxford. The O2 has a very secure income stream and a number of interesting asset management opportunities. In Oxford, we have entered into a partnership with The Crown Estate after they agreed to acquire the centre. Oxford has very strong demand from retailers and a shortage of quality retail floorspace.

Asset management

Our asset management initiatives across our centres have also created encouraging results. Our factory outlet centres continue to prove attractive to retailers and consumers alike with the convenience, value and breadth of their choice. At Gunwharf Quays in Portsmouth, sales grew by 6.7% over the year helped by new lettings to Fiorelli, Quba Sails, Yo Sushi and Wagamama. The Galleria at Hatfield has also seen good progress, with Gap, Jaeger, Laura Ashley and Gant new to the centre. Across our shopping centre portfolio, we have seen emerging instances of being able to secure higher rents for the right unit in the right location. An example is at the N1 Centre in Islington where the former Borders unit attracted a significant amount of interest and H&M ultimately beat several competitors for the space at a rental level considerably higher than the previous rent. In Aberdeen, the centre has responded well to recently opened competition with lettings to Hobbs, Jo Malone, Phase 8 and Swarovski helping reinforce the fashion offer of the centre. Towards the end of the year we obtained a resolution to grant planning permission for 4,350m^2 of extension space at White Rose in Leeds which will help satisfy demand from retailers to upsize and, since the year end, we have signed a lease for a new 1,860m^2 store for H&M.

During the year we continued to see retailer demand for space in the retail warehouse sector, and secured new lettings at our Livingston, Dundee, Thanet and West Thurrock retail parks. In October 2009 the first of the new format John Lewis shops opened in Poole, Dorset. This 5,110m^2 shop sells the retailer's home, electrical and home technology products. The retailer believes there could be potential for up to 30 new locations if the trial proves successful. By choosing to work with us on this important project, John Lewis has highlighted our ability to build lasting relationships and deliver great sites. Our work with John Lewis – and with J Sainsbury through the Harvest Partnership – underlines both the increasing attraction of the retail warehouse sector for major brands and our excellent track record in this area.

We continue to introduce initiatives to strengthen our relationships with retailers. Our new Clearlet leases are proving popular, and we intend to introduce more of these on new lettings to help speed up and simplify the leasing process. Clearlet leases are straightforward contracts that simplify key aspects of the landlord-tenant relationship.

This year we also launched our innovative Brand Empire subsidiary, which enables overseas retailers to initially enter the UK market through our shopping centres. Brand Empire is a wholly owned subsidiary which acts as an incubator for the retail brands by investing in the store set up and employees while the retail partner takes responsibility for the product line and marketing. Brand Empire then pays the retailer for the product at the point of sale. We already have four brands signed up to enter the UK. In February 2010 we agreed terms with Grupo Cortefiel, one of Spain's largest fashion retailers, to bring three of its core brands – Cortefiel, Springfield and women'secret – to the UK. And in March we announced that Laline, a leading cosmetics retailer, would also be entering the UK via Brand Empire.

Development

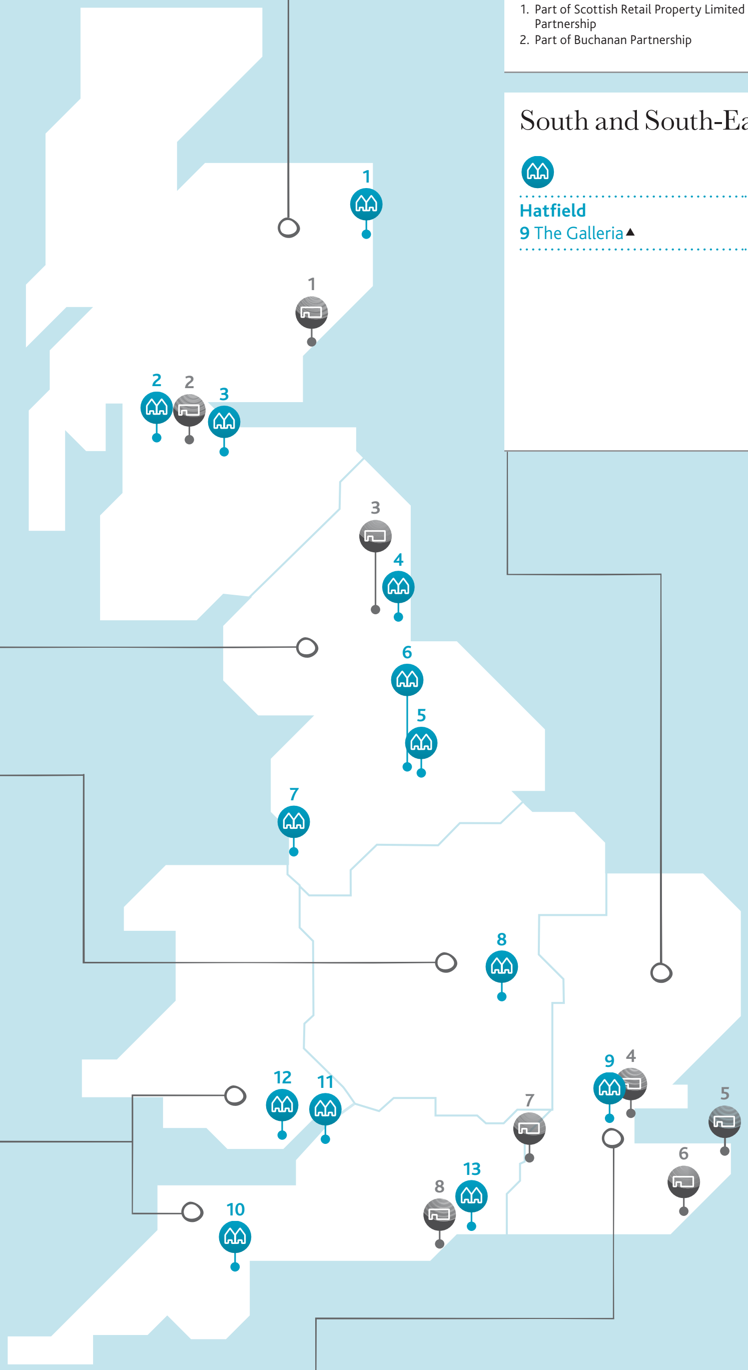
In October 2009, we opened the St David's Shopping Centre in Cardiff. Created with our partners, Capital Shopping Centres PLC, the centre is anchored by a new John Lewis department store – the first in Wales and the largest outside London. The new development links to the existing Debenhams and Marks & Spencer stores, which were refitted to coincide with the opening. The centre is now 74% let or in solicitors' hands by income – a satisfactory result in a tough market. Although it was launched in difficult economic conditions, St David's is located in the centre of a major city and is anchored by high quality retailers. We believe it will become a dominant asset and has good future growth potential.

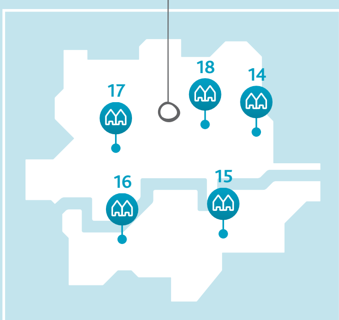
Having obtained planning consent to provide 70,000m^2 of new retail space at our Leeds Trinity shopping centre development, we have made good progress in discussions with retailers and are increasingly confident about starting the scheme in 2010 as we move towards the pre-lettings target we have set prior to development.

In November 2009, The Harvest Partnership, a joint venture between J Sainsbury and Land Securities, was successful in securing permission to extend and improve the popular Tritton Road food store in Lincoln. In Wandsworth, we have obtained a resolution to grant consent for an extension to the Sainsbury's store, an additional retail unit and hotel. During the year we also obtained consent for both a 8,360m^2 Sainsbury's store at Almondvale South retail park, Livingston and a food store at the Greyhound retail park, Chester. These planning successes reflect both the relative buoyancy of the food sector as it expands into non-food areas and also our ability to identify development opportunities and secure planning consents.

Top Retail Portfolio properties

—over £50m by location





Scotland

Shopping centres

Aberdeen
1 Bon Accord Centre[1]▲
St Nicholas Centre[1]

Glasgow
2 Buchanan Galleries[2]*

Livingston
3 Almondvale Centre*●

1. Part of Scottish Retail Property Limited Partnership
2. Part of Buchanan Partnership

Retail warehouses

Dundee
1 Kingsway West Retail Park▲

Livingston
2 Almondvale West▲
Almondvale Retail Park
Almondvale South

North, North-West, Yorkshire and Humberside

Shopping centres

Sunderland
4 The Bridges*

Leeds
5 Leeds Plaza and Albion St*●
6 White Rose Centre*

Liverpool
7 St John's Centre, Williamson Sq and Clayton Sq▲

Retail warehouses

Gateshead
3 Team Valley Retail Park*

South and South-East

Shopping centres

Hatfield
9 The Galleria▲

Retail warehouses

West Thurrock
4 Lakeside Retail Park*

Thanet
5 The Fort, Westwood Cross*

Bexhill-on-Sea
6 Ravenside Retail and Leisure Park▲

Bracknell
7 The Peel Centre▲

Midlands

Shopping centres

Corby
8 Corby Town Centre▲

Wales and South-West

Shopping centres

Exeter
10 Princesshay*

Bristol
11 Cabot Circus[4]*

Cardiff
12 St. David's Shopping Centre[3]*●

Portsmouth
13 Gunwharf Quays*

3. Part of St. David's 2 Partnership
4. Part of the Bristol Alliance

Retail warehouses

Poole
8 Commerce Centre▲

London

Shopping centres

14 Stratford Centre▲
15 Lewisham Centre*
16 Southside, Wandsworth[5]▲
17 Notting Hill Gate▲[5]
18 Islington▲[5]

5. Part of Metro Shopping Fund LP

Key

Shopping centres

Retail warehouses

* £100m or above
▲ £50-£100m
● In development pipeline/programme

Looking ahead

Over the coming months we expect to see continued buying interest for retail investment property and more retailers leasing space. There is a relatively high level of available space, so rental trends are likely to remain flat in the short term before returning to moderate growth. Despite these market dynamics, we have scope to drive growth in capital values by continuing to lease up vacant space, particularly in our shopping centre assets.

We have a very clear view of how our market is evolving and which trends are most likely to shape our future. Intensive research into the retail market has given us insights into the way consumer needs, habits and aspirations are changing, and the effect of online shopping and other technologies on physical retailing. The insights gained are now guiding our strategy.

While the internet will attract customer spend, consumers continue to value the immediacy, convenience and community offered by physical shops, together with the ability to see, feel and take home products. These advantages mean bricks and mortar shops have a vital role to play in retailing for years to come. While online shopping may increase competition for some retailers, we also believe the growth of multi-channel retailing, digital marketing and mobile technology will create many new opportunities and benefits for retailers with access to high quality retail space.

Over time, the potential casualties of the structural changes are likely to be shops in medium size towns where there is a low quality offer and poor facilities, especially those located near bigger centres. Rental recovery is likely to reflect this, becoming polarised across UK towns and cities according to the level of vacancies and the attraction of individual assets. We saw signs of this polarisation in the second half of the year and expect the trend to continue into 2011 and beyond.

Shoppers continue to value convenience, hence the continued rise of supermarkets, which has taken place in tandem with the growth of online retailing. This is one reason why we are working closely with supermarkets such as J Sainsbury, in our Harvest partnership, and other major retailers, such as John Lewis, on continuing to grow and develop our out-of-town offer.

The consumer preference for the choice provided by big centres means we expect the long-term trend of retail sales moving to the biggest locations to continue. This is evidenced by the level of retailer interest in our proposed Leeds Trinity scheme in Leeds and reflects our increased focus on long-term dominant assets.

Key objectives for 2010/11

- Outperform IPD
- Expand our out-of-town presence through new acquisitions and development
- Meet pre-letting targets for development schemes, including Leeds Trinity
- Protect income across our portfolio
- Maintain effective cost control, including capital expenditure and irrecoverable costs associated with shopping centres

2008
Cabot Circus, Bristol

Opened successfully and now established as a landmark addition to Bristol.

2008
The Elements, Livingston

Now opened and part of The Centre, a major regeneration of retail in Livingston.

2009
St David's 2, Cardiff

Opened to acclaim last year and continuing to attract new lettings.

2012
Leeds Trinity

Vibrant new retail space in the heart of Leeds.

Table 34
Retail development pipeline at 31 March 2010

Property	Description of use	Ownership interest %	Size m²	Planning status	Letting status %	Net income/ ERV £m	Estimated/ actual completion date	Total development cost to date £m	Forecast total development cost £m
Shopping centres and shops									
Developments, let and transferred or sold									
Willow Place, Corby	Retail	100	16,260		94	2	Oct 2007	42	42
Cabot Circus, Bristol	Retail Leisure Residential	50	83,610 9,000 18,740		95	16	Sep 2008	269	269
Developments completed									
St David's, Cardiff	Retail Residential	50	89,900 16,500		61	15	Oct 2009	323	357
The Elements, Livingston	Retail Leisure	100	32,000 5,670		88	8	Oct 2008	166	166
Proposed developments									
Leeds Trinity, Leeds	Retail	100	70,000	PR	32	n/a	2012	n/a	n/a
The Atlas Site, Glasgow	Retail Residential	100	10,660 4,180		–	n/a	2013	n/a	n/a
Retail warehouses and food stores									
Developments approved and those in progress									
Almondvale South Retail Park	Food store	100	8,360		100	1.6	May 2011	12	17
Sainsbury, Lincoln	Food store	50	10,870		100	1.1	Dec 2010	12	15
Proposed development									
Sainsbury, Wandsworth	Food store	50	9,850	MG	58	n/a	2012	n/a	n/a

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 2010. Trading property development schemes are excluded from the development pipeline. Cost figures for proposed schemes are not given as these could still be subject to material change prior to final approval.

Planning status for proposed developments
PR – Planning Received
MG – Minded to Grant

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. The figures for total development costs include expenditure on the residential elements of Cabot Circus, Bristol (£12m) and St David's, Cardiff (£20m).

Net income/ERV
Net income/ERV represents headline annual rent payable on let units plus ERV at 31 March 2010 on unlet units.

London Portfolio

To watch Robert's video go to:
www.landsecurities.com/annualreport2010/robert

"We are moving into supply-constrained market conditions in central London offering opportunity for those able to deliver the right property at the right time. Our robust balance sheet and sizeable development pipeline put us in an excellent position." *Robert Noel*
Managing Director, London Portfolio

Progress on our key objectives for 2009/10

Objective	Progress
• Preserve income by applying asset management skills	• Secured £31m lettings, including higher occupancy at Dashwood, EC2; 30 Eastbourne Terrace, W2; and New Street Square, EC4 • Achieved largest letting of second-hand space in the London office market since 2003, at Thomas More Square, E1
• Complete asset sales and recycle capital	• Achieved total sales of £411.4m • Remained patient on acquisitions but restarted £649m development programme in London
• Adjust development pipeline in line with market	• Held 20 Fenchurch Street, EC3, and now seeking partners with eye to starting project • Held Park House, W1, ready for planned construction start in May 2010
• Achieve planning success, especially around Victoria, SW1	• Secured planning permission for 84,600m^2 of space in SW1, part of our Victoria Transport Interchange development project • Secured planning permission for 61,890m^2 of space at Arundel Great Court, WC2
• Spot opportunities to create value through the cycle	• Implemented successful, flexible strategy at One New Change, EC4, with strong emphasis on securing retail lettings • Restarted development programme in London to enable well-timed delivery to a supply-constrained market
• Make progress on development at Ebbsfleet, Kent	• Responded to wider market conditions by largely halting development and awaiting appropriate conditions
• Outperform IPD	• On the basis of ungeared total property returns, our London offices underperformed by 2.3%. The total return would have been 1.2% higher if adjusted for the impact of the Queen Anne's Gate bond issue. The other factor impacting on performance was static or falling valuations on pre-development sites. These sites are expected to provide the portfolio with a good source of opportunity going forward

How we create value

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

- Investing in assets early in the cycle to maximise returns and selling when appropriate
- Ensuring we understand our customers' changing circumstances, so we can adapt and evolve our products to meet their needs
- Using a mixed-use, high quality product to mitigate risk, generate strong demand and achieve improved rental performance
- Maximising gain from our development work on new schemes through innovative master planning and other strategies

Our performance at a glance

We have concentrated development activity on the West End and the City, the areas we expect to recover first. p50 and 53

Highlights

- Valuation surplus of 9.1%
- £31m of new lettings secured during the year
- Completed the largest single letting of second-hand office space in London since 2003
- Work started on site at three West End locations – Park House, W1; 62 Buckingham Gate, SW1; and Wellington House, SW1
- Retail component of One New Change, EC4, now 90% let or in solicitors' hands
- Planning permission granted for development at Victoria Transport Interchange, SW1, and Arundel Great Court, WC2

Chart 35

London Portfolio by capital value

£5.27bn

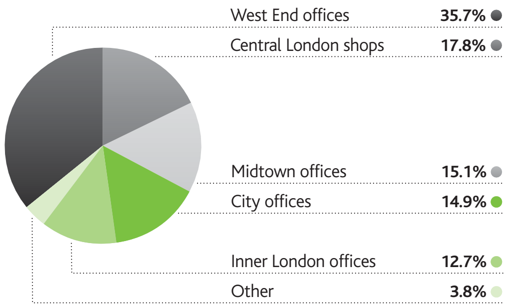


Chart 36

London office valuations at 31 March 2010 (£bn)

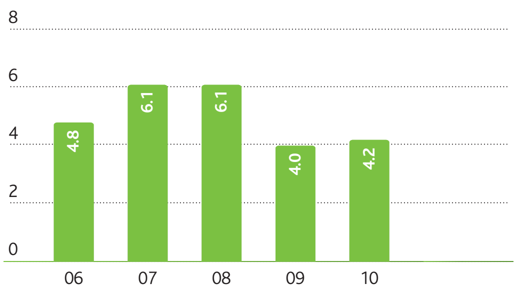


Table 37

London Portfolio valuation and performance summary

	31 March 2010 £m	31 March 2009 £m
Combined portfolio valuation	**5,274.7**	5,089.4
Like-for-like		
Investment portfolio valuation	**3,589.8**	3,331.6
Net rental income	**288.3**	326.6
Gross estimated rental value	**244.5**	263.7
Voids by estimated rental value	**6.1%**	4.9%

Chart 38

Voids and units in administration – London offices (% of ERV)

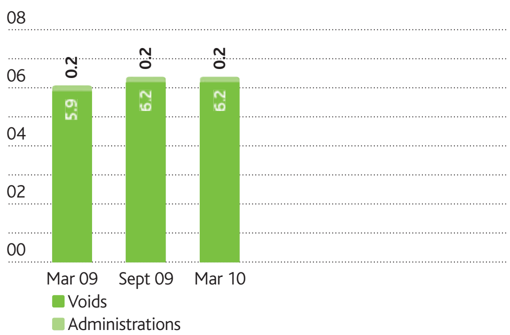


Table 39

Top 10 office tenants (% of Group income)

	%
Government	9.2
Deloitte	2.5
Royal Bank of Scotland	2.5
Bank of New York Mellon	1.4
Metropolitan Police	1.0
EDF Energy	1.0
Microsoft	0.8
Speechly Bircham	0.7
Lloyds Banking Group	0.7
Taylor Wessing	0.7
	20.5
Office other	22.5
Total (all office tenants)	**43.0**

Chart 40

London Portfolio – tenant diversification (% of Group income)

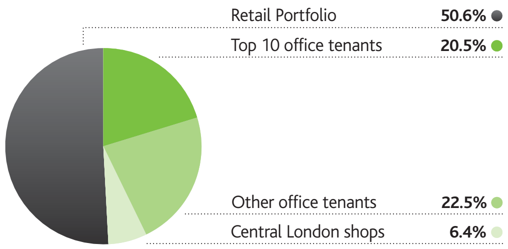
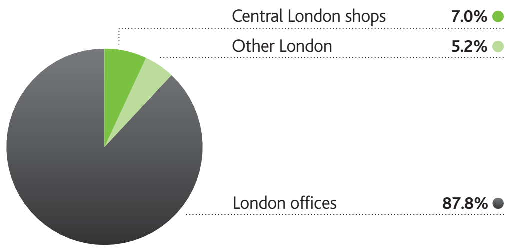


Chart 41

London Portfolio floorspace under management

0.83 million m²



Business commentary

Our market

Despite continued anxiety around the financial and economic environment, London reasserted itself as a centre for property investment this year. Currency movements, high levels of transparency and London's fundamental qualities as a capital city helped to draw significant interest from global investors. We saw rising investment values as a result.

As expected, rents were slower to respond to growing confidence and we continued to see a softening of rental values across London over the year as a whole. As we moved into the second half, continued occupational demand combined with a reduced construction pipeline started to limit the availability of prime office buildings. Consequently, tenants now have less choice and rental value growth is returning.

Over the longer term, the picture is one of increasing supply constraint for prime buildings in key London locations.

Our performance

The valuation of the portfolio resulted in a positive valuation surplus of 9.1% over the year, most of which came in the six months to 31 March as a result of significantly improved market conditions.

Rental value in our like-for-like portfolio fell by 9.3% in central London over the year as a whole, virtually all of which was attributable to the first six months of the year. Rental values declined just 0.5% in the second six months as we moved through the turning point in the cycle.

Voids across the like-for-like portfolio increased from 4.9% in March 2009 to 6.1% at year end. This movement resulted from lease expiries, some of which related to pre-development properties where we are creating the opportunity to deliver new, larger buildings into an improving market.

On the basis of ungeared total property returns, our London offices underperformed the IPD Quarterly Universe by 2.3%. The total return on our London offices would have been 1.2% higher if we adjusted for capital extracted from Queen Anne's Gate through a bond issue. The other factor impacting negatively on performance was static or falling valuations on pre-development and other properties with short unexpired leases, although these same properties are expected to provide us with a good source of opportunity as we move into the next stage in the cycle.

Table 42

Net rental income

	31 March 2010 £m	31 March 2009 £m	Change £m
Like-for-like investment properties	**226.4**	232.5	(6.1)
Proposed development properties	**5.5**	5.7	(0.2)
Ongoing developments	**(5.0)**	(0.3)	(4.7)
Completed developments	**46.6**	41.6	5.0
Acquisitions since 1 April 2008	**1.1**	0.5	0.6
Sales since 1 April 2008	**11.1**	44.7	(33.6)
Non-property related income	**2.6**	1.9	0.7
Net rental income	**288.3**	**326.6**	**(38.3)**

Net rental income declined by £38.3m or 11.7% to £288.3m largely as a result of our sales programme but also due to lease expiries within like-for-like properties at 123 Victoria Street, SW1 (formerly Ashdown House) and Portland House, SW1. The fall was cushioned by the increase in income from completed developments, particularly New Street Square, EC4 and Queen Anne's Gate, SW1.

Our strategy

We expect to see rising levels of demand over the medium term, so our strategy is focused on maximising potential returns as we move through the rental cycle. Our priority is to develop space appropriate for its market at the right time in the cycle so that we meet occupiers' needs and create value in a supply-constrained environment. We intend to deliver early in the cycle so we gain the benefit of competitive construction pricing, rising rental values and a liquid market in which to make sales, as and when necessary. While a relatively early delivery of developments may lower the ceiling for rents, it also reduces the risk and is likely to provide more stable returns over the long term.

Sales and acquisitions

During the year, we completed our planned programme of asset sales. Disposals included One Wood Street, EC2; Portman House, W1; 22 Kingsway, WC2; 98 Theobald's Road, WC1; 40/50 Eastbourne Terrace, W2; and Sardinia House, WC2. All of these properties were acquired by overseas investors. Sales totalled £411.4m and, on average, were at 1.5% below the 31 March 2009 valuation (before disposal costs). The average income yield was 7.9%.

Asset management

We maintained an intense focus on leasing activity throughout the year, achieving success through our close relationship with occupiers, attractive assets and pragmatic approach. Key leasing activity included:

- Thomas More Square, E1 – owned with The Cadillac Fairview Corporation Limited – we completed a letting of 17,820m^2 of office and support space to News International for a minimum of five years, at a rent of £4.2m per annum. This is the largest letting of second-hand space in the London office market since 2003.
- Portland House, SW1 – a 26,700m^2 office building where 4,400m^2 of the space was re-let during the year following lease expiries.
- New Street Square, EC4 – a mixed-use scheme where terms are agreed to let the last remaining retail unit and the office space is now fully let.

Top 5 properties

1 Cardinal Place, SW1

Stunning trio of buildings encompassing office space and retail accommodation. This landmark site is home to 24 retailers, including a Marks & Spencer anchor store, together with blue-chip businesses.

Principal occupiers
Microsoft, Wellington Management.

Acquisition date
1969

Completion
January 2006

Form of ownership
freehold

Ownership interest
100%

Area
47,500m²

Passing rent
£30m

Let by income
100%

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.

Principal occupiers
Deloitte, Taylor Wessing.

Acquisition date
1958

Completion
May 2008

Form of ownership
leasehold

Ownership interest
100%

Area
65,300m²

Passing rent
£23m

Let by income
100%

3 Queen Anne's Gate, SW1

This refurbished former Home Office building is now occupied by the Ministry of Justice. It was built by Land Securities in 1977, to designs by Sir Basil Spence.

Principal occupiers
Government.

Acquisition date
1959

Completion
May 2008

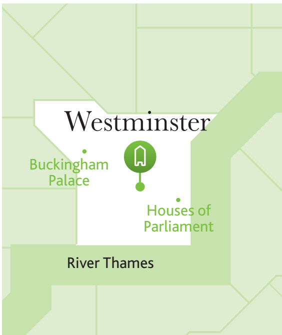
Form of ownership
freehold

Ownership interest
100%

Area
30,100m²

Passing rent
£27m

Let by income
100%



4 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 occupiers
Royal Bank of Scotland.

Acquisition date
1969

Completion
August 2007

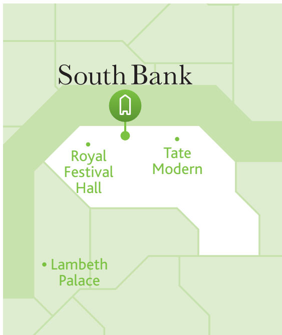
Form of ownership
freehold

Ownership interest
100%

Area
38,700m²

Passing rent
£17m

Let by income
99%



5 Park House, W1

Due for completion in 2012, this development will occupy an entire block on Europe's busiest high street – Oxford Street. It will boast eight floors of offices, luxurious apartments, 11 retail units and the most sought-after commercial address in London.

Principal occupiers
n/a – development.

Acquisition date
1961

Completion
November 2012

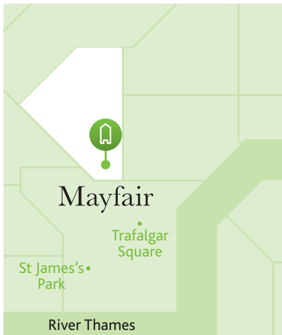
Form of ownership
leasehold

Ownership interest
100%

Area
28,700m²

Passing rent
N/A

Let by income
N/A



Business commentary

Development
Our long-term development strategy ensured we had comparatively little completed space coming onto the market in the downturn. Dashwood, EC2, our 14,820m² office refurbishment completed in October 2008 is now 88% let. In 2009, our development completions totalled just 4,470m² and related entirely to our development at 30 Eastbourne Terrace in Paddington which completed in May 2009 and is now 38% let.

In terms of schemes in our development pipeline:

- One New Change, EC4
  One New Change is taking shape and will complete in October 2010. This fabulous addition to London will comprise 19,900m² of retail space and 30,840m² of office space which will be completed to shell and core. On the retail side, we worked relentlessly to achieve lettings and now have 90% of space pre-let or in solicitors' hands. Recent retail lettings include Next, All Saints, Reiss, Hobbs and a new Jamie Oliver restaurant concept. Given the potential recovery in the office market, we saw no need to over-incentivise office lettings and remain confident that we will complete agreements – at the right level, with the right occupiers – once the building is completed. The office element was 38% let at the year end.

- Park House, W1
  This scheme covers an entire city block of just over an acre on a prime Mayfair site with frontage onto Park Street, North Row and Oxford Street. It will provide 15,140m² of offices, 8,140m² of retail and 5,380m² of residential in 39 units. The total development cost, including land and finance costs, is £412m of which the remaining capital expenditure to complete the scheme is £179m (excluding capitalised interest). Construction has started for delivery in late 2012.

- 62 Buckingham Gate, SW1 (formerly Selborne House)
  This scheme will provide 23,450m² of office accommodation, together with street-level shops and restaurants. Demolition has started, and we expect to complete the scheme in 2013. We are investing significant time in refining the way the building will sit within its environment, particularly the relationships between offices, retail, leisure and residential.

- Wellington House, Buckingham Gate, SW1
  The new scheme will create a residential development of 5,540m² providing 59 units. The total development cost, including land and capitalised interest, is £55m. Demolition has started and delivery is scheduled for 2012.

- 20 Fenchurch Street, EC3
  The changing dynamics in the office market lead us to believe that both Land Securities and the City of London will gain substantial benefit from this landmark development. It is a bold, aspirational scheme that will provide truly world-class space. We estimate construction time at three years. We are currently exploring the options to develop this scheme in joint venture in order to diversify leasing risk and leave us capacity to bring forward a range of other projects.

- Arundel Great Court, WC2
  In November 2009 we secured full planning consent for a 61,890m² mixed-use development. Recent lettings have secured income on the site until the end of 2012, with the earliest delivery of the scheme not anticipated before 2015.

- Victoria Transport Interchange, SW1
  In February 2009 Westminster City Council resolved to grant planning consent for our 84,600m² development. This will occupy an island site close to Victoria station, the capital's busiest transport hub with approximately 115 million users travelling through it each year. The site, which is mainly let until September 2012, is opposite our Cardinal Place development and will comprise six buildings arranged to open up new accessible public spaces, with a mix of office, residential, retail and restaurant space and a new public library.

We are planning further schemes at 123 Victoria Street, SW1 (formerly Ashdown House), Cannon Street, EC4, Shoe Lane, EC4, and Ludgate Hill, EC4 and aim to submit planning applications during the year to March 2011.

Top London Portfolio properties

—over £100m by location

WC2

1 Arundel Great Court and Howard Hotel•

W1

2 Park House, Oxford Street•

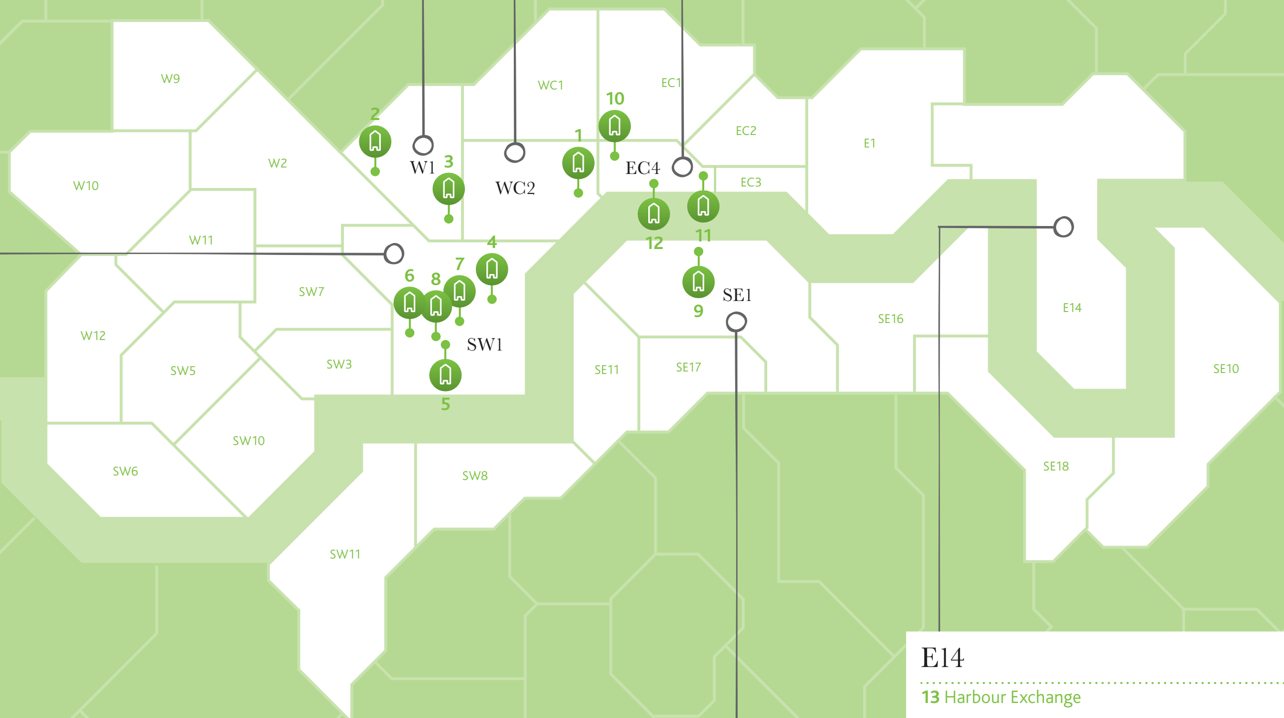
3 Piccadilly Lights

EC4

10 New Street Square

11 One New Change•

12 Times Square



E14

13 Harbour Exchange

SW1

4 50 Queen Anne's Gate

5 Portland House

6 Eland House

7 Kingsgate House

8 Cardinal Place

SE1

9 Bankside 2&3

Key

• In the development pipeline

Looking ahead

The outlook for rents in the London office market is positive. Vacancy rates have peaked at lower levels than in 2003 and there is a very limited supply of new developments coming onstream in the short term. We expect the emergence of a supply-constrained London office market to drive rental values. We are well positioned to benefit from this through our scaleable development programme. Strong demand will be driven by a number of factors, including:

- The higher than normal level of lease expiries due from 2013, particularly in the City market;
- A number of key assets coming to the end of their economic life at the same time;
- Prospective occupiers using the end of leases to rationalise their estates; and
- Increasing emphasis on corporate responsibility, which is requiring many occupiers to choose buildings with excellent sustainability performance.

In addition, many prospective occupiers are recognising that rent now represents a relatively low percentage of the total cost of property. Energy efficiency, brand reputation, communications capability and productivity requirements are likely to drive high demand for new and newly upgraded properties in the best locations.

Key objectives for 2010/11

- Outperform IPD
- Submit further planning applications to ensure we can meet demand for offices in a supply-constrained market
- Let up balance of office and retail space at One New Change, EC4
- Achieve retail lettings at Park House, W1
- Achieve success with our nascent residential development programme

2010
One New Change, EC4

Landmark mixed-use development in an extraordinary location adjacent to St Paul's.

2012
Park House, W1

Offices, apartments and retail over an entire block on Oxford Street.

2013
62 Buckingham Gate, SW1

Formerly Selborne House, will provide new offices, shops and restaurants in the heart of Victoria.

2014
20 Fenchurch Street, EC3

Rafael Viñoly-designed 509ft tall City tower incorporating premier offices, retail, café and public Sky Garden.

Table 43
London development pipeline at 31 March 2010

Property	Description of use	Ownership interest %	Size m²	Planning status	Letting status %	Net income/ ERV £m	Estimated/ actual completion date	Total development cost to date £m	Forecast total development cost £m
Developments, let and transferred or sold									
New Street Square, EC4	Office Retail	100	62,340 2,980		100 90	32	May 2008	377	377
Developments completed									
Dashwood House, EC2	Office Retail	100	14,110 710		75 100	7	Oct 2008	113	113
30 Eastbourne Terrace, W2	Office	100	4,470		38	2	May 2009	32	32
Developments approved and in progress									
One New Change, EC4	Office Retail	100	30,840 19,900		38 61	28	Oct 2010	409	540
Wellington House, SW1	Retail Residential	100	240 5,540		–	–	Jul 2012	23	55
Park House, W1	Office Retail Residential	100	15,140 8,140 5,380		–	24	Nov 2012	217	412
62 Buckingham Gate, SW1 (formerly Selborne House)	Office Retail	100	23,450 1,540		–	17	Apr 2013	49	182
Proposed developments									
20 Fenchurch Street, EC3	Office Retail	100	61,660 2,130	PR	n/a	n/a	2014	n/a	n/a
Arundel Great Court & Howard Hotel, WC2	Office Retail Residential	100	36,750 2,470 22,670	PR	n/a	n/a	2015	n/a	n/a

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 2010. Trading property development schemes are excluded from the development pipeline. Cost figures for proposed schemes are not given as these could still be subject to material change prior to final approval.

Planning status for proposed developments
PR – Planning Received

Total development cost
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. The figures for total development costs include expenditure on the residential elements of Wellington House (£55m) and Park House (£101m).

Net income/ERV
Net income/ERV represents headline annual rent payable on let units plus ERV at 31 March 2010 on unlet units.

A strong leadership team

1 *Alison Carnwath (57)*
Chairman and Non-executive Director

A chartered accountant, with a background in investment banking, Alison was appointed to the Board as a Non-executive Director in September 2004 and appointed Chairman in November 2008. She was Chairman of M F Global (a NYSE Listed company) until March 2010 and will retire from their Board in August 2010. She will join the Board of Barclays PLC as a Non-executive Director in August 2010. A Non-executive Director of Man Group plc and an independent Director of PACCAR Inc., a Fortune 500 Company Listed on NASDAQ.

2 *Francis Salway (52)*
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. Appointed Chief Operating Officer in January 2003 and Group Chief Executive in July 2004. Appointed a Non-executive Director of Next plc with effect from 1 June 2010. Also past President of the British Property Federation.

3 *Martin Greenslade (45)*
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 also has experience 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. Also a Director of International Justice Mission UK.

4 *Robert Noel (46)*
Executive Director

A chartered surveyor, Robert was appointed to the Board in January 2010 as Managing Director, London Portfolio. Previously Property Director at Great Portland Estates plc between August 2002 and September 2009. Prior to that Robert was a Director at property services group Nelson Bakewell. Also Chairman of the Westminster Property Association, a Director of The New West End Company, the central London Business Improvement District and a Trustee of Landaid.

5 *Richard Akers (48)*
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 positions of Head of Retail Portfolio Management and also worked in the retail development team. Richard is also Senior Vice President of the British Council of Shopping Centres (BCSC), the main industry body for retail property owners.

6 *Sir Christopher Bland (72)*
Non-executive Director

Appointed to the Board as a Non-executive Director in April 2008. 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 (45)*
Non-executive Director

Appointed to the Board as a Non-executive Director in April 2008. A chartered accountant who trained with Arthur Andersen, Kevin has been the Group Finance Director of Kingfisher plc since 2008. Previously Group Finance Director of DSG International PLC, Chief Financial Officer for Hemscott Publishing Group and European Finance Director for The Quaker Oats Company.

8 *David Rough (59)*
Non-executive Director

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. A Non-executive Director of Xstrata Group PLC and London Metal Exchange.

9 *Sir Stuart Rose (61)*
Non-executive Director

Joined the Board as a Non-executive Director in May 2003. Chairman of Marks & Spencer Group plc. Chairman of Business in the Community since 2008. Stuart's extensive retail experience includes the positions of Chief Executive of Arcadia Group until December 2002 and Chief Executive of Booker PLC from 1998 until 2000.

10 *Bo Lerenius (63)*
Non-executive Director

Appointed to the Board as a Non-executive Director in June 2004. Previously Group Chief Executive of Associated British Ports Holdings PLC and Chief Executive Officer and Vice Chairman of Stena Line AB. Chairman of Mouchel Group plc and a Non-executive Director of G4S plc, Thomas Cook Group PLC and Rorvik Timber plc (Sweden). Since 2007, Chairman of the Swedish Chamber of Commerce for the UK.

11 *Chris Bartram (61)*
Non-executive Director

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 a Wilkins Fellow of Downing College, Cambridge. Past appointments include serving as Managing Director of Haslemere NV, President of the British Property Federation, Chairman of the Bank of England Property Forum and Non-executive Director of George Wimpey plc.

"We have adopted a non-stop approach to CR to keep pushing the boundaries forward, whether it's building trust among employees and business partners, behaving ethically or respecting the environment."
Francis Salway Chief Executive

Making a difference

2009/10 highlights

Our environment

Waste diverted from landfill

84%

Our people

Employees who are proud to be part of Land Securities

96%

Our marketplace

Retail tenants willing to recommend us as a landlord

97%

Our communities

Total community investment

£871,238

Our stakeholders

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

Why CR matters to us

For us, good Corporate Responsibility (CR) is about striking the right balance between the economic, environmental and social aspects of our activities. Our objective is to create long-term value for our Company, our shareholders and our employees while generating benefits for the many other individuals, organisations and communities we interact with. By striving to create mutual advantage we can achieve more for everyone over time.

So, we don't just do CR to be 'nice'. We do it because we believe we should, and because we believe it makes us a better and more successful business. This commercial rationale is very important. Unless an investment or measure helps to make us a stronger, better business, we won't do it. Every action we carry out must be commercially sound and make a difference. Only then can it truly be sustainable.

Ultimately, good business is built on trust. From our shareholders and employees to our customers, tenants, suppliers and communities – everyone has expectations of us. Without people's trust, we can't operate effectively and efficiently; with it, we can achieve so much more. By setting and achieving ambitious CR targets we help to create trust between us and everyone affected by what we do.

Our vision and values

During the year we carried out a major consultative exercise with employees to create a compelling vision for the Company – something that captures our purpose and ambitions. The new vision for the Company is 'Shaping the future of property', which underlines our desire to lead our industry and set new standards. We have also developed a separate but compatible vision specifically for our CR activities – 'Making a difference'. This underlines that our CR actions are designed to have a clear and tangible benefit for the Company and the many people affected by our work. These aspirations are supported by our consistent core values – customer service, respect, integrity, excellence and innovation – which influence the way we go about our business, each and every day.

Our CR targets

We have focused our CR activities on four key areas:

—*Our environment*
—*Our people*
—*Our marketplace*
—*Our communities*

All four are vital, although the capital-intensive nature of our business and the physical presence of our assets in towns and cities mean we can make the biggest difference in our environment and our communities. The content in the following sections discusses our priorities, actions and performance in each of the areas in some detail. There are also facts and examples that demonstrate what our CR commitments achieve on a day-to-day basis.

During 2009/10 we set ourselves a clear, long-term objective for each area.

- Our 10-year environmental objective is to reduce our carbon emissions by 30% by 2020.
- Our 10-year people objective is to be recognised in the UK as an employer of choice for developing people to be the best that they can be.
- Our 10-year marketplace objective is to set the standards for innovation, value and service that others aspire to.
- Our 10-year communities objective is to be recognised by local communities as the no.1 partner for the delivery of positive social and economic impacts.

These objectives are underpinned by annual targets, which act as milestones so we – and you – can see how well we are doing and what might need to improve. You can review our performance p61—64.
You will find more detailed reporting on our CR performance in our Corporate Responsibility Report 2010
www.landsecurities.com/crreport10

We engage with a variety of stakeholders to ensure our CR activities and communications are relevant. You can learn more about our stakeholder panel engagement in our Corporate Responsibility Report 2010
www.landsecurities.com/crreport10

Our 10-year environmental objective (based on 2000 baseline figures) is to reduce carbon emissions by 30% by 2020.

Sustainable City Awards
We won three of the 11 categories at these high-profile awards – the 'Leadership Award 2009/10'; 'Tackling Climate Change' for our voluntary carbon reduction programme in our shopping centres; and 'Responsible Waste Management' for our new 'zero waste to landfill' policy for London occupiers.

Zero waste

Five of our shopping centres achieved zero waste to landfill in 2009: Gunwharf Quays in Portsmouth; Willow Place in Corby; Leeds Shopping Plaza; White Rose Centre in Leeds; and the Lewisham Shopping Centre in London.

Our environment

As the UK's largest commercial property company, we can make a very big difference to the impact our buildings have on the environment. We always think we can do more, so our approach is based on continual improvement, using the sum of our knowledge and expertise to meet the highest standards and set ourselves more challenging goals.

We are developing new ways to improve the environmental performance of our buildings, from inspirational thinking in architecture and design through to utilising the latest technology. We also use our expertise to drive the industry's responses on energy reduction, sustainable construction and behavioural change. And we work closely with our tenants so that they too can respond to the challenges and opportunities posed by environmental issues.

Our Corporate Environment Group, chaired by Robert Noel, Managing Director, London Portfolio, is responsible for setting environmental policies, objectives and targets, and for the environmental strategy that underpins them. Our Environmental Management System (EMS), certified to the international standard ISO 14001, has been designed to assure we are able to respond to the environmental priorities facing our business.

Looking forward
We will continue to:

- encourage greater engagement with our occupiers and employees regarding the environment agenda
- drive technology and innovation
- measure and manage our use of resources to drive improvements and set new benchmarks
- work with Government to improve the legislation in this area.

The energy challenge

Every hour of every day, people are using energy in our buildings, from retailers' window displays to office air conditioning. We have limited control over this. Our occupiers are directly responsible for many of the impacts of the buildings they occupy, so our challenge is to support them to identify how they can make a difference. We also need to focus our attention where it will make the biggest difference. Modern design and technology can help us with new buildings, but in any one year no more than 2% of the national stock is likely to be replaced. The truth is that the bulk of the nation's property is made up of old, energy-inefficient properties, and it's here that we need to focus our efforts.

Environment Day

Our annual corporate Environment Day features a major conference for clients, contractors, suppliers, employees and other stakeholders. The 2009 event at Kew Gardens drew more than 170 delegates and looked at how sustainability will continue to influence property design and management. A variety of supporting events were also staged in our shopping centres, giving us a great opportunity to spread the sustainability message to the general public.

Our 10-year people objective is to be recognised in the UK as an employer of choice for developing people to be the best that they can be.

Engagement survey

- 78% of our employees responded to the survey
- 86% of our employees have a learning and development plan
- 86% of our employees have undertaken voluntary work in the community
- 78% of our employees agree with the statement 'our employee population accurately reflects the communities in which we work'

Our people

We think people make the difference, even in a business based on bricks and mortar. Our employees' dedication and expertise are key to our business success, and the more we invest in them and a working environment in which they can thrive, the better the results.

We aim not just to be a good employer, but the employer of choice in the property industry. To achieve this, we need to have the right people with the right skills, values and objectives. Our commitment is reflected in our Group key commitment to attract, retain and motivate high-performing people p13. In practice, this involves providing support, learning, training and structured career development plans and engaging employees to ensure everyone in the business can reach their full potential.

Being the employer of choice in our sector is also about recognising individual contributions and rewarding exceptional performance. For example, our People into Action scheme acknowledges employees who bring our values to life in their day-to-day work or in exceptional circumstances.

We also foster a culture that respects people's differences and values their ideas, and regularly engage with our people to seek their views and address their concerns. We do this Company-wide through our annual Employee Engagement Survey, while representatives from around the business can talk about the big issues with senior executives at quarterly Exchange forums.

A diverse workforce
We have a five-year programme to promote diversity across all areas of the business. We also have a Board-level diversity and equality champion, and diversity and equality training is included in management development, as well as our recruitment and induction processes. In 2009, almost half (48.8%) of our employees were women and more than 22.8% were aged 50 or over.

100%
We are committed to equal opportunities and a diverse, inclusive and representative workplace, in which everyone is treated with dignity and respect.

"London is a challenging market and CR remains at the heart of all our activity, whether we're putting in planning applications and engaging with the communities around us, advising occupiers on how to use energy more efficiently or helping to fill skills gaps in the construction, retail and planning sectors."
Robert Noel, Managing Director, London Portfolio

Our 10-year marketplace objective is to set the standards for innovation, value and service that others aspire to.

Customer satisfaction
Our latest retailer satisfaction survey, conducted in July and August 2009 among 332 participants at 17 of our shopping centres, shows that overall satisfaction among tenants remains high despite the current difficult trading conditions. Our Retail satisfaction score remained consistently high at 4.17 (2008: 4.18) while our London Portfolio satisfaction score increased to 3.74 from 3.68.

Looking forward
We will continue to:
- retain and build upon our Investors in People (IIP) accreditation
- retain a position of leadership to attract and retain the best people
- maintain a presence outside of traditional property to attract a skilled workforce
- exceed expectations about what an employer provides with regard to reward and development.

Learning and development
Our comprehensive learning and development offer covers a range of internal and external programmes designed to support the personal development of our people. They include:
- support for vocational and professional development courses
- e-learning programmes on health and safety, diversity and IT skills development
- coaching and mentoring support
- assessment tools for developing greater self-awareness and team effectiveness
- bespoke business-focused programmes for individuals and teams.
- a resource library containing books, DVDs and audio products for employee use.

Our marketplace

A building is many things to many people: a business venture for the suppliers who help to create it, a workplace or home for the occupiers who use it and an investment for those who help to fund it. For every development project, we liaise with all those who are influenced or affected by it to deliver a solution that is good for everyone. For example, through sharing our knowledge and building strong partnerships with our customers, we play a part in helping them find new and better ways to make their own businesses more successful.

By acting with fairness, honesty and integrity, we seek to be the partner that suppliers and contractors choose to work with. Good relationships are fundamental to good business and that is why we value long-term relationships and opportunities for growth.

Good relations with shareholders are equally important to us. Our investors seek competitive returns from their shareholdings as well as assurance that their investments lie with a sustainable, well-governed business, so we report our progress in a meaningful and transparent manner and conform to the highest FTSE governance standards.

Looking forward
We will continue to:
- support and facilitate the economic sustainability of our suppliers and customers
- continue to build open channels of communication in line with the changing needs of our audiences.

Helping customers to help themselves
We successfully launched our new Sustainability Guide for retailers, 'Retail needn't cost the earth', in November 2009. It outlines practical things like water savings, ventilation and recycling and a best practice approach that retailers can take that will not only make their businesses more environmentally sustainable but often save them money too.

"The communities around our shopping centres are where we can continue to make the biggest difference, by creating employment, driving regeneration and supporting training, education and local charities."
Richard Akers, Managing Director, Retail Portfolio

Our 10-year communities objective is to be recognised by local communities as the number one partner for the delivery of positive social and economic impacts.

6,289 hours
Total number of employee volunteering hours in 2009/10.

£871,238
Total community contribution, including charity committee funds, for 2009/10.

Our communities

As a developer and landlord, our involvement in large-scale and complex property projects often lasts for years – even decades – but our intentions extend far further than simply being a good neighbour. By investing in well-integrated and enduring employment, education and enterprise opportunities, we hope to make our communities brighter, stronger and more sustainable.

We take the time to consult with all interested parties, from regulators to community groups, and business partners to occupiers, well before the first brick is laid. We listen to and address any concerns our tenants and neighbours may have, and make the effort to forge meaningful partnerships. These relationships give strength to both the physical and social fabric of a community, and help to foster a real sense of local ownership and civic pride.

We cannot do this alone, so we 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 to offering space in our shopping centres so that charities can promote their work.

Our involvement isn't just at the corporate level either; Land Securities' people like to do their bit too, whether it's donating or raising money, or sparing time for volunteering within their local communities. They act as ambassadors for our business, and we directly support their efforts through the Land Securities Foundation.

Looking forward
We will continue to:
- undertake efforts that reflect the needs of communities in which our properties are based
- utilise our presence to help educate and improve
- expand and roll-out innovative practices such as our ARISE initiative and endowment funds.

Adding value to an area
Our New Street Square, EC4 development brings together a vibrant mix of innovative office space, shops and restaurants around a public square. In winning the New City Architecture Award 2009, the successful use of sculpture, lighting and artwork to create a sense of place was singled out for praise. The judges described the development, which also won a 2009 RIBA Award and was highly commended at the 2009 Building and Construction Industry Awards, as "providing huge added value to its area", and "a very welcome addition to the City of London".

Bursaries
Each year, employees can apply for one of 15 bursaries, each up to the value of £500, to help the groups they support to contribute to the local community. In 2009/10, funds were given to 15 organisations, including a community-run play group, a school conservation area, and a number of football and rugby teams. In addition, during the year Capital Commitment Fund (CCF) awards totalling £75,000 helped 12 community groups and projects in Southwark, Hackney, Camden, Tower Hamlets and Islington to run youth outreach programmes, pre-employment workshops, and IT and life skills training. In 2009/10, our London Portfolio made further contributions to charities, community groups and good causes worth £50,000. Recipients ranged from the Centrepoint hostel for London's homeless through to support for the Variety Club of Great Britain and the Walk to Cure Diabetes.

The Land Securities Foundation
Through the Land Securities Foundation, we coordinate our community engagement and volunteering through four key areas of focus: education, environment, employability and enterprise. The key activities of the Foundation are:
- to support our employees in their volunteering endeavours
- to provide bursaries towards kit and equipment
- to encourage donations to charity via our Give As You Earn (GAYE) scheme.

Performance

Benchmarking
Our CR performance is assessed through a number of internal and external assessments and quality standards, including our CR report assurance process, the London Benchmarking Group, Investors in People and FTSE 4 Good.

To assess our ongoing progress towards achieving our long-term objectives, we set ourselves annual targets. Our performance against these for 2009/10 is detailed below. Each has been directly informed by our ongoing stakeholder engagement process. Information in this section covers the reporting period 1 April 2009 to 31 March 2010, unless otherwise stated.

Our environment

Target	Progress
• Design new developments to be 20% below Building Regulation requirements for CO_2 emissions for offices and common parts of retail schemes.	
• Reduce CO_2 emissions associated with energy use in managed office and retail premises by 10% by 2010, compared to 2007 baseline.	
• Offset CO_2 emissions at our head offices, 5 & 11 Strand.	
• Achieve FSC Project-Specific certification for every new development.	N/A
• Achieve at least 20% recycled content by value in every new development.	
• Reduce average consumption of water in m^3 per sq m across London managed portfolio by 5% in 2009/10.	
• Re-use or recycle 90% of excavation, demolition and construction waste for projects covered by Site Waste Management Plans by 2010 (with the exception of hazardous materials).	
• Divert from landfill 95% of office waste from head offices.	
• Divert from landfill at least 90% of waste from managed London offices.	
• Divert from landfill at least 55% of waste from shopping centres.	
• Develop 'green lease' clauses for retail leases, as part of Clearlet initiative.	
• Trial proposals in six retail stores.	
• Have two London office premises sign in full to a green Memorandum of Understanding.	
• Have Display Energy Certificates for all managed London office premises.	
• Develop environment learning module for employees and test on two groups within the business by March 2010.	
• Pilot CR communications campaign providing advice on energy savings and sustainability, health and safety and citizenship in five offices and five shopping centres.	

Fully completed | Mostly completed | Partially completed | Target started | Target not started | N/A Target not applicable

Our people

Target	Progress
• Outperform Expert Training Systems benchmark on employee engagement.	
• Ensure at least 70% of employees believe Land Securities' Learning and Development platform meets their individual needs and enables them to develop their careers.	
• Create an environment in which 75% of employees believe their health and wellbeing is supported.	
• Maintain Investors in People (IIP) accreditation and develop action plans for all areas identified for improvement in the IIP report.	
• Increase year-on-year employee acknowledgement of the statement 'The make-up of our employee population accurately reflects the communities in which we work'.	
• Exceed amount donated by employees in 2008/09 through the Give as You Earn (GAYE) scheme.	
• Achieve and maintain top 10% ranking within Health & Safety Executive's Corporate Health and Safety Performance Index.	

Our marketplace

Target	Achieved
• Review CR policies of top 20 suppliers within London and Retail and ensure they achieve compliance with our CR criteria for suppliers.	
• Ensure 80% of those holding client duties under Construction Design and Management Regulations (CDM) 2007 have received appropriate training.	
• Offer four work placements through a Post-Graduate Planning Scholarship fund established through University College London.	
• Achieve increase to 3.95 in overall customer satisfaction ratings in the London and Retail annual customer surveys.	
• Create incubator office or commercial workspace facilities for five new business ventures in London.	
• Enable three fledgling businesses to open in our shopping centres, with advice and financial support.	
• Launch a Sustainability Guide for use by retail tenants across all of our shopping centres.	
• Provide a tailored meeting on any aspect of the Group's CR programme for Socially Responsible Investors.	
• Achieve 2% increase year on year of the number of new subscribers to e-communications.	N/A

Fully completed · Mostly completed · Partially completed · Target started · Target not started · N/A Target not applicable

Our communities

Target	Progress
• Prepare, implement and monitor travel at five major estates to reduce CO_2 emissions related to tenants' travel to and from work.	
• Contribute to local communities by encouraging 30% of employees to volunteer time and expertise through the Land Securities Foundation.	
• Develop the Capital Commitment Fund for the benefit of local communities within London, distributing funds to the focus areas of education, young people and housing/homelessness.	
• Identify opportunities where Retail can facilitate a grassroots, grants-sponsored programme near one of our centres.	
• Roll out the Arise programme in two Retail locations.	
• Complete two marketing campaigns with Oxfam and British Heart Foundation across all shopping centres by March 2010.	
• Encourage recruitment by hosting job fairs in two of our shopping centres.	
• Establish Community Link programmes at development sites.	
• Engage 5% of employees to volunteer as mentors in schools, businesses or community groups.	
• Establish retail skills academies in three shopping centres by March 2010.	
• Work with National Skills Academy for Construction to obtain NSAFC status for a development site in London.	

Additional targets

Target	Progress
• Influence understanding of health and safety risk management through educational partnerships.	
• Expand Safe Child scheme to a minimum of 15 shopping centres by March 2010.	
• Evaluate existing biodiversity conditions before commencing development schemes and ensure that the project improves the quality of the habitat.	
• Measure performance of rainwater harvesting at Dashwood, White Rose, Cabot Circus and Livingston: The Centre.	
• Continue to submit all new major office and retail shopping centre developments for BREEAM assessment with a minimum target of 'very good'.	
• Work with BRE to develop a suitable methodology for assessing retail warehouses.	
• Develop all residential schemes to meet the Level three rating of the Code for Sustainable Homes.	
• Achieve 10% awareness amongst shopping centre customers through our Consumer Awareness Environmental Programme.	
• Have Group Safety Management System certificated to BS 18001:2007.	
• Conduct separate surveys of investors and analysts to benchmark quality of Group's Investor Relations.	

Note: A full list of our additional CR targets is available in our Corporate Responsibility Report 2010. www.landsecurities.com/crreport10

Fully completed | Mostly completed | Partially completed | Target started | Target not started | N/A Target not applicable

A note from our Chairman

Land Securities Group PLC
5 Strand
London WC2N 5AF

Dear shareholder,

The Board is committed to high standards of corporate governance. Your Company is compliant with section 1 of the 2008 Combined Code on Corporate Governance. We aim to lead our industry in the areas of Corporate Responsibility, environmental management, health and safety, customer service, and employee communication and development. Pursuit of this aim is helping to set Land Securities apart as an attractive employer, a valued partner, and a strong business with a sustainable future.

While it is important that we continue to enhance our formal structures, processes and procedures, good governance is ultimately about people – about the way everyone within this Company thinks and acts. For this reason, we place strong emphasis on behaviour, at all levels. The Board takes seriously its responsibility to demonstrate leadership so that good practice flows through the Company and informs the decisions and actions taken by employees each day. Ultimately, we aim to build a sustainable business for the long term, creating value for shareholders as a reward for taking risks.

In this section of the Annual Report, we define the high standards of corporate governance set out by the Board and review relevant actions and events from the year. We have included separate overviews from the Chairmen of the Audit and Remuneration Committees, together with my overview of the activities of the Nominations Committee. We commissioned a thorough, independent Board and Committee evaluation this year and you can read a summary of the outcome of this work on p68.

Alison Carnwath

Alison Carnwath
Chairman

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 Combined Code on Corporate Governance (the Code) as updated in June 2008 throughout the year ended 31 March 2010. 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. The website also contains the terms of reference of the Audit, Nominations and Remuneration Committees.

The role of the Board

The Board was responsible for providing leadership for the Group. It ensured that the right strategy is set, acceptable risks are taken and appropriate financial and human resources were in place in order to deliver value to shareholders and benefits to the wider community. It also set standards for ethical behaviour and for monitoring environmental and health and safety performance. It sought to understand the needs of customers and stakeholders and to get closer to senior staff across the Group.

The Board operated in accordance with a written schedule of matters which require Board consideration, a copy of which is available on the Company's website, www.landsecurities.com. This schedule is backed by clearly defined written limits of delegated authority across the Group. The principal matters reserved to the Board include:

- authorisation of significant transactions 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 Company Secretary

Board meetings and the agenda

During the year, the Board held eight principal Board meetings, at which the following subjects were discussed:

- Strategy – the Board held an off-site meeting at which the Company strategy was reviewed in the context of the macro- and micro-economic environment, potential legislative changes, competitor strategies and the need for the Company to create and exploit competitive advantage. An additional strategy session was held in the summer of 2009 to consider whether the Group's strategy remained appropriate in the context of the unprecedented events which affected the property and financial markets in 2008 and early 2009.
- Business plans – the Board reviewed at six-monthly intervals the five year forecasts, 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. In addition, the half-yearly and annual results, together with a comparison of investment property performance to IPD indices on a six-monthly basis, were reviewed in detail.
- Compliance and external relationships – the Board reviewed Investor Relations, HR and Pensions, Corporate Governance, Health and Safety (with quarterly updates), Environmental performance, Board performance evaluation and Corporate Responsibility matters.

In addition to scheduled Board meetings, the Non-executive Directors are available throughout the year. From time to time they attend Board meetings arranged on an ad hoc basis or, if they are unable to attend such meetings, provide feedback in advance of the meeting. In addition, from time to time matters arise which require urgent approval prior to the next scheduled Board meeting and in such instances the approval of all Directors is sought by email. Non-executive Director sessions were held 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 were split, with clear written guidance to support the division of responsibility.

The Chairman was primarily responsible for the effective working of the Board, ensuring that all Directors were able to play a full part in its activities. The Chairman was also responsible for ensuring effective communication with shareholders and making sure that all Board members are aware of the views of major investors.

The Chief Executive was responsible for all aspects of the operation and management of the Group and its business. His role included developing, for Board approval, an appropriate business strategy and ensuring that the agreed strategy was implemented in a timely and effective manner.

There was strong non-executive representation on the Board, which currently consists of the Chairman, four Executive Directors and six Non-executive Directors. The Board regards each of the six Non-executive Directors as being fully independent and the Chairman was independent at the time of her appointment to that position. 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 members of the Board. The Chairman held regular meetings with the Non-executive Directors without Executive Directors being present.

Details of the roles, backgrounds and other commitments of the Directors are shown in the Directors' biographies on p55.

Board access to appropriate information

The Board was supplied with information 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. Other areas addressed included legal issues and responsibilities of Directors, the Group's governance arrangements and its Investor Relations programme. All Directors were encouraged to challenge and make further enquiries of the Executive Directors or 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 access to external advice, if required, at the expense of the Group (the procedure for Directors wishing to seek such external advice is published on the Group's website, 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.

The Board instituted a series of meetings with senior employees below Board level which provided these employees with exposure to the Board and enabled the Board to learn more about the day-to-day running of the business.

Professional development support and training for Directors

Newly appointed Directors went through an induction programme before or immediately after their appointment to the Board. If this was their first appointment to the Board of a listed company, the induction programme included training on the responsibilities of a Director. A comprehensive and customised induction programme was provided for Chris Bartram on appointment which covered all of the significant areas of the Group's business, co-ordinated by the Company Secretary in accordance with guidelines issued by the Institute of Chartered Secretaries and Administrators (ICSA).

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 of the Group's principal properties or developments. The 'off-site' meeting in January 2010 was held in central London and included a presentation on, and visit to, the Group's properties located in Victoria.

This year a series of Board development sessions has been instituted. This consists of briefings from external speakers providing the Board with a different perspective on matters relevant to the markets in which the Group operates, together with updates on subjects relating to their duties as Directors. Subjects covered or planned to be covered include an alternative view of the outlook for the property market set in the context of historical cycles, treasury and derivatives, and legal and health and safety aspects for directors of a property company.

The Board supports Executive Directors taking up Non-executive Directorships 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. No such appointments were held by the Executive Directors during 2009/10.

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. For the last few years the Board has undertaken a self-assessment. This 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 independent 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 are:

- Formalising at more frequent intervals a review of the interaction of assets and liabilities.
- 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.

The Board and its Committees will monitor progress and continue to review critically their effectiveness during the year ahead.

The Chairman's performance and leadership were reviewed in a one-to-one with the Senior Independent Director, while the Chairman held one-to-one interviews with the individual Board Directors to discuss their contribution.

Conflicts of interest

A new statutory duty on Directors to avoid conflicts of interest with the Company came into force in October 2008. The Company's Articles of Association were amended in July 2008 to allow the Directors to regulate conflicts of interest. The Board has adopted a policy and effective procedures for managing and, where appropriate, approving conflicts or potential conflicts of interest. Under these procedures, Directors were required to declare all directorships or other appointments to companies which are not part of the Land Securities Group and which could give rise to conflicts or potential conflicts of interest, as well as other situations which could give rise to a potential conflict of interest. This year 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 Executive 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.

Approach to Investor Relations

Land Securities has a comprehensive Investor Relations programme which aims to provide existing and potential equity and bond 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, Alison Carnwath, maintained contact with principal investors to keep the Board informed of their views. Further detail on the Group's Investor Relations activity is provided in our Corporate Responsibility Report 2010 www.landsecurities.com/crreport10.

The Board also received independent feedback on Investor Relations through a biennial presentation by Makinson Cowell, an 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 received feedback from analysts and investors every six months through its corporate advisers.

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 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 2010.

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, since the result is more democratic because 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, 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, and details are given in the Report of the Directors.

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 to mitigate rather than eliminate the risk of failure to meet business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board confirms that its system is designed to be in accordance with the 2005 version of the Turnbull guidance. It has been in place for the year under review and up to the date of approval of the Annual Report and financial statements.

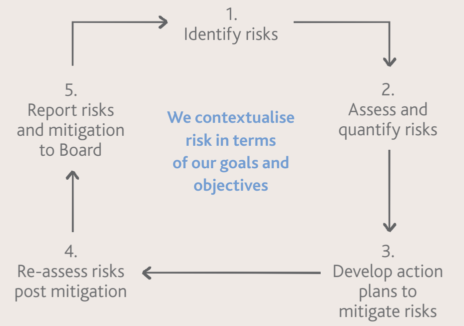
The key features of our system of internal control include:

- Strategic and business planning – the Group produces and agrees a 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 – capital projects, major contracts and business and property acquisitions are reviewed in detail and approved by the Investment Committee and/or the Board where appropriate, in accordance with delegated authority limits.
- 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 – we have an ongoing process to identify, evaluate and manage the risks faced by the Group. The risk management process is set out in Chart 44. We rate each risk in terms of probability of occurrence and potential impact on performance, and we identify mitigating actions, control effectiveness and management responsibility. Our approach is supported by an oversight structure. This includes the Audit Committee, which reviews on behalf of the Board the effectiveness of our risk management process.

The Group has established practices to monitor the risks and effectiveness of controls in relation to its financial reporting and consolidation processes including the related information systems. These are designed to ensure that any changes in accounting standards, as well as any areas of accounting judgement are identified and subject to consideration by management, the external auditors and the Audit Committee. A risk management framework is in place to identify, evaluate and manage risks, including key financial reporting risks. The effectiveness of key financial controls is subject to management assessment and self certification, and independent evaluation by the internal audit function.

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

Chart 44
Risk management process



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 external reports are issued), which was signed off by senior managers, providing 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 reported 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 – the implementation of a key controls toolkit, which was signed off by senior managers, providing assurance that key controls are both embedded and operating effectively within the business.

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 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 public interest issues on a confidential basis. The Committee was advised on a regular basis of any whistleblowing incidents.

Table 45

Attendance at Board and Committee meetings

The number of principal Board and Committee meetings attended by each Director during the financial year was as follows:

	Board (8 meetings)	Audit Committee (5 meetings)	Nominations Committee (2 meetings)	Remuneration Committee (4 meetings)
Alison Carnwath	8/8	–	2/2	4/4
Francis Salway (Group Chief Executive)	8/8	–	–	–
Martin Greenslade	8/8	–	–	–
Mike Hussey*	2/2	–	–	–
Richard Akers	8/8	–	–	–
David Rough (Senior Independent Director)	8/8	5/5	–	4/4
Sir Stuart Rose	7/8	–	0/2	2/4
Bo Lerenius	7/8	4/5	2/2	3/4
Sir Christopher Bland	8/8	–	1/2	–
Kevin O'Byrne	8/8	5/5	–	–
Chris Bartram*	6/6	2/3	–	–
Robert Noel*	2/2	–	–	–

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

A note on 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.

A note from the Nominations Committee

LandSecurities

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 myself, Sir Christopher Bland, Sir Stuart Rose, David Rough and Bo Lerenius.

During the year under review, the principal focus of the Committee was succession planning for both the Board and across the Group as a whole. 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 four times. Two of these meetings were arranged on an ad hoc basis to consider and recommend to the Board the appointments of Chris Bartram and Robert Noel. External search consultants were used in relation to the appointment of Chris Bartram.

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. 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 at the conclusion of their specified terms of office, the Committee made recommendations to the Board on their reappointment. The Committee concluded that all of the Non-executive Directors were demonstrating a high level of time commitment and effectiveness in respect of their Board participation. If a Non-executive Director has served on the Board for more than six years, the Committee conducts a particularly rigorous review before making its recommendation to the Board. There are currently two Non-executive Directors who have served on the Board for more than six years, David Rough and Sir Stuart Rose, who joined the Board in April 2002 and May 2003 respectively. Bo Lerenius joined the Board in June 2004 and, accordingly, was subject to a particularly rigorous review prior to being proposed for re-election at the 2010 Annual General Meeting.

During the year the Committee reviewed the time required from Non-executive Directors, and the annual performance evaluation was used to support the Board's conclusion that the Non-executive Directors were spending sufficient time to fulfil their duties. The Committee also reviewed succession plans for Executive Directors and senior managers.

When considering candidates, the Committee used – and continues to use – objective criteria. All appointments are made on merit.

Alison Carnwath

Alison Carnwath
Chairman, Nominations Committee

A note from the Audit Committee

Land Securities Group PLC
5 Strand
London WC2N 5AF

Dear shareholder,

I would like to summarise the approach adopted by the Audit Committee and report on the work of the Committee over the past year.

During the year under review, membership of the Audit Committee comprised myself, David Rough and Bo Lerenius, together with Chris Bartram, who joined the Committee following his appointment to the Board in July 2009.

The Committee aims to ensure that the Company 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, www.landsecurities.com. Our principal oversight responsibilities cover:

- internal control and risk management
- internal audit
- external audit (including auditor independence)
- financial reporting

The Committee met five times during the year. As Audit Committee Chairman, I invited other Group Board 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 also present at each meeting. The Committee also met separately with the external and internal auditors. In addition, as Chairman of the Audit Committee, I met separately with the external valuers. The Committee undertook the following activities at its meetings:

- reviewed the half-yearly and annual results and considered any matters raised by management and the external auditors
- reviewed and approved the audit plans for the external and internal auditors
- monitored the scope, effectiveness, independence and objectivity of the external audit
- discussed the results of internal audit reviews, significant findings, management action plans and the timeliness of resolution
- reviewed the reports and processes which support the Board's sign-off on the system of internal control p69
- reviewed reports on the Group's risk management measures and actions

In conjunction with the Board appraisal detailed on p68, the Committee also reviewed its own effectiveness and concluded that it had continued to operate as an effective Audit Committee.

This year we introduced a risk workshop for the whole Board, to allow all Directors to contribute to the process of identifying and rating the Company's risks. We intend to repeat this process, holding a full risk workshop every two years. Follow-up to the output from this workshop is scheduled for the Audit Committee and Board meetings.

During the year, 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.

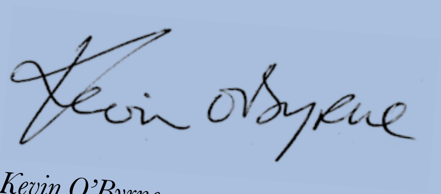
Throughout the year, the Company had a policy and procedures in place to monitor and maintain the objectivity and independence of the external auditors. The policy requires prior approval by the Chairman of the Audit Committee of non-audit work above a de minimis threshold level of £25,000. On a six-monthly basis, the Audit Committee reviewed a summary of all non-audit work. In addition to the audit related services, PwC provided the following services during the year:

- taxation advice, including planning and compliance
- advice on IFRS accounting.

Details of the amounts paid to PwC are set out in note 7 to the financial statements. The level of non-audit fees has fallen significantly compared to the previous year, during which PwC carried out extensive work on the disposal of Trillium and the Rights Issue. The external auditors reported to the Committee that they remained independent and had maintained internal safeguards to ensure their objectivity.

During the year, the Committee applied its policy and procedures to monitor the objectivity of the external valuers, Knight Frank. For further information on the processes and methodology adopted by the external valuers, please refer to p33 of this report. The valuers and external auditors have full access to each other. These advisers have a 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 of the process. In addition, Knight Frank presented to the Audit Committee following completion of their 2009/10 valuation process.

In line with the Carsberg Committee report, we have a fixed fee arrangement with our valuers. The proportion of total fees paid by the Company to the total fee income of Knight Frank LLP was less than 5%. The Audit Committee regularly reviews the total fees the Company pays to Knight Frank as a proportion of the total fees paid to all of our property advisers. The Committee is satisfied 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 as having significant, recent and relevant financial experience in line with the Code. Further details of each of the independent Directors are set out on p55

A note from the Remuneration Committee

Land Securities Group PLC
5 Strand
London WC2N 5AF

Dear shareholder,

As a Board we strongly believe that the Company's remuneration policy should be aligned with, and sensitive to, shareholders' interests. The Remuneration Committee seeks to deliver that alignment by focusing management team incentives on successful delivery of strategy and appropriate returns for investors.

Over the past two years, Land Securities has been operating in very different market conditions to those prevailing prior to 2008. The Remuneration Committee has been mindful to reflect the changed circumstances affecting the Company and its shareholders. As a result, no salary increases or bonuses were awarded to the Executive Directors in respect of the financial year 2008/09 with the exception of Ian Ellis, the Chief Executive of Trillium, who received a bonus upon the sale of Trillium in January 2009. In 2010, the Committee decided to increase the salaries of the Executive Directors by an average of 2% and resume the payment of bonuses, which are based principally on the delivery of outperformance against objective benchmarks such as the Investment Property Databank (IPD).

Over the past 12 months we have changed the vesting conditions for grants under our Long-term Incentive Plan from June 2009 onwards. The introduction of a relative Total Shareholder Return measure, alongside the existing measure which benchmarks performance against the IPD quarterly index, is designed to align executive incentives more closely with shareholders' interests and returns. We have an Additional Bonus Opportunity, which seeks to incentivise and reward significant outperformance of the IPD benchmark. This year we introduced an additional control mechanism to address the position where a year of outperformance is followed by a year of material underperformance.

We are committed to operating with transparency. In line with this commitment, the following section provides a concise question and answer section highlighting key principles, policies and actions from the year under review. On p78—79 we provide a full Directors' remuneration report.

David Rough
Chairman, Remuneration Committee

Inside the remuneration report

In this section

Q&A

What were the Company's principles in terms of remuneration for Directors?

Our pay and rewards should attract the best people to the business and incentivise them to produce superior returns for our shareholders. Therefore we believe we should reward people for achieving and exceeding Company targets. This is why a substantial part of our Executive Directors' reward is performance-related pay, with incentives to exceed industry benchmarks and to deliver relative Total Shareholder Return outperformance in comparison to our peer group. We seek to align incentives with shareholders' interests and to reward the Executive Directors for delivering on the Group's strategic objectives. The Committee also took into consideration the output from a Remuneration Workshop held by the Board in November 2009.

The Committee is conscious of the fall in the value of shareholdings in the Company experienced over the past two years. This loss of value was also experienced by the Executive Directors through their individual shareholdings and through the lower value of their deferred share and LTIP/Matching Share awards.

There are three principal elements to the remuneration we provide:

- Salaries reflect an individual's consistent performance and contribution to the business, as defined and decided by the Committee. We aim to pay salaries at a mid-market level. The Committee takes account of salary levels and increases across the organisation, together with institutional shareholders' concerns on the ratcheting of basic salaries. Please see p79 for more details on basic salaries.
- Annual bonuses reward performance according to a set of key performance indicators, aimed at ensuring the Company delivers on its key priorities for the year. There is a bonus opportunity for Executive Directors of up to 100% of basic salary and, at the Remuneration Committee's discretion, this can be increased to 130%. There is also a bonus opportunity of up to 200% of basic salary for exceptional performance. However, no Director may earn a bonus of more than 300% of basic salary in total. Tables 56 and 57 on p86 set out the criteria for each type of bonus.
- Long-term Incentive Plan rewards for Directors are aligned with our long-term business objectives and the level of value created for shareholders. Please see p81 for more on long-term incentives.

What were the Executive Directors paid this year?

The Committee decided that the Executive Directors should not receive any pay increases during the financial year 2009/10. The Committee has decided that their pay should be increased by an average amount of 2.0% to take effect from 1 July 2010. This was below the overall figure for salary increases across the Group of 2.4%. It also decided that it was appropriate to resume the payment of bonuses this year to reflect the improved performance of the Company together with relative performance against a set of independent industry benchmarks.

Table 46 details the salaries and annual bonuses given to our Executive Directors this year.

Table 46

What was the Executive Directors' remuneration for 2009/10? (£'000)

	Salary	Annual bonuses
F W Salway	645	655
M R Hussey*	109	–
R J Akers	373	1,040
M F Greenslade	414	415
R M Noel†	100	175

*Resigned 30 June 2009.
†Appointed 1 January 2010.
Note: annual bonuses comprise both the cash element and the element which will be deferred into the Company's shares for a period of three years.

What bonuses were paid to the Executive Directors this year?

The bonuses awarded to the Executive Directors in respect of 2009/10 are set out in Table 59. Francis Salway was awarded an annual bonus of 77% and a discretionary bonus of 25% of salary. Martin Greenslade was awarded an annual bonus of 80% and a discretionary bonus of 20% of salary. Richard Akers was awarded an annual bonus of 79% and an award of 200% of salary under the additional bonus opportunity. Robert Noel received a bonus amounting to 44% of annual salary as partial compensation for a bonus foregone at his previous employer. 25% of any annual bonus award and 50% of any additional bonus opportunity is deferred into the Company's shares for a period of three years.

How was share price performance factored into the Directors' remuneration?

It was factored in through the Long-term Incentive Plan and also through awarding part of the annual bonuses in the form of deferred shares that vest after three years. However, it is not considered best practice to make share price performance a major incentive. This could encourage Directors to make decisions that bolster the share price in the short-term rather than decisions that benefit the Company and its shareholders in the long term. In addition, all Executive Directors must, within five years of joining the Board, own shares with a value of at least 1.5 x basic salary – and for the Chief Executive 2.0 x basic salary – to ensure their interests are aligned with those of shareholders.

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

Subjects reviewed by the Committee were as follows:

- achievement against targets under the annual bonus scheme and the Long Term Incentive/Matching Share Plan
- Group revenue profit target used to determine annual bonuses
- review of salaries of Executive Directors and senior managers, together with overall levels of salary increases across the Group
- proposed share incentive awards to Executive Directors and senior managers
- compliance with Share Ownership Guidelines
- payments and share awards made to Mike Hussey upon his leaving the Group
- proposed service contract, salary and share awards to Robert Noel upon his joining the Group
- pension arrangements across the Group in the context of proposed legislative changes
- wording of the Directors' Remuneration Report
- changes to the performance measures for the Long term Incentive/Matching Share Plan and to conditionality applying to the Additional Bonus Opportunity
- changes to the structure for allocating annual bonuses across the Group (but not the amount of those bonuses).

How much did you pay Non-executive Directors?

We pay a base fee and in autumn 2009 this was set at £60,000. 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. Please see Table 47 for more information on what we paid our Non-executive Directors this year.

Table 47

What were the Non-executive Directors paid in 2009/10? (£'000)

A J Carnwath	300
D Rough	79
S A R Rose	57
B A Lerenius	57
K O'Byrne	75
C Bland	57
C Bartram*	39

*Appointed 1 August 2009.

Policies

In this section

1 Compliance

This report has been prepared by the Remuneration Committee (the Committee) in accordance with Section 1 of the Combined Code on Corporate Governance, the Companies Act 2006 and the Listing Rules of the Financial Services Authority and UI 410 2008. In accordance with the Regulations, this report has been approved by the Board and will be submitted to shareholders for approval at the Annual General Meeting to be held on 22 July 2010.

PricewaterhouseCoopers LLP has audited Tables 59, 60, 61, 62 and 63 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 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 to 31 March 2010.

3 Responsibilities and remit

The principal responsibilities of the Committee took full account of the recommendations contained within the Combined Code and included the following:

- To determine and recommend to the Board an overall strategy for the remuneration of the Chairman, Executive Directors and senior managers
- To determine and recommend to the Board the individual remuneration packages for the Chairman (who is not present when her own remuneration is discussed), Executive Directors and senior managers
- To oversee any significant changes to employee benefits, including pensions
- To approve the design of and targets for performance-related incentive schemes
- To 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

4 Advisors

The Human Resources Director provided information and advice to the Committee. The Committee has appointed and received advice from Hewitt New Bridge Street (HNBS) and also made use of various published surveys to help determine appropriate remuneration levels. HNBS has no other connection with the Land Securities Group.

The Chief Executive and Human Resources Director were invited to attend meetings of the Committee but no Director was involved in any decisions relating to their own remuneration.

As detailed in the Corporate Governance report on p68, the Committee's performance was reviewed annually by the Chairman, with the assistance of the Company Secretary as part of the external Board evaluation carried out by Independent Audit Limited.

5 Components of Directors' remuneration in 2009/10

Executive Directors' remuneration comprised:

- Fixed pay, including basic salary, together with pension payments/contributions and benefits in kind; and
- Variable pay, comprising:
  — annual bonus
  — share-based long-term incentive plan.

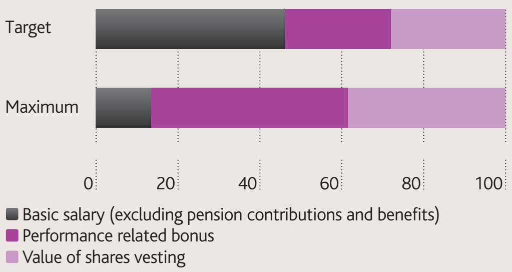
6 Remuneration policy and philosophy

The Group's remuneration policy seeks to provide remuneration in a form and amount to attract, retain and motivate high quality management, recognising that the Group operates in a competitive market for talent. Emphasis is placed on delivering superior reward for achieving and exceeding the Group's business plan. A substantial proportion of the Executive Directors' remuneration is delivered through performance related pay. Executive Directors have substantial incentives to outperform industry performance benchmarks.

A summary of the principal components of Executive Directors' remuneration is set out below. Chart 48 illustrates the balance between fixed and variable pay at the target and maximum performance levels, assuming maximum participation in the Long-term Incentive Plan (LTIP). This information reflects the policy that operated during the year under review and there was no change in the balance between fixed and variable pay during that period.

The Group's remuneration policy is reviewed regularly, along with the balance between fixed and variable pay, to ensure that it remains appropriate and recognises developments in corporate governance best practice. Performance targets are set to align with Group strategic objectives and Key performance indicators (KPIs) as outlined on p13. Tables 56 and 57 show how these elements are aligned.

Chart 48
What was the balance of fixed versus variable pay? (%)



7 Changes to bonus arrangements and share incentive plans

For LTIP grants made from June 2009, the Remuneration Committee decided to make some changes to vesting conditions to improve alignment of executive incentives with shareholder interests. Previously, EPS growth had governed the vesting of 50% of the LTIP grant. However, following the sale of Trillium in January 2009, the EPS measure became less relevant, and was replaced by a relative Total Shareholder Return (TSR) measure.

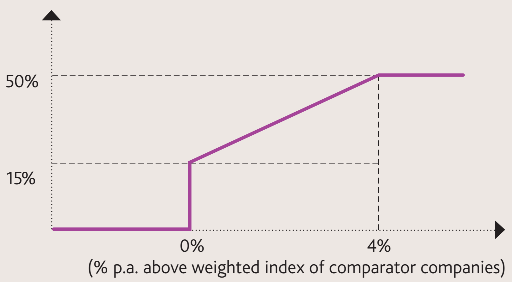
Land Securities' three-year TSR performance (share price increase plus reinvested dividends) will be compared against the TSR performance of an index of a comparator group of FTSE 350 Real Estate Companies, weighted based on their market cap at the beginning of the performance period. If Land Securities' TSR performance is below this index, this portion of the LTIP grant will lapse in full. If Land Securities matches the index, 30% of this portion (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 49 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 2010, the list of comparator companies comprised: The British Land Company PLC, Hammerson plc, Liberty International PLC, SEGRO plc, Derwent London plc, Great Portland Estates plc, F&C Commercial Property Trust Limited, Shaftesbury PLC, Daejan Holdings PLC, Helical Bar plc, and Big Yellow Group PLC.

Vesting conditions for the other half of the LTIP grant, based on ungeared Total Property Return (TPR) performance relative to an Investment Property Databank (IPD) benchmark, are unchanged.

In 2009/10 the Committee agreed to introduce a control mechanism to govern bonuses paid under the additional bonus opportunity to address the position where a year of outperformance is followed by a year of material underperformance (see p80).

Chart 49
TSR Performance Condition
(% of overall LTIP grant vesting)



8 Principles and policy on basic salaries

Executive Directors receive a salary that reflects their responsibilities, experience and performance. Salaries are reviewed annually with any changes taking place in July. The review process includes the use of comparator information and reports from the Group's remuneration consultants.

The Group's policy is to set salary around the mid-market rate, but the Committee is mindful of the need to treat pay comparisons with caution to avoid an upward ratchet of remuneration levels with no corresponding improvement in performance. The Committee also takes account of pay and employment conditions across the Group, especially when determining annual salary increases. After taking account of market conditions, the Committee decided that the Executive Directors should receive salary increases averaging 2% to take effect from 1 July 2010.

The current salaries of the Executive Directors are as shown in Table 52.

9 Principles and policy on annual bonuses in 2009/10

During the year under review, the Executive Directors had individually tailored annual bonus performance targets that provided the potential to earn up to 300% of base salary. Each of the Executive Directors have the same bonus potential, although their individual performance targets differ from Director to Director (see Tables 56 and 57). Robert Noel was not eligible to participate in the annual bonus opportunity or the Additional Bonus opportunity in respect of 2009/10. The annual bonus opportunity was structured in two distinct parts:

Bonus Opportunity: up to 100% of salary
The performance targets that applied to this part of the Executive Directors' annual bonus opportunity are set out in Table 56.

The Committee calibrates the bonus 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 award is compulsorily deferred into the Company's shares for a period of three years and receives a Matching Award under the terms of the LTIP (see below).

Executive Directors have also been eligible to participate in a discretionary bonus pool for all employees which, if applicable, is normally in the range of 5-30% of salary. Discretionary bonus awards of up to 50% of salary may be granted in exceptional circumstances within the maximum of 130% of base salary for total annual bonus (excluding the additional bonus for exceptional performance). Such discretionary bonus payments are subject to an overall cap of £500,000 for payments to all Executive Directors in any one year. It remains the Committee's intention not to pay aggregate annual bonuses in excess of 300% of salary.

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 applied during 2009/10 are set out in Table 57.

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

The Committee's objective in introducing the additional bonus was to encourage a striving for material outperformance every year. Half of any bonus earned between 100% and 300% of salary is compulsorily deferred into the Company's shares for a total period of three years which is considered highly retentive. Any deferral under this part of the annual bonus arrangements is not the subject of a matching award under the LTIP.

The Committee calibrated the bonus targets that applied to this part of the Executive Directors' bonus opportunity so that the performance required was above that required for bonuses of up to 100% of salary. 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 that year and the prior year exceeding the IPD benchmark. This constitutes a backward-looking control measure against outperformance in the in-year period following a year of underperformance.

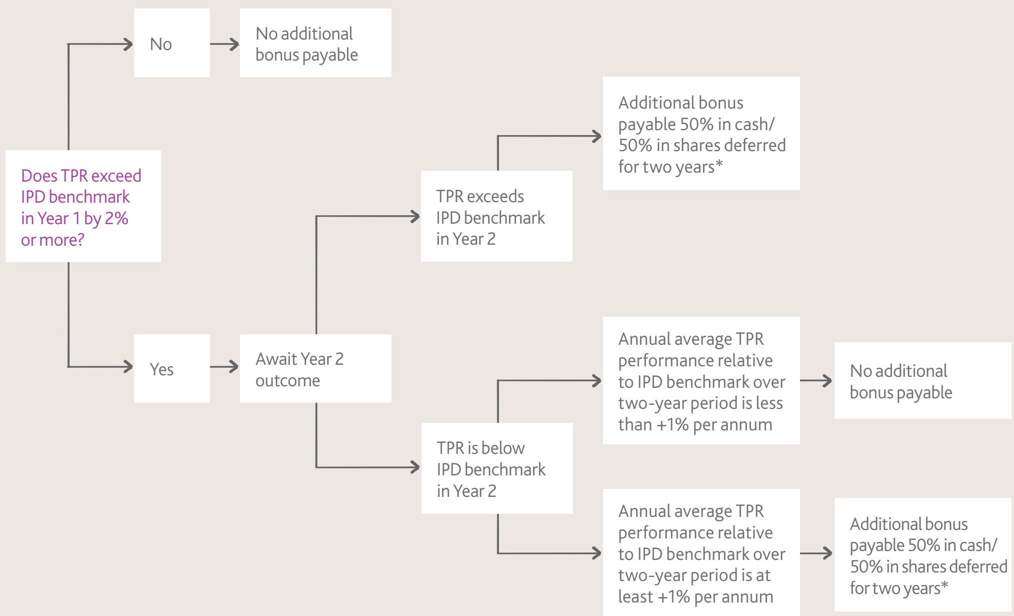
For example:

— In year one performance is 1% below the IPD benchmark
— In year two performance is 3% above the IPD benchmark
— Payout for year two is based on performance in that year as the aggregate performance over the two years is at least equal to the benchmark.

In 2009/10, the Committee decided to amend this control mechanism with this change taking effect from the 2010/11 financial year. In future, no bonus payments will be made until the subsequent year's outturn for TPR performance relative to the IPD benchmark becomes available and it becomes evident that the year of exceptional outperformance is not followed by a year of material underperformance. A flowchart showing how any payments under the Additional Bonus Opportunity will be calculated is shown below.

The actual total bonus payouts, inclusive of the additional bonus opportunity described above, that were earned in respect of the financial year ended 31 March 2010 are set out in Table 59.

Chart 50
Additional Bonus Opportunity



*Calculated by reference to the aggregated relative performance over the two-year period using the same criteria range of IPD +2.0% to +4.0% annualised.

10 Policy on long-term incentives in 2009/10

Executive Directors participate in the Long-term Incentive Plan (LTIP) approved by shareholders in 2005. The LTIP replaced the share option scheme approved in 2002 and also replaced, from 2006/07, the performance share matching plan, also approved in 2002. There is no retesting in relation to long-term incentives for Executive Directors.

The LTIP consists of the facility to make annual awards of Performance Shares and Matching Shares.

LTIP Performance Shares

In the year under review, Executive Directors were eligible to receive conditional awards of shares of up to 100% of salary Table 60.

LTIP Matching Shares

Matching share awards are linked to co-investment by participants in shares Table 60.

A Director's co-investment can be made through the deferral of an annual bonus award (with the maximum permitted investment by this means of 25% of base salary). Co-investment can also be made through the pledging of shares purchased in the market. Such additional investment is permitted to bring the Director's total investment to 50% of base salary (for this purpose the value of pledged shares is taken as the amount of gross salary that would have been required to fund the purchase of the shares). Accordingly, Executive Directors are eligible to receive a matching award of shares under the LTIP which is made at a ratio of up to two for one on a gross to net tax basis (up to 100 shares for every 25 purchased out of net income). The maximum Matching Share award is over shares with a value of 100% of salary.

Awards of LTIP Performance Shares and Matching Shares are subject to the same performance conditions measured over three years. In respect of LTIP and Matching Share awards granted in 2007 and 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, IPD weighted indices that reflect the sector mix of Land Securities' investment portfolio. The targets:

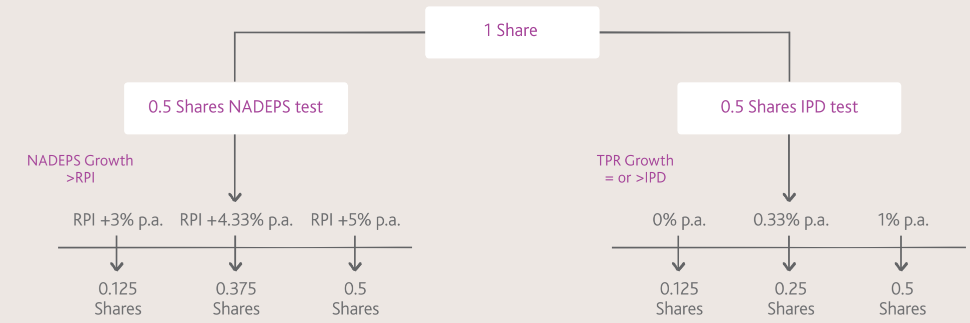
- NADEPS target
  - — Growth of RPI + 3% per annum – 12.5% of the award vests;
  - — Growth of RPI + 5% per annum – 50% of the award vests; and
  - — Straight-line vesting occurs between these points.

- TPR target
  - — Performance equal to the sector weighted IPD index – 12.5% of the award vests
  - — Performance equal to the sector weighted IPD index plus 1% per annum – 50% of the initial award vests
  - — Straight-line vesting occurs between these points.

In respect of awards made from June 2009 onwards, the NADEPS performance condition was replaced by a TSR measure, as explained on p79. The vesting range for awards using the TSR measure remains the same as for awards which use the NADEPS performance measure. The maximum number of shares which could potentially vest as a result of historic long-term incentive awards and the number of shares which vested in the financial year are shown in Table 60. The Group's policy is to use market-purchased shares to satisfy the vesting of LTIP Performance and Matching Shares and for Deferred Share Awards. Future awards are partially hedged through on-market share purchases by an Employee Benefit Trust which held 522,409 shares at 31 March 2010.

Table 51

What is the vesting range for LTIP Performance and Matching Shares?



Remuneration

In this section

1 Share options

Land Securities has historically operated share option arrangements for Executive Directors. Vesting of share options was subject to performance tests and was dependent on growth in NADEPS exceeding RPI by at least 2.5% per annum. Following the adoption of the LTIP in 2005/06, no further awards of share options have been made to the Executive Directors.

For grants made over the period 2000 to 2004, the Committee determined that the required level of increase in NADEPS was achieved and as a result the executive share options granted during that period are exercisable in full. Directors' options over ordinary shares are shown in Table 63.

2 Directors' emoluments

Table 59 sets out Directors' emoluments for the year under review and the financial year ended 31 March 2009. The basis of disclosure is on an 'accruals' basis, that is the annual bonus and Deferred Bonus Shares columns include the amount that will be paid and awarded respectively for performance achieved in the financial year under review.

On 18 June 2009, it was announced that Mike Hussey would leave the Company by mutual agreement on 30 June 2009. In accordance with the mitigation provisions agreed to by all Executive Directors in May 2005, he received a payment of £282,555 comprising six months' annual salary, pension benefits at 25% of salary together with compensation for other miscellaneous benefits representing 5% of salary. In addition it was agreed that six further monthly payments, subject to mitigation, of £47,092 would be paid from January 2010 in respect of salary, pension allowance and benefit allowance. Also, under the terms of his contract, Mike Hussey received:

— Time pro-rated annual cash bonus for 2009/10 of £81,506
— Time pro-rated award of deferred bonus shares amounting to 70,703 shares
— Vesting of LTIP and maturing share awards with a total value of £266,001.

Mike Hussey was considered to be a 'good leaver' for the purposes of the Group's employee share scheme. Accordingly, he was eligible to exercise share options granted under the Savings-related and Executive Share Option Schemes and to receive shares awarded under the deferred bonus plan, subject to the rules of the relevant plans and schemes in force. Mike Hussey was also eligible to receive vested shares arising from awards of shares under the LTIP and matching share plan in respect of awards made in 2006 and 2007. These awards were subject to attainment of the relevant performance conditions and were pro-rated to the next six-month anniversary from date of grant as specified by the rules of this plan.

The Committee determined attainment of the performance conditions and time pro-rating as follows:

Award	Performance pro-rating	Time pro-rating	Shares vested
2006 LTIP Award	92.5%	100%	20,092
2006 Matching Share Plan Award	92.5%	100%	18,625
2007 LTIP Award	50%	2/3rds	8,975
2007 Matching Share Plan Award	50%	2/3rds	9,048
2008/9 LTIP Award	0%	1/6th	0

All awards granted under the Company's Share Incentive Plans were made immediately available to Mike Hussey following the date of his leaving the Company, subject to deductions for PAYE, tax and National Insurance. This was in accordance with the rules for 'good leavers' under the relevant plans.

Table 52
What are the Executive Directors' salaries?

	Current	From 1 July 2010
F W Salway	£645,000	£655,000
M F Greenslade	£414,000	£425,000
R J Akers	£372,600	£380,000
R M Noel	£400,000	£408,000

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 his awards granted in January 2010 would not be subject to performance conditions but the value would be scaled back to reflect assumptions in relation to the likelihood of vesting. The awards granted to Robert Noel upon appointment were as follows:

Date of vesting	No. of shares awarded
30 June 2010	34,000
30 June 2011	46,000
30 June 2012	80,000

In addition, it was agreed that he should be paid the sum of £175,000 as a cash bonus for 2009/10 as partial compensation for a bonus foregone at his previous employer. He did not participate in the LTIP/Matching Share Scheme in respect of the 2009/10 financial year.

3 Pensions

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

Following a review of pension provision in light of the tax changes that came into effect from 1 April 2006, it was decided that Executive Directors would continue to be entitled to a pension benefit that is equivalent to 25% of their base salary. Executive Directors have the flexibility to determine how this 25% of salary benefit is used, as follows:

- Pension contributions may be made into the Land Securities contributory money purchase scheme up to the personal level that is advised plus a cash contribution on the balance;
- 25% cash payment on base salary to invest outside Land Securities pension arrangements.

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, at normal retirement age, a pension of 1/60th of Pensionable Salary for each year of pensionable service. The scheme also provides lump sum death-in-service benefits on death before normal retirement age of four times Pensionable Salary and pension provision for dependants of members. Only basic salary is treated as Pensionable Salary. The benefits provided to Richard Akers are based on a Pensionable Salary which is subject to the 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 1/60th accrual subject to employee contributions. Richard Akers has chosen to accrue benefits on a 1/60th basis with employee contributions of 1% of basic salary in 2006, 3% of basic salary in 2007 and 5% of basic salary thereafter. The balance of Richard Akers' pension allowance is paid to him to invest outside Land Securities pension arrangements.

4 Fees paid to Non-executive Directors

The annual fees of the Chairman of the Board are determined by the Committee having regard to independent advice. The other Non-executive Directors each receive a fee agreed by the Board following a review of fees paid by comparable organisations. 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 it was agreed to increase the base Non-executive Directors' fee from £55,000 to £60,000, with this being the first such increase since 2006/07. No additional fees are payable for attendance at Board or Committee meetings or for membership of Board Committees, but the 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. A specimen letter of appointment is available on the Company's website at www.landsecurities.com. The dates of the current letters of appointment of the Non-executive Directors are shown in Table 53.

The appointment of the Non-executive Directors can be terminated upon one month's notice while the appointment of the Chairman can be terminated upon three months' notice.

Table 53
When were the Non-executive Directors appointed?

Name	Date of appointment*	Date of contract
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 2008
K O'Byrne	1 April 2008	9 April 2008
C Bartram	1 August 2009	21 July 2009

*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 the Company. As a result, the unexpired term and the notice periods (both from the Company and from the Executive Director) are 12 months. The contracts contain a provision that if an Executive Director is given notice to terminate their employment by the Company, they will be considered for a bonus in the usual way and 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 Directors or senior executives are considered by the Committee.

The dates of appointment and the dates of the service agreements of the Executive Directors are in Table54.

Table 54
When were the Executive Directors appointed to the Board?

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

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

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. Bonus, LTIP, 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. No such fees were earned by the Executive Directors in 2009/10.

6 Directors' shareholdings

The interests of the Directors in the shares of the Company as at 31 March 2010 are shown in Table 61.

There have been no changes in the shareholdings of the Directors between the end of the financial year and 18 May 2010, save that on 1 April 2010 Alison Carnwath and Martin Greenslade acquired 1,321 and 855 shares respectively under the Company's Scrip Dividend Plan.

No Director had any other interests in contracts or securities of Land Securities Group PLC or any of its subsidiary undertakings during the year.

7 Shareholding guidelines for Directors

The Committee believes that it is important for a significant part of the compensation of each Executive Director to be tied to ownership of 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 or the date of introduction of this requirement in order to qualify for future awards of long-term incentives.

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. The Committee continues to monitor the Executive Directors' progress against the guidelines on an annual basis. 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.

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, and the 2005 Executive Share Option Plan, which covers employees below Board and senior management level, are met by the funding of an Employee Share Trust administered by an external trustee which acquires shares in the market. 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 2010, the total number of shares which could be allotted under this scheme was 522,049 shares. This represents less than 0.07% of the issued share capital of the Company.

9 Pay of senior managers below Board level

The Group currently employs 19 senior managers in positions below Board level. None of these senior managers receives a salary 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, will also be eligible from 2010/11 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 54% to 96% of salary, with an average bonus of 68% of salary. In addition a small number of senior managers were paid retention bonuses in respect of the demerger of the Group proposed in 2007 and stopped in 2009.

Performance graphs

As required by legislation covering the Directors' remuneration report, Chart 55 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.

The Committee also considered that it would be helpful to provide an additional line to illustrate performance compared with the FTSE 100 index over the previous five years of the Company (see Chart 55).

Signed for and on behalf of the Board by

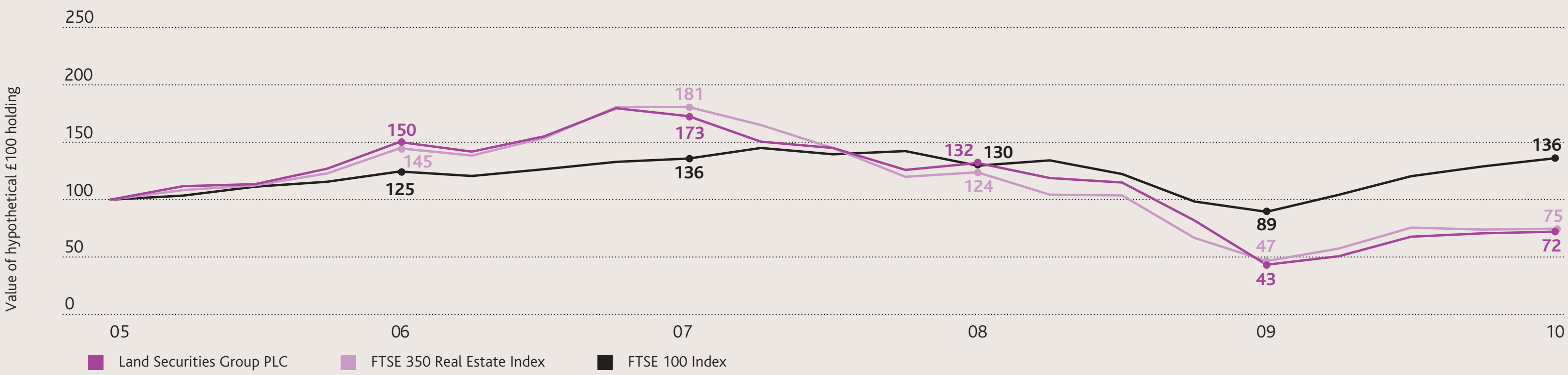
David Rough
Chairman, Remuneration Committee

Tables

In this section

1 Chart 55

Historical TSR performance.
A hypothetical £100 holding over five years



Note: Comparisons to indices based on 30 trading day average values
Source: Datastream

2 Table 56

Criteria for the Directors' 2009/10 bonuses

F W Salway	Group profit	Property investment performance	Development lettings	Disposal programme
M F Greenslade	Group profit	Performance of Group support functions	IT reorganisation	New/extended debt facilities
R J Akers	Group profit	Property investment performance	Development lettings	Disposal programme

3 Table 57

Targets for the Directors' additional bonus opportunities

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[1]	0%–200%
Managing Director of the London Portfolio	2%–4% outperformance of the relevant London business total property return (TPR) Benchmark[1]	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 Table 58

Annual bonus for each Director

Executive Directors	% of year end salary	
	Total bonus earned 2009/10	Total bonus earned 2008/09
Chief Executive	101	0
Group Finance Director	100	0
Managing Director of the Retail Portfolio	279	0
Managing Director of the London Portfolio	44	N/A

5 Table 59

Directors' emoluments (£'000) (audited)

	Basic salary and fees 2009/10	Basic salary and fees 2008/09	Benefits[1] 2009/10	Benefits[1] 2008/09	Bonuses 2009/10	Bonuses 2008/09	Deferred bonus shares[2]* 2009/10	Deferred bonus shares[2]* 2008/09	Compensation for loss of office 2009/10	Compensation for loss of office 2008/09
Executive:										
F W Salway	645	640	23	22	531	–	41	132	–	–
I D Ellis[3] (resigned 12 January 2009)	–	334	–	14	–	130	–	647	–	–
M R Hussey[4] (resigned 30 June 2009)	109	431	32	127	–	–	344	95	505	–
R J Akers	373	369	23	19	593	–	18	51	–	–
M F Greenslade	414	411	18	18	332	–	12	–	–	–
R M Noel (appointed 1 January 2010)	100	–	33	–	175	–	–	–	–	–
	1,641	2,185	129	200	1,631	130	415	925	505	–
Non-executive:										
D Rough	79	77	–	–	–	–	–	–	–	–
S A R Rose	57	55	–	–	–	–	–	–	–	–
B A Lerenius	57	55	–	–	–	–	–	–	–	–
A J Carnwath (appointed Chairman on 12 November 2008)	300	155	–	–	–	–	–	–	–	–
P Myners[5] (resigned 3 October 2008)	–	128	–	51	–	–	–	–	–	–
C Bland[6]	57	133	–	–	–	–	–	–	–	–
R Haythornthwaite (resigned 5 February 2009)	–	47	–	–	–	–	–	–	–	–
K O'Byrne	75	59	–	–	–	–	–	–	–	–
C Bartram (appointed 1 August 2009)	39	–	–	–	–	–	–	–	–	–
	2,305	2,894	129	251	1,631	130	415	925	505	–

	Total emoluments (excluding pensions) 2009/10	Total emoluments (excluding pensions) 2008/09	Pensions 2009/10	Pensions 2008/09	LTIP and matching shares vested** 2009/10	LTIP and matching shares vested** 2008/09	Performance shares vested** 2009/10	Performance shares vested** 2008/09
Executive:								
F W Salway	1,240	794	161	160	309	497	–	250
I D Ellis[3] (resigned 12 January 2009)	–	1,125	–	83	–	669	–	206
M R Hussey[4] (resigned 30 June 2009)	990	653	–	–	266	294	–	172
R J Akers	1,007	439	118	98	141	246	–	97
M F Greenslade	776	429	104	103	207	500	–	–
R M Noel (appointed 1 January 2010)	308	–	–	–	–	–	–	–
	4,321	3,440	383	444	923	2,206	–	725
Non-executive:								
D Rough	79	77	–	–	–	–	–	–
S A R Rose	57	55	–	–	–	–	–	–
B A Lerenius	57	55	–	–	–	–	–	–
A J Carnwath (appointed Chairman on 12 November 2008)	300	155	–	–	–	–	–	–
P Myners[5] (resigned 3 October 2008)	–	179	–	–	–	–	–	–
C Bland[6]	57	133	–	–	–	–	–	–
R Haythornthwaite (resigned 5 February 2009)	–	47	–	–	–	–	–	–
K O'Byrne	75	59	–	–	–	–	–	–
C Bartram (appointed 1 August 2009)	39	–	–	–	–	–	–	–
	4,985	4,200	383	444	923	2,206	–	725

Notes:

1. Benefits consist of the provision of a Company car or car allowance, pension allowance, private medical insurance and life assurance premiums.
2. Deferred bonus shares represent the value of shares which vested under the Deferred Bonus Plan.
3. I D Ellis received fees of £29,810 in 2008/09 in respect of his non-executive directorship of Rok plc.
4. M R Hussey received holiday pay of £10,868 and compensation for loss of office of £505,339 for the year ended 31 March 2010. A further £141,277 will be paid to him assuming no mitigation. The 2008/09 pension allowance of £107,756 has been reclassified from Pensions to Benefits.
5. From 1 April 2007, the Company agreed to assume, from Marks and Spencer Group plc, the cost of supplying a driver (including all employment costs) and fleet vehicle for Lord Myners. For 2008/09, the cost of this arrangement to the Company was £51,187.
6. C Bland served as Non-executive Chairman of Trillium until its sale on 12 January 2009 and received additional fees of £100,000 per annum in respect of that role.
7. Pensions of £65,118 (2009: £67,902) resulting from unfunded historic benefit obligations were paid to former Directors or their dependants.

* Deferred bonus shares are disclosed based on year of vesting. They were previously disclosed based on year of grant.

** LTIP, matching and deferred shares are disclosed based on year of vesting. They were previously disclosed based on the year of grant, excluding deferred shares where the disclosure basis remains unchanged.

6 Table 60

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

	Cycle ending	Award date	Market price at award date (p)†	Shares awarded	Shares vested	Market price at date of vesting (p)	Vesting date
F W Salway							
—LTIP shares	2009	29/06/06	1592†	33,063†	30,583	468	29/06/09
	2010	29/06/07	1560†	40,070†	–	–	29/06/10
	2012	30/03/09	1095†	58,914†	–	–	30/03/12
	2012	29/06/09	468†	137,527†	–	–	29/06/12
—Matching shares	2009	31/07/06	1778†	33,628†	31,105	532	31/07/09
	2010	31/07/07	1527†	34,358†	–	–	31/07/10
	2012	30/03/09	1095†	23,434†	–	–	30/03/12
	2012	31/07/09	532†	118,652†	–	–	31/07/12
M R Hussey							
—LTIP shares	2009	29/06/06	1592†	21,722†	20,092	468	29/06/09
	2010	29/06/07	1560†	26,926†	8,975	469	30/06/09
	2012	30/03/09	1095†	39,705†	–	–	30/06/09
—Matching shares	2009	31/07/06	1778†	20,136†	18,625	469	30/06/09
	2010	31/07/07	1527†	27,146†	9,048	469	30/06/09
	2012	30/03/09	1095†	16,208†	–	–	30/06/09
R J Akers							
—LTIP shares	2009	29/06/06	1592†	13,656†	12,631	468	29/06/09
	2010	29/06/07	1560†	23,079†	–	–	29/06/10
	2012	30/03/09	1095†	25,525†	–	–	30/03/12
	2012	29/06/09	468†	79,446†	–	–	29/06/12
—Matching shares	2009	31/07/06	1778†	16,550†	15,308	532	31/07/09
	2010	31/07/07	1527†	21,090†	–	–	31/07/10
	2012	30/03/09	1095†	12,330†	–	–	30/03/12
	2012	31/07/09	532†	68,542†	–	–	31/07/12
M F Greenslade							
—LTIP shares	2009	29/06/06	1592†	20,764†	19,206	468	29/06/09
	2010	29/06/07	1560†	25,644†	–	–	29/06/10
	2012	30/03/09	1095†	37,815†	–	–	30/03/12
	2012	29/06/09	468†	88,273†	–	–	29/06/12
—Matching shares	2008	01/06/06	1621†	5,057†	5,057	495	01/06/09
	2009	31/07/06	1778†	18,692†	17,290	532	31/07/09
	2010	31/07/07	1527†	23,000†	–	–	31/07/10
	2012	30/03/09	1095†	14,654†	–	–	30/03/12
	2012	31/07/09	532†	76,160†	–	–	31/07/12

*Subject to performance tests p81
†As adjusted for the Rights Issue in March 2009.

7 Table 61

Directors' interests in shares (audited)

	Ordinary shares		Deferred shares		LTIP performance shares*		Matching shares*	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
F W Salway	**249,799**	208,568	**61,436**	66,228	**236,511**	132,047	**176,444**	91,420
M R Hussey	**101,487**[2]	101,487	**–**	70,703	**–**	88,353	**–**	63,460
R J Akers	**87,313**	68,715	**45,792**	46,901	**128,050**	62,260	**101,962**	49,970
M F Greenslade	**92,329**	60,542	**38,279**	38,680	**151,732**	84,223	**113,814**	61,403
R M Noel	**32,000**[1]	–	**–**	–	**–**	–	**–**	–
D Rough	**18,524**	18,524	**–**	–	**–**	–	**–**	–
S A R Rose	**16,250**	16,250	**–**	–	**–**	–	**–**	–
B A Lerenius	**29,250**	29,250	**–**	–	**–**	–	**–**	–
A J Carnwath	**120,662**	116,926	**–**	–	**–**	–	**–**	–
C Bland	**16,251**	16,251	**–**	–	**–**	–	**–**	–
K O'Byrne	**1,625**	1,625	**–**	–	**–**	–	**–**	–
C Bartram	**3,753**[1]	–	**–**	–	**–**	–	**–**	–

Notes:
1. At date of appointment.
2. At date of leaving.

*Subject to performance conditions p81

8 Table 62

Defined benefit pension scheme (audited)

	Accrued benefit at 31/03/10 £	Increase in accrued benefits excluding inflation* £	Increase in accrued benefits including inflation* £	Transfer value of increase in accrued benefits excluding inflation £	Transfer value of accrued benefits at 01/04/09 £	Transfer value of accrued benefits at 31/03/10 £	Increase in transfer value net of Directors' contributions £
R J Akers	29,831	2,090	2,090	34,219	387,102	488,508	95,301

* Inflation, as measured by the change in the Retail Price Index ('RPI') between September 2008 and September 2009, was negative over this period. However, since pensions accruing would not decrease in a period of deflation, we have calculated the figures above allowing for 0% inflation over the period.

The 'Increase in transfer value net of Directors' contributions' differs from the 'Transfer value of increase in accrued benefits' 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. 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.

9 Table 63

Directors' options over ordinary shares (audited)

			Granted during year		Exercised/(lapsed) during year					
	Note	Number of† options at 01/04/09	Number	Grant price (pence)	Number	Exercise price (pence)	Market price on exercise (pence)	Number of† options at 31/03/10	Exercise† price (pence)	Exercisable dates
F W Salway	(2)	47,793	–	–	–	–	–	47,793	1044	07/2007-07/2014
M R Hussey	(2)	26,332	–	–	(26,332)	–	–	–	1044	07/2007-07/2014
	(3)	1,915	–	–	(1,915)	–	–	–	862	10/2009-04/2010
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)	829	–	–	(829)	–	–	–	862	10/2011-04/2012
	(3)	715	–	–	(715)	–	–	–	1372	09/2011-03/2012
	(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 2010 was 86,033.

The range of the closing middle market prices as adjusted for the Rights Issue for Land Securities' shares during the year was 417p to 727p. The closing middle market price on 31 March 2010 was 678p.

†As adjusted for the Rights Issue in March 2009.

Report of the Directors
—Additional disclosures

Table 64
Which shareholders own over 3% of the Company's shares

	Number of shares	%
Blackrock Investment Management	54,382,323	7.14
Cohen & Steers Inc	37,818,780	4.96
Legal & General Investment Management	33,243,840	4.36
Albright Investments	31,186,060	4.09
APG Algemene Pensioen Groep	24,522,691	3.22

Share capital
The Company was authorised at the Annual General Meeting held on 16 July 2009 to repurchase in the market ordinary shares representing up to approximately 10% of the issued share capital at that time with such authority to expire at the 2010 Annual General Meeting. No shares were repurchased in the year to 31 March 2010 and following repurchases in earlier periods, the Company currently holds 5,896,000 shares in treasury. A resolution to renew this authority in respect of an amount equal to the nominal value of the unissued ordinary share capital will be proposed at the 2010 Annual General Meeting.

Substantial shareholders
At 18 May 2010 the interests in issued share capital which had been notified to the Company under the Disclosure and Transparency Rules (DTR5) of the Financial Services Authority are shown in Table 64.

Directors' indemnities
On 5 May 2006 the Company agreed in writing to indemnify each of the Directors against any liability incurred by the Director in respect of acts or omissions arising in the course of their office. The indemnity only applies to the extent permitted by law. A copy of the deed of indemnity is available for inspection at the 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 of which the auditors are unaware and each Director has taken all reasonable steps to make himself or herself aware of any relevant audit information and to establish that the auditors are aware of that information.

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the 2010 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; none of these are considered significant in relation to the Company. The Company's share schemes contain provisions which take effect in the event of a change of control. The provisions in relation to share schemes do not entitle participants to a greater interest in the shares of the Company than that created by the initial grant or award under the relevant scheme.

Payment policy
The Group is a registered supporter of the CBI's Better Payment Practice Code to which it subscribes when dealing with all of its suppliers. The Code requires a clear and consistent policy that payments are made in accordance with contract or as required by law; that payment terms are agreed at the outset of a transaction and adhered to; that no amendments to payment terms are made without the prior agreement of suppliers; and that there is a system which deals quickly with complaints and disputes to ensure that suppliers are advised accordingly without delay when invoices or parts are contested. The Company has no trade creditors as at 31 March 2010. The Group's creditor payment days as at 31 March 2010 represented 26 days' purchases.

Annual General Meeting
Accompanying this report is the Notice of the Annual General Meeting which sets out the resolutions for the meeting. These are explained in a letter which accompanies the Notice.

By order of the Board

P M Dudgeon
Secretary

18 May 2010

Report of the Directors p01—90

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

Financial statements p91—136

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

Investor resource p137—148

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

Statement of Directors' responsibilities
in respect of the Annual Report and the financial statements

The Annual Report 2010 contains the following statements regarding responsibility for the financial statements and business review included in the Annual Report 2010.

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. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of the profit or loss of the Group for that period.

In preparing those financial statements the Directors are required to:

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

The Directors are responsible for keeping 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.

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

Directors' responsibility statement

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

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

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

The Board of Directors

Alison Carnwath*, Chairman
David Rough*
Bo Lerenius*
Sir Stuart Rose*
Sir Christopher Bland*
Kevin O'Byrne*
Chris Bartram*

Francis Salway, Chief Executive
Martin Greenslade
Richard Akers
Robert Noel

*Non-executive Directors

By order of the Board
P M Dudgeon
Secretary
18 May 2010

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 2010 which comprise the Group Income Statement, the Group and Company Balance Sheets, the Group and Company Statements of Cash Flows, the Group and Company 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 Directors' Statement of Responsibilities set out on p92, 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 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, other than the Company and the Company's members as a body, 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 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.

Opinion on financial statements

In our opinion:
- the financial statements give a true and fair view of the state of the Group's and Parent Company's affairs as at 31 March 2010 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 as applied in accordance with the provisions of the Companies Act 2006; and
- 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 matter 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 Group financial statements are prepared is consistent with the Group 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 p69, in relation to going concern; and
- the part 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.

John Waters (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
18 May 2010

Income statement
—for the year ended 31 March 2010

	Notes	Group 2010 £m	Group 2009 £m
Group revenue[1]	5	**833.4**	821.2
Costs		**(392.5)**	(326.4)
		440.9	494.8
Loss on disposal of investment properties	4	**(32.5)**	(130.8)
Net surplus/(deficit) on revaluation of investment properties	4	**746.0**	(4,113.4)
Impairment of trading properties	4	**(10.6)**	(92.3)
Operating profit/(loss)		**1,143.8**	(3,841.7)
Interest expense	8	**(248.9)**	(262.9)
Interest income	8	**29.8**	32.5
Fair value movement on interest-rate swaps	8	**7.0**	(102.1)
		931.7	(4,174.2)
Share of the profit/(loss) of joint ventures (post-tax)	17	**137.6**	(599.0)
Profit/(loss) before tax		**1,069.3**	(4,773.2)
Income tax	10	**23.1**	(0.5)
Profit/(loss) for the financial year from continuing operations		**1,092.4**	(4,773.7)
Discontinued operations		**–**	(420.9)
Profit/(loss) for the financial year		**1,092.4**	(5,194.6)
Attributable to:			
Owners of the Parent		**1,088.9**	(5,191.3)
Minority interests		**3.5**	(3.3)
Profit/(loss) for the financial year		**1,092.4**	(5,194.6)
Earnings/(loss) per share attributable to the owners of the Parent (pence)[2]			
Basic earnings/(loss) per share	11	**144.04**	(999.04)
of which from: continuing operations	11	**144.04**	(918.04)
of which from: discontinued operations	11	**–**	(81.00)
Diluted earnings/(loss) per share	11	**143.96**	(999.04)
of which from: continuing operations	11	**143.96**	(918.04)
of which from: discontinued operations	11	**–**	(81.00)

1. Group revenue excludes the share of joint ventures' income of **£101.7m** (2009: £104.8m) (see note 17).
2. Adjusted earnings per share from continuing operations is given in note 11.

Statement of comprehensive income
—for the year ended 31 March 2010

	Group 2010 £m	Group 2009 £m
Profit/(loss) for the financial year	**1,092.4**	(5,194.6)
Other comprehensive income consisting of:		
Actuarial losses on defined benefit pension schemes	**(15.2)**	(11.1)
Deferred tax credit on actuarial losses on defined benefit pension schemes	**1.9**	0.6
Fair value movement on interest-rate swaps treated as cash flow hedges – Group	**–**	(0.2)
– joint ventures	**2.6**	(21.3)
Other comprehensive loss for the financial year	**(10.7)**	(32.0)
Total comprehensive income/(loss) for the financial year	**1,081.7**	(5,226.6)
Attributable to:		
Owners of the Parent	**1,078.2**	(5,223.3)
Minority interests	**3.5**	(3.3)
Total comprehensive income/(loss) for the financial year	**1,081.7**	(5,226.6)

Balance sheets
—at 31 March 2010

	Notes	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Non-current assets					
Investment properties	13	**8,044.3**	7,929.4	**–**	–
Other property, plant and equipment	14	**12.8**	14.3	**–**	–
Net investment in finance leases	15	**115.4**	116.3	**–**	–
Loan investments	16	**84.3**	50.0	**–**	–
Investments in joint ventures	17	**787.8**	930.8	**–**	–
Investments in subsidiary undertakings	18	**–**	–	**5,684.5**	4,828.5
Pension surplus	29	**–**	3.0	**–**	–
Deferred tax assets	30	**–**	1.9	**–**	–
Total non-current assets		**9,044.6**	9,045.7	**5,684.5**	4,828.5
Current assets					
Trading properties and long-term development contracts	19	**87.9**	94.9	**–**	–
Derivative financial instruments	25	**1.0**	–	**–**	–
Trade and other receivables	20	**334.4**	392.1	**19.2**	8.8
Monies held in restricted accounts and deposits	21	**95.6**	29.9	**–**	–
Cash and cash equivalents	22	**159.4**	1,609.1	**0.2**	105.1
Total current assets		**678.3**	2,126.0	**19.4**	113.9
Total assets		**9,722.9**	11,171.7	**5,703.9**	4,942.4
Current liabilities					
Short-term borrowings and overdrafts	26	**(308.6)**	(1.1)	**–**	–
Derivative financial instruments	25	**(1.1)**	(112.0)	**–**	–
Trade and other payables	23	**(395.5)**	(625.8)	**(8.1)**	(118.9)
Provisions	24	**(1.5)**	–	**–**	–
Current tax liabilities		**(111.0)**	(161.5)	**–**	–
Total current liabilities		**(817.7)**	(900.4)	**(8.1)**	(118.9)
Non-current liabilities					
Borrowings	26	**(3,209.7)**	(5,449.5)	**–**	–
Pension deficit	29	**(6.5)**	–	**–**	–
Deferred tax liabilities	30	**–**	(1.6)	**–**	–
Total non-current liabilities		**(3,216.2)**	(5,451.1)	**–**	–
Total liabilities		**(4,033.9)**	(6,351.5)	**(8.1)**	(118.9)
Net assets		**5,689.0**	4,820.2	**5,695.8**	4,823.5
Equity					
Capital and reserves attributable to the owners of the Parent					
Ordinary shares	32	**76.5**	76.2	**76.5**	76.2
Share premium		**785.3**	785.2	**785.3**	785.2
Capital redemption reserve		**30.5**	30.5	**30.5**	30.5
Merger reserve		**–**	–	**373.6**	373.6
Share-based payments		**6.0**	8.1	**6.0**	8.1
Retained earnings		**4,798.5**	3,935.9	**4,423.9**	3,549.9
Own shares	33	**(6.9)**	(12.4)	**–**	–
Equity attributable to the owners of the Parent		**5,689.9**	4,823.5	**5,695.8**	4,823.5
Minority interests		**(0.9)**	(3.3)	**–**	–
Total equity		**5,689.0**	4,820.2	**5,695.8**	4,823.5

The financial statements p94—136 were approved by the Board of Directors on 18 May 2010 and were signed on its behalf by:

F W Salway **M F Greenslade**
Directors

Statement of changes in equity

Group	Ordinary shares £m	Share premium £m	Capital redemption reserve £m	Share-based payments £m	Retained earnings[1] £m	Own shares £m	Total £m	Minority interest £m	Total equity £m
	Attributable to owners of the Parent								
At 1 April 2008	47.1	56.6	30.5	11.3	9,459.7	(22.3)	9,582.9	–	9,582.9
Loss for the year ended 31 March 2009	–	–	–	–	(5,191.3)	–	(5,191.3)	(3.3)	(5,194.6)
Other comprehensive income:									
Actuarial loss on pension scheme	–	–	–	–	(10.5)	–	(10.5)	–	(10.5)
Fair value movement on interest-rate swaps treated as cash flow hedges	–	–	–	–	(21.5)	–	(21.5)	–	(21.5)
Total comprehensive income for the year ended 31 March 2009	–	–	–	–	(5,223.3)	–	(5,223.3)	(3.3)	(5,226.6)
Transactions with owners:									
Rights issue	29.1	726.6	–	–	–	–	755.7	–	755.7
Exercise of options	–	2.0	–	–	–	–	2.0	–	2.0
Fair value of share-based payments	–	–	–	8.6	–	–	8.6	–	8.6
Release on exercise/forfeiture of share options	–	–	–	(11.8)	11.8	–	–	–	–
Dividends paid to owners of the Company	–	–	–	–	(302.4)	–	(302.4)	–	(302.4)
Transfer of shares to employees on exercise of share schemes	–	–	–	–	(9.9)	9.9	–	–	–
Total transactions with owners of the Parent	29.1	728.6	–	(3.2)	(300.5)	9.9	463.9	–	463.9
At 31 March 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
Total comprehensive income for the year ended 31 March 2010	**–**	**–**	**–**	**–**	**1,078.2**	**–**	**1,078.2**	**3.5**	**1,081.7**
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 dividend	–	(17.3)	–	–	17.3	–	–	–	–
Fair value of share-based payments	–	–	–	6.0	–	–	6.0	–	6.0
Release on exercise/forfeiture of share options	–	–	–	(8.1)	8.1	–	–	–	–
Dividends paid to owners of the Company	–	–	–	–	(235.5)	–	(235.5)	–	(235.5)
Distributions paid to minority interest	–	–	–	–	–	–	–	(1.1)	(1.1)
Transfer of shares to employees on exercise of share schemes	–	–	–	–	(5.5)	5.5	–	–	–
Total transactions with owners of the Parent	**0.3**	**0.1**	**–**	**(2.1)**	**(215.6)**	**5.5**	**(211.8)**	**(1.1)**	**(212.9)**
At 31 March 2010	**76.5**	**785.3**	**30.5**	**6.0**	**4,798.5**	**(6.9)**	**5,689.9**	**(0.9)**	**5,689.0**

1. Included within retained earnings are cumulative losses in respect of cash flow hedges (interest-rate swaps) of **£14.5m** (2009: £17.1m).

Company	Ordinary shares £m	Share premium £m	Capital redemption reserve £m	Merger reserve[1] £m	Share-based payments £m	Retained earnings £m	Total £m
At 1 April 2008	47.1	56.6	30.5	373.6	17.5	4,107.9	4,633.2
Loss for the year ended 31 March 2009	–	–	–	–	–	(273.6)	(273.6)
Rights issue	29.1	726.6	–	–	–	–	755.7
Shares issued on exercise of options	–	2.0	–	–	–	–	2.0
Fair value of share-based payments (note 31)	–	–	–	–	8.6	–	8.6
Release on exercise/forfeiture of share options	–	–	–	–	(18.0)	18.0	–
Dividends paid (note 9)	–	–	–	–	–	(302.4)	(302.4)
At 31 March 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	–	–	–	–	6.0	–	6.0
Release on exercise/forfeiture of share options	–	–	–	–	(8.1)	8.1	–
Dividends paid	–	–	–	–	–	(235.5)	(235.5)
At 31 March 2010	**76.5**	**785.3**	**30.5**	**373.6**	**6.0**	**4,423.9**	**5,695.8**

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 2010

	Notes	Group 2010 £m	Group 2009[1] £m	Company 2010 £m	Company 2009 £m
Net cash generated from operations					
Cash generated from operations	34	**427.0**	651.3	**121.4**	(395.4)
Interest paid		**(243.1)**	(283.6)	**(11.1)**	(53.9)
Interest received		**16.2**	10.4	**0.1**	20.0
Employer contributions to pension scheme	29	**(7.3)**	(4.2)	**–**	–
Corporation tax (paid)/received		**(13.5)**	(6.7)	**2.6**	9.6
Net cash inflow/(outflow) from operations		**179.3**	367.2	**113.0**	(419.7)
Cash flows from investing activities					
Investment property development expenditure		**(166.4)**	(208.6)	**–**	–
Acquisition of investment properties		**(46.8)**	(85.3)	**–**	–
Other investment property related expenditure		**(50.7)**	(174.1)	**–**	–
Acquisition of properties by Trillium		**–**	(0.8)	**–**	–
Capital expenditure by Trillium		**–**	(46.5)	**–**	–
Capital expenditure on properties		**(263.9)**	(515.3)	**–**	–
Disposal of non-current investment properties		**847.8**	792.7	**–**	–
Disposal of non-current operating properties		**–**	30.3	**–**	–
Net proceeds on properties		**583.9**	307.7	**–**	–
Net expenditure on non-property related non-current assets		**(2.5)**	(0.6)	**–**	–
Net cash inflow from capital expenditure		**581.4**	307.1	**–**	–
Receipts in respect of receivable finance leases		**6.9**	11.7	**–**	–
Loans advanced to third parties	16	**(33.3)**	(50.0)	**–**	–
Investment in joint ventures		**(8.2)**	(21.1)	**–**	–
Divestment of joint ventures		**209.8**	–	**–**	–
Net loans to joint ventures and cash contributed		**(63.9)**	(117.5)	**–**	–
Distributions from joint ventures		**6.9**	21.6	**–**	–
Net cash received from disposal group		**–**	113.5	**–**	–
Cash proceeds from disposal of Trillium (net of cash divested)		**25.0**	392.7	**–**	–
Net cash received from investing activities		**724.6**	658.0	**–**	–
Cash flows from financing activities					
Proceeds from Rights issue		**–**	755.7	**–**	755.7
Cash received on issue of shares arising from exercise of share options		**–**	2.0	**–**	2.0
Proceeds from new loans (net of finance fees)		**351.6**	1,732.6	**–**	–
Repayment of loans	26	**(2,306.2)**	(1,612.0)	**–**	–
Termination of interest-rate swaps		**(104.9)**	–	**–**	–
Increase in monies held in restricted accounts and deposits	21	**(65.7)**	(29.9)	**–**	–
Decrease in finance leases payable		**(9.1)**	(9.4)	**–**	–
Dividends paid to ordinary shareholders	9	**(217.9)**	(302.4)	**(217.9)**	(302.4)
Distributions paid to minority interests		**(1.1)**	–	**–**	–
Net cash (outflow)/inflow from financing activities		**(2,353.3)**	536.6	**(217.9)**	455.3
(Decrease)/increase in cash and cash equivalents for the year		**(1,449.4)**	1,561.8	**(104.9)**	35.6
Cash and cash equivalents at the beginning of the year		**1,608.8**	47.0	**105.1**	69.5
Cash and cash equivalents at the end of the year		**159.4**	1,608.8	**0.2**	105.1

1. The Group cash flow statement for the comparative period includes the following from Trillium discontinued operations for 1 April 2008 to the date of disposal: net cash inflow from operations, £138.7m inflow, net cash received from investing activities, £106.9m inflow, and net cash received from financing activities, £24.4m outflow.

	Notes	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Cash and cash equivalents per balance sheet	22	**159.4**	1,609.1	**0.2**	105.1
Overdrafts	26	**–**	(0.3)	**–**	–
Cash and cash equivalents per statement of cash flows		**159.4**	1,608.8	**0.2**	105.1

Financial statements

Notes to the financial statements
—for the year ended 31 March 2010

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 Companies Act 2006. The profit for the year of the Company, dealt with in its financial statements, was **£1,084.1m** (2009: loss of £273.6m).

2. Significant accounting policies

The accounting policies are consistent with those applied in the year ended 31 March 2009, as amended to reflect the adoption of the new Standards, Amendments to Standards and Interpretations which are mandatory for the year ended 31 March 2010.

The items adopted that have had a material impact on the Group's financial statements are:

- IAS 1 (revised) 'Presentation of financial statements'. The revised standard requires 'non-owner changes in equity' to be presented separately from 'owner changes in equity'. All 'non-owner changes in equity' are required to be shown in a performance statement.

  Entities can choose whether to present one performance statement (the statement of total comprehensive income) or two statements (the income statement and the statement of comprehensive income). The Group has elected to present two statements: income statement and a statement of comprehensive income. In addition, the statement of changes in equity has been included as a primary statement.

  The financial statements have been prepared under the revised presentation requirements.
- IFRS 7 'Financial Instruments: Disclosures'. The amendment requires enhanced disclosures about the fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The disclosures have been given in line with the transitional disclosures.
- IFRS 8 'Operating Segments'. The standard requires segmental reporting to be on the same basis as internal management reporting. This standard has had no impact on the Group's profit for the year or equity. Disclosures have been amended as detailed in note 4.

The following Accounting Standards or interpretations are effective for the financial year beginning 1 April 2009 but do not have a material impact on the Group:

- IAS 16 (2008 improvement) 'Property, Plant and Equipment'
- IAS 23 (revised) 'Borrowing Costs'
- IAS 32 (amendment) 'Financial Instruments: Presentation', and IAS 1
- IAS 40 (2008 improvement) 'Investment Property'
- IFRS 1 'First time Adoption of IFRS' and IAS 27 'Consolidated and Separate Financial Statements'
- IFRS 2 (amendment) 'Share-based Payment' on 'Vesting conditions and cancellations'
- IFRIC 9 'Reassessment of Embedded Derivatives' and IAS 39 'Financial Instruments: Recognition and Measurement – Embedded Derivatives (amendments)'
- IFRIC 13 'Customer Loyalty Programmes'
- IFRIC 15 'Agreements for the Construction of Real Estate'
- IFRIC 16 'Hedges of a Net Investment in a Foreign Operation'

The following Accounting Standards or Interpretations which are not yet effective, and not expected to have a material impact, have not been early adopted by the Group:

- IFRS 2 'Share-based payments – Group cash settled share-based payment transactions'
- IFRS 3 (revised) 'Business Combinations'
- IAS 24 'Related Party disclosures'
- IAS 27 (revised) 'Consolidated and Separate Financial Statements'
- IAS 32 'Classification of Rights'
- IAS 39 'Financial Instruments: Recognition and Measurement – Eligible hedged items'
- IFRS 9 'Financial Instruments'
- IFRIC 14 'Prepayments of a Minimum Funding Requirement'
- IFRIC 17 'Distribution of Non-cash Assets to Owners'
- IFRIC 18 'Transfers of Assets from Customers'
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'

In addition, there are also a number of changes to standards as a result of the IASB's 2009 and 2010 Annual Improvements programmes which are not expected to have a material impact on the Group.

(a) Basis of consolidation

The consolidated financial statements for the year ended 31 March 2010 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

2. Significant accounting policies continued
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.

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 external 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 gain or loss.

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 a site or property acquired specifically for redevelopment in the short-term but only where activities necessary to prepare the asset for redevelopment are in progress.

(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 permanent 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. 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.

(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 less. 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 stated at cost as cost equates to fair value.

(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.

(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.

Notes to the financial statements
—for the year ended 31 March 2010 continued

2. Significant accounting policies continued

(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. The Group has used the Black-Scholes option 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. The charge is reversed if it appears probable that applicable performance criteria will not be met if the performance criteria are not market related.

(p) Revenue
The Group recognises revenue on an accruals basis, and 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 those 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.

Where revenue is obtained by the sale of assets, it is recognised when the significant risks and returns have been transferred to the buyer. In the case of sales of properties, this is generally on unconditional exchange except where payment or completion is expected to occur significantly after exchange. For conditional exchanges, sales are recognised when the conditions are satisfied. Sales of investment and other non-current properties, which are not included in revenue, are recognised on the same basis.

(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 IAS40 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 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 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.

- 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 lease's commencement 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

2. Significant accounting policies continued
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 and quarterly 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, as has recently been the case.

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 2010. 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 and 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.

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 ongoing 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 LP joint venture) and the Retail Portfolio includes all our shopping centres, shops, retail warehouse properties, the Accor hotel portfolio and assets held in retail joint ventures, excluding Central London 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 ongoing 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 2010 continued

4. Segmental information continued

The segmental information provided to the SMB for the reportable segments for the year ended 31 March 2010 is as follows:

	Retail Portfolio			London Portfolio			Year ended 31 March 2010 Total		
Revenue profit	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m
Rental income	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
Rents payable	(12.3)	(1.3)	(13.6)	(6.4)	–	(6.4)	(18.7)	(1.3)	(20.0)
Gross rental income	245.6	67.3	312.9	301.9	10.4	312.3	547.5	77.7	625.2
Service charge income	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	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)
Net rental income	224.2	55.0	279.2	278.3	10.0	288.3	502.5	65.0	567.5
Indirect property expenditure	(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)
Segment profit before interest	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)
Segment profit	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
Revenue profit							223.2	28.6	251.8

Included within rents payable is finance lease interest payable of **£2.3m** (2009: £2.5m) and **£1.5m** (2009: £1.8m) respectively for Retail Portfolio and London Portfolio.

	Retail Portfolio			London Portfolio			Year ended 31 March 2010 Total		
Reconciliation to profit before tax from continuing operations	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m
Segment profit before interest	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 (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 of 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
Demerger costs							–	–	–
Group services – income							13.4	–	13.4
– expense							(39.4)	–	(39.4)
Operating profit							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)
Profit before tax from continuing operations							931.7	137.6	1,069.3

Notes to the financial statements
—for the year ended 31 March 2010 continued

4. Segmental information continued

	Retail Portfolio			London Portfolio			Year ended 31 March 2009 Total		
Revenue profit	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m
Rental income	302.8	69.1	371.9	338.9	8.6	347.5	641.7	77.7	719.4
Finance lease interest	2.7	0.4	3.1	5.3	–	5.3	8.0	0.4	8.4
Rents payable	(11.6)	(0.5)	(12.1)	(4.6)	–	(4.6)	(16.2)	(0.5)	(16.7)
Gross rental income	293.9	69.0	362.9	339.6	8.6	348.2	633.5	77.6	711.1
Service charge income	37.3	10.4	47.7	47.0	0.3	47.3	84.3	10.7	95.0
Service charge expense	(39.7)	(12.9)	(52.6)	(53.3)	(0.3)	(53.6)	(93.0)	(13.2)	(106.2)
Net service charge expense	(2.4)	(2.5)	(4.9)	(6.3)	–	(6.3)	(8.7)	(2.5)	(11.2)
Other property related income[1]	11.0	–	11.0	14.7	–	14.7	25.7	–	25.7
Direct property expenditure	(40.3)	(10.2)	(50.5)	(29.8)	(0.2)	(30.0)	(70.1)	(10.4)	(80.5)
Net rental income	262.2	56.3	318.5	318.2	8.4	326.6	580.4	64.7	645.1
Indirect property expenditure[1]	(23.5)	(3.2)	(26.7)	(21.3)	(0.6)	(21.9)	(44.8)	(3.8)	(48.6)
Depreciation[1]	(0.4)	–	(0.4)	(3.1)	–	(3.1)	(3.5)	–	(3.5)
Segment profit before interest	238.3	53.1	291.4	293.8	7.8	301.6	532.1	60.9	593.0
Joint venture net interest expense	–	(19.0)	(19.0)	–	(7.7)	(7.7)	–	(26.7)	(26.7)
Segment profit	238.3	34.1	272.4	293.8	0.1	293.9	532.1	34.2	566.3
Group services – income							3.4	–	3.4
– expense							(36.8)	–	(36.8)
– eliminate non-revenue profit income							–	–	–
Interest expense							(262.9)	–	(262.9)
Interest income							32.5	–	32.5
Eliminate effect of bond exchange de-recognition							11.7	–	11.7
Eliminate debt restructuring charges							0.7	–	0.7
Revenue profit							280.7	34.2	314.9

	Retail Portfolio			London Portfolio			Year ended 31 March 2009 Total		
Reconciliation to loss before tax from continuing operations	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m
Segment profit before interest	238.3	53.1	291.4	293.8	7.8	301.6	532.1	60.9	593.0
Trading properties sale proceeds	8.8	10.7	19.5	0.4	5.3	5.7	9.2	16.0	25.2
Costs of sales of trading properties	(6.6)	(5.7)	(12.3)	(0.1)	(4.8)	(4.9)	(6.7)	(10.5)	(17.2)
Profit on disposal of trading properties	2.2	5.0	7.2	0.3	0.5	0.8	2.5	5.5	8.0
Long-term development contract income	–	–	–	48.9	–	48.9	48.9	–	48.9
Long-term development contract expenditure	–	–	–	(45.1)	–	(45.1)	(45.1)	–	(45.1)
Profit on long-term development contracts	–	–	–	3.8	–	3.8	3.8	–	3.8
	240.5	58.1	298.6	297.9	8.3	306.2	538.4	66.4	604.8
Investment property disposal proceeds	164.5	11.1	175.6	434.7	–	434.7	599.2	11.1	610.3
Carrying value of investment property disposals (including lease incentives)	(219.3)	(8.2)	(227.5)	(510.7)	–	(510.7)	(730.0)	(8.2)	(738.2)
(Loss)/profit on disposal of investment properties	(54.8)	2.9	(51.9)	(76.0)	–	(76.0)	(130.8)	2.9	(127.9)
Net deficit on revaluation of investment properties	(1,923.1)	(603.5)	(2,526.6)	(2,190.3)	(26.8)	(2,217.1)	(4,113.4)	(630.3)	(4,743.7)
Impairment of trading properties	–	(9.0)	(9.0)	(92.3)	(3.3)	(95.6)	(92.3)	(12.3)	(104.6)
	(1,737.4)	(551.5)	(2,288.9)	(2,060.7)	(21.8)	(2,082.5)	(3,798.1)	(573.3)	(4,371.4)
Demerger costs							(10.2)	–	(10.2)
Group services – income							3.4	–	3.4
– expense							(36.8)	–	(36.8)
Operating loss							(3,841.7)	(573.3)	(4,415.0)
Interest expense							(262.9)	(26.7)	(289.6)
Interest income							32.5	–	32.5
Fair value movement on interest-rate swaps							(102.1)	(15.4)	(117.5)
Joint venture tax adjustment							–	(1.3)	(1.3)
Joint venture net liabilities adjustment							–	17.7	17.7
Loss before tax from continuing operations							(4,174.2)	(599.0)	(4,773.2)

1. In line with internal management information, the cost and income of Group services has not been allocated across the Retail Portfolio and London Portfolio business segments, instead being disclosed as single line items. This represents a change from the segmental information presented in the 2009 Annual Report in which elements of Group services were allocated across the segments within 'Indirect property expenditure', 'Depreciation' and 'Other property related income'.

Notes to the financial statements
—for the year ended 31 March 2010 continued

4. Segmental information continued

Balance sheet	Retail Portfolio Group £m	Retail Portfolio Joint ventures £m	Retail Portfolio Total £m	London Portfolio Group £m	London Portfolio Joint ventures £m	London Portfolio Total £m	Year ended 31 March 2010 Total Group £m	Year ended 31 March 2010 Total Joint ventures £m	Year ended 31 March 2010 Total Total £m
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
Segment assets	3,385.9	1,170.5	4,556.4	5,208.9	220.2	5,429.1	8,594.8	1,390.7	9,985.5
Unallocated:									
Derivative financial instruments							1.0	–	1.0
Cash and cash equivalents							159.4	–	159.4
Monies held in restricted accounts							95.6	–	95.6
Loan investments							84.3	–	84.3
Pension surplus							–	–	–
Deferred tax assets							–	–	–
Reclassification of joint venture liabilities to assets							–	(602.9)	(602.9)
Total assets							8,935.1	787.8	9,722.9
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)
Segment liabilities	(106.3)	(424.9)	(531.2)	(160.0)	(178.0)	(338.0)	(266.3)	(602.9)	(869.2)
Unallocated:									
Borrowings							(3,518.3)	–	(3,518.3)
Derivative financial instruments							(1.1)	–	(1.1)
Pension deficit							(6.5)	–	(6.5)
Provisions							(1.5)	–	(1.5)
Current tax liabilities							(111.0)	–	(111.0)
Trade and other payables							(129.2)	–	(129.2)
Reclassification of joint venture liabilities to assets							–	602.9	602.9
Total liabilities							(4,033.9)	–	(4,033.9)
Other segment items									
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 2010 continued

4. Segmental information continued

	Retail Portfolio			London Portfolio			Year ended 31 March 2009 Total		
Balance sheet	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m
Investment properties	3,205.4	1,035.0	4,240.4	4,724.0	173.0	4,897.0	7,929.4	1,208.0	9,137.4
Other property, plant and equipment	4.7	–	4.7	9.6	–	9.6	14.3	–	14.3
Net investment in finance leases	48.5	8.6	57.1	67.8	–	67.8	116.3	8.6	124.9
Trading properties and long-term development contracts	10.0	19.0	29.0	84.9	18.0	102.9	94.9	37.0	131.9
Trade and other receivables	201.4	210.4	411.8	190.7	3.3	194.0	392.1	213.7	605.8
Share of joint venture cash	–	23.9	23.9	–	4.6	4.6	–	28.5	28.5
Joint venture net liabilities adjustment	–	17.1	17.1	–	0.6	0.6	–	17.7	17.7
Segment assets	3,470.0	1,314.0	4,784.0	5,077.0	199.5	5,276.5	8,547.0	1,513.5	10,060.5
Unallocated:									
Cash and cash equivalents							1,609.1	–	1,609.1
Monies held in restricted accounts							29.9	–	29.9
Loan investments							50.0	–	50.0
Pension surplus							3.0	–	3.0
Deferred tax assets							1.9	–	1.9
Reclassification of joint venture liabilities to assets							–	(582.7)	(582.7)
Total assets							10,240.9	930.8	11,171.7
Trade and other payables	(335.9)	(86.8)	(422.7)	(241.3)	(12.4)	(253.7)	(577.2)	(99.2)	(676.4)
Share of joint venture borrowings	–	(320.3)	(320.3)	–	(163.2)	(163.2)	–	(483.5)	(483.5)
Segment liabilities	(335.9)	(407.1)	(743.0)	(241.3)	(175.6)	(416.9)	(577.2)	(582.7)	(1,159.9)
Unallocated:									
Borrowings							(5,450.6)	–	(5,450.6)
Derivative financial instruments							(112.0)	–	(112.0)
Current tax liabilities							(163.1)	–	(163.1)
Trade and other payables							(48.6)	–	(48.6)
Reclassification of joint venture liabilities to assets							–	582.7	582.7
Total liabilities							(6,351.5)	–	(6,351.5)
Other segment items									
Capital expenditure	147.6	142.5	290.1	272.0	1.6	273.6	419.6	144.1	563.7

Financial statements

Notes to the financial statements
—for the year ended 31 March 2010 continued

5. Group revenue

Group	2010 £m	2009 £m
Rental income (excluding adjustment for lease incentives)	**544.9**	606.4
Adjustment for lease incentives	**15.4**	35.3
Rental income	**560.3**	641.7
Service charge income	**77.6**	84.3
Other property related income	**22.0**	25.7
Trading property sales proceeds	**13.5**	9.2
Long-term development contract income	**140.7**	48.9
Finance lease interest	**5.9**	8.0
Other income	**13.4**	3.4
	833.4	821.2

6. Employee costs

Group	2010 Continuing operations Number	2009 Continuing operations Number	2009 Discontinued operations Number	2009 Total Number
The average monthly number of employees during the year, excluding Directors, were:				
Indirect property or contract and administration	**430**	471	165	636
Direct property or contract services:				
Full-time	**174**	173	780	953
Part-time	**47**	51	20	71
	651	695	965	1,660

Group	2010 Continuing operations £m	2009 Continuing operations £m	2009 Discontinued operations[1] £m	2009 Total £m
Employee costs (excluding Directors)				
Salaries	**40.0**	46.3	43.4	89.7
Social security	**4.8**	5.2	4.9	10.1
Other pension (note 29)	**3.2**	3.6	–	3.6
Share-based payments (note 31)	**6.0**	4.8	3.8	8.6
	54.0	59.9	52.1	112.0

1. The employee costs for discontinued operations relates to the employee costs of Trillium for the period from 1 April 2008 to 12 January 2009, the date of disposal.

Group	2010 £m	2009 £m
Directors		
Aggregate emoluments excluding pensions	**5.0**	4.2
Company contributions to pension schemes	**0.4**	0.4
	5.4	4.6

With the exception of the Directors and the Company Secretary, who are employed by Land Securities Group PLC, all employees are employed by subsidiaries of the Group.

Two Directors (2009: three) have retirement benefits accruing under money purchase pension schemes. Retirement benefits accrue to **one** Director (2009: 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 p87—89.

7. Auditor remuneration

Group	2010 £m	2009 £m
Services provided by the Group's auditor		
Audit fees:		
Accounts of the Company	**0.2**	0.4
Subsidiary undertakings	**0.3**	0.3
	0.5	0.7
Other fees:		
Services supplied pursuant to legislation	**0.1**	0.1
Taxation services	**0.1**	0.1
Services in relation to the demerger	**–**	0.5
Services in relation to disposal of Trillium[1]	**–**	0.6
Services in relation to the Rights Issue[2]	**–**	0.3
	0.2	1.6
	0.7	2.3

1. Included within discontinued operations.
2. Taken directly to the statement of comprehensive income

It is the Group's policy to employ 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 are **£0.1m** (2009: £0.1m).

8. Net interest expense

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Interest expense				
Bond and debenture debt	**(200.9)**	(191.1)	**–**	–
Bank borrowings	**(42.7)**	(95.4)	**–**	–
Other interest payable	**(2.1)**	(0.9)	**(11.1)**	(53.9)
Amortisation of bond exchange de-recognition	**(13.8)**	(11.7)	**–**	–
Interest on pension scheme liabilities	**(7.2)**	(7.5)	**–**	–
	(266.7)	(306.6)	**(11.1)**	(53.9)
Interest capitalised in relation to properties under development	**17.8**	43.7	**–**	–
Total interest expense	**(248.9)**	(262.9)	**(11.1)**	(53.9)
Interest income				
Short-term deposits	**8.5**	2.7	**–**	0.5
Interest received on loan investments	**3.7**	0.7	**–**	–
Gain on disposal of foreign-exchange contract	**–**	2.7	**–**	–
Other interest receivable	**0.9**	1.5	**–**	19.5
Interest receivable from joint ventures	**10.1**	16.8	**–**	–
Expected return on pension scheme assets	**6.6**	8.1	**–**	–
Total interest income	**29.8**	32.5	**–**	20.0
Fair value movement on interest-rate swaps	**7.0**	(102.1)	**–**	–
Net interest expense	**(212.1)**	(332.5)	**(11.1)**	(33.9)

Included within rents payable (note 4) is finance lease interest payable of **£3.8m** (2009: £4.3m).

Notes to the financial statements
—for the year ended 31 March 2010 continued

9. Dividends

Ordinary dividends paid	Payment date	Restated[1] per share pence	Actual per share pence	Group and Company 2010 £m	Group and Company 2009 £m
For the year ended 31 March 2008:					
Third quarter	25 April 2008	14.4	16.0	–	74.4
Final quarter	28 July 2008	14.4	16.0	–	74.4
For the year ended 31 March 2009:					
First quarter	24 October 2008	14.9	16.5	–	76.8
Second quarter	12 January 2009	14.9	16.5	–	76.8
Third quarter	24 April 2009	14.9	16.5	**76.8**	–
Final quarter	24 July 2009	7.0	7.0	**52.9**	–
For the year ended 31 March 2010:					
First quarter	23 October 2009	7.0	7.0	**52.9**	–
Second quarter	15 January 2010	7.0	7.0	**52.9**	–
				235.5	302.4

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.

During the year, the Company introduced a scrip dividend scheme, which provides shareholders with the option to receive their dividend in shares as opposed to cash. As a result of shares issued in lieu of dividends of **£17.6m** (2009: £nil), dividends paid in cash, as set out in the consolidated statement of cash flows, totalled **£217.9m** (2009: £302.4m).

The Board has proposed a final quarterly dividend for the year ended 31 March 2010 of **7.0p** per share (2009: 7.0p), which will be a 100% PID and result in a further distribution of **£53.3m** (2009: £52.9m). It will be paid on 30 July 2010 to shareholders who are on the Register of Members on 25 June 2010. The final dividend is in addition to the third quarterly dividend of **7.0p** or **£53.1m** paid on 1 April 2010 (2009 restated: 14.9p or £76.8m). The total dividend paid and proposed in respect of the year ended 31 March 2010 is **28.0p** (2009 restated: 51.7p).

All of the dividends paid and payable in respect of the financial year ended 31 March 2010 comprise PIDs to the extent that these dividends are paid in cash. Scrip dividends are not treated as qualifying towards the Group PID requirement.

10. Income tax

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Current tax				
Corporation tax credit for the year	**(4.3)**	–	**(5.9)**	(15.2)
Adjustment in respect of prior years	**(21.0)**	0.3	**0.6**	–
Total current tax (credit)/expense	**(25.3)**	0.3	**(5.3)**	(15.2)
Deferred tax				
Origination and reversal of timing differences	**2.2**	0.2	–	–
Total deferred tax expense	**2.2**	0.2	–	–
Total income tax (credit)/expense in the income statement	**(23.1)**	0.5	**(5.3)**	(15.2)

The tax for the year is lower than the standard rate of corporation tax in the UK of **28%** (2009: 28%). The differences are explained below:

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Profit/(loss) on activities before taxation	**1,069.3**	(4,773.2)	**1,078.8**	(288.8)
Profit/(loss) on activities multiplied by the rate of corporation tax in the UK of **28%** (2009: 28%)	**299.4**	(1,336.5)	**302.1**	(80.9)
Effects of:				
Refund of conversion charge on developments	**(4.3)**	–	–	–
Interest rate swap break costs and fair value movements	**(22.8)**	28.6	–	–
Prior year corporation tax adjustments	**(21.0)**	0.3	**0.6**	–
Prior year deferred tax adjustments	**1.2**	(1.1)	–	–
Non-allowable expenses and non-taxable items	**1.3**	4.5	**(308.0)**	65.7
Losses carried forward	**8.1**	25.7	–	–
Exempt property rental profits and revaluations in the year	**(281.2)**	1,314.5	–	–
Exempt property gains in the year	**(3.8)**	(35.5)	–	–
Total income tax (credit)/expense in the income statement (as above)	**(23.1)**	0.5	**(5.3)**	(15.2)

Notes to the financial statements
—for the year ended 31 March 2010 continued

10. Income tax continued

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.

During the 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**. If the remaining issues are resolved in the Group's favour, provisions established in previous periods of up to **£86.7m** (2009: £211.0m) could be released in the future.

11. Earnings/(loss) per share

Group	2010 £m	2009 £m
Profit/(loss) for the financial year attributable to the owners of the Parent	**1,088.9**	(5,191.3)
of which from: continuing operations attributable to the owners of the Parent	**1,088.9**	(4,770.4)
of which from: discontinued operations attributable to the owners of the Parent	**–**	(420.9)

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

	2010 £m	2009 £m
Profit/(loss) for the financial year from continuing operations attributable to the owners of the Parent	**1,088.9**	(4,770.4)
Net (surplus)/deficits on revaluation of investment properties – Group	**(746.0)**	4,113.4
– joint ventures	**(117.8)**	630.3
Loss/(profit) on investment property disposals after current and deferred tax – Group	**32.5**	130.8
– joint ventures	**(8.0)**	(2.9)
Impairment of development land and infrastructure[1] – Group (note 19)	**10.6**	92.0
– joint ventures	**2.9**	12.3
Fair value movement on interest-rate swaps – Group	**(7.0)**	102.1
– joint ventures	**1.4**	15.4
Adjustment due to net liabilities on joint ventures[2]	**15.7**	(17.7)
Non-revenue tax adjustments	**(23.1)**	–
Demerger costs (net of taxation)	**–**	7.2
Eliminate effect of revenue arising on restructuring of TQD financing	**(9.7)**	–
EPRA adjusted earnings from continuing operations attributable to the owners of the Parent	**240.4**	312.5
Eliminate effect of debt restructuring charges (net of taxation)	**3.6**	0.8
Eliminate effect of bond exchange de-recognition	**13.8**	11.7
Adjusted earnings from continuing operations attributable to the owners of the Parent	**257.8**	325.0

1. The impairment in relation to the development land and infrastructure programmes within trading properties has been removed from both our and the EPRA's adjusted earnings due to the long-term nature of these programmes.
2. The adjustment to net liabilities on joint ventures is the result of valuation deficits in the prior year, partially reversed by surpluses in the current year.

	2010 Number million	2009 Number million
Weighted average number of ordinary shares	**762.5**	526.7
Effect of weighted average number of treasury shares	**(5.9)**	(5.9)
Effect of weighted average number of own shares	**(0.6)**	(1.2)
Weighted average number of ordinary shares for calculating basic earnings per share	**756.0**	519.6
Effect of share options which are dilutive for diluted earnings per share	**0.4**	–
Weighted average number of ordinary shares for calculating diluted earnings per share	**756.4**	519.6
Effect of share options which are dilutive for adjusted diluted earnings per share	**–**	0.3
Weighted average number of ordinary shares for calculating adjusted diluted earnings per share	**756.4**	519.9

Financial statements

Notes to the financial statements
—for the year ended 31 March 2010 continued

11. Earnings/(loss) per share continued

	2010 Pence	2009 Pence
Basic earnings/(loss) per share	**144.04**	(999.04)
of which from: continuing operations	**144.04**	(918.04)
of which from: discontinued operations	**–**	(81.00)
Diluted earnings/(loss) per share	**143.96**	(999.04)
of which from: continuing operations	**143.96**	(918.04)
of which from: discontinued operations	**–**	(81.00)
Adjusted earnings per share from continuing operations	**34.10**	62.60
Adjusted diluted earnings per share from continuing operations	**34.08**	62.57
EPRA adjusted earnings per share from continuing operations	**31.80**	60.20

12. Net assets per share

Group	2010 £m	2009 £m
Net assets attributable to the owners of the Parent	**5,689.9**	4,823.5
Cumulative fair value movements on interest-rate swaps – Group	**0.1**	112.0
– joint ventures	**37.2**	38.2
EPRA adjusted net assets	**5,727.2**	4,973.7
Reverse bond exchange de-recognition adjustment	**(486.0)**	(499.8)
Adjusted net assets attributable to the owners of the Parent	**5,241.2**	4,473.9
Reinstate bond exchange de-recognition adjustment	**486.0**	499.8
Cumulative fair value movements on interest-rate swaps – Group	**(0.1)**	(112.0)
– joint ventures	**(37.2)**	(38.2)
Excess of fair value of debt over book value (note 26)	**(476.5)**	(13.4)
EPRA triple net assets	**5,213.4**	4,810.1

	2010 Number million	2009 Number million
Number of ordinary shares in issue	**764.6**	761.9
Number of treasury shares	**(5.9)**	(5.9)
Number of own shares	**(0.5)**	(0.9)
Number of ordinary shares used for calculating basic net assets per share	**758.2**	755.1
Dilutive effect of share options	**0.6**	–
Number of ordinary shares used for calculating diluted net assets per share	**758.8**	755.1

	2010 Pence	2009 Pence
Net assets per share	**750**	639
Diluted net assets per share	**750**	639
Adjusted net assets per share	**691**	593
Adjusted diluted net assets per share	**691**	593
EPRA measure – adjusted diluted net assets per share	**755**	659
– diluted triple net assets per share	**687**	637

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

Notes to the financial statements
—for the year ended 31 March 2010 continued

13. Investment properties

Group	Portfolio management £m	Development programme £m	Trillium £m	Total £m
Net book value at 1 April 2008	10,338.3	1,396.0	562.4	12,296.7
Developments transferred from the development programme into portfolio management	410.3	(410.3)	–	–
Accor hotel properties transferred from Trillium to portfolio management	435.9	–	(435.9)	–
Property acquisitions	101.9	1.3	–	103.2
Capital expenditure	174.1	245.5	6.0	425.6
Capitalised interest	14.0	23.1	–	37.1
Disposals	(681.9)	(1.3)	(41.4)	(724.6)
Transfer from operating properties	–	–	11.9	11.9
Surrender premiums received	(2.0)	–	–	(2.0)
Depreciation	(2.1)	–	–	(2.1)
Valuation deficit – continuing operations	(3,573.1)	(540.3)	–	(4,113.4)
– discontinued operations	–	–	(10.0)	(10.0)
Disposals included as part of the disposal of Trillium	–	–	(93.0)	(93.0)
Net book value at 31 March 2009	7,215.4	714.0	–	7,929.4
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
Net book value at 31 March 2010	**7,255.1**	**789.2**	**–**	**8,044.3**

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

	Portfolio management £m	Development programme £m	Total £m
Net book value at 31 March 2009	7,215.4	714.0	7,929.4
Plus: tenant lease incentives (note 20)	148.8	40.5	189.3
Less: head leases capitalised (note 28)	(56.5)	(1.4)	(57.9)
Plus: properties treated as finance leases	104.7	–	104.7
Market value at 31 March 2009 – Group	7,412.4	753.1	8,165.5
– plus: share of joint ventures (note 17)	950.0	291.5	1,241.5
Market value at 31 March 2009 – Group and share of joint ventures	8,362.4	1,044.6	9,407.0
Net book value at 31 March 2010	**7,255.1**	**789.2**	**8,044.3**
Plus: tenant lease incentives (note 20)	**167.4**	**4.5**	**171.9**
Less: head leases capitalised (note 28)	**(50.6)**	**(2.0)**	**(52.6)**
Plus: properties treated as finance leases	**121.8**	**–**	**121.8**
Market value at 31 March 2010 – Group	**7,493.7**	**791.7**	**8,285.4**
– plus: share of joint ventures (note 17)	**1,063.8**	**191.2**	**1,255.0**
Market value at 31 March 2010 – Group and share of joint ventures	**8,557.5**	**982.9**	**9,540.4**

The net book value of leasehold properties where head leases have been capitalised is **£1,044.0m** (2009: £994.0m).

The fair value of the Group's investment properties at 31 March 2010 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 **£160.5m** (2009: £181.1m). The average rate of interest capitalisation for the year is **4.6%** (2009: 5.5%). The historical cost of investment properties is **£6,877.8m** (2009: £7,721.8m).

The current value of investment properties, including joint ventures, in respect of proposed developments is **£336.2m** (2009: £524.8m). Developments are transferred out of the development programme when physically complete and 95% let, or two years after completion, whichever is earlier. The schemes transferred out of the development programme during the year were New Street Square, London EC4, Willow Place, Corby and Bristol Alliance, Bristol.

The Group has outstanding capital commitments of **£75.4m** at 31 March 2010 (2009: £280.5m).

Notes to the financial statements
—for the year ended 31 March 2010 continued

14. Other property, plant and equipment

Group	2010 £m	2009 £m
Book value at the beginning of the year	**14.3**	73.6
Capital expenditure	**3.1**	8.4
Disposals	**(0.6)**	(7.8)
Depreciation – continuing operations	**(4.0)**	(4.6)
– discontinued operations	**–**	(0.9)
Disposals included as part of the disposal of Trillium	**–**	(54.4)
Book value at the end of the year	**12.8**	14.3

15. Net investment in finance leases

Group	2010 £m	2009 £m
Non-current		
Finance leases – gross receivables	**270.8**	277.7
Unearned finance income	**(181.1)**	(187.1)
Unguaranteed residual value	**25.7**	25.7
	115.4	116.3
Current		
Finance leases – gross receivables	**7.0**	7.0
Unearned finance income	**(6.1)**	(6.2)
	0.9	0.8
Total net investment in finance leases	**116.3**	117.1
Gross receivables from finance leases:		
Not later than one year	**7.0**	7.0
Later than one year but not more than five years	**28.0**	20.9
More than five years	**242.8**	256.8
	277.8	284.7
Unearned future finance income	**(187.2)**	(193.3)
Unguaranteed residual value	**25.7**	25.7
Net investment in finance leases	**116.3**	117.1

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.

16. Loan investments

	2010			2009		
Group	Real Estate secured loan notes £m	Loans to third parties £m	Total £m	Real Estate secured loan notes £m	Loans to third parties £m	Total £m
At the beginning of the year	**–**	**50.0**	**50.0**	–	–	–
Additions	**33.3**	**–**	**33.3**	–	50.0	50.0
Amortisation of loan note discount at acquisition	**1.0**	**–**	**1.0**	–	–	–
At the end of the year	**34.3**	**50.0**	**84.3**	–	50.0	50.0

The credit quality of loan investments can be 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 but not impaired.

None of the loan investments that are fully performing have been renegotiated in the last year.

Notes to the financial statements
—for the year ended 31 March 2010 continued

16. Loan investments continued

Group	Real Estate secured loan notes £m	Loans to third parties £m	Total £m	Real Estate secured loan notes £m	Loans to third parties £m	Total £m
			2010			2009
Counterparties with external credit ratings						
AAA	34.3	–	34.3	–	–	–
	34.3	–	34.3	–	–	–
Counterparties without external credit ratings						
Group 1[1]	–	–	–	–	50.0	50.0
Group 2[2]	–	50.0	50.0	–	–	–
Group 3[3]	–	–	–	–	–	–
	–	50.0	50.0	–	50.0	50.0
	34.3	50.0	84.3	–	50.0	50.0

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. All defaults were fully recovered.

17. 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
The Martineau Galleries Limited Partnership[1]	33.3%	Retail Portfolio	31 December	Hammerson plc Pearl Group Limited
The Ebbsfleet Limited Partnership[1]	50.0%	London Portfolio	31 March	Lafarge Cement UK PLC
Millshaw Property Co. Limited[1]	50.0%	Retail Portfolio	31 March	Evans Property Group Limited
The Martineau Limited Partnership[1]	33.3%	Retail Portfolio	31 December	Hammerson plc Pearl Group Limited
Hungate (York) Regeneration Limited[1]	33.3%	Retail Portfolio	30 June	Crosby Land Lease PLC Evans Property Group Limited
Countryside Land Securities (Springhead) Limited[1]	50.0%	London Portfolio	30 September	Countryside Properties PLC
Fen Farm Developments Limited[1]	50.0%	Retail Portfolio	31 March	Economic Zones World
The Empress State Limited Partnership[1]	50.0%	London Portfolio	31 December	Liberty International PLC
HNJV Limited[1]	50.0%	London Portfolio	31 March	Places for People Group Limited

1. Included within Other.

The Group disposed of its share of the Bullring and the related assets and liabilities for a cash consideration of £209.8m on 18 September 2009.

Notes to the financial statements
—for the year ended 31 March 2010 continued

17. Investments in joint ventures continued

Financial information of Group's share of joint ventures
Year ended and as at 31 March 2010

	The Scottish Retail Property Limited Partnership £m	Metro Shopping Fund Limited Partnership £m	Buchanan Partnership £m	St. David's Limited Partnership £m	The Bull Ring Limited Partnership £m	Bristol Alliance Limited Partnership £m	The Harvest Limited Partnership £m	The Oriana Limited Partnership £m	Other £m	Total £m
Income statement										
Rental income	7.5	11.8	8.6	8.6	7.1	17.9	4.8	3.4	8.8	**78.5**
Finance lease interest	–	0.1	0.1	–	–	0.3	–	–	–	**0.5**
Rents payable	(0.1)	–	–	(0.6)	–	(0.5)	–	–	(0.1)	**(1.3)**
	7.4	11.9	8.7	8.0	7.1	17.7	4.8	3.4	8.7	**77.7**
Service charge income	1.2	2.4	0.5	1.2	1.4	2.1	0.2	0.2	0.2	**9.4**
Service charge expense	(1.1)	(2.8)	(0.6)	(1.7)	(1.5)	(2.5)	(0.1)	(0.2)	(0.4)	**(10.9)**
Net service charge income/(expense)	0.1	(0.4)	(0.1)	(0.5)	(0.1)	(0.4)	0.1	–	(0.2)	**(1.5)**
Other property related income	0.3	0.2	–	–	–	0.5	–	–	–	**1.0**
Direct property expenditure	(2.3)	(1.1)	(1.2)	(1.9)	(1.1)	(3.8)	(0.2)	(0.4)	(0.2)	**(12.2)**
Net rental income	5.5	10.6	7.4	5.6	5.9	14.0	4.7	3.0	8.3	**65.0**
Trading properties sale proceeds	–	–	–	–	–	–	–	–	12.3	**12.3**
Cost of sales of trading properties	–	–	–	–	–	–	–	–	(11.1)	**(11.1)**
Profit on disposal of trading properties	–	–	–	–	–	–	–	–	1.2	**1.2**
Indirect property expenditure	(0.4)	(0.8)	(0.1)	(1.6)	(0.1)	(0.3)	–	(0.1)	(0.4)	**(3.8)**
	5.1	9.8	7.3	4.0	5.8	13.7	4.7	2.9	9.1	**62.4**
Investment property disposal proceeds	–	–	–	–	212.8	0.8	–	–	–	**213.6**
Carrying value of investment property disposals	–	–	–	–	(205.1)	(0.5)	–	–	–	**(205.6)**
Profit on disposal of investment properties	–	–	–	–	7.7	0.3	–	–	–	**8.0**
Net surplus on revaluation of investment properties	9.5	45.1	5.7	2.5	–	27.0	11.1	9.6	7.3	**117.8**
Impairment of trading properties	–	–	–	–	–	–	–	–	(2.9)	**(2.9)**
Operating profit	14.6	54.9	13.0	6.5	13.5	41.0	15.8	12.5	13.5	**185.3**
Net interest expense	(3.3)	(10.6)	(3.9)	(3.3)	–	–	(3.1)	(4.8)	(5.0)	**(34.0)**
Profit before tax	11.3	44.3	9.1	3.2	13.5	41.0	12.7	7.7	8.5	**151.3**
Income tax	–	(0.6)	–	–	–	–	–	–	2.6	**2.0**
	11.3	43.7	9.1	3.2	13.5	41.0	12.7	7.7	11.1	**153.3**
Net liabilities adjustment	–	(16.5)	–	–	–	–	–	–	0.8	**(15.7)**
Share of profits after tax	11.3	27.2	9.1	3.2	13.5	41.0	12.7	7.7	11.9	**137.6**
Net investment										
At 1 April 2009	17.5	–	114.4	240.6	202.8	244.2	65.9	7.1	38.3	**930.8**
Cash contributed	1.2	2.5	2.0	–	–	–	2.1	–	0.4	**8.2**
Distributions	–	(1.1)	(3.4)	–	–	–	–	–	(2.4)	**(6.9)**
Fair value movement on cash flow hedges taken to the statement of comprehensive income	0.2	2.4	–	–	–	–	–	–	–	**2.6**
Disposals	–	–	–	–	(208.6)	–	–	–	–	**(208.6)**
Capital advances	–	–	–	75.3	–	12.1	–	–	–	**87.4**
Capital repayments	–	–	–	(145.5)	(7.7)	(10.1)	–	–	–	**(163.3)**
Share of profits of joint ventures after tax	11.3	27.2	9.1	3.2	13.5	41.0	12.7	7.7	11.9	**137.6**
At 31 March 2010	30.2	31.0	122.1	173.6	–	287.2	80.7	14.8	48.2	**787.8**
Balance sheet										
Investment properties[1]	96.3	217.0	118.6	230.7	–	268.9	83.3	94.9	117.4	**1,227.1**
Current assets	6.4	7.6	6.9	6.8	–	29.5	45.7	2.9	55.8	**161.6**
	102.7	224.6	125.5	237.5	–	298.4	129.0	97.8	173.2	**1,388.7**
Current liabilities	(4.9)	(5.9)	(3.4)	(26.5)	–	(8.3)	(1.2)	(6.1)	(27.5)	**(83.8)**
Non-current liabilities	(67.6)	(187.7)	–	(37.4)	–	(2.9)	(47.1)	(76.9)	(99.5)	**(519.1)**
	(72.5)	(193.6)	(3.4)	(63.9)	–	(11.2)	(48.3)	(83.0)	(127.0)	**(602.9)**
Net liabilities adjustment[2]	–	–	–	–	–	–	–	–	2.0	**2.0**
Net assets	30.2	31.0	122.1	173.6	–	287.2	80.7	14.8	48.2	**787.8**
Capital commitments	0.1	0.4	–	12.8	–	3.9	0.1	–	0.3	**17.6**
Market value of investment properties[1]	97.6	218.3	122.5	233.0	–	286.5	84.1	95.0	118.0	**1,255.0**
Net (debt)/cash	(64.2)	(183.0)	0.8	(34.4)	–	3.2	(45.8)	(74.1)	(91.4)	**(488.9)**

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 2010 continued

17. Investments in joint ventures continued

Financial information of Group's share of joint ventures
Year ended and as at 31 March 2009

	The Scottish Retail Property Limited Partnership £m	Metro Shopping Fund Limited Partnership £m	Buchanan Partnership £m	St. David's Limited Partnership £m	The Bull Ring Limited Partnership £m	Bristol Alliance Limited Partnership £m	The Harvest Limited Partnership £m	The Oriana Limited Partnership £m	Other £m	Total £m
Income statement										
Rental income	9.1	12.9	9.2	5.0	15.5	10.8	4.4	4.3	6.5	**77.7**
Finance lease interest	–	–	0.1	–	–	0.3	–	–	–	**0.4**
Rents payable	(0.2)	–	–	–	–	(0.2)	–	–	(0.1)	**(0.5)**
	8.9	12.9	9.3	5.0	15.5	10.9	4.4	4.3	6.4	**77.6**
Service charge income	1.5	2.5	1.8	0.7	2.5	1.1	0.2	0.3	0.1	**10.7**
Service charge expense	(2.3)	(3.2)	(1.8)	(1.0)	(2.5)	(1.3)	(0.2)	(0.3)	(0.6)	**(13.2)**
Net service charge expense	(0.8)	(0.7)	–	(0.3)	–	(0.2)	–	–	(0.5)	**(2.5)**
Direct property expenditure	(1.3)	(0.8)	(1.1)	(0.2)	(2.6)	(3.6)	(0.1)	(0.2)	(0.5)	**(10.4)**
Net rental income	6.8	11.4	8.2	4.5	12.9	7.1	4.3	4.1	5.4	**64.7**
Trading properties sale proceeds	–	–	–	–	–	–	–	–	16.0	**16.0**
Cost of sales of trading properties	–	–	–	–	–	–	–	–	(10.5)	**(10.5)**
Profit on disposal of trading properties	–	–	–	–	–	–	–	–	5.5	**5.5**
Indirect property expenditure	(0.4)	(1.2)	(0.1)	(0.3)	(0.3)	(0.1)	(0.4)	(0.6)	(0.4)	**(3.8)**
	6.4	10.2	8.1	4.2	12.6	7.0	3.9	3.5	10.5	**66.4**
Investment property disposal proceeds	(0.1)	0.2	–	–	0.4	6.9	–	–	3.7	**11.1**
Carrying value of investment property disposals	–	–	–	–	–	(5.2)	–	–	(3.0)	**(8.2)**
Profit/(loss) on disposal of investment properties	(0.1)	0.2	–	–	0.4	1.7	–	–	0.7	**2.9**
Net deficit on revaluation of investment properties	(54.0)	(78.1)	(66.5)	(184.6)	(87.8)	(106.3)	(11.5)	(4.8)	(36.7)	**(630.3)**
Impairment of trading properties	–	–	–	–	–	–	–	–	(12.3)	**(12.3)**
Operating loss	(47.7)	(67.7)	(58.4)	(180.4)	(74.8)	(97.6)	(7.6)	(1.3)	(37.8)	**(573.3)**
Net interest (expense)/income	(3.2)	(10.6)	(3.9)	0.3	–	–	(1.4)	(11.7)	(11.6)	**(42.1)**
Loss before tax	(50.9)	(78.3)	(62.3)	(180.1)	(74.8)	(97.6)	(9.0)	(13.0)	(49.4)	**(615.4)**
Income tax	(0.2)	(0.8)	–	–	–	–	–	–	(0.3)	**(1.3)**
	(51.1)	(79.1)	(62.3)	(180.1)	(74.8)	(97.6)	(9.0)	(13.0)	(49.7)	**(616.7)**
Net liabilities adjustment	–	16.5	–	–	–	–	–	–	1.2	**17.7**
Share of losses after tax	(51.1)	(62.6)	(62.3)	(180.1)	(74.8)	(97.6)	(9.0)	(13.0)	(48.5)	**(599.0)**
Net investment										
At 1 April 2008	73.0	69.9	179.6	346.7	289.3	284.4	64.5	9.0	94.2	**1,410.6**
Properties contributed	–	–	–	–	–	–	–	–	27.3	**27.3**
Cash contributed	0.4	5.8	1.4	–	–	–	17.6	11.2	4.1	**40.5**
Distributions	–	(1.1)	(4.3)	–	–	–	(3.0)	(0.1)	(13.1)	**(21.6)**
Fair value movement on cash flow hedges taken to the statement of comprehensive income	(4.8)	(12.0)	–	–	–	–	(4.2)	–	(0.3)	**(21.3)**
Disposals	–	–	–	–	–	–	–	–	(17.9)	**(17.9)**
Capital advances	–	–	–	74.0	0.3	61.1	–	–	0.2	**135.6**
Capital repayments	–	–	–	–	(12.0)	(3.7)	–	–	(2.4)	**(18.1)**
Disposal of Trillium	–	–	–	–	–	–	–	–	(5.3)	**(5.3)**
Share of losses of joint ventures after tax	(51.1)	(62.6)	(62.3)	(180.1)	(74.8)	(97.6)	(9.0)	(13.0)	(48.5)	**(599.0)**
At 31 March 2009	17.5	–	114.4	240.6	202.8	244.2	65.9	7.1	38.3	**930.8**
Balance sheet										
Investment properties	82.3	171.5	112.3	147.6	200.0	230.8	69.5	83.9	110.1	**1,208.0**
Current assets	6.4	7.5	6.0	119.0	12.2	33.6	44.3	3.1	55.7	**287.8**
	88.7	179.0	118.3	266.6	212.2	264.4	113.8	87.0	165.8	**1,495.8**
Current liabilities	(3.1)	(5.6)	(3.9)	(25.6)	(9.4)	(17.3)	(1.0)	(4.3)	(29.0)	**(99.2)**
Non-current liabilities	(68.1)	(189.9)	–	(0.4)	–	(2.9)	(46.9)	(75.6)	(99.7)	**(483.5)**
	(71.2)	(195.5)	(3.9)	(26.0)	(9.4)	(20.2)	(47.9)	(79.9)	(128.7)	**(582.7)**
Net liabilities adjustment	–	16.5	–	–	–	–	–	–	1.2	**17.7**
Net assets	17.5	–	114.4	240.6	202.8	244.2	65.9	7.1	38.3	**930.8**
Capital commitments	1.6	0.7	0.4	53.1	–	12.9	–	–	1.9	**70.6**
Market value of investment properties	83.8	172.6	115.0	147.5	205.0	253.4	70.0	84.0	110.2	**1,241.5**
Net (debt)/cash	(63.3)	(185.1)	1.9	2.7	2.8	1.9	(46.1)	(74.8)	(99.4)	**(459.4)**

Notes to the financial statements
—for the year ended 31 March 2010 continued

18. Investments in subsidiary undertakings

Company	2010 £m	2009 £m
At the beginning of the year	**4,828.5**	5,054.6
Capital injection	**850.0**	–
Capital contributions relating to share-based payments (note 31)	**6.0**	8.6
Impairment to reduce net assets of the Company to net assets of the Group attributable to equity shareholders	**–**	(234.7)
At the end of the year	**5,684.5**	4,828.5

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 are 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 2010 will be appended to the Company's next annual return.

19. Trading properties and long-term development contracts

Group	2010 Cost £m	2010 Impairment provision £m	2010 Realisable value £m	2009 Cost £m	2009 Impairment provision £m	2009 Realisable value £m
Trading properties:						
Development land and infrastructure	**170.1**	**(102.6)**	**67.5**	159.1	(92.0)	67.1
Other trading properties	**16.8**	**(0.3)**	**16.5**	26.0	(0.3)	25.7
Long-term development contracts	**3.9**	**–**	**3.9**	2.1	–	2.1
	190.8	**(102.9)**	**87.9**	187.2	(92.3)	94.9

The realisable value of the Group's trading properties at 31 March 2010 has been arrived at on the basis of a valuation carried out at that date by Knight Frank LLP, external valuers.

Group Long-term development contracts	2010 £m	2009 £m
Income statement:		
Contract revenue recognised as revenue in the year	**140.7**	48.9
Contract expenditure recognised as costs in the year	**(134.0)**	(45.1)
	6.7	3.8
Balance sheet:		
Contract costs incurred and recognised profits (less recognised losses) to date	**526.3**	383.8
Advances received from customers	**(527.8)**	(390.8)
	(1.5)	(7.0)
Plus: gross amount due to customers for contract work (included in accruals and deferred income)	**5.4**	9.1
Balance at the end of the year	**3.9**	2.1

Notes to the financial statements
—for the year ended 31 March 2010 continued

20. Trade and other receivables

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Trade receivables	**44.8**	53.6	**–**	–
Less: allowance for doubtful accounts	**(20.2)**	(20.3)	**–**	–
Trade receivables – net	**24.6**	33.3	**–**	–
Property sales receivables	**29.9**	64.9	**–**	–
Other receivables	**13.6**	35.6	**–**	–
Tenant lease incentives	**171.9**	189.3	**–**	–
Prepayments and accrued income	**47.0**	23.6	**–**	0.1
Current tax assets	**–**	–	**5.9**	3.2
Finance leases receivable within one year (note 15)	**0.9**	0.8	**–**	–
Amounts due from joint ventures	**46.5**	44.6	**–**	–
Loans to Group undertakings	**–**	–	**13.3**	5.5
	334.4	392.1	**19.2**	8.8

Group Accounts receivable past due	1–30 days past due £m	Up to 6 months past due £m	Up to 12 months past due £m	More than 12 months past due £m	Total £m
As at 31 March 2009					
Past due but not impaired	15.4	2.6	–	–	18.0
Past due and impaired	15.1	10.5	5.5	4.5	35.6
	30.5	13.1	5.5	4.5	53.6
As at 31 March 2010					
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**
	24.4	**4.1**	**5.6**	**10.7**	**44.8**

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 relate to rents receivable from tenants all of which are payable in advance.

Group Movement in allowances for doubtful accounts	2010 £m	2009 £m
At the beginning of the year	**20.3**	15.0
Additions/reversal of allowance	**3.0**	10.5
Write-offs charged against the allowances account	**(3.1)**	(3.3)
Allowance included as part of disposal of Trillium discontinued operations	**–**	(1.9)
At the end of the year	**20.2**	20.3

21. Monies held in restricted accounts and deposits

Group	2010 £m	2009 £m
Cash at bank and in hand	**87.5**	0.1
Short-term deposits	**6.0**	29.8
Liquidity funds	**2.1**	–
	95.6	29.9

Monies held in restricted accounts and deposits represent cash held by the Group in accounts with conditions attached that restricts the use of these monies by the Group and, as such, does 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	2010 £m	2009 £m
Counterparties with external credit ratings		
AAA	**2.1**	–
AA	**76.7**	–
A+	**10.8**	29.9
A	**6.0**	–
	95.6	29.9

Notes to the financial statements
—for the year ended 31 March 2010 continued

22. Cash and cash equivalents

	Group		Company	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Cash at bank and in hand	**17.7**	108.1	**0.2**	105.1
Short-term deposit	**11.8**	750.0	**–**	–
Liquidity funds	**129.9**	751.0	**–**	–
	159.4	1,609.1	**0.2**	105.1

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 yield a return of between **0.3%** and **0.6%** at 31 March 2010 (2009: between 0.5% and 1.3%).

Short-term deposits
The effective interest rate on short-term deposits was **0.3%** at 31 March 2010 (2009: 1.2%) and had an average maturity of **1 day** (2009: 91 days).

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

Group	**2010 £m**	2009 £m
Counterparties with external credit ratings		
AAA	**129.9**	751.0
AA	**7.1**	460.6
AA-	**–**	75.0
A+	**22.4**	322.5
	159.4	1,609.1

23. Trade and other payables

	Group		Company	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Trade payables	**9.9**	2.7	**–**	–
Capital payables	**47.8**	129.7	**–**	–
Other payables	**43.5**	46.6	**5.6**	–
Accruals and deferred income	**238.5**	278.2	**2.5**	5.2
Amounts owed to joint ventures	**55.8**	168.6	**–**	–
Loans from Group undertakings	**–**	–	**–**	113.7
	395.5	625.8	**8.1**	118.9

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 financial year end. Deferred income principally relates to rents received in advance.

24. Provisions

Group	Dilapidations £m	Onerous leases £m	Total £m
At 1 April 2008 and 2009	–	–	–
Net charge to income statement for the year	0.3	1.2	1.5
At 31 March 2010	**0.3**	**1.2**	**1.5**
Included in the balance above, the following amounts are anticipated to be utilised within one year:			
At 31 March 2009	–	–	–
At 31 March 2010	**0.3**	**1.2**	**1.5**

Dilapidations
Following all head office staff moving to 5 Strand, a provision for dilapidations was made in respect of 11 Strand. The amounts provided were based on the current estimate of the future costs determined on the basis of the present condition of the property.

Onerous leases
An onerous lease provision was established in respect of the lease at 11 Strand which is due to expire at the end of 2010.

25. Derivative financial instruments

Group	2010 Assets £m	2010 Liabilities £m	2009 Assets £m	2009 Liabilities £m
Interest-rate swaps (non-designated)	**1.0**	**(1.1)**	–	(112.0)
Total	**1.0**	**(1.1)**	–	(112.0)

Non-designated derivatives are classified as a current asset or liability.

Interest-rate swaps

The Group uses interest-rate swaps to manage its exposure to interest-rate movements on its interest-bearing loans and borrowings. 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 other comprehensive income. There was no ineffectiveness to be recognised from the designated cash flow hedges. 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:

	2010 £m	2009 £m
Interest-rate swaps	**570.0**	2,225.0
	570.0	2,225.0

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	2010 Level 1 £m	2010 Level 2 £m	2010 Level 3 £m	2010 Total £m	2009 Level 1 £m	2009 Level 2 £m	2009 Level 3 £m	2009 Total £m
Assets	**–**	**1.0**	**–**	**1.0**	–	–	–	–
Liabilities	**–**	**(1.1)**	**–**	**(1.1)**	–	(112.0)	–	(112.0)

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	2010 £m	2009 £m
Counterparties with external credit ratings		
AA	**0.6**	–
A+	**0.4**	–
	1.0	–

Financial statements

Notes to the financial statements
—for the year ended 31 March 2010 continued

26. Borrowings

Group	Secured/ unsecured	Fixed/ floating	Effective interest rate %	Nominal/ notional value £m	Fair value £m	Book value £m
						2010
Short-term borrowings and overdrafts						
Sterling						
Bank overdrafts	Unsecured	Floating	–	–	–	–
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 28)		Fixed	6.9	0.5	0.5	0.5
Total short-term borrowings and overdrafts				**308.7**	**314.3**	**308.6**
Non-current borrowings						
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 + margin	–	–	–
Bilateral facilities	Secured	Floating	LIBOR + margin	–	–	–
Amounts payable under finance leases (note 28)		Fixed	6.9	52.1	67.7	52.1
Total non-current borrowings				**3,710.2**	**3,680.5**	**3,209.7**
Total borrowings				**4,018.9**	**3,994.8**	**3,518.3**

Medium term notes (MTN)
The MTN are secured on the fixed and floating pool of assets of the Security Group. Debt investors benefit from security over a pool of investment properties valued at **£7.8bn** at 31 March 2010 (2009: £7.5bn). 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 27). 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 short-term borrowing as it is anticipated that the monies will be repaid within 12 months.

Syndicated bank debt
At 31 March 2010 the Group had a £1.5bn authorised credit facility with a maturity of August 2013, which was fully undrawn. This facility is committed and is secured on the assets of the Security Group.

Bilateral facilities
Committed Bilateral facilities totalling £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.

Queen Anne's Gate (QAG) Bond
On 29 July 2009, the Group issued a £360.3m bond secured on the rental cash flows from the commercial lease with the UK Government over Queen Anne's Gate, London, SW1. The QAG Bond is a fully amortising bond with a final maturity in February 2027 and a fixed interest rate of 5.253%.

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

26. Borrowings continued

Group	Secured/ unsecured	Fixed/ floating	Effective interest rate %	Nominal/ notional value £m	Fair value £m	Book value £m
						2009
Short-term borrowings and overdrafts						
Sterling						
Bank overdrafts	Unsecured	Floating	–	0.3	0.3	0.3
Amounts payable under finance leases (note 28)		Fixed	5.5	0.8	0.8	0.8
Total short-term borrowings and overdrafts				1.1	1.1	1.1
Non-current borrowings						
Sterling						
4.625 per cent MTN due 2013	Secured	Fixed	4.7	300.0	294.3	299.8
5.292 per cent MTN due 2015	Secured	Fixed	5.3	391.5	383.4	391.0
4.875 per cent MTN due 2019	Secured	Fixed	5.0	400.0	370.0	396.5
5.425 per cent MTN due 2022	Secured	Fixed	5.5	255.3	230.9	254.6
4.875 per cent MTN due 2025	Secured	Fixed	4.9	300.0	237.2	297.2
5.391 per cent MTN due 2026	Secured	Fixed	5.4	210.7	175.9	209.9
5.391 per cent MTN due 2027	Secured	Fixed	5.4	611.1	509.6	608.5
5.376 per cent MTN due 2029	Secured	Fixed	5.4	317.9	256.1	316.4
5.396 per cent MTN due 2032	Secured	Fixed	5.4	322.9	258.6	321.1
5.125 per cent MTN due 2036	Secured	Fixed	5.1	500.0	376.1	498.6
Bond exchange de-recognition adjustment	Secured	Fixed		–	–	(499.8)
				3,609.4	3,092.1	3,093.8
Syndicated bank debt	Secured	Floating	LIBOR + margin	1,662.8	1,662.8	1,658.6
Bilateral facilities	Secured	Floating	LIBOR + margin	640.0	640.0	640.0
Amounts payable under finance leases (note 28)		Fixed	5.5	57.1	68.0	57.1
Total non-current borrowings				5,969.3	5,462.9	5,449.5
Total borrowings				5,970.4	5,464.0	5,450.6

Reconciliation of the movement in borrowings

Group	2010 £m	2009 £m
At the beginning of the year	**5,450.6**	5,426.5
Decrease in overdrafts	**(0.3)**	(1.1)
Repayment of loans	**(2,306.2)**	(1,612.0)
Proceeds from new loans	**360.2**	1,737.6
Capitalisation of finance fees	**(0.2)**	(5.0)
Amortisation of finance fees	**5.7**	2.2
Amortisation of bond exchange de-recognition adjustment	**13.8**	11.7
Net movement in finance lease obligations	**(5.3)**	(9.4)
Borrowings included within the disposal of Trillium	**–**	(99.9)
At the end of the year	**3,518.3**	5,450.6

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 2010 continued

27. Financial risk management
Introduction

A review of the Group's objectives, policies and processes for managing and monitoring risk is set out in the Corporate Governance section p69—70 and Our risks and how we manage them p36—37. This note provides further detail on financial risk management and includes quantitative information on specific financial risks.

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

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 26 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 the Group's key metrics in relation to managing its capital structure.

			2010			2009
Group	Group £m	Joint ventures £m	Combined £m	Group £m	Joint ventures £m	Combined £m
Property portfolio						
Market value of investment properties	**8,285.4**	**1,255.0**	**9,540.4**	8,165.5	1,241.5	9,407.0
Trading properties and long-term contracts	**87.9**	**32.8**	**120.7**	94.9	37.0	131.9
	8,373.3	**1,287.8**	**9,661.1**	8,260.4	1,278.5	9,538.9
Net debt						
Borrowings	**3,518.3**	**478.7**	**3,997.0**	5,450.6	449.7	5,900.3
Cash and cash equivalents	**(159.4)**	**(25.0)**	**(184.4)**	(1,609.1)	(28.5)	(1,637.6)
Monies held in restricted accounts and deposits	**(95.6)**	**(2.0)**	**(97.6)**	(29.9)	–	(29.9)
Cumulative fair value movement on interest-rate swaps	**0.1**	**37.2**	**37.3**	112.0	38.2	150.2
Net debt	**3,263.4**	**488.9**	**3,752.3**	3,923.6	459.4	4,383.0
Less: Cumulative fair value movement on interest-rate swaps	**(0.1)**	**(37.2)**	**(37.3)**	(112.0)	(38.2)	(150.2)
Reverse bond exchange de-recognition (note 26)	**486.0**	**–**	**486.0**	499.8	–	499.8
Adjusted net debt	**3,749.3**	**451.7**	**4,201.0**	4,311.4	421.2	4,732.6
Adjusted total equity						
Total equity	**5,689.0**		**5,689.0**	4,820.2		4,820.2
Cumulative fair value movement on interest-rate swaps	**0.1**	**37.2**	**37.3**	112.0	38.2	150.2
Reverse bond exchange de-recognition (note 26)	**(486.0)**		**(486.0)**	(499.8)		(499.8)
Adjusted total equity	**5,203.1**	**37.2**	**5,240.3**	4,432.4	38.2	4,470.6
Gearing	**57.4%**		**66.0%**	81.4%		90.9%
Adjusted gearing	**72.1%**		**80.2%**	97.3%		105.9%
Loan to value – Group	**44.8%**		**43.5%**	52.2%		49.6%
– Security Group	**45.5%**			76.7%		
Weighted average cost of debt	**5.2%**		**5.3%**	4.1%		4.3%

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

27. 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 two properties, for which all payments to date have been received when due. The credit risk on outstanding amounts is considered low.

Finance lease receivables

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

Loans to third parties

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

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:

Group	**March 2010 £m**	December 2009 £m	September 2009 £m	June 2009 £m	March 2009 £m
Cash and cash equivalents	**159.4**	190.3	518.9	1,511.3	1,609.1
Undrawn committed credit lines[1]	**1,400.0**	1,400.0	707.6	–	–
Available funds	**1,559.4**	1,590.3	1,226.5	1,511.3	1,609.1
As a proportion of drawn debt	**39.3%**	40.1%	27.3%	25.7%	27.2%

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 2010, the reported LTV for the Security Group was 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.

27. 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.

2010	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Borrowings (excluding finance lease liabilities)	**308.2**	**9.3**	**427.0**	**3,221.8**
Finance lease liabilities	**0.5**	**0.4**	**0.4**	**51.3**
Derivative financial instruments	**–**	**–**	**1.1**	**–**
Trade payables	**9.9**	**–**	**–**	**–**
Capital payables	**47.8**	**–**	**–**	**–**
	366.4	**9.7**	**428.5**	**3,273.1**

2009	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Borrowings (excluding finance lease liabilities)	0.3	640.0	1,962.8	3,309.4
Finance lease liabilities	0.8	0.5	0.7	55.9
Derivative financial instruments	0.3	24.2	87.5	–
Trade payables	2.7	–	–	–
Capital payables	129.7	–	–	–
	133.8	664.7	2,051.0	3,365.3

(iii) Market risk

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

Interest rates

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

At 31 March 2010, the Group (including joint ventures) had **£1.1bn** (2009: £2.7bn) of hedges in place, and its net debt was **98.2%** fixed (2009: 107%). At the year-end all Group debt was fixed and subsequently the interest payable in the income statement is not sensitive to movements in interest rates. In the prior year, based on year-end balances, a 1% increase in interest rates would decrease the net interest payable in the income statement by £3.5m. 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 2010 or at 31 March 2009.

Notes to the financial statements
—for the year ended 31 March 2010 continued

27. Financial risk management continued
Financial maturity analysis

The interest rate profile of the Group's undiscounted borrowings, after taking into account the effect of the interest-rate swaps, are set out below:

	2010			2009		
Group	Fixed rate £m	Floating rate £m	Total £m	Fixed rate £m	Floating rate £m	Total £m
Sterling	**4,018.9**	–	**4,018.9**	4,662.2	1,308.2	5,970.4

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

	2010			2009		
Group	Fixed rate £m	Floating rate £m	Total £m	Fixed rate £m	Floating rate £m	Total £m
One year or less, or on demand	**308.7**	–	**308.7**	1.1	–	1.1
More than one year but not more than two years	**9.7**	–	**9.7**	740.2	200.3	940.5
More than two years but not more than five years	**427.4**	–	**427.4**	947.3	1,107.9	2,055.2
More than five years	**3,273.1**	–	**3,273.1**	2,973.6	–	2,973.6
	4,018.9	–	**4,018.9**	4,662.2	1,308.2	5,970.4

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

Group	2010 £m	2009 £m
One year or less, or on demand	**350.0**	40.0
More than one year but not more than two years	**–**	480.0
More than two years but not more than five years	**220.0**	1,705.0
More than five years	**–**	–
	570.0	2,225.0

28. Obligations under finance leases

Group	2010 £m	2009 £m
The minimum lease payments under finance leases fall due as follows:		
Not later than one year	**4.1**	4.7
Later than one year but not more than five years	**14.7**	16.3
More than five years	**391.4**	426.6
	410.2	447.6
Future finance charges on finance leases	**(357.6)**	(389.7)
Present value of finance lease liabilities	**52.6**	57.9
The present value of finance lease liabilities is as follows:		
Not later than one year	**0.5**	0.8
Later than one year but not more than five years	**0.8**	1.2
More than five years	**51.3**	55.9
	52.6	57.9

The fair value of the Group's lease obligations, using a discount rate of **5.2%** (2009: 5.5%), is **£68.2m** (2009: £68.8m).

Notes to the financial statements
—for the year ended 31 March 2010 continued

29. Net pension (deficit)/surplus

Contributory money purchase scheme

A contributory money purchase 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	2010 £m	2009 £m
Defined contribution schemes	**2.2**	2.3

Defined benefit schemes

Land Securities 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 2010.

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	2010 %	2009 %
Rate of increase in pensionable salaries	**3.80**	3.40
Rate of increase in pensions in payment	**3.80**	3.40
Discount rate	**5.60**	7.00
Inflation	**3.80**	3.40
Expected return on plan assets	**6.10**	6.14

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.

The mortality assumptions used in this valuation were:

Group	2010 Years	2009 Years
Life expectancy at age 60 for current pensioners – Men	**29.7**	28.5
– Women	**31.4**	31.7
Life expectancy at age 60 for future pensioners (current age 40) – Men	**32.8**	29.7
– Women	**34.5**	32.7

The fair value of the assets in the schemes (including annuities purchased to provide certain pensions in payment) and the expected rate of return (net of investment management expenses) were:

	2010 %	2009 %	2008 %	2010 £m	2009 £m	2008 £m
Equities	**7.50**	7.50	7.50	**62.4**	43.9	70.5
Bonds and insurance contracts	**5.05**	5.24	5.35	**78.4**	62.6	68.0
Other	**0.50**	0.50	5.25	**0.8**	0.6	0.5
Fair value of schemes' assets				**141.6**	107.1	139.0
Present value of schemes' liabilities				**(148.1)**	(104.1)	(123.9)
Non-permissible surplus				**–**	–	(4.1)
(Deficit)/surplus in the schemes				**(6.5)**	3.0	11.0
Related deferred tax liability				**–**	(1.6)	(0.8)
Net pension (liability)/asset				**(6.5)**	1.4	10.2

Notes to the financial statements
—for the year ended 31 March 2010 continued

29. Net pension (deficit)/surplus continued

The major categories of plan assets as a percentage of total plan assets are as follows:

Group	2010 %	2009 %
Equities	**44**	41
Bonds and insurance contracts	**56**	59

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** (2009: £0.1m).

Analysis of the amounts charged to the income statement	2010 £m	2009 £m
Analysis of the amount charged to operating profit		
Current service cost	**1.0**	1.3
Charge to operating profit	**1.0**	1.3
Analysis of amount (credited)/charged to interest expense		
Expected return on plan assets	**(6.6)**	(8.1)
Interest on schemes' liabilities	**7.2**	7.5
Net return	**0.6**	(0.6)

During the year ended 31 March 2006, the Group introduced amendments to the main scheme, which were adopted by the Trustees for active members who had given their consent. As a result, the accrued entitlement of the active members at 31 March 2006 has been linked to inflation, with future benefits accrued according to annual earnings. The effect of this change was a reduction of **£8.3m** in the Group's pension liability associated with funding future anticipated salary increases.

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

Group Changes in the present value of the defined-benefit obligation	2010 £m	2009 £m
At the beginning of the year	**104.1**	123.9
Current service cost	**1.0**	1.3
Interest cost	**7.2**	7.5
Actuarial losses/(gains)	**40.4**	(11.0)
Benefits paid	**(4.8)**	(4.2)
Contributions by plan participants	**0.2**	0.2
Defined-benefit obligation included in the disposal of Trillium	**–**	(13.6)
At the end of the year	**148.1**	104.1

Group Changes in the fair value of plan assets	2010 £m	2009 £m
At the beginning of the year	**107.1**	139.0
Expected return on plan assets	**6.6**	8.1
Employer contributions	**7.3**	4.2
Actual return less expected return on schemes' assets	**25.2**	(26.2)
Benefits paid	**(4.8)**	(4.2)
Contributions by plan participants	**0.2**	0.2
Pension assets included in the disposal of Trillium	**–**	(14.0)
At the end of the year	**141.6**	107.1

Group Analysis of the movement in the balance sheet (deficit)/surplus	2010 £m	2009 £m
At the beginning of the year	**3.0**	11.0
Charge to operating profit	**(1.0)**	(1.3)
Expected return on plan assets	**6.6**	8.1
Interest on schemes' liabilities	**(7.2)**	(7.5)
Employer contributions	**7.3**	4.2
Actuarial losses	**(15.2)**	(11.1)
Transfer of defined-benefit pension scheme on the disposal of Trillium	**–**	(0.4)
At the end of the year	**(6.5)**	3.0

Notes to the financial statements
—for the year ended 31 March 2010 continued

29. Net pension (deficit)/surplus continued

Group Analysis of the amounts recognised in other comprehensive income	2010 £m	2009 £m
Analysis of gains and losses		
Actual return less expected return on schemes' assets	**25.2**	(26.2)
Experience gains and losses arising on schemes' liabilities	**(40.4)**	11.0
Decrease in non-permissible surplus	**–**	4.1
Actuarial losses	**(15.2)**	(11.1)

Actuarial gains and losses are recognised immediately through the Statement of comprehensive income.

Group History of experience gains and losses	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Experience adjustments arising on schemes' assets					
Amount	**25.2**	(26.2)	(12.1)	(2.6)	15.5
Percentage of schemes' assets	**17.8%**	24.5%	8.7%	1.8%	10.3%
Experience adjustments arising on schemes' liabilities					
Amount	**(40.4)**	11.0	(32.0)	(1.3)	20.5
Percentage of the present value of funded obligations	**27.3%**	10.6%	25.8%	0.9%	13.1%
Present value of schemes' liabilities	**(148.1)**	(104.1)	(123.9)	(150.0)	(156.5)
Fair value of schemes' assets	**141.6**	107.1	139.0	144.4	150.0
Non-permissible surplus	**–**	–	(4.1)	–	–
(Deficit)/surplus	**(6.5)**	3.0	11.0	(5.6)	(6.5)

The contributions expected to be paid in respect of the defined-benefit schemes during the financial year ending 31 March 2011 amount to **£5.4m.**

The Company did not operate any defined-contribution schemes or defined-benefit schemes during the financial year ended 31 March 2009 or in the previous financial year.

30. Deferred taxation

Group		Pension deficit/ (surplus) £m	Accelerated tax depreciation £m	Capitalised interest £m	Other £m	Total £m
At 1 April 2008	– Assets	–	–	–	0.9	0.9
	– Liabilities	(0.8)	(0.7)	(0.9)	–	(2.4)
		(0.8)	(0.7)	(0.9)	0.9	(1.5)
Disposal of Trillium		–	1.4	–	–	1.4
(Charged)/credited to income statement for the year		(1.4)	1.2	0.9	(0.9)	(0.2)
Credited to other comprehensive income		0.6	–	–	–	0.6
At 31 March 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	– Assets	–	–	–	–	–
	– Liabilities	–	–	–	–	–
		–	–	–	–	–

Group	2010 £m	2009 £m
Deferred tax is provided as follows:		
Excess of capital allowances over depreciation – operating properties	**–**	1.9
Pension surplus	**–**	(1.6)
Total deferred tax asset	**–**	0.3

The Group has unutilised trading and other tax losses carried forward as at 31 March 2010 of approximately **£102.0m** (2009: £92.0m).

31. 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), Performance and Deferred bonus share schemes 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	2010 £m	2009 £m
Savings Related Share Option Schemes	**0.4**	0.2
Executive Share Option Schemes	**0.6**	1.8
Performance shares	**–**	1.2
Deferred bonus share scheme	**0.9**	1.1
Long-Term Incentive Plan	**3.9**	4.3
Conditional shares granted 1 January 2010	**0.2**	–
	6.0	8.6
Attributed to:		
Continuing activities	**6.0**	4.8
Discontinued operations	**–**	3.8
	6.0	8.6

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

	Number of options		Weighted average exercise price	
	2010	2009	2010 Pence	2009 Pence
At the beginning of the year	**13,431**	35,287	**585**	677
Exercised	**(5,008)**	(18,951)	**585**	690
Forfeited	**–**	(831)	**–**	651
Lapsed	**(8,117)**	(3,397)	**585**	707
Rights Issue adjustment	**–**	1,323	**–**	–
At the end of the year	**306**	13,431	**585**	585
Exercisable at the end of the year	**306**	–	**585**	–

	Years	Years
Weighted average remaining contractual life	**–**	0.50

The options outstanding under the scheme are exercisable at **585p**, during 2010, being seven years from the date of grant. No shares were exercised during the year. The weighted average share price at the date of exercise during the year was **670p** (2009: 1291p).

2003 Savings Related Share Option Scheme

	Number of options		Weighted average exercise price	
	2010	2009	2010 Pence	2009 Pence
At the beginning of the year	**350,927**	507,472	**1162**	1248
Granted	**674,988**	–	**388**	–
Exercised	**(926)**	(56,303)	**388**	746
Forfeited	**(58,097)**	(68,284)	**962**	1356
Lapsed	**(274,822)**	(66,258)	**1108**	1356
Rights Issue adjustment	**–**	34,300	**–**	–
At the end of the year	**692,070**	350,927	**447**	1162
Exercisable at the end of the year	**14,814**	86,563	**1188**	1016

	Years	Years
Weighted average remaining contractual life	**3.45**	1.51

Notes to the financial statements
—for the year ended 31 March 2010 continued

31. 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. 3,790 of the options outstanding are exercisable at 610p, 6,551 at 862p, 5,077 at 1032p, 16,674 at 1315p, 18,091 at 1372p and 641,887 at 388p during 2010 and the periods 2010 to 2011, 2010 to 2012, 2010 to 2014, 2010 to 2013 and 2012 to 2016 respectively.

The weighted average share price at the date of exercise during the year was **667p** (2009: 1129p). During the year options were granted on 12 June 2009 (2009: nil). The estimated fair value of the options granted in the year was **£0.5m** (2009: £nil).

Executive Share Option Schemes
2000 Executive Share Option Scheme

	Number of options		Weighted average exercise price	
	2010	2009	**2010 Pence**	2009 Pence
At the beginning of the year	**196,789**	237,692	**752**	839
Exercised	**–**	(43,548)	**–**	855
Forfeited	**(98,611)**	(16,806)	**744**	850
Rights Issue adjustment	**–**	19,451	**–**	–
At the end of the year	**98,178**	196,789	**758**	752
Exercisable at the end of the year	**98,178**	196,789	**758**	752

	Years	Years
Weighted average remaining contractual life	**1.72**	2.83

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 Prices 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. The weighted average share price at the date of exercise for share options exercised during the previous year was 1286p.

2002 Executive Share Option Scheme

	Number of options		Weighted average exercise price	
	2010	2009	**2010 Pence**	2009 Pence
At the beginning of the year	**1,535,842**	1,581,872	**934**	1036
Exercised	**–**	(114,005)	**–**	996
Forfeited	**(841,516)**	(83,890)	**938**	1082
Rights Issue adjustment	**–**	151,865	**–**	–
At the end of the year	**694,326**	1,535,842	**929**	934
Exercisable at the end of the year	**694,326**	1,535,842	**929**	934

	Years	Years
Weighted average remaining contractual life	**3.92**	4.94

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 Prices 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, 215,924 and 457,872 of the options outstanding under the 2002 Executive Share Option Scheme are exercisable at 681p, 710p and 1044p respectively up to 2014.

No options were exercised during the year. The weighted average share price at the date of exercise for share options exercised during the previous year was 1278p.

Notes to the financial statements
—for the year ended 31 March 2010 continued

31. Share-based payments continued
2005 Executive Share Option Scheme

	Number of options		Weighted average exercise price	
	2010	2009	**2010 Pence**	2009 Pence
At the beginning of the year	**1,889,556**	967,791	**1301**	1640
Granted	**1,198,821**	819,405	**469**	1213
Exercised	**(3,894)**	–	**469**	–
Forfeited	**(530,907)**	(82,647)	**1346**	1470
Rights Issue adjustment	**–**	185,007	**–**	–
At the end of the year	**2,553,576**	1,889,556	**904**	1301
Exercisable at the end of the year	**189,705**	280,509	**1419**	1280

	Years	Years
Weighted average remaining contractual life	**8.39**	8.30

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, 723p, 1095p, 1280p, 1560p and 1565p during the periods 2012 to 2019, 2012 to 2019, 2011 to 2019, 2010 to 2015, 2010 to 2017 and 2010 to 2016, respectively.

The weighted average share price at the date of exercise for share options exercised during the year was **679p.** During the year, **1,196,877** options were granted on **29 June 2009** and **1,944** on **18 November 2009** (2009: 807,988 on 10 July 2008 and 11,417 on 30 March 2009). The estimated fair value of the options granted on those dates was **£0.5m** (2009: £1.4m).

Performance Shares

	Number of shares	
	2010	2009
At the beginning of the year	**–**	137,334
Exercised	**–**	(136,684)
Lapsed	**–**	(650)
At the end of the year	**–**	–
Exercisable at the end of the year	**–**	–

	Years	Years
Weighted average remaining contractual life	**–**	–

Under the Performance Shares plan approved by shareholders in 2002, senior executives of the Group received up to two shares for each deferred share received under the separate management bonus scheme depending on the extent to which performance criteria were satisfied. Half of these Performance Shares were dependent on the real increase in the Group's normalised adjusted diluted earnings per share over three financial years. The other half of the Performance Shares were subject to the Group's total property return equalling or exceeding the Investment Property Databank All Fund Universe Index over a three year rolling period. The final grant under the scheme was made in July 2005. Awards under the plan are satisfied by transfer of existing shares.

The weighted average share price at the date of exercise for Performance Shares exercised during the prior year was 1176p.

Notes to the financial statements
—for the year ended 31 March 2010 continued

31. Share-based payments continued
Deferred Bonus Shares Scheme

	Number of shares	
	2010	2009
At the beginning of the year	**222,512**	198,106
Granted	**–**	165,415
Capitalisation of dividends	**7,826**	6,559
Exercised	**(87,582)**	(153,252)
Forfeited	**–**	(356)
Rights Issue adjustment	**–**	6,040
At the end of the year	**142,756**	222,512
Exercisable at the end of the year	**–**	–

	Years	Years
Weighted average remaining contractual life	**1.77**	2.41

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 returns in excess of WACC, 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, vesting criteria being outperformance against London and Retail property sector IPD Total Property Return (TPR) benchmarks. Awards under the plan are satisfied by transfers of existing shares held by the ESOP trust.

The shares are deferred for three years and 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 **480p** (2009: 1090p). No deferred shares were granted during the year (2009: 165,415 deferred shares were granted on 31 March 2009). The estimated fair value of the rights over shares granted in 2009 was **£1.5m**.

2005 Long-Term Incentive Plan

	Number of shares	
	2010	2009
At the beginning of the year	**1,066,022**	1,263,526
Granted	**1,144,429**	508,527
Exercised	**(287,091)**	(565,424)
Forfeited	**(132,059)**	(220,908)
Rights Issue adjustment	**–**	80,301
At the end of the year	**1,791,301**	1,066,022
Exercisable at the end of the year	**–**	–

	Years	Years
Weighted average remaining contractual life	**1.66**	1.57

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 Executive Directors and up to 75% of salary for senior executives. 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.

Notes to the financial statements
—for the year ended 31 March 2010 continued

31. Share-based payments continued
Fair value calculations include the assumption 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.

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 **491p**. Rights to receive **722,135** Performance Shares were granted on **29 June 2009** (2009: 180,957 Performance Shares were granted on 10 July 2008 and 200,066 on 30 March 2009). Rights to receive **422,294** Matching Shares were granted on **31 July 2009** (2009: 60,878 Matching Shares were granted on 31 July 2008 and 66,626 on 30 March 2009). The estimated fair value of the rights over the shares granted on those dates was **£2.2m** (2009: £2.6m).

Conditional shares granted 1 January 2010

	Number of shares	
	2010	2009
At the beginning of the year	**–**	–
Granted	**160,000**	–
At the end of the year	**160,000**	–
Exercisable at the end of the year	**–**	–

	Years	Years
Weighted average remaining contractual life	**1.54**	–

160,000 shares were granted to a Board director on his appointment on 1 January 2010. 34,000, 46,000 and 80,000 shares vest on 30 June 2010, 30 June 2011 and 30 June 2012, respectively, provided that he is in employment at the vesting date for each tranche of shares. There are no other performance conditions. The estimated fair value of the shares on the date of grant was **£1.0m**.

Fair-values inputs
Fair values are calculated using the Black-Scholes option pricing model. 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	Conditional shares granted 1 January 2010
Range of share prices at grant date	485p to 1903p	756p to 1159p	469p to 1737p	787p to 1737p	469p to 1737p	664p
Range of exercise prices	388p to 1523p	756p to 1159p	469p to 1737p	nil p	nil p	nil p
Expected volatility	19% to 21%	19%	19% to 21%	19% to 21%	19% to 21%	21%
Expected life	3 to 7 years	3 to 5 years	2.3 to 5 years	3 to 5 years	2.3 to 5 years	0.25 to 2.25 years
Risk-free rate	2.25% to 5.67%	3.60% to 5.10%	2.04% to 5.67%	2.04% to 5.67%	2.04% to 5.67%	0.7% to 1.3%
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.

32. Called up share capital

	Authorised		Allotted and full paid	
Group and Company	**2010 Number million**	2009 Number million	**2010 £m**	2009 £m
Ordinary shares of 10p each	**1,000.0**	1,000.0	**76.5**	76.2
Non-equity B shares of £1.02 each	**38.9**	38.9	**–**	–
Redeemable preference shares of £1.00 each	**0.1**	0.1	**–**	–
			76.5	76.2

	Number of shares	
Group and Company	**2010**	2009
Movements in the share capital were:		
At the beginning of the year	**761,908,210**	470,901,478
Issued on the exercise of options	**5,934**	232,807
Issued in lieu of cash dividends	**2,735,338**	–
Rights Issue	**–**	290,773,925
At the end of the year	**764,649,482**	761,908,210

The number of ordinary shares that would be issued if all options were exercised at 31 March 2010 is **4,038,456** (2009: 3,986,545).

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 2010 the Group owned **5,896,000** ordinary shares (2009: 5,896,000 ordinary shares) with a market value of **£39.9m** (2009: £25.8m).

Notes to the financial statements
—for the year ended 31 March 2010 continued

33. Own shares

Group	2010 £m	2009 £m
Cost at the beginning of the year	**12.4**	22.3
Acquisition of ordinary shares	**–**	–
Transfer of shares to employees on exercise of share schemes	**(5.5)**	(9.9)
Cost at the end of the year	**6.9**	12.4

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 31).

The number of shares held by the ESOP at 31 March 2010 was 522,409 (2009: 887,914). The market value of these shares at 31 March 2010 was **£3.5m** (2009: £3.8m).

34. Cash flow from operating activities

	Group		Company	
Reconciliation of operating profit to net cash inflow from operating activities:	**2010 £m**	2009 £m	**2010 £m**	2009 £m
Cash generated from operations				
Profit/(loss) for the financial year from continuing operations	**1,092.4**	(4,773.7)	**1,084.1**	(273.6)
Income tax	**(23.1)**	0.5	**(5.3)**	(15.2)
Profit/(loss) before tax	**1,069.3**	(4,773.2)	**1,078.8**	(288.8)
Share of (profit)/losses of joint ventures (post-tax)	**(137.6)**	599.0	**–**	–
	931.7	(4,174.2)	**1,078.8**	(288.8)
Fair value movement on interest-rate swaps	**(7.0)**	102.1	**–**	–
Interest income	**(29.8)**	(32.5)	**–**	(20.0)
Interest expense	**248.9**	262.9	**11.1**	53.9
Operating profit/(loss) from continuing operations	**1,143.8**	(3,841.7)	**1,089.9**	(254.9)
Operating loss from discontinued operations	**–**	(79.0)	**–**	–
Operating profit/(loss)	**1,143.8**	(3,920.7)	**1,089.9**	(254.9)
Adjustments on continuing and discontinued operations for:				
Depreciation	**4.8**	24.3	**–**	–
Loss on disposal of non-current properties	**32.5**	129.1	**–**	–
Net valuation (surplus)/deficit on investment properties	**(746.0)**	4,123.4	**–**	–
Goodwill impairment	**–**	148.6	**–**	–
Impairment of trading properties	**10.6**	92.3	**–**	–
Impairment to investment in subsidiary undertakings	**–**	–	**–**	234.7
Dividends from subsidiary undertakings[1]	**–**	–	**(1,100.0)**	–
Share-based payment charge	**6.0**	8.6	**–**	–
Pension scheme charge	**1.0**	1.3	**–**	–
	452.7	606.9	**(10.1)**	(20.2)
Changes in working capital:				
Decrease/(increase) in trading properties and long-term development contracts	**10.1**	(34.0)	**–**	–
(Increase)/decrease in receivables	**(30.0)**	69.5	**242.3**	0.1
(Decrease)/increase in payables and provisions	**(5.8)**	8.9	**(110.8)**	(375.3)
Net cash generated from operations	**427.0**	651.3	**121.4**	(395.4)

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 2010 continued

35. Related party transactions
Subsidiaries

During the year, the Company entered in to transactions, in the normal course of business, with other related parties as follows:

	2010 £m	2009 £m
Transactions with subsidiary undertakings:		
Recharge of costs	**117.4**	(350.9)
Dividends received	**1,100.0**	–
Interest (paid)/received	**(11.1)**	53.9
Investment in subsidiary	**(850.0)**	–

At 31 March 2010, £13.3m was due from subsidiary undertakings (2009: £108.2m due to subsidiary undertakings).

Joint ventures

As disclosed in note 17, the Group has investments in a number of joint ventures. Details of transactions and balances between the Group and its joint ventures are disclosed as follows:

	Year ended 31 March 2010 and at 31 March 2010				Year ended 31 March 2009 and at 31 March 2009			
	Revenues £m	Net investments into joint ventures £m	Loans to joint ventures £m	Amounts owed to joint ventures £m	Revenues £m	Net investments into joint ventures £m	Loans to joint ventures £m	Amounts owed to joint ventures £m
The Scottish Retail Property Limited Partnership	**0.7**	**1.2**	**1.2**	**–**	0.5	0.4	0.3	(0.1)
Metro Shopping Fund Limited Partnership	**0.4**	**1.4**	**0.5**	**(0.8)**	0.8	4.7	–	–
Buchanan Partnership	**4.3**	**(1.4)**	**0.8**	**–**	5.3	(2.9)	1.6	–
St. David's Limited Partnership	**8.2**	**(70.2)**	**17.7**	**(0.4)**	8.0	74.0	12.3	(115.1)
The Martineau Galleries Limited Partnership	**0.2**	**(2.3)**	**0.3**	**–**	0.2	(5.9)	0.4	–
The Bull Ring Limited Partnership	**–**	**(7.7)**	**–**	**–**	–	(11.7)	–	–
Bristol Alliance Limited Partnership	**1.1**	**2.0**	**5.4**	**–**	7.0	57.4	14.2	–
The Martineau Limited Partnership	**–**	**–**	**–**	**–**	0.1	–	–	–
A2 Limited Partnership	**–**	**(0.1)**	**–**	**–**	–	(3.7)	–	–
Countryside Land Securities (Springhead) Limited	**–**	**0.4**	**0.8**	**–**	–	0.9	0.6	–
Investors in the Community	**–**	**–**	**–**	**–**	–	0.2	–	–
The Ebbsfleet Limited Partnership	**–**	**–**	**0.2**	**–**	–	–	0.2	–
The Harvest Limited Partnership	**0.3**	**2.1**	**0.7**	**(43.2)**	0.6	14.6	0.6	(43.0)
The Oriana Limited Partnership	**0.2**	**–**	**4.0**	**–**	0.4	11.1	2.5	–
Millshaw Property Co. Limited	**–**	**–**	**–**	**(11.4)**	–	–	–	(10.4)
Fen Farm Developments Limited	**0.1**	**–**	**12.7**	**–**	0.1	(3.5)	11.1	–
The Empress State Limited Partnership	**–**	**–**	**0.1**	**–**	–	28.1	0.1	–
HNJV Limited	**–**	**–**	**2.1**	**–**	–	–	0.7	–
	15.5	**(74.6)**	**46.5**	**(55.8)**	23.0	163.7	44.6	(168.6)

Further detail of the above transactions and balances can be seen in note 17.

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 p87—89.

	2010 £m	2009 £m
Short-term employee benefits	**5.0**	4.2
Post-employment benefits	**0.4**	0.4
Share-based payments	**3.2**	2.6
	8.6	7.2

36. 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:

	2010 £m	2009 £m
Not later than one year	**463.0**	534.0
Later than one year but not more than five years	**1,740.0**	1,981.5
More than five years	**3,464.2**	3,818.7
	5,667.2	6,334.2

The total of contingent rents recognised as income during the year was **£37.1m** (2009: £41.2m).

Report of the Directors p01—90

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

Financial statements p91—136

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

Investor resource p137—148

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

Business analysis p138—142

Clear, detailed information on operational performance, including portfolio analysis.

Investor analysis p143—144

An overview of our institutional investors, together with a five year summary.

Our performance in detail

In this section we provide a detailed, transparent picture of our business performance. We include comprehensive information on our portfolio, occupiers and rental income. And we show our performance relative to the IPD industry benchmark.

Table 65
Top 12 occupiers

	Current gross rent roll %
Government	9.3
Accor Hotels	4.2
Royal Bank of Scotland	2.8
Deloitte	2.5
DSG International	1.5
Arcadia Group	1.5
Bank of New York Mellon	1.4
J Sainsbury	1.3
Boots	1.2
Metropolitan Police	1.0
Marks & Spencer	1.0
EDF Energy	1.0
Percentage of total portfolio	**28.7**

Includes share of joint venture properties.

Table 66
% Portfolio by value and number of property holdings at 31 March 2010

£m	Value %	Number of properties
0 – 9.99	3.0	81
10 – 24.99	4.2	27
25 – 49.99	12.5	37
50 – 99.99	21.2	28
100 – 149.99	11.5	9
150 – 199.99	5.3	3
200 +	42.3	13
Total	**100.0**	**198**

Includes share of joint venture properties.

Chart 67
Contracted rental income breakdown by tenant business sector

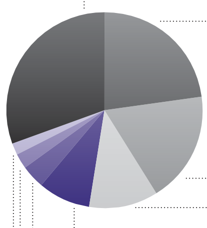


Table 68
Combined portfolio value by location

	Shopping centres and shops %	Retail warehouses %	Offices %	Other %	Total %
Central, inner and outer London	13.9	0.5	43.5	4.7	62.6
South-east and Eastern	2.8	4.6	–	1.5	8.9
Midlands	1.0	1.1	0.1	0.5	2.7
Wales and South-west	6.8	1.0	–	0.1	7.9
North, North-west, Yorkshire and Humberside	6.8	3.3	0.3	0.7	11.1
Scotland and Northern Ireland	4.9	1.6	–	0.3	6.8
Total	**36.2**	**12.1**	**43.9**	**7.8**	**100.0**

% figures calculated by reference to the combined portfolio value of £9.5bn.

Table 69
Long-term performance relative to IPD

Ungeared total returns – periods to 31 March 2010

	Land Securities % pa	IPD % pa
3 years	(7.1)	(7.4)
5 years	2.8	2.1
10 years	6.6	6.5

Source: IPD Quarterly Universe.

Table 70
Average rents at 31 March 2010

	Average rent £/m²	Average ERV £/m²
Retail		
Shopping centres and shops	n/a	n/a
Retail warehouses and food stores	206	201
Offices		
London office portfolio	386	341

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

Table 71
Like-for-like reversionary potential at 31 March 2010

Reversionary potential	31 March 2010 % of rent roll	31 March 2009 % of rent roll
Gross reversions	**5.4**	6.5
Over-rented	**(9.8)**	(4.5)
Net reversionary potential	**(4.4)**	2.0

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.

Table 72
One year performance relative to IPD

Ungeared total returns – year to 31 March 2010

	Land Securities %	IPD %
Retail – Shopping centres	17.6	9.9
– Retail warehouses	30.1	29.1
Central London offices*	16.8	19.5
Total portfolio	**17.3**	**17.4**

Source: IPD Quarterly Universe.
*Central London defined as West End, City, Mid-town and Inner London regions.

Chart 73
Combined portfolio value by location

Scotland and Northern Ireland

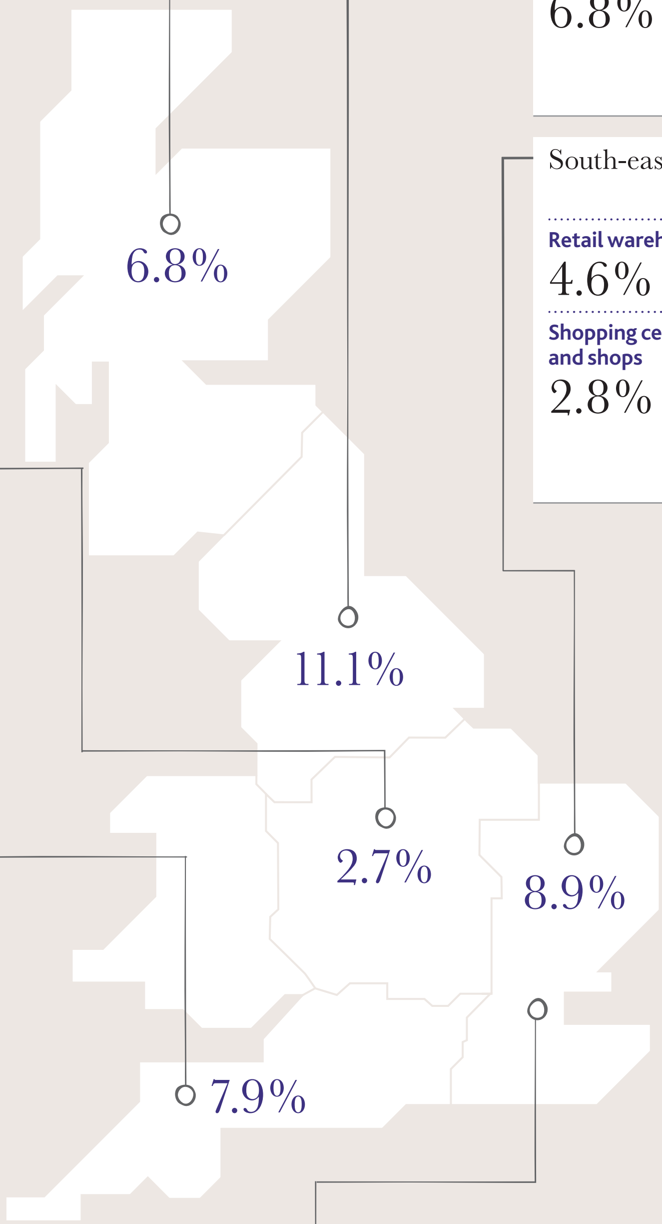
Retail warehouses 1.6%	Offices –
Shopping centres and shops 4.9%	Other 0.3%
	Total 6.8%

North, North-west, Yorkshire and Humberside

Retail warehouses 3.3%	Offices 0.3%
Shopping centres and shops 6.8%	Other 0.7%
	Total 11.1%

South-east and Eastern

Retail warehouses 4.6%	Offices –
Shopping centres and shops 2.8%	Other 1.5%
	Total 8.9%



Midlands

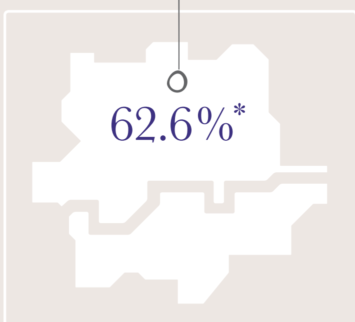
Retail warehouses 1.1%	Offices 0.1%
Shopping centres and shops 1.0%	Other 0.5%
	Total 2.7%

Wales and South-west

Retail warehouses 1.0%	Offices –
Shopping centres and shops 6.8%	Other 0.1%
	Total 7.9%

Total by use

Retail warehouses 12.1%	Offices 43.9%
Shopping centres and shops 36.2%	Other 7.8%
	Total 100.0%



*Retail and London Portfolios combined

Central, inner and outer London

Retail warehouses 0.5%	Offices 43.5%
Shopping centres and shops 13.9%	Other 4.7%
	Total 62.6%

Investor resource

Combined portfolio reconciliation

Income statement – gross rental income reconciliation

	Retail Portfolio £m	London Portfolio £m	Other £m	31 March 2010 £m	Retail Portfolio £m	London Portfolio £m	Other £m	31 March 2009 £m
Combined portfolio	**329.8**	**274.7**	**40.7**	**645.2**	374.9	306.1	46.8	727.8
Central London shops (excluding Metro Shopping Fund LP)	**(41.0)**	**41.0**	**–**	**–**	(42.8)	42.8	–	–
Inner London offices in Metro Shopping Fund LP	**0.6**	**(0.6)**	**–**	**–**	0.8	(0.8)	–	–
Rest of UK offices	**1.3**	**–**	**(1.3)**	**–**	1.5	0.2	(1.7)	–
Other	**35.7**	**3.7**	**(39.4)**	**–**	40.6	4.5	(45.1)	–
	326.4	**318.8**	**–**	**645.2**	375.0	352.8	–	727.8
Less finance lease adjustment	**(2.8)**	**(3.6)**	**–**	**(6.4)**	(3.1)	(5.3)	–	(8.4)
Total rental income for combined portfolio	**323.6**	**315.2**	**–**	**638.8**	371.9	347.5	–	719.4

Market value reconciliation

	Retail Portfolio £m	London Portfolio £m	Other £m	31 March 2010 £m	Retail Portfolio £m	London Portfolio £m	Other £m	31 March 2009 £m
Combined portfolio	**4,600.2**	**4,150.6**	**789.6**	**9,540.4**	4,687.3	3,969.0	750.7	9,407.0
Central London shops (excluding Metro Shopping Fund LP)	**(937.2)**	**937.2**	**–**	**–**	(939.2)	939.2	–	–
Inner London offices in Metro Shopping Fund LP	**11.9**	**(11.9)**	**–**	**–**	9.8	(9.8)	–	–
Rest of UK offices	**46.7**	**–**	**(46.7)**	**–**	51.1	–	(51.1)	–
Other	**544.1**	**198.8**	**(742.9)**	**–**	508.6	191.0	(699.6)	–
Per business unit	**4,265.7**	**5,274.7**	**–**	**9,540.4**	4,317.6	5,089.4	–	9,407.0

Gross estimated rental value reconciliation

	Retail Portfolio £m	London Portfolio £m	Other £m	31 March 2010 £m	Retail Portfolio £m	London Portfolio £m	Other £m	31 March 2009 £m
Combined portfolio	**366.1**	**302.2**	**54.0**	**722.3**	434.1	327.0	53.6	814.7
Central London shops (excluding Metro Shopping Fund LP)	**(67.5)**	**67.5**	**–**	**–**	(64.3)	64.3	–	–
Inner London offices in Metro Shopping Fund LP	**0.8**	**(0.8)**	**–**	**–**	0.9	(0.9)	–	–
Rest of UK offices	**5.7**	**–**	**(5.7)**	**–**	5.0	–	(5.0)	–
Other	**39.6**	**8.7**	**(48.3)**	**–**	40.1	8.5	(48.6)	–
Per business unit	**344.7**	**377.6**	**–**	**722.3**	415.8	398.9	–	814.7

Development pipeline financial summary

	Cumulative movements on the development programme to 31 March 2010						Total scheme details				
	Market value at start of scheme £m	Capital expenditure incurred to date £m	Capitalised interest to date £m	Valuation surplus/ (deficit) to date[1] £m	Disposals SIC15 rent and other adjustments £m	Market value at 31 March 2010 £m	Estimated total capital expenditure[4] £m	Estimated total capitalised interest £m	Estimated total development cost[2] £m	Net income/ ERV[3] £m	Valuation surplus/(deficit) for year ended 31 March 2010[1] £m
Development programme transferred or sold											
Shopping centres, etc	32.0	259.4	19.4	(63.7)	0.4	247.5	259.4	19.4	310.8	17.9	20.2
London Portfolio	51.2	304.4	21.8	96.8	52.8	527.0	304.4	21.8	377.4	32.2	101.0
	83.2	563.8	41.2	33.1	53.2	774.5	563.8	41.2	688.2	50.1	121.2
Development programme completed, approved or in progress											
Shopping centres and shops	20.5	444.3	24.4	(221.0)	1.3	269.5	477.7	24.4	522.6	22.4	6.6
Retail warehouses and foodstores	24.1	0.6	–	10.7	–	35.4	8.5	–	32.6	2.7	10.7
London Portfolio	469.0	330.2	44.1	(172.0)	6.7	678.0	782.8	82.6	1,334.4	77.6	87.1
	513.6	775.1	68.5	(382.3)	8.0	982.9	1,269.0	107.0	1,889.6	102.7	104.4
	Movement on proposed developments for the year ended 31 March 2010										
Proposed developments											
Shopping centres and shops	85.0	27.1	–	(14.0)	(0.6)	97.5	284.6	41.6	423.7	31.9	(14.0)
Retail warehouses and foodstores	19.6	0.4	–	3.0	–	23.0	11.3	–	34.3	2.0	3.0
London Portfolio	213.7	7.0	0.7	(6.1)	0.4	215.7	775.6	139.1	1,130.4	67.0	(6.1)
	318.3	34.5	0.7	(17.1)	(0.2)	336.2	1,071.5	180.7	1,588.4	100.9	(17.1)

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 2010 is included in the estimated total cost. Estimated total development cost includes the cost of residential properties for Shopping Centres and shops of £20m in the development programme and £9m for proposed developments. The London Portfolio development programme and proposed developments includes the cost of residential properties of £156.4m and £322.0m respectively. Allowances for rent-free periods are excluded from cost.
3. Net headline annual rental payable on let units plus net ERV at 31 March 2010 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 2010.

Combined portfolio analysis

The like-for-like portfolio

	Market value[8]		Valuation surplus[1]		Rental income		Annual net rent[9]		Annual net estimated rental value[10]	
	31 March 2010 £m	31 March 2009 £m	Surplus/ (deficit) £m	Surplus/ (deficit) %	31 March 2010 £m	31 March 2009 £m	31 March 2010 £m	31 March 2009 £m	31 March 2010 £m	31 March 2009 £m
Shopping centres and shops										
Shopping centres and shops	**1,845.8**	1,665.4	**171.7**	**10.3**	**162.0**	177.0	**145.0**	151.5	**153.5**	164.4
Central London shops	**779.7**	735.9	**43.2**	**5.9**	**40.5**	40.1	**41.3**	41.4	**46.9**	46.3
	2,625.5	2,401.3	**214.9**	**9.0**	**202.5**	217.1	**186.3**	192.9	**200.4**	210.7
Retail warehouses										
Retail warehouses and food stores	**1,086.8**	881.9	**192.6**	**22.3**	**66.3**	70.9	**70.5**	70.0	**72.8**	76.4
Total retail	**3,712.3**	3,283.2	**407.5**	**12.5**	**268.8**	288.0	**256.8**	262.9	**273.2**	287.1
London offices										
West End	**1,428.7**	1,326.2	**100.2**	**7.8**	**98.7**	104.9	**100.8**	102.7	**93.5**	102.9
City	**456.1**	414.9	**41.0**	**9.9**	**40.1**	44.0	**39.7**	44.9	**39.1**	40.6
Mid-town	**227.6**	221.2	**(4.3)**	**(2.7)**	**19.3**	19.0	**18.5**	19.3	**17.1**	19.1
Inner London	**684.3**	611.3	**62.6**	**10.6**	**48.7**	47.0	**49.0**	30.0	**43.5**	50.1
Total London offices	**2,796.7**	2,573.6	**199.5**	**8.2**	**206.8**	214.9	**208.0**	196.9	**193.2**	212.7
Rest of UK	**45.9**	45.6	**0.2**	**0.4**	**0.8**	0.9	**3.5**	4.3	**5.4**	5.3
Total offices	**2,842.6**	2,619.2	**199.7**	**8.0**	**207.6**	215.8	**211.5**	201.2	**198.6**	218.0
Other	**619.4**	569.3	**40.9**	**7.1**	**37.9**	41.4	**44.5**	42.8	**44.0**	44.0
Like-for-like portfolio[2]	**7,174.3**	6,471.7	**648.1**	**10.2**	**514.3**	545.2	**512.8**	506.9	**515.8**	549.1
Proposed developments[3]	**336.2**	318.3	**(17.1)**	**(4.9)**	**15.0**	17.1	**13.7**	14.1	**21.0**	22.7
Completed developments[4]	**1,014.6**	878.1	**125.2**	**15.2**	**62.2**	51.2	**54.8**	41.4	**55.6**	57.9
Acquisitions[5]	**32.4**	27.2	**3.2**	**8.1**	**2.1**	0.9	**2.7**	1.2	**3.3**	1.6
Sales[6]	**–**	1,058.6	**–**	**–**	**37.5**	105.7	**–**	81.8	**–**	86.2
Development programme[7]	**982.9**	653.1	**104.4**	**11.9**	**14.1**	7.7	**14.6**	10.2	**107.9**	76.0
Combined portfolio	**9,540.4**	9,407.0	**863.8**	**10.3**	**645.2**	727.8	**598.6**	655.6	**703.6**	793.5
Properties treated as finance leases					**(6.4)**	(8.4)				
Combined portfolio					**638.8**	719.4				

Total portfolio analysis

	Market value[8]		Valuation surplus[1]		Rental income		Annual net rent[9]		Annual net estimated rental value[10]	
	31 March 2010 £m	31 March 2009 £m	Surplus/ (deficit) £m	Surplus/ (deficit) %	31 March 2010 £m	31 March 2009 £m	31 March 2010 £m	31 March 2009 £m	31 March 2010 £m	31 March 2009 £m
Shopping centres and shops										
Shopping centres and shops	**2,460.3**	2,587.6	**185.9**	**8.3**	**212.0**	234.4	**181.2**	212.9	**205.1**	256.9
Central London shops	**989.3**	976.1	**39.7**	**4.2**	**43.7**	45.5	**42.3**	47.4	**69.8**	66.3
	3,449.6	3,563.7	**225.6**	**7.1**	**255.7**	279.9	**223.5**	260.3	**274.9**	323.2
Retail warehouses										
Retail warehouses and food stores	**1,150.6**	1,123.6	**206.0**	**22.5**	**74.1**	95.0	**73.7**	87.3	**76.3**	95.8
Total retail	**4,600.2**	4,687.3	**431.6**	**10.5**	**329.8**	374.9	**297.2**	347.6	**351.2**	419.0
London offices										
West End	**1,883.8**	1,841.7	**153.6**	**9.1**	**124.0**	141.0	**119.4**	132.7	**135.6**	128.1
City	**788.0**	732.7	**88.6**	**12.7**	**48.0**	53.9	**40.0**	51.5	**64.7**	76.0
Mid-town	**794.5**	783.2	**84.7**	**14.4**	**53.6**	62.4	**41.0**	40.6	**54.9**	66.5
Inner London	**684.3**	611.4	**62.6**	**10.6**	**49.1**	48.8	**49.1**	30.3	**43.5**	50.5
Total London offices	**4,150.6**	3,969.0	**389.5**	**10.9**	**274.7**	306.1	**249.5**	255.1	**298.7**	321.1
Rest of UK	**46.7**	51.1	**(0.1)**	**(0.1)**	**1.3**	1.7	**3.5**	4.2	**5.6**	4.9
Total offices	**4,197.3**	4,020.1	**389.4**	**10.8**	**276.0**	307.8	**253.0**	259.3	**304.3**	326.0
Other	**742.9**	699.6	**42.8**	**6.1**	**39.4**	45.1	**48.4**	48.7	**48.1**	48.5
Combined portfolio	**9,540.4**	9,407.0	**863.8**	**10.3**	**645.2**	727.8	**598.6**	655.6	**703.6**	793.5
Properties treated as finance leases					**(6.4)**	(8.4)				
Combined portfolio					**638.8**	719.4				
Represented by:										
Investment portfolio	**8,285.4**	8,165.5	**746.0**	**10.2**	**566.2**	649.7	**525.6**	572.8	**612.7**	682.6
Share of joint ventures	**1,255.0**	1,241.5	**117.8**	**10.6**	**79.0**	78.1	**73.0**	82.8	**90.9**	110.9
Combined portfolio	**9,540.4**	9,407.0	**863.8**	**10.3**	**645.2**	727.8	**598.6**	655.6	**703.6**	793.5

Combined portfolio analysis continued

The like-for-like portfolio

	Net initial yield[13]		Equivalent yield[14]		Annual gross estimated rental value[11]		Voids (by ERV)[15]		Lease length at 31 March 2010[12]	
	31 March 2010 %	31 March 2009 %	**31 March 2010 %**	31 March 2009 %	**31 March 2010 £m**	31 March 2009 £m	**31 March 2010 %**	31 March 2009 %	**Median years[i]**	**Mean years[ii]**
Shopping centres and shops										
Shopping centres and shops	**6.3**	7.2	**6.8**	8.1	**164.2**	175.3	**7.9**	7.2	**6.2**	**7.6**
Central London shops	**4.9**	5.1	**5.5**	5.8	**47.6**	46.6	**5.9**	1.1	**4.1**	**6.2**
	5.9	6.5	**6.4**	7.4	**211.8**	221.9	**7.5**	5.9	**5.6**	**7.3**
Retail warehouses										
Retail warehouses and food stores	**5.8**	6.9	**6.3**	7.9	**73.3**	76.9	**1.9**	1.8	**10.1**	**11.2**
Total retail	**5.9**	6.6	**6.4**	7.5	**285.1**	298.8	**6.0**	4.9	**7.0**	**8.4**
London offices										
West End	**6.2**	7.1	**6.2**	7.3	**94.1**	103.4	**6.1**	7.0	**5.8**	**8.0**
City	**7.2**	9.5	**6.9**	8.0	**40.1**	42.7	**11.5**	2.3	**2.0**	**4.8**
Mid-town	**7.6**	8.1	**6.4**	7.6	**17.8**	19.8	**2.2**	0.5	**3.1**	**8.9**
Inner London	**6.7**	4.1	**6.2**	7.6	**43.8**	50.1	**3.4**	8.8	**5.9**	**9.7**
Total London offices	**6.6**	6.9	**6.4**	7.5	**195.8**	216.0	**6.2**	5.9	**5.0**	**7.8**
Rest of UK	**5.9**	8.4	**9.0**	9.6	**5.6**	5.6	**28.6**	8.9	**3.5**	**4.5**
Total offices	**6.6**	6.9	**6.4**	7.6	**201.4**	221.6	**6.9**	6.0	**5.0**	**7.7**
Other	**7.1**	7.3	**7.2**	7.6	**44.1**	44.0	**0.9**	0.7	**8.6**	**12.6**
Like-for-like portfolio[2]	**6.3**	6.8	**6.5**	7.5	**530.6**	564.4	**5.9**	5.0	**6.4**	**8.5**
Proposed developments[3]	**3.7**	4.6	**6.8**	6.7	**21.0**	22.7	**9.5**	44.9	**2.9**	**9.7**
Completed developments[4]	**5.0**	4.0	**5.9**	6.8	**56.9**	59.5	**2.1**	7.4	**15.1**	**13.1**
Acquisitions[5]	**4.9**	5.5	**5.6**	7.3	**3.5**	1.8	**5.7**	22.2	**3.1**	**7.3**
Sales[6]	**–**	7.3	**–**	7.6	**–**	87.8	**n/a**	n/a	**n/a**	**n/a**
Development programme[7]	**1.9**	3.9	**6.2**	7.8	**110.3**	78.5	**n/a**	n/a	**n/a**	**n/a**
Combined portfolio	**5.8**	6.3	**6.4**	7.5	**722.3**	814.7	**n/a**	n/a	**7.0**	**9.0**

Total portfolio analysis

Shopping centres and shops				
Shopping centres and shops	**5.8**	6.7	**6.8**	7.9
Central London shops	**4.9**	5.1	**5.5**	5.8
	5.6	6.3	**6.5**	7.4
Retail warehouses				
Retail warehouses and food stores	**5.8**	6.9	**6.2**	8.0
Total retail	**5.6**	6.4	**6.4**	7.5
London offices				
West End	**6.1**	6.9	**6.2**	7.2
City	**5.9**	9.4	**6.7**	7.8
Mid-town	**4.7**	5.1	**6.1**	7.4
Inner London	**6.7**	4.1	**6.2**	7.6
Total London offices	**5.9**	6.4	**6.3**	7.4
Rest of UK	**5.6**	8.3	**9.1**	9.6
Total offices	**5.9**	6.4	**6.3**	7.4
Other	**6.7**	4.4	**6.8**	5.5
Combined portfolio	**5.8**	6.3	**6.4**	7.5
Represented by:				
Investment portfolio	**6.0**	6.4	**6.4**	7.5
Share of joint ventures	**4.8**	5.9	**6.2**	7.2
Combined portfolio	**5.8**	6.3	**6.4**	7.5

Notes:

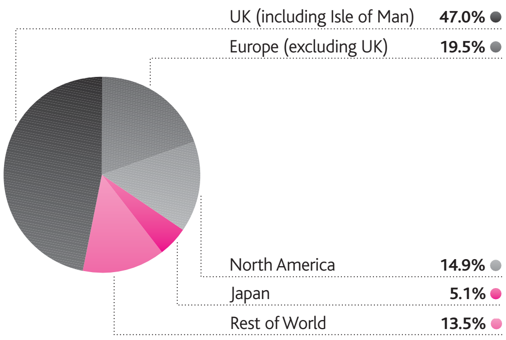
1. The valuation surplus is stated after adjusting for the effect of SIC 15 under IFRS.
2. The like-for-like portfolio includes all properties which have been in the portfolio since 1 April 2008 but excluding those which were acquired, sold or included in the development programme at any time during that period. Capital expenditure on refurbishments, acquisitions of headleases and similar capital expenditure has been allocated to the like-for-like portfolio in preparing this table. Changes in valuation from period-to-period reflect this capital expenditure as well as the disclosed valuation deficits.
3. Proposed developments are properties which have not yet received final Board approval or are still subject to main planning conditions being satisfied.
4. Completed developments represent those properties previously included in the development programme, which have been transferred from the development programme since 1 April 2008.
5. Includes all properties acquired in the period since 1 April 2008.
6. Includes all properties sold in the period since 1 April 2008.
7. 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.
8. The market value figures include the Group's share of joint ventures, and is determined by the Group's valuers, in accordance with the RICS Valuation Standards.
9. Annual net rent is annual cash rent at 31 March 2010 including units in administration where leases have not yet been disclaimed after deduction of ground rents. It excludes the value of voids and current rent-free periods.
10. Annual net estimated rental value is annual gross estimated rental value, as defined in note 11 below, after deducting expected ground rents.
11. Annual gross estimated rental value (ERV) represents the Group's valuers' views of market rent at the reporting date for all properties except ongoing developments where the Group estimates the gross rental value.
12. The definition for the figures in each column is:
    (i) Median is the number of years until half of income is subject to lease expiry/break clauses.
    (ii) Mean is the rent-weighted average remaining term on leases subject to lease expiry/break clauses.
13. Net initial yield – refer to glossary.
14. Equivalent yield – refer to glossary.
15. Voids – refer to glossary.

Investor analysis

Our investors

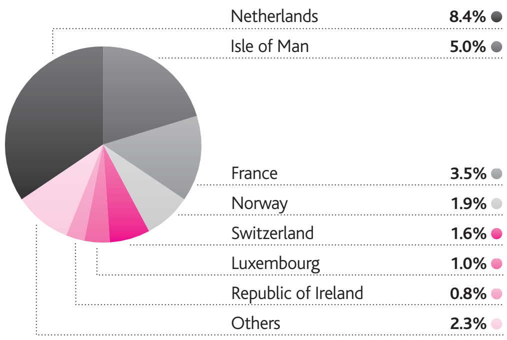
Here we provide analysis of our shareholder community. We include breakdowns by geography, size and type. We show how the nature of our investors compares to share ownership within our industry and the FTSE 100. And we present a five year results summary.

Chart 74
Geographical spread of equity shareholders (%)



European breakdown —Company versus Real Estate & FTSE 100

Chart 75
Company (%)



North American breakdown —Company versus Real Estate & FTSE 100

Chart 76
Company (%)

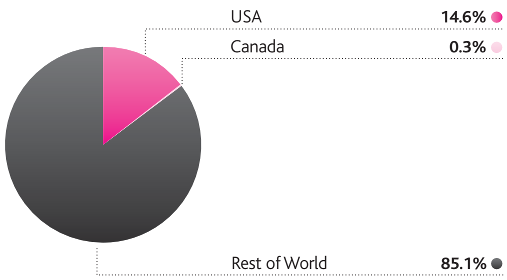


Table 77
Analysis of equity shareholdings by size of holding

Range	Number of holdings	%	Balance as at 31.03.10	%
1 – 500	10,570	42.74	2,719,195	0.36
501 – 1,000	5,814	23.51	4,265,332	0.56
1,001 – 5,000	6,549	26.49	13,202,693	1.73
5,001 – 10,000	635	2.57	4,482,774	0.59
10,001 – 50,000	575	2.33	12,646,395	1.65
50,001 – 100,000	133	0.54	9,272,855	1.21
100,001 – 500,000	250	1.01	56,760,531	7.42
500,001 – 1,000,000	79	0.32	54,088,853	7.07
1,000,001 – Highest	122	0.49	607,210,854	79.41
Totals	24,727	100.00	764,649,482	100.00

Chart 78
Real Estate Average (%)

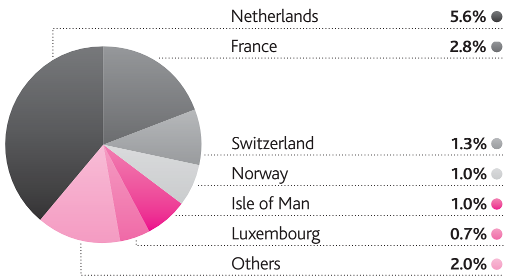


Chart 79
Real Estate Average (%)

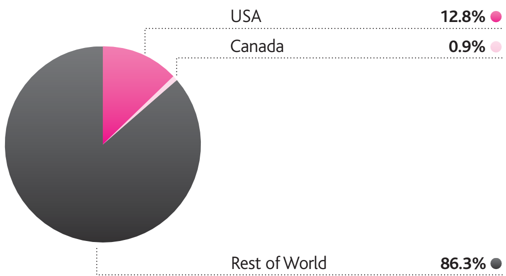


Chart 80
FTSE 100 Average (%)

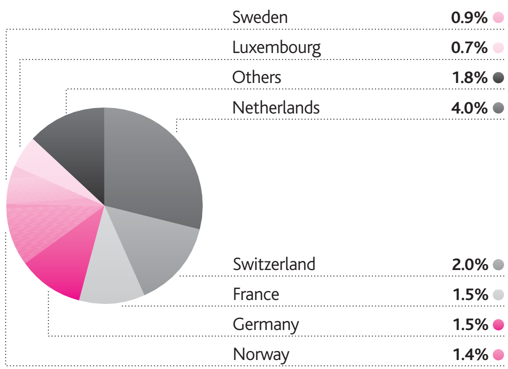
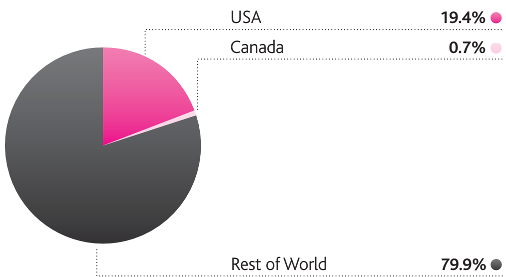


Chart 81
FTSE 100 Average (%)



Five year summary

	2010 £m	2009 £m	2008[1] £m	2007[2] £m	2006[2] £m
Income statement					
Before exceptional items					
Group revenue	**833.4**	821.2	818.0	1,641.1	1,828.7
Costs	**(392.5)**	(326.4)	(317.4)	(1,046.2)	(1,267.8)
	440.9	494.8	500.6	594.9	560.9
(Loss)/profit on disposal of non-current asset properties	**(32.5)**	(130.8)	57.3	118.2	74.5
Net surplus/(deficit) on revaluation of investment properties	**746.0**	(4,113.4)	(1,158.4)	1,307.6	1,579.5
Impairment of trading properties	**(10.6)**	(92.3)	–	–	–
Operating profit/(loss)	**1,143.8**	(3,841.7)	(600.5)	2,020.7	2,214.9
Net interest expense	**(212.1)**	(332.5)	(286.4)	(220.9)	(194.5)
	931.7	(4,174.2)	(886.9)	1,799.8	2,020.4
Share of the profit/(loss) of joint ventures and associates (post-tax)	**137.6**	(599.0)	(101.1)	81.3	110.3
Profit/(loss) before tax	**1,069.3**	(4,773.2)	(988.0)	1,881.1	2,130.7
Income tax	**23.1**	(0.5)	15.1	(445.0)	(593.3)
Profit/(loss) after tax	**1,092.4**	(4,773.7)	(972.9)	1,436.1	1,537.4
Exceptional items					
Goodwill impairment	**–**	–	–	–	(64.5)
Profit on disposal of joint venture (Telereal)	**–**	–	–	–	293.0
Exceptional tax in joint ventures	**–**	–	–	98.0	–
Total exceptional items	**–**	–	–	98.0	228.5
Tax on exceptional items	**–**	–	–	1,994.2	(90.0)
Exceptional items post tax	**–**	–	–	2,092.2	138.5
Profit/(loss) for the financial year from continuing activities	**1,092.4**	(4,773.7)	(972.9)	3,528.3	1,675.9
Discontinued operations	**–**	(420.9)	142.1	–	–
Profit/(loss) for the financial year	**1,092.4**	(5,194.6)	(830.8)	3,528.3	1,675.9
Revaluation surplus/(deficit) for the year:					
Group	**746.0**	(4,113.4)	(1,158.4)	1,307.6	1,579.5
Joint ventures	**117.8**	(630.3)	(134.2)	75.1	105.5
Total	**863.8**	(4,743.7)	(1,292.6)	1,382.7	1,685.0
Revenue profit	**251.8**	314.9	284.8	392.2	391.3
Balance sheet					
Investment properties	**8,044.3**	7,929.4	12,296.7	13,319.3	11,467.6
Operating properties	**–**	–	544.8	551.5	536.1
Net investment in finance leases	**115.4**	116.3	333.7	262.4	233.9
Goodwill	**–**	–	148.6	129.6	34.3
Investment in joint ventures, associates, Public Private Partnerships and loans	**872.1**	980.8	1,478.9	1,338.8	829.5
Other property, plant and equipment	**12.8**	14.3	73.6	78.2	73.6
Net pension benefit assets	**–**	3.0	11.0	–	–
Deferred tax assets	**–**	1.9	0.9	–	–
Total non-current assets	**9,044.6**	9,045.7	14,888.2	15,679.8	13,175.0
Trading properties and long-term development contracts	**87.9**	94.9	173.0	148.3	255.9
Cash, cash equivalents, short-term borrowings, overdrafts and derivative financial instruments	**(53.7)**	1,525.9	(752.0)	(1,615.9)	(148.0)
Other current assets and liabilities	**(172.1)**	(395.2)	(250.2)	(677.9)	(218.6)
Non-current assets classified as held for sale (net)	**–**	–	236.4	819.3	–
Total current assets and liabilities	**(137.9)**	1,225.6	(592.8)	(1,326.2)	(110.7)
Provisions	**(1.5)**	–	(77.6)	(80.7)	(58.2)
Borrowings	**(3,209.7)**	(5,449.5)	(4,632.5)	(3,472.0)	(3,537.9)
Net pension benefits obligation	**(6.5)**	–	–	(5.6)	(6.5)
Deferred tax liabilities	**–**	(1.6)	(2.4)	(4.0)	(1,967.8)
Total non-current liabilities	**(3,217.7)**	(5,451.1)	(4,712.5)	(3,562.3)	(5,570.4)
Net assets	**5,689.0**	4,820.2	9,582.9	10,791.3	7,493.9
Net debt	**(3,263.4)**	(3,923.6)	(5,384.5)	(5,087.9)	(3,685.9)
Results per share from continuing activities					
Total dividend payable in respect of the financial year (actual)	**28.00p**	56.50p	64.00p	53.00p	46.70p
Total dividend payable in respect of the financial year (restated)[5]	**n/a**	51.70p	57.68p	47.76p	42.08p
Basic earnings/(loss) per share[3,4]	**144.04p**	(918.04)p	(188.43)p	679.04p	322.54p
Diluted earnings/(loss) per share[3,4]	**143.96p**	(918.04)p	(188.43)p	676.29p	321.23p
Adjusted earnings per share[3,4]	**34.10p**	62.60p	60.93p	63.51p	63.76p
Adjusted diluted earnings per share[3,4]	**34.08p**	62.57p	60.79p	63.26p	63.50p
Net assets per share[3,4]	**750p**	639p	1862p	2076p	1439p
Diluted net assets per share[3,4]	**750p**	639p	1859p	2070p	1433p
Adjusted net assets per share[3,4]	**691p**	593p	1765p	1972p	1730p
Adjusted diluted net assets per share[3,4]	**691p**	593p	1763p	1965p	1723p

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 and 31 March 2006 include the results of Trillium which was disposed of in January 2009.
3. The earnings/(loss) per share and the net asset per share for the years ended 31 March 2007, 31 March 2006 and 31 March 2005 have been adjusted for the bonus element inherent in the Rights Issue that was approved on 9 March 2009.
4. The earnings/(loss) per share and the net asset per share for the year ended 31 March 2008 have 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.
5. 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.

Table 82
Financial calendar

	Date
Ex-dividend date – 2009/10 final dividend	23 June 2010
Record date – 2009/10 final dividend	25 June 2010
Payment date – 2009/10 final dividend	30 July 2010
Quarter One Interim Management Statement announcement	21 July 2010
AGM – London	22 July 2010
Ex-dividend date – 1st interim dividend	September 2010
Payment date – 1st interim dividend	October 2010
2010/11 Half-yearly results announcement	November 2010
Ex-dividend date – 2nd interim dividend	December 2010
Payment date – 2nd interim dividend	January 2011
Quarter Three Interim Management Statement announcement	January 2011
Ex-dividend date – 3rd interim dividend	March 2011
Payment date – 3rd interim dividend	April 2011
2010/11 Annual results announcement	May 2011

Table 83
REIT balance of business tests (£m)

	12 months ended 31 March 2010			12 months ended 31 March 2009		
	Tax-Exempt Business	Residual Business	Adjusted Results	Tax-Exempt Business	Residual Business	Adjusted Results
Profit before tax (£m)	**232.4**	**11.9**	**244.3**	174.8	(83.2)	91.6
Balance of business – 75% profits test	**95.1%**	**4.9%**		190.8%	(90.8)%	
Adjusted total assets (£m)	**9,497.8**	**826.0**	**10,323.8**	9,229.5	2,487.3	11,716.7
Balance of business – 75% assets test	**78.8%**	**21.2%**				

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 participate in a Scrip – an issue of shares available to shareholders that replaces a cash dividend payment. Shareholders have the option to forgo their cash dividend for the share alternative. Details of the scheme and the required mandate forms for participation are available in the Investor section of 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 (in the form of a Scrip) instead of cash then this form of dividend would not currently be treated as a PID and would be subject to tax on the cash equivalent of the Scrip as though it were an ordinary UK dividend. 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' area 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 83.

Our website
We have completely refreshed our corporate website and are now able to offer visitors to the site new functionality as well as a new look, feel and user-friendly navigation. We have also updated the 'Investor' section of the site which 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 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

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' area www.landsecurities.com or www.shareview.co.uk

e-communication
UK shareholders may elect to receive 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' area www.landsecurities.com or www.shareview.co.uk

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 complete a mandate instruction available from the investor section 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 www.shareview.co.uk or by writing to our Registrars at the address given.

Low-cost share dealing facilities
Shareview provides both existing and prospective UK shareholders with simple, low-cost 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. 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.

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:
Equiniti,
Aspect House, Spencer Road,
Lancing, West Sussex BN99 6DA

Further information about ShareGift is available 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

Share price information
The latest information on Land Securities Group PLC share price is available on our website
www.landsecurities.com

Unsolicited mail
The Company is obliged by law to make its share register available on request to other organisations. This may result in you receiving unsolicited mail. 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 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

Index

Investor resource

Glossary

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

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

Average unexpired lease term
Excludes short-term lettings such as car parks and advertising hoardings, residential leases and long ground leases.

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

BREEAM
Building Research Establishment's Environmental Assessment Method.

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

Completed developments
Completed developments consist of those properties previously included in the development programme which have been transferred from the development programme since 1 April 2008.

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

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

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

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

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

EPRA
European Public Real Estate Association.

Equivalent yield
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.

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

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

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

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

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

Interest Cover Ratio (ICR)
A calculation of a company's ability to meet its interest payments on outstanding debt.

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

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

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

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

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

Like-for-like portfolio
The like-for-like portfolio includes all properties which have been in the portfolio since 1 April 2008, but excluding those which were acquired, sold or included in the development programme at any time during the period.

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

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

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

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

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

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

Estimated Net Rental income is the Passing Cash Rent less ground rents, estimated non-recoverable outgoings and void costs including service charges, insurance costs and void rates.

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

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

Passing Cash Rent
The estimated annual rent receivable as at the reporting date which includes estimates of turnover rent and estimates of rent to be agreed in respect of outstanding rent review or lease renewal negotiations. Passing Cash Rent may be more or less than the ERV (see Over-rented, Reversionary and ERV). Passing Cash Rent excludes annual rent receivable from units in administration save to the extent that rents expect to be received. Void units and units that are in a rent-free period at the reporting date are deemed to have no Passing Cash Rent.

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

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

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

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

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

Rental value growth
Increase in the current rental value, as determined by the Company's valuers, over the 12 month period on a like-for-like basis.

Retail warehouse park
A scheme of three or more retail warehouse units aggregating over 4,650m^2 with shared parking.

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

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

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

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

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

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

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

Topped-up net initial yield
Net initial yield topped up for leases still in a rent-free period at the contracted rents per annum.

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

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

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

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

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

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

Voids
Voids are expressed as a percentage of ERV and represent all unlet space, including voids where refurbishment work is being carried out and voids in respect of pre-development properties. Temporary lettings of up to 12 months are also treated as voids.

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

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

Forward-looking statements
This 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 and objectives with respect to these items.

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

Any written or verbal forward-looking statements, made in this 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.

Website
Land Securities' website www.landsecurities.com gives additional information on the Group. Information made available on the website does not constitute part of this Annual Report.

Notice regarding limitations on Directors' liability under English law
Under the UK Companies Act 2006, a new safe harbour limits the liability of Directors in respect of statements in and omissions from the Report of the Directors contained on pages 1 to 90. Under English law the Directors would be liable to the Company (but not to any third party) if the Report of the Directors contains errors as a result of recklessness or knowing misstatement or dishonest concealment of a material fact, but would not otherwise be liable.

Report of the Directors
Pages 1 to 90 inclusive consist of a Report of the Directors that has been drawn up and presented in accordance with and in reliance upon English law and the liabilities of the Directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

This brochure has been printed on Naturalis Absolute White paper. This paper is made up of 100% fibre ECF virgin wood fibre, independently certified in accordance with the FSC (Forest Stewardship Council). The paper is manufactured at a mill that is certified to ISO14001 environmental management standards. All of the pulp is bleached using an elemental chlorine free (ECF) process and the inks used are all vegetable oil based.

Design & illustration by sasdesign.co.uk
Words by Tim Rich
Portraits by Philip Gatward and Andy Lane
Photography by Lonelyleap, Matt Mawson and Michael Christopher Brown
Printed at St Ives Westerham Press Ltd, ISO14001, FSC certified and CarbonNeutral®

FSC Mixed Sources
Product group from well-managed forests and other controlled sources
www.fsc.org Cert no. SGS-COC-1732
© 1996 Forest Stewardship Council

THE CARBON NEUTRAL COMPANY

Land Securities Group PLC
5 Strand, London WC2N 5AF

T +44 (0)20 7413 9000
E investor.relations@landsecurities.com
W www.landsecurities.com

One New Change
This world-class development will bring new vitality and variety to a truly remarkable site in the City of London, next to St Paul's Cathedral. The shops are on schedule to open for Christmas 2010, and the offices will open in June 2011.