Making good progress
Annual Report 2012
LandSecurities

More information
print and online

Online Annual Report www.landsecurities.com/annualreport2012

- Simple presentation of the year's key content
- Video featuring important stories from the year
- Executive team review of 2011/12
- 'Create your own report' tool and Annual Report chart generator
- Easy-to-navigate downloads page

Corporate Responsibility Report www.landsecurities.com/responsibility

- Why Corporate Responsibility is important
- What CR means for investors, employees and communities
- Examples of CR in action
- Priorities and progress in 2011/12
- Targets for 2012/13

Corporate website www.landsecurities.com

- Latest news and updates for investors
- Information on the Group and our two businesses
- Profiles of our Board Directors
- Press releases and Sight line blog
- Easy access to content on careers and CR

The market has been tough.

In London, economic uncertainty dampened demand for space. Value creation was dependent on active asset management and well-judged development.

In Retail, consumer confidence is down, but changing patterns of demand are creating opportunities as well as challenges.

In response, we have worked hard to ensure:
– We have a clear plan for every asset.
– We have a well-timed development pipeline that balances risk and reward.
– We have a strong team that looks for smart ways to create value.

Despite uncertainty in our market,

we're making good progress

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2011

Having relocated Debenhams from Exeter's Sidwell Street to nearby Princesshay, we had an opportunity to reinvent their old store. The John Lewis Partnership was keen to move to the city and chose the lower levels of the building for its 'at home' shop concept.

2012

John Lewis Partnership, *Exeter*

The redevelopment has been taken to a new level. John Lewis decided to make this the first of its new flexible format department stores and has opted to take all 11 floors. On opening in autumn 2012, this major scheme will enlarge Exeter's offer, attract other retailers to the city and boost employment in the region.

2011

40 Strand, WC2, sits next to Charing Cross station. By actively arranging a lease surrender from one occupier, we enabled another – Bain & Company – to double the space it occupies, ensuring this asset remains fully let through uncertain market conditions.

2012
40 Strand, *WC2*

We have refurbished the building, creating contemporary space appropriate for modern corporate use. This 12-month project included the comprehensive upgrading of the offices and common parts, including a remodelled reception, new air conditioning and lifts. Bain & Company has taken a 15-year lease.

2011

Focus DIY had a unit in the Ravenside Retail Park. Given the risk that this troubled retailer might go into administration, we negotiated a new short-term lease and submitted plans to redevelop the asset. Focus DIY went into administration in May. Planning permission was granted in June. And a few weeks later we secured a pre-letting to Debenhams.

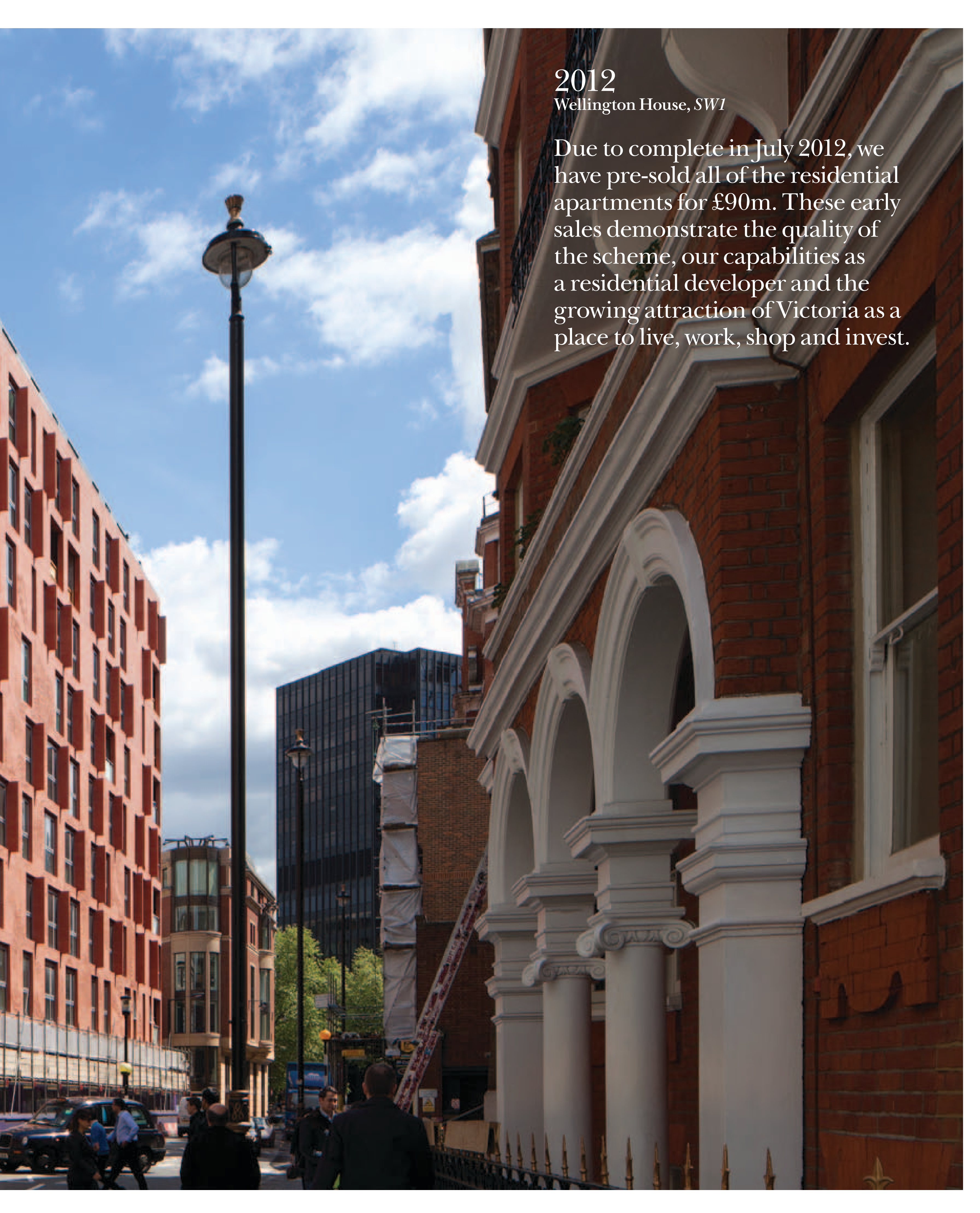
2012

Debenhams, ***Chesterfield***

Debenhams plans to provide a full range department store of 5,900m² over two floors. Due to open in September 2012, the store will significantly increase the choice available to the park's 20,000 weekly visitors.

2011

Work started on site at Wellington House, SW1 in 2010, to create a spectacular residential building that lives up to its prestigious address. Featuring a natural sandstone exterior, the block was designed to provide 59 private residential units on nine floors.



2012
Wellington House, ***SW1***

Due to complete in July 2012, we have pre-sold all of the residential apartments for £90m. These early sales demonstrate the quality of the scheme, our capabilities as a residential developer and the growing attraction of Victoria as a place to live, work, shop and invest.

2011

Having seen an opportunity to create the first store for Primark in Lothian, we moved ahead with a new development at The Centre, Livingston. Four existing units and some adjacent land were combined with an obsolete council building to create the site. Opening day in December drew 10,000 visitors, underlining the strong demand for Primark in the region.

2012

Primark, *Livingston*

The exterior of the new 6,500m² store is bold and contemporary, while the interior is white, light and bright. Our leases with Primark since 2010 total 47,700m², which shows that successful retailers are continuing to expand despite tough market conditions.

2011

Having relocated the occupier at 110 Cannon Street, EC4, to nearby One New Change – and seeing supply-constrained conditions ahead – we moved swiftly on site to refurbish and reposition the asset. Our sound plan for the building and refurbishment work quickly attracted a buyer.

2012
110 Cannon Street, *EC4*

Our sale of the asset for £48.5m just as construction started crystallised a profit early and we have recycled the proceeds into further value-creating development activity. The purchaser has completed the refurbishment of this impressive, contemporary building.

2011

When the previous government tenants moved out of 123 Victoria Street, SW1, we moved quickly to secure planning permission for a refurbishment that would make the most of the building's character, and its wonderful location next to Westminster Cathedral.

2012

123 Victoria Street, *SW1*

Our refurbishment has transformed the building and enhanced neighbouring public spaces. Fashion retailer Jimmy Choo is to locate its headquarters in the building, taking a 10-year lease. This letting supports our view that Victoria is an increasingly vibrant central West End location.

2011

Our decision to restart construction at Trinity Leeds in the summer of 2010 reflected the quality of this site, which sits in a prime position in a top five city. We secured pre-lettings of 40% before committing to build, and have continued to attract new retailers

2012

Trinity, ***Leeds***

There is a new star on the Leeds skyline. The new innovative roof which now caps the scheme will pour light into the centre while providing spectacular views of the city for shoppers and diners. More than 70% of the scheme is now pre-let or in solicitors' hands.

Who we are
in brief

Our business

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

SHAPING PROPERTIES FOR 68 YEARS

Today
We now own and manage more than 2.4 million m^2 of commercial property.

2000s
We enter the Property Outsourcing market with the purchase of Trillium in 2000. We convert to REIT status in 2007, and sell Trillium in 2009.

1990s
The Company capitalises on the downturn to buy a number of shopping centres.

1980s
Downturn turns to growth. Land Securities moves into the retail warehouse sector.

1970s
The property crisis of 1974 requires the sale of assets valued at £200m.

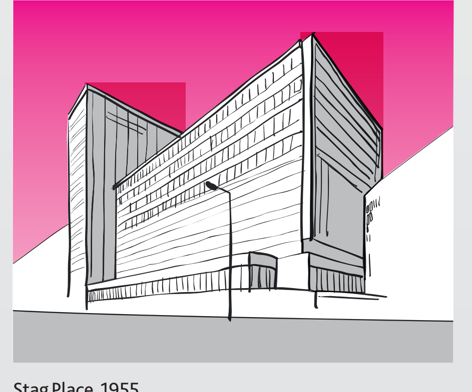
1960s
In one of Britain's biggest property deals at the time, Land Securities took over The City of London Real Property Company.

1950s
The Company buys key London assets and acquires development company Ravenseft Properties.

1944
Founded by Harold Samuel when he acquired Land Securities Investment Trust Limited.

Cardinal Place, 2012

Esso House, 1962

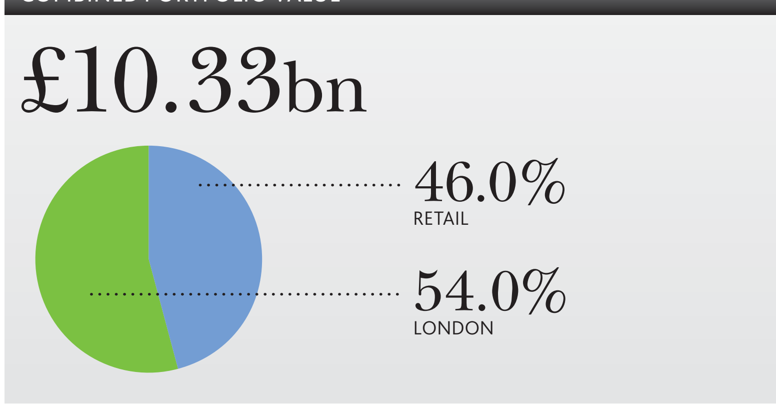


Stag Place, 1955

Our market

We are focused on the two largest segments of the UK commercial property market – retail and London offices.

COMBINED PORTFOLIO VALUE



These markets are cyclical and respond to macro-economic trends. They are also affected by specific national and local influences such as planning, employment and general business activity.

Retail

We own, manage and develop shopping centres and retail parks across the UK. Our assets are in locations that have either a proven record of trading success or potential for future success. For more information on the retail market please see p44—51.

London

We own, manage and develop a portfolio of office, retail and residential space in the capital. Our assets are concentrated in central London, from Victoria in the west to the City in the east. For more information on the London market please see p52—59.

Our strategy

Our strategy is to provide an attractive total return for our shareholders by being at the forefront of meeting the space requirements of our customers.

Our focus on the UK commercial property market's two largest sectors gives us a broad range of opportunities and a high-quality tenant base.

We make use of our strong relationships with occupiers and specialist expertise. We have a clear plan for every asset and allocate capital to exploit our skills and opportunities through the cycle. In property investment, we add value through active management of assets and the timing of acquisitions and disposals. In development, we create value by delivering the right product at the right point in the cycle while keeping a tight focus on cost and timing.

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

OUR VISION

OUR VALUES

Excellence

Respect

Customer service

Integrity

Innovation

Our management

Information on how the Group is managed, our policy on remuneration, and the role corporate responsibility plays in creating and protecting value.

From the left: Martin Greenslade (Chief Financial Officer), Robert Noel (Chief Executive) and Richard Akers (Executive Director).

Governance and risk

The Board is responsible for providing leadership for the Group. It ensures that the right strategy is set, acceptable risks are taken and appropriate financial and human resources are in place in order to deliver value to shareholders and benefits to the wider community. The Board also sets standards for ethical behaviour and for monitoring environmental and health and safety performance. You can read more about governance on p70, and risk on p41.

Remuneration

The Board aligns the Company's remuneration policy with shareholders' interests. Pay and rewards should attract the best people to the business and incentivise them to produce superior returns for shareholders. A substantial part of our Executive Directors' reward is performance-related pay, with incentives to exceed industry benchmarks and outperform our peer group in terms of Total Shareholder Return. You can read more about remuneration on p82.

Corporate responsibility

Corporate responsibility plays a key role in how we create and protect value. By striking the right balance between the economic, environmental and social aspects of our activities we make Land Securities a more successful and sustainable business. Our aim is to be the property company people choose to work for, work with and invest in. You can read more about corporate responsibility on p62 .

Our performance *at a glance*

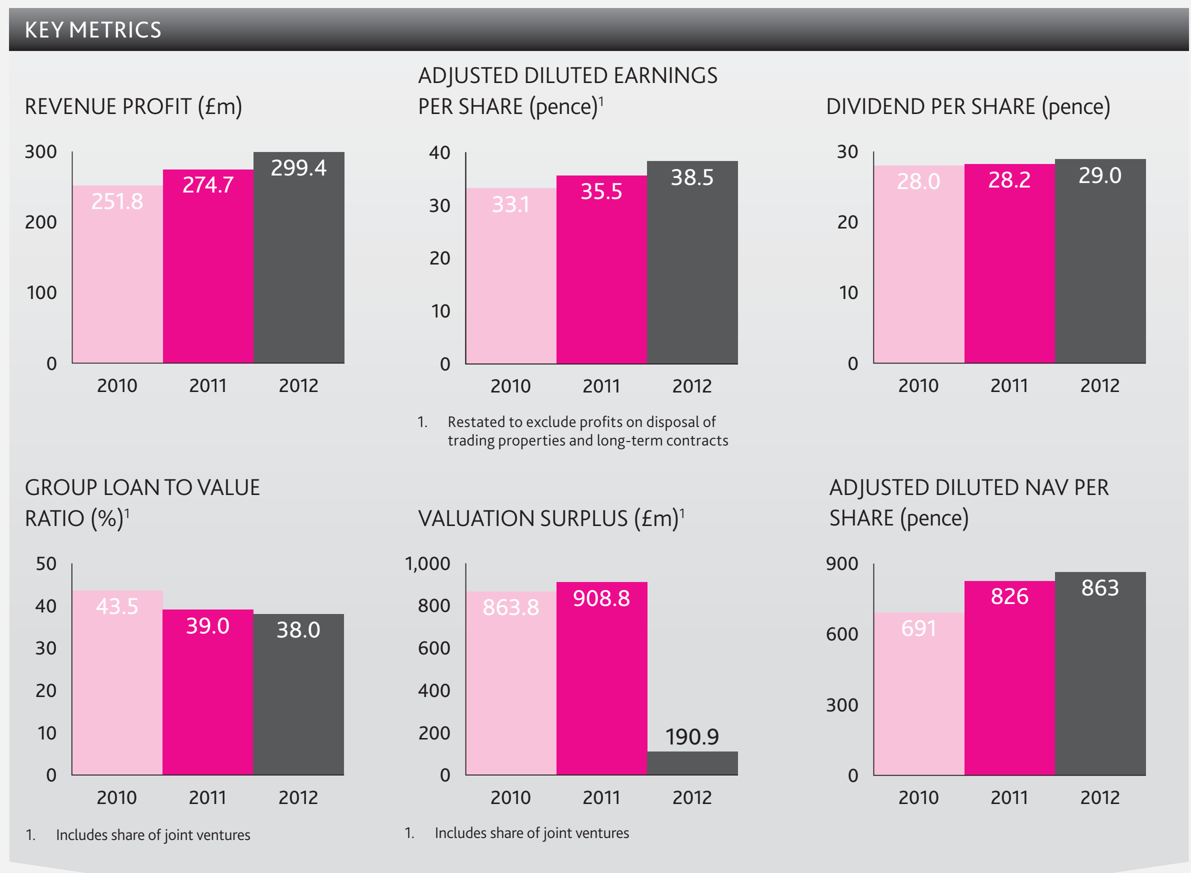
Here we show how the Company has performed and how this performance translates into value for investors.

How we delivered value for shareholders

The key metrics shown here are the main drivers of our most important indicator of progress – total return – which can be seen in the "Highlights" below.

Revenue profit
Revenue profit is our measure of the underlying pre-tax profit of the Company. It increased by 9.0% to £299.4m compared to £274.7m last year. This increase was reflected in our adjusted diluted earnings per share which increased from 35.5p last year to 38.5p.

Dividends
We aim to deliver a progressive dividend. We are recommending a final dividend payment of 7.4p, taking the total dividend for the year to 29.0p, up 2.8%.



How we performed

The two total return metrics to the right provide shareholders with the clearest guide to the Company's progress in financial terms. Our Total Shareholder Return for the year was 0.7% and our Total Business Return was 7.9%.

HIGHLIGHTS

£515.7m
PROFIT BEFORE TAX (INCLUDING VALUATION SURPLUS)

+0.7%
TOTAL SHAREHOLDER RETURN

+7.9%
TOTAL BUSINESS RETURN

How we compare

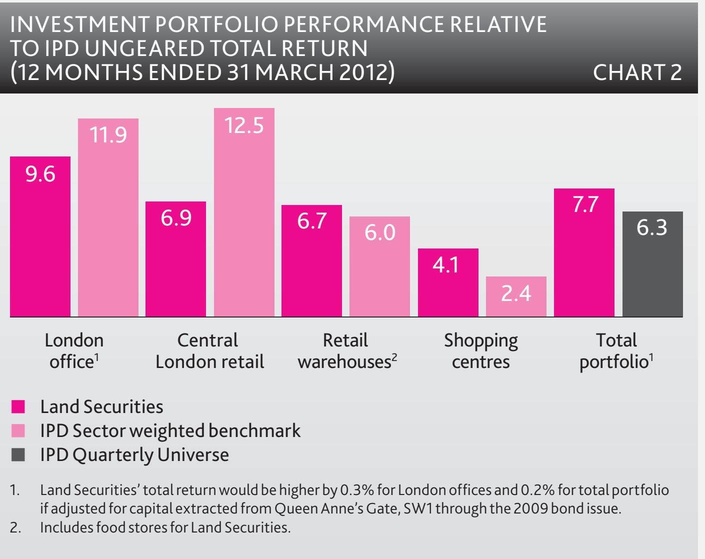
Our Total Shareholder Return in the year of 0.7% compared to a return of 4.0% for the FTSE 100 and -3.2% for the FTSE 350 Real Estate Index. At the property level, our ungeared total return of 7.7% equates to 1.3% relative outperformance versus the IPD Quarterly Universe in the year.

TOTAL SHAREHOLDER RETURNS* — TABLE 1

	Over one year to 31 March 2012 (£)
Land Securities	100.68
FTSE 100	104.04
FTSE 350 Real Estate	96.76

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

INVESTMENT PORTFOLIO PERFORMANCE RELATIVE TO IPD UNGEARED TOTAL RETURN (12 MONTHS ENDED 31 MARCH 2012) — CHART 2



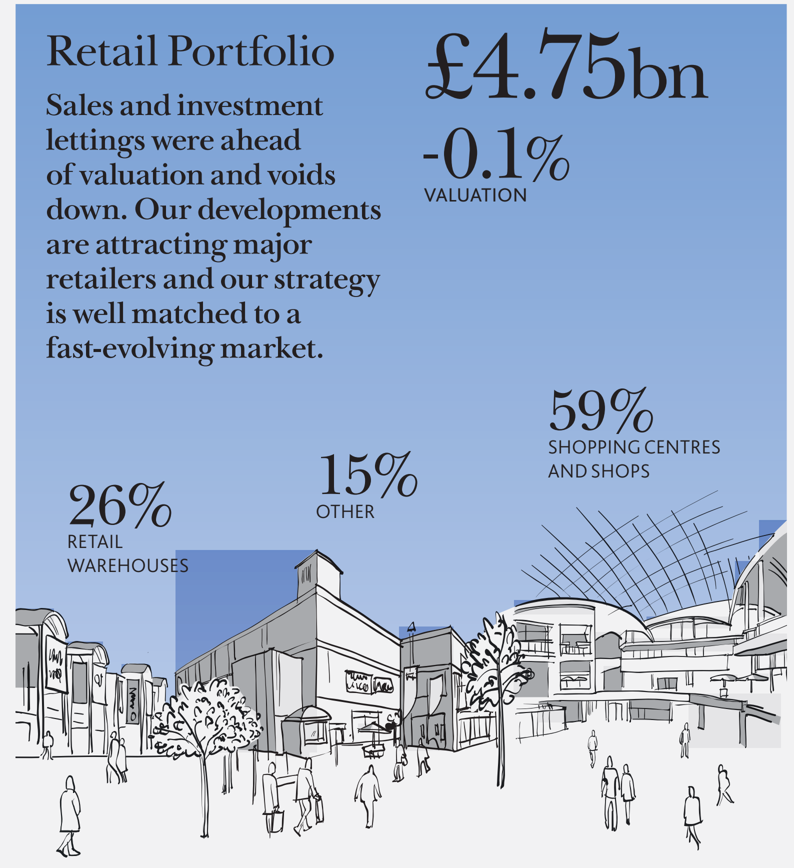
1. Land Securities' total return would be higher by 0.3% for London offices and 0.2% for total portfolio if adjusted for capital extracted from Queen Anne's Gate, SW1 through the 2009 bond issue.
2. Includes food stores for Land Securities.

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 a comparator group of companies in the FTSE 350 Real Estate Index.	– TSR outperformed the comparator group by 4.2% per annum for the three year period from April 2009.
Maximise the returns from the investment portfolio	– IPD relative outperformance in each core sector.	– Shopping centres – outperformed IPD benchmark by 1.6%. – Retail warehouses – outperformed IPD benchmark by 0.6%. – Central London shops – underperformed IPD benchmark by 5.0%. – London offices – underperformed IPD benchmark by 2.0%.
Manage our balance sheet effectively	– Manage balance sheet gearing through achieving an approximate match between receipts from disposals and outgoings on development and acquisitions.	– On a cash basis there were £540.5m of disposals in the year and £107.6m of acquisitions. In addition capital expenditure of £346.3m was incurred. With growing uncertainty in the economy occurring during the year we were happy to let sales run ahead of outgoings as good prices were achieved on asset sales. – With values rising 2%, our LTV ratio moved from 39% to 38% which will reduce to 33.4% on receipt of proceeds from disposals already recognised.
Maximise development lettings	– £17.8m of development lettings.	– £12.8m lettings achieved in the year plus £3.9m delivered through the sale of Cannon Street which crystallised all of our expected development profit. This performance should be judged against an increasingly difficult leasing backdrop as concerns over the economy grew.
	– Let remaining office space at One New Change.	– The office space at One New Change was 83% let at 31 March 2012 with a further 3% in solicitors' hands.
	– Progress further Trinity Leeds and Buchanan Street lettings.	– Trinity Leeds stood at 64% let at 31 March 2012 and is now 72% let or in solicitors' hands. Buchanan Street was 91.8% let at 31 March 2012.
Ensure high levels of customer satisfaction	– Maintain overall customer satisfaction in Retail and London customer surveys of 4.27 and 4.18 respectively out of 5.	– London maintained an overall satisfaction rate of 4.18. – Retail maintained an overall satisfaction rate of 4.27 on a like-for-like basis. – We were also voted Retail Landlord of the Year by the Property Managers Association.
Attract, develop, retain and motivate high performance individuals	– Employee engagement to exceed ETS industry benchmark.	– Our employee engagement survey is an independently run survey which provides a benchmark to measure our performance against the highest scoring companies surveyed. – Our scores in key categories such as engagement and development were 88% and 67% respectively. These were 9% and 7% above the benchmark for each category.
Continually improve sustainability performance	– Reduce carbon emissions from like-for-like managed portfolio by 15% by 2020 (against 2010 benchmark). This benchmark has only recently been reset to target a 15% improvement from a 2010/11 baseline to reflect greater accuracy in the data.	– This year 99,779 CO_2 tonnes were emitted from the like-for-like portfolio, which was a reduction of 1.8% against the benchmark. It is our belief that the improvement was driven by the warmer average 2011/12 winter temperatures.
	– Increase reused/recycled waste in London and Retail Portfolios.	– London diverted 100% of waste from landfill, with 70% being recycled. In Retail we diverted 84% from landfill and will start measuring the recycled element of waste going forward.
	– 10% reduction in water use across the like for like managed office and retail portfolio by 2015/16, measured in terms of volume (cubic metres/m^3) used per metre squared (m^2) per year against a 2010/11 baseline.	– For offices the baseline data is 0.425 m^3/m^2/year and for retail the baseline is 0.332 m^3/m^2/year. Against the 2011/12 usage data, London increased their use by 9% to 0.463 m^3/m^2/ year. Retail saw a 12% reduction in usage to 0.294 m^3/m^2/year.

Our performance *by business*

An analysis of how the Company's two portfolios performed in a year that saw an uncertain economic outlook affect our market.



Retail Portfolio

£4.75bn

-0.1% VALUATION

Sales and investment lettings were ahead of valuation and voids down. Our developments are attracting major retailers and our strategy is well matched to a fast-evolving market.

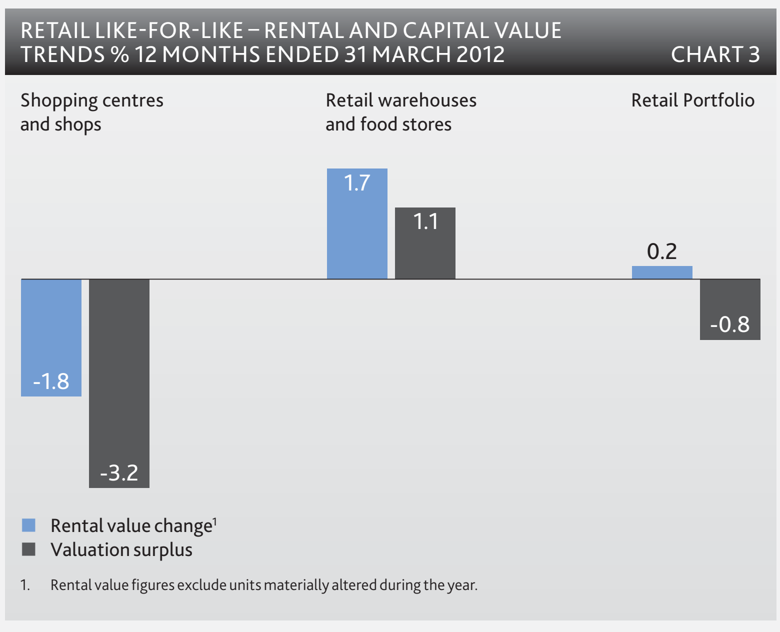
London Portfolio

£5.58bn

+3.9% VALUATION

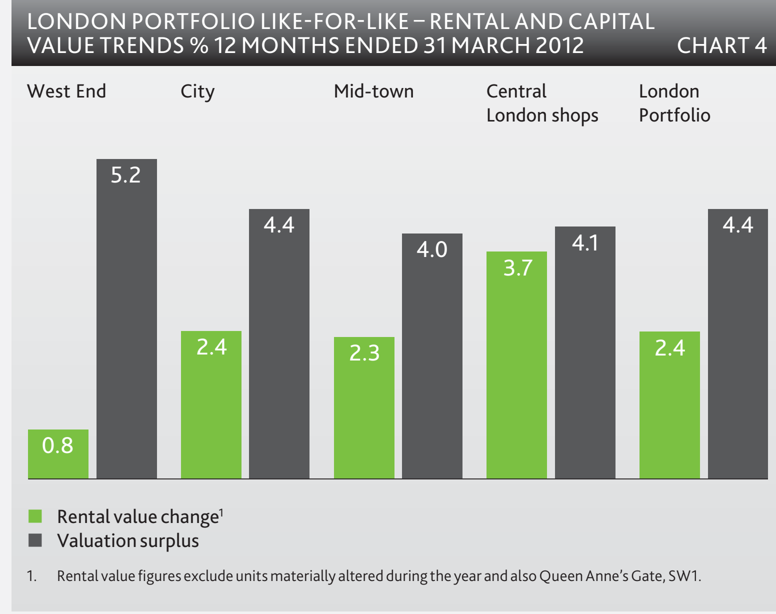
Sales and lettings were above valuation. We have reduced risk at major development schemes, crystallised value and created new options through planning success.

RETAIL LIKE-FOR-LIKE – RENTAL AND CAPITAL VALUE TRENDS % 12 MONTHS ENDED 31 MARCH 2012 CHART 3



1. Rental value figures exclude units materially altered during the year.

LONDON PORTFOLIO LIKE-FOR-LIKE – RENTAL AND CAPITAL VALUE TRENDS % 12 MONTHS ENDED 31 MARCH 2012 CHART 4



1. Rental value figures exclude units materially altered during the year and also Queen Anne's Gate, SW1.

Our valuation *analysis*

The Company's valuation performance during the year across the investment and like-for-like portfolios.

The movement in the values of our investment properties represents a key component of our pre-tax profit. At 31 March 2012, our total combined investment portfolio was valued at £10.33bn and produced a valuation surplus for the year of 2.0%. The tables below provide a breakdown of this performance.

COMBINED INVESTMENT PORTFOLIO – BY SUB-SECTOR — TABLE 5

	Proportion of portfolio %	Market value 31 March 2012 £m	Valuation surplus H1 %	Valuation surplus H2 %	Valuation surplus 12 months %
Shopping centres and shops	27.2	2,810.7	1.3	(2.9)	(1.5)
Retail warehouses and food stores	11.9	1,225.1	0.7	0.6	1.3
Central London shops	10.2	1,056.4	2.4	(0.1)	2.3
London offices	42.9	4,426.7	3.0	1.0	4.2
Other (incl. rest of UK)	7.8	811.7	1.7	1.7	3.6
Total investment portfolio	**100.0**	**10,330.6**	**2.1**	**(0.2)**	**2.0**

The 2.0% valuation surplus on our investment portfolio resulted from valuation gains in the first half of the year, with values broadly flat in the second half of the year

COMBINED INVESTMENT PORTFOLIO – BY ACTIVITY — TABLE 6

	Proportion of portfolio %	Market value 31 March 2012 £m	Valuation surplus 12 months %
Like-for-like	78.6	8,119.5	1.8
Acquisitions	3.7	383.0	(4.8)
Completed developments	4.1	427.4	3.3
Proposed developments	2.1	212.6	(12.8)
Development programme	11.5	1,188.1	8.2
Total investment portfolio	**100.0**	**10,330.6**	**2.0**

Both our completed developments and our development programme generated valuation surpluses while proposed developments fell in value as income all but ceased in advance of redevelopment

LIKE-FOR-LIKE PORTFOLIO – BY SUB-SECTOR — TABLE 7

	Market value 31 March 2012 £m	Valuation surplus %	Rental value change[1] %	Net initial yield %	Equivalent yield %	Movement in equivalent yield bps
Shopping centres and shops	2,018.0	(3.2)	(1.8)	6.1	6.4	16
Retail warehouses and food stores	1,117.1	1.1	1.7	5.0	5.6	8
Central London shops	775.1	4.1	3.7	4.0	5.5	(26)
London offices	3,483.9	4.3	2.2	5.2	5.6	(13)
Other (incl. rest of UK)	725.4	4.6	4.5	6.5	6.7	2
Total like-for-like portfolio	**8,119.5**	**1.8**	**1.2**	**5.4**	**5.9**	**(4)**

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

Falling rental values and increasing yields in the second half of the year led to a 3.2% fall in valuation for shopping centres

Central London offices and shops delivered valuation surpluses of 4.3% and 4.1% respectively, driven by the combined effect of increasing rental values, due to robust occupier demand, and a slight compression in yields

LIKE-FOR-LIKE PORTFOLIO – ANALYSIS OF VOIDS — TABLE 8

	Voids[1] 31 March 2011 %	Voids[1] 31 March 2012 %	...of which... Pre-development %	Temporary lettings %	Under offer %
Shopping centres and shops	5.5	4.7	–	1.8	0.7
Retail warehouses and food stores	3.4	2.4	0.1	0.4	0.5
Central London shops	5.0	1.4	0.4	0.6	0.1
London offices	3.3	2.8	0.5	–	0.1
Total like-for-like portfolio	**4.1**	**3.1**	**0.3**	**0.7**	**0.3**

1. Expressed as a percentage of ERV. Temporary lettings of up to and including 12 months are also treated as voids.

Headline voids in the like-for-like portfolio reduced from 4.1% to 3.1% due to further letting success this year

Within our void number we have some units on temporary leases and some units under offer

Our top 20 properties *at a glance*

1 – Cardinal Place, *SW1*

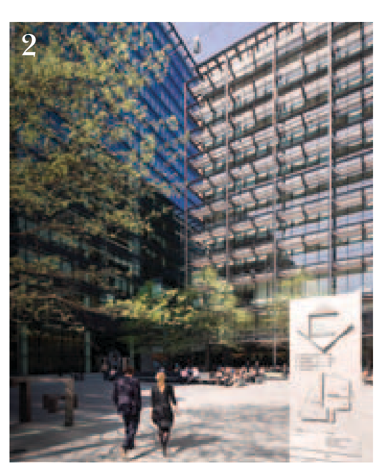
Stunning trio of buildings completed in 2006, encompassing office space and retail accommodation. This landmark site is home to blue-chip businesses and retailers including a M&S anchor store.

Principal occupiers
Microsoft, Wellington Asset Management, M&S

2 – New Street Square, EC4

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

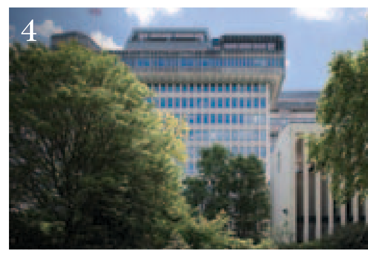
Principal occupiers
Deloitte, Taylor Wessing, Speechly Bircham



3 – One New Change, *EC4*

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

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



4 – Queen Anne's Gate, *SW1*

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

Principal occupier
Central Government

5 – White Rose, *Leeds*

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

Principal occupiers
Sainsbury's, Debenhams, Primark, M&S

6 – Gunwharf Quays, *Portsmouth*

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

Principal occupiers
Vue Cinema, M&S, Nike, Gap

7 – Bankside 2 & 3, *SE1*

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

Principal occupier
The Royal Bank of Scotland

8 – Cabot Circus, *Bristol*

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

Principal occupiers
House of Fraser, Harvey Nichols, H&M

9 – Piccadilly Circus, *W1*

Offices, retail, leisure and a world famous advertising landmark. 2009 saw the introduction of enhanced LED screens and a flagship branch of Barclays.

Principal occupiers
Hyundai, TDK Europe, McDonald's, Barclays, Boots

10 – St David's Dewi Sant, *Cardiff*

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

Principal occupiers
John Lewis, New Look, H&M

11 – Trinity, *Leeds*

Located in a prime position in a thriving city, this 76,000m^2 retail development is due to open in February next year and is already 72% pre-let or in solicitors' hands.

Principal occupiers
Primark, M&S, H&M, Next

12 – Times Square, *EC4*

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

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

8

14

15

16

13 – Retail World Team Valley, *Gateshead*

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

Principal occupiers
TK Maxx, Next, Boots, Mothercare, Arcadia

14 – Portland House, *SW1*

This 29-storey 1960s development is a lynchpin in our regeneration of the area. Each of the 26 office floors offers around 900m² of open space.

Principal occupiers
Tradedoubler, Regus

15 – The Centre, *Livingston*

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

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

16 – Harbour Exchange, *E14*

A collection of nine office buildings near Canary Wharf and home to a diverse mix of occupiers.

Principal Occupiers
Telecity UK Ltd., HSBC, Nomura International, British American Tobacco

17 – 123 Victoria Street, *SW1*

Located in a prominent position on Victoria Street, this fully refurbished building will be completed in August this year and the office element is already 21% pre-let.

Principal occupiers
Boots, Jimmy Choo, Royal Bank of Scotland

17

18 – Lakeside Retail Park, *West Thurrock*

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

Principal occupiers
Currys, Next, Toys R Us, Argos, Mothercare

19 – Oriana, *W1*

Situated on the north west corner of Oxford St and Tottenham Court Road, this assets provides mix-used space in an area undergoing rejuvenation.

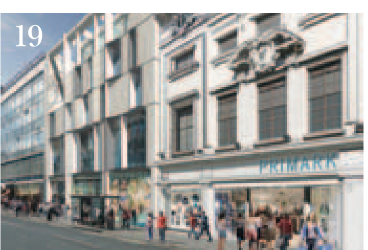
Principal occupiers
Primark, Boots, Sainsbury's

20 – The Bridges, *Sunderland*

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

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

18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Our year *of progress*

Q1

April – June 2011

Top brands move into Buchanan Street

Our new development at 185-221 Buchanan Street, Glasgow, is creating 10,800m^2 of new retail and restaurant space on one of the UK's busiest shopping streets. In April 2011 we welcomed our first occupiers, with pre-lettings to Paperchase and Gap, and fashion retailer Forever21 agreeing to take an anchor store. During the year we signed further deals with Fat Face, Skechers, Watches of Switzerland and Office. Now 91.8% pre-let by income, the scheme is on schedule for completion in spring 2013.

New Ludgate scheme

In June 2011 we secured planning permission for our 35,050m^2 office development at 30 Old Bailey and 60 Ludgate Hill in the City of London. The mixed-use scheme – now renamed New Ludgate – is replacing outdated 1960s properties with high quality offices, restaurant and retail space, improved links for pedestrians and new public areas. Demolition has been completed and we will time the start and completion of construction in line with market conditions.

Q2

July – September 2011

Just the job

In the summer we announced a new initiative to help Londoners get back into employment. This has brought together partners in the public and private sectors to ring-fence jobs and offer training opportunities in construction at new developments. Our partners on the programme include the Greater London Authority, Job Centre Plus, The London Probation Trust, the City of London Corporation and major UK contractors. To start, we announced we would set aside 100 job opportunities, 60 National Vocational Qualifications and five full-time apprenticeships at our 20 Fenchurch Street, EC3, joint venture scheme with Canary Wharf Group Plc.

A good time for Bath

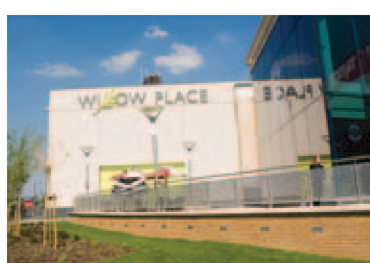
August saw us complete the acquisition of the Kingsmead leisure and restaurant complex in the popular tourist city of Bath. This £20m transaction has gained us a 8,400m^2 property that is home to brands such as Nando's, TGI Friday's and Fitness First, along with the only multiplex cinema in the city. The acquisition underlines the increasing importance of leisure in our retail offer.

Q3

October – December 2011

Retail expert joins the Board

November saw the announcement that a new Non-executive was to join our Board. Stacey Rauch is a Director Emeritus of McKinsey & Company, where she worked for 24 years. She was a founding partner of McKinsey's New Jersey office and she served as the head of the firm's North American Retail and Apparel Practice. During her career Stacey has worked with a wide range of retailers, apparel wholesalers and consumer goods manufacturers. She joined Land Securities in January 2012.



Goodbye to Corby

In October we sold Corby town centre, together with shopping and leisure destination Willow Place, for £70m. We acquired these assets six years ago. Since then, we have expanded the retail offering considerably and strengthened the town's position. The time was right for us to hand the assets on to someone else and reinvest the funds in new opportunities.

Awards in 2011 included:

- Property Week Property Awards 2011 – Developer of the Year
- Property Managers Association Awards – Landlord of the Year
- Estates Gazette Awards 2011 – National Property Company of the Year
- BCSC Gold Awards 2011 – In-Town Retail Scheme (300,000 sq ft or less) for One New Change, EC4
- Royal Institute of British Architects (RIBA) Awards 2011 – One New Change, EC4

Q4

January – March 2012

London ventures go from strength to strength

February brought news that Land Securities and Canada Pension Plan Investment Board had formed the Victoria Circle Limited Partnership – a 50:50 joint venture to own and develop Victoria Circle, SW1. The partnership will take to completion the development of five new buildings occupying the island site opposite Victoria Station. Across town, our joint venture scheme with Canary Wharf Group Plc at 20 Fenchurch Street, EC3, has made good progress.

A change at the top

At the end of the year, Francis Salway handed over the Chief Executive role to Robert Noel. Francis joined Land Securities in 2000 and became Chief Executive in 2004. Under his leadership, the Company delivered more than 7.4 million m^2 of development projects and continued to lead the UK commercial property market. Robert commented: "I have enjoyed my two years running the London Portfolio and I am now looking forward to leading the Group. I would particularly like to thank Francis for his support. On behalf of everyone at Land Securities, I wish him well for the future."

2012
and beyond

The recovery in UK commercial property will continue to involve ripples, not straight-line growth. We are well placed to create value through a range of conditions. Our strong balance sheet means we can make acquisitions and press ahead with developments at the appropriate time. In Retail, we will continue to invest in and refine our portfolio to ensure it meets the changing needs of successful retailers. In London, we are positioned to respond to the supply-constrained conditions we see ahead.

Our key objectives for 2012/13

Group
- Outperform the FTSE 350 Real Estate Index on Total Shareholder Return
- Outperform IPD Sector benchmark
- Progress development lettings across the portfolio
- Complete on time and to budget Trinity Leeds, Buchanan Street, Glasgow, 123 Victoria Street, SW1, and Wellington House, SW1
- Maximise the returns from the investment portfolio

London Portfolio
- Outperform IPD sector benchmark
- Progress development lettings at One New Change, EC4, 123 Victoria Street, SW1, 62 Buckingham Gate, SW1 and 20 Fenchurch Street, EC3
- Practical completion on time and to budget at Wellington House, SW1, and 123 Victoria Street, SW1
- Progress on time and to budget at 62 Buckingham Gate, SW1, and 20 Fenchurch Street, EC3
- Demolition of Kingsgate House, SW1, and commencement of demolition at Victoria Circle, SW1
- Submission of planning applications at Portland House, SW1, and Oxford House, W1

Retail Portfolio
- Outperform IPD sector benchmark
- Progress development lettings at Trinity Leeds, Buchanan Street, Glasgow and out-of-town schemes
- Complete Trinity Leeds and Buchanan Street, Glasgow on time and to budget
- Commence out-of-town developments at Taplow, Peterborough, Crawley and Chadwell Heath
- Enter into a development agreement with Oxford City Council for Westgate Centre, Oxford
- Progress discussions on potential developments in Glasgow and Exeter

OUTLOOK 2012

London outlook
We continue to see an imbalance between supply and demand for high quality space. Much existing stock is unsuitable for occupiers and a high level of lease expiries are due from 2013. Central London's residential and retail markets remain strong. Uncertainty elsewhere underlines London's enduring strength as a dynamic and successful city.

Retail outlook
The outlook remains challenging and property owners must manage assets actively to create value. Consumer behaviour is changing, with the growth of leisure, online shopping, social networking and mobile technology. This will create even greater distance between the winners and losers in our market, from retailers to locations and property assets.

2012
123 Victoria Street, SW1

21,110m² of refurbished office and retail space in a West End location. Fashion retailer Jimmy Choo has pre-let 3,440m².

2013
Trinity, Leeds

Trinity Leeds is the only large scale UK retail shopping centre scheme due to be delivered in 2013.

2013
185-221 Buchanan Street, Glasgow

Work is on schedule and the retail component is due to open in March 2013.

2013
62 Buckingham Gate, SW1

Construction is well underway on the office accommodation and retail this development will bring to the heart of Victoria.

2014
20 Fenchurch Street, EC3

Work with joint venture partner Canary Wharf Group is on schedule to deliver the building in spring 2014.

In this section
Directors' report

Chairman's message

Alison Carnwath reviews the performance of the Company during the year, outlines key changes to the Board and offers her outlook on the year ahead.

Chief Executive's statement

Robert Noel reports on our market, the Company's strategy and performance, and our prospects over the next 12 months.

Business review

Reports on our priorities and performance in the year, including detailed analysis of progress in the Retail Portfolio and London Portfolio.

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Chairman's *message*

"Land Securities continues to build shareholder value despite economic uncertainty. Through a combination of astute asset management, a well-judged development programme and an advantageous refinancing, good progress has been achieved."

TOTAL SHAREHOLDER RETURNS*	TABLE 9
	Over one year to 31 March 2012 (£)
Land Securities	**100.68**
FTSE 100	**104.04**
FTSE 350 Real Estate	**96.76**

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

Having moved in the right direction in the first half of the year, growth in property values stalled in the second half. Against this backdrop, we believe we were right to keep treading the fine line between caution and enthusiasm. Rather than relying on external conditions for asset growth, progress was made by active asset management and by making good sales into a relatively liquid investment market. As a result of these actions our financial strength is enhanced and our financial flexibility was improved through the securing of a new £1.1bn revolving credit facility.

The Board believes our two total return metrics provide the clearest guide to the Company's progress in financial terms. This year, Total Shareholder Return (dividend and growth in share price) was 0.7%. This represents a solid performance in a less than ideal market and compares to a return of 4.0% for the FTSE 100 and -3.2% for the FTSE 350 Real Estate Index. Total Business Return (dividend and growth in net asset value) was 7.9%. We remain confident in our plan and our position.

London remains attractive to investors and occupiers and, in particular, international buyers regard London as a safe haven outside the eurozone. The partnership agreed with Canada Pension Plan Investment Board for the development of Victoria Circle, SW1, speaks volumes for our reputation and capability as a developer. Our activity in this part of the West End is helping to transform Victoria into one of London's most vibrant centres.

In Retail, we achieved a resilient performance in a sector undergoing structural change. Attractive, well-located shopping centres and retail parks continue to trade well while leisure and multi-channel retailing are increasingly important. The negative impact of economic conditions on consumer spending means that certain high streets and tertiary locations may never recover. Our high quality portfolio has adapted to retail trends and the evolving needs of occupiers. We provide detailed commentary on our businesses over the following pages.

During the year, there were significant changes to the Board and our committees. Most notably, in March 2012, after eight years as Chief Executive, Francis Salway retired. Francis was an excellent Chief Executive who led Land Securities through a remarkable period, including a serious crisis in our market in 2008/09. He remained unflappable throughout, setting a clear direction that enabled the Company to weather the storm and re-emerge in good shape. He leaves behind a robust business and a strong team. The Board thanks him for his outstanding contribution.

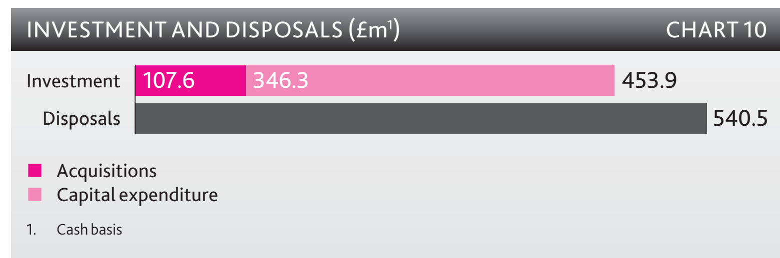
In appointing a successor to Francis, we retained a leading firm of executive search consultants. They approached their mandate with considerable rigour and drew up a shortlist of internal and external candidates. The Board determined that Robert Noel, who had joined Land Securities in January 2010 as Managing Director of the London Portfolio, was the right person for the job. He has the appropriate level of experience, is well respected by investors and those in the property market, and has boundless energy and enthusiasm, as well as good judgement. The Board looks forward to working with him in his new role.

At our AGM last year we said goodbye to Bo Lerenius and Sir Christopher Bland. In January 2012, Stacey Rauch joined the Board as a Non-executive Director. An American, Stacey worked at McKinsey & Company for 24 years, leading their North American Retail and Apparel practice. Her broad business experience and deep knowledge of retail from an international perspective will complement the existing skills and outlook of the Board. She will join the Audit Committee in June.

In April 2012, Kevin O'Byrne took on the role of Senior Independent Director. In October, Simon Palley will take over as Chairman of the Remuneration Committee. My thanks go to David Rough for his contribution as Senior Independent Director and for leading the Remuneration Committee so effectively over the last three years. Notwithstanding their long tenure, both David Rough and Sir Stuart Rose have agreed to remain as directors, providing important and relevant experience and support for our incoming Chief Executive.

2011/12 was the final year in our three-year Board evaluation cycle. This year, I conducted interviews with the Executive and Non-executive Directors. These provided me with important insights and enabled me to assess individual contributions and areas for improvement. The evaluation focused on Board skills and contributions, the form and content of Board papers, risk appetite and coverage, and the outlook for 2012. You will find more details on this evaluation in the Corporate Governance section. We have appointed a leading specialist independent firm to conduct our next evaluation.

The Board believes that an active approach to corporate responsibility makes Land Securities a stronger and more successful business. Our investments in key areas such as the environment and employment generate commercial and financial benefits to us over the long term. We continue to lead by example. In Leeds we are monitoring the impact of our Trinity Leeds scheme on the regional economy to demonstrate the value our investment in the city creates. In London we are working with the Mayor and others to provide apprenticeships, training and jobs in construction. We believe these initiatives not only bring benefits to the communities in which we work, but build trust, add value to our assets and make us the preferred partner on future development opportunities.



Looking ahead, conditions remain uncertain, and the sensible approach is to remain focused but flexible. Ultimately, the return of sustained growth in the commercial property market will be driven by the return of confidence in the wider economy. However, supply constraints in our markets are already generating opportunities.

Land Securities enters into a new financial year clear as to its priorities. Under the leadership of Robert Noel, the Company will respond swiftly to change. We will press ahead with development – in the best locations, at the right time, whilst carefully managing our speculative risk.

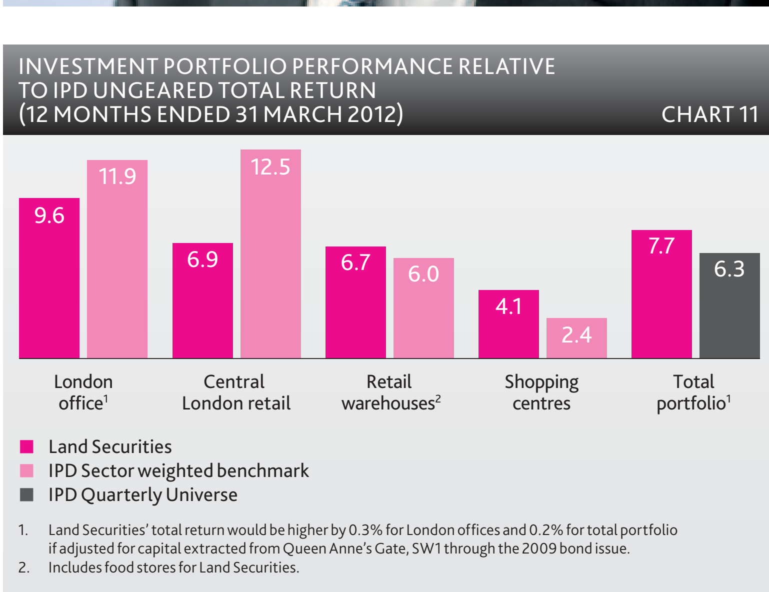
I would like to thank our employees for their commitment and hard work during the year. We have a very strong team, which is the envy of our competitors, and the Board enjoys regular interaction with many members of staff. Our Employee Survey confirms that morale and engagement within the Company are high. Shareholders can be reassured that we are working to a consistent plan which is well matched to current conditions. I am confident our team will continue to create sustainable value for you as we move forward.

Alison Carnwath
Chairman

Chief Executive's *statement*

"Land Securities has continued to build on a clear plan, playing to its strengths in the London and Retail markets. We have actively managed the risk on our developments, improved the resilience of our portfolio and our balance sheet is in rude health. We are well placed to protect and create value through a range of market conditions."

INVESTMENT PORTFOLIO PERFORMANCE RELATIVE TO IPD UNGEARED TOTAL RETURN (12 MONTHS ENDED 31 MARCH 2012) CHART 11



1. Land Securities' total return would be higher by 0.3% for London offices and 0.2% for total portfolio if adjusted for capital extracted from Queen Anne's Gate, SW1 through the 2009 bond issue.
2. Includes food stores for Land Securities.

This is my first statement to you as Chief Executive. Building on last year's strong results, your company made good progress as tougher market conditions emerged during the year. We continued to execute our clear plan first articulated in 2009. We pressed ahead with development, continuing to reduce risk while creating value through pre-lettings, sales and joint ventures. We repositioned assets through refurbishments and we restructured leases. We remained disciplined on debt, using the proceeds of sales to fund development and other capital expenditure. Our balance sheet is strong and our position has been enhanced by our £1.1bn five-year revolving credit facility arranged in December 2011. This should prove to be a valuable source of competitive advantage to exploit opportunities within and outside our portfolio.

Revenue profit is up 9.0% with adjusted diluted earnings per share up 8.5% on the back of higher net rental income and lower interest costs. Adjusted diluted NAV per share is up 4.5% to 863p. Our Total Business Return was 7.9% and Total Shareholder Return was 0.7%. Our Total Shareholder Return compares to a return of 4.0% for the FTSE 100 and -3.2% for the FTSE 350 Real Estate Index.

We delivered an ungeared total property return of 7.7%, compared to 6.3% for the IPD Quarterly Universe. This comprises an income yield of 5.0%, surplus of net proceeds from sales of 4.3% and a valuation surplus on the combined portfolio of 2.0%. The total property return of our London Portfolio was 9.2%, which underperformed its IPD sector benchmark by 2.5%. Our Retail Portfolio total property return was 5.8%, which outperformed its IPD sector benchmark by 2.4%.

We took advantage of the liquid investment market to sell income producing assets, on average at 4.3% above the March 2011 valuations. While we are actively seeking to acquire new assets, we remain of the view that patience will be required to find the right opportunities at the right price. In addition the development pipeline will dilute earnings in the near term, although it is set to deliver earnings growth in the medium term. With these impacts in mind and our aim to deliver a progressive dividend, we are recommending a fourth quarter payment of 7.4p, taking the total dividend for the year to 29.0p, up 2.8%.

Uncertain market

The retail sector is undergoing a period of unprecedented change. Certain retailers, locations and assets have the potential to thrive. Others continue to lose ground. Changing consumer needs, tastes and behaviours are determining the winners and losers. Dominant centres in the right locations remain popular and a good mix of retail and leisure continues to attract visitors. In contrast, many locations have empty space which may never be re-occupied by retailers. Internet sales are winning market share. While this is hitting some retailers hard, we saw opportunities in the year to help others integrate the online world into physical stores. We also developed smart initiatives with online businesses such as Amazon and Ocado.

The effects of the structural shift in retail have been heightened by uncertainty in the economy. The year saw weaker demand from consumers and downward pressure on rents. Rent reviews, historically one of our engines of growth, are currently stuck in neutral. Low confidence limited development activity and property owners have had to look to active asset management to generate value. This plays to our strengths. Our portfolio is structured to meet the changing requirements of those retailers best able to compete in these conditions. For example, since 2010 we have created 47,700m² of new space for Primark, the John Lewis Partnership and Sainsbury's.

In London, uncertainty in the eurozone weighed heavily on business confidence, leading to lower demand than expected for office space. However, particularly low levels of development, coupled with the high number of lease expiries due from 2013 and evolving occupier needs mean the market will see supply-constrained conditions. Due to subdued business confidence, these conditions are taking longer to appear than first thought, but once here they should continue for longer. We expect value creation to come from active asset management and well-timed, well-located mixed use development, particularly in the West End where the majority of our development pipeline is focused.

A plan for every asset

Our primary purpose is to grow value for shareholders, not simply collect rent. Asset management must balance income and capital growth. We plan the future of each asset carefully and look for ways to add value through the cycle. For example, this year we refurbished assets and restructured leases at a number of properties – such as 40 Strand, WC2 and Southwark Bridge Road, SE1 – to ensure they did not fall empty in a slow market.

No asset is sacred. If we believe money invested in an asset is likely to work harder elsewhere, we will sell the property and re-allocate the capital. We demonstrated this with our disposals of Park House, W1, last year and 110 Cannon Street, EC4, Arundel Great Court, WC2, Eland House, SW1, St John's Centre, Liverpool and Corby town centre this year.

Well-timed development pipeline

Our development schemes are creating the right spaces in the right locations to meet the needs of successful businesses. Trinity Leeds is set to transform the city centre. At 185-221 Buchanan Street in Glasgow we are creating contemporary retail space on one of Britain's busiest shopping streets. 20 Fenchurch Street, EC3, right in the heart of the insurance district, will be the first of the new tower developments in the City to complete. Wellington House, SW1, will complete this summer with all 59 apartments already pre-sold. These schemes underline our view that as well as risk there is opportunity in the current environment.

We will continue to manage our pipeline carefully. In Retail we secure significant levels of pre-lettings before we start construction. In London we have good optionality. For example, at 1 & 2 New Ludgate, EC4 (formerly 30 Old Bailey and 60 Ludgate Hill), demolition work has completed and we can time delivery to suit market conditions or pre-let demand.

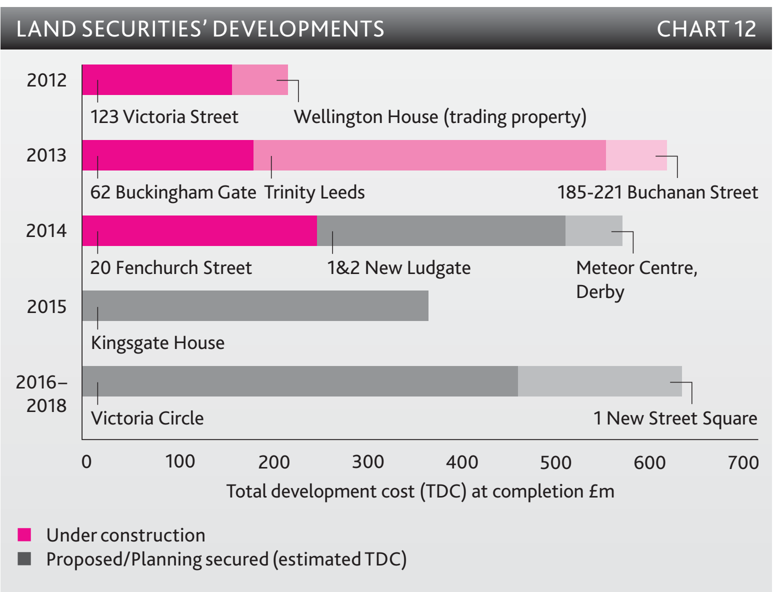
We are managing our risk at two major projects in the capital through joint venture partnerships. Last year it was 20 Fenchurch Street, EC3. This year we formed a 50:50 joint venture with Canada Pension Plan Investment Board to own and develop Victoria Circle, SW1. This 84,670m² scheme is a key part of our plans to transform Victoria into the thriving central London area it should be.

A strong, quick-thinking team

Just as every asset has a plan, so every team and individual within the Company has a clear set of priorities. Building on the work of my predecessor Francis Salway, we will continually look for ways to create shareholder value by being better at making and managing space for customers. We will encourage a culture where outperformance is expected and where we are judged on the value we create. We should not be afraid to make mistakes, but learn from them when they occur. Take Brand Empire; this was an innovative way to address a difficult leasing market at the time. It didn't work as we hoped, so we acted quickly to close it down and we will apply the lessons learnt.

Corporate responsibility

Corporate responsibility plays a vital role in how we create and protect value. We can only gain a licence to operate from Local Authorities if people trust us to make a positive difference. This is common sense. We want local communities to be pleased that Land Securities is operating in their area. We want to be recognised by Local Authorities as the best property partner to work with in terms of economic contribution, social benefits and the environment.



Commercial property accounts for around 18% of the UK's carbon dioxide emissions. We are well aware of the need for action and were the first in our sector to have an in-house energy team, and the first to have a dedicated environment team. We have targets to reduce our own carbon emissions and are keen to help our occupiers do the same. We are not interested in competitive corporate responsibility. Measurement and targets are helpful, but we are looking to find pragmatic solutions to real issues, not simply to tick boxes in a report. We are engaged with Government to look for consistency in policy so that real progress can be made.

Looking ahead

Francis stated that recovery in UK commercial property would involve ripples, not straight-line growth. We continue to hold this view. Our plan for value creation was never dependent on employment growth, so we are not overly exposed to the present environment. Conditions may deteriorate over the next 12 months. They may pick up. Either way, we are well placed to respond. We have a strong balance sheet with plenty of firepower, giving us the ability to make acquisitions and press ahead with oven-ready developments at the appropriate time.

We believe the structural shift in retail will continue, with the strongest retailers finding more opportunities for expansion and weaker traders falling further behind. The same is true for locations and property assets. In addition, growth in leisure and internet sales – together with the rapid emergence of mobile technology being employed by consumers – will further separate the winners and losers in this sector. We will continue to refine our portfolio to ensure it meets the changing needs of successful retailers.

Despite the current lull in financial services, London remains the stand-out vibrant global centre that constantly reinvents itself. Sectors such as high-end fashion, business services, insurance and technology are particularly active. New businesses from overseas continue to arrive. Corporates require efficient, contemporary buildings that reflect their values and handle the demands brought by higher occupational densities than ever before. Much of the existing stock will not meet their requirements or their expectations. We are well placed to respond.

Robert Noel
Chief Executive

Financial review

"Our balance sheet is in very good shape; we have low gearing, good dividend cover and plenty of financial flexibility on how and when we exploit market opportunities."

Overview and headline results

During the first half of the year, we saw continued investor demand for well-let investment properties and values in our portfolio rose. In the second half of the year, overall valuation movements of our properties were flat as demand for prime assets remained strong but renewed concerns over the UK and eurozone economies weighed on the retail sector. Over the full year, valuation increases of £190.9m (including joint ventures) helped us deliver a profit before tax for the year ended 31 March 2012 of £515.7m, compared to £1,227.3m for the previous year. Basic earnings per share were 67.5p compared to 162.3p for the year ended 31 March 2011.

Revenue profit increased by 9.0% from £274.7m in the prior year to £299.4m. Adjusted diluted earnings per share were 38.5p (2011: 35.5p), up 8.5% on the comparable period. We have made a minor change to our calculation of adjusted earnings and adjusted earnings per share. Further details are given in the earnings per share section.

We finish the year with a stronger balance sheet than at the start. We have sold well, including some secondary retail assets and a non-income producing development site in London's mid-town. And we have refinanced our revolving credit facilities, giving us the financial flexibility to invest in our portfolio through acquisitions and developments as suitable opportunities arise.

As a result of our disposals, the combined portfolio decreased in value from £10.56bn to £10.33bn, despite a valuation surplus of £190.9m. Net assets per share increased by 36p from 885p at 31 March 2011 to 921p at 31 March 2012. Adjusted diluted net assets per share were up by 4.5% over the year, increasing from 826p at 31 March 2011 to 863p. The 37p increase in adjusted diluted net assets per share together with the 28.6p dividend paid in the year represents a 7.9% total return from the business.

Revenue profit

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

Table 13 shows the composition of our revenue profit including the contributions from London and Retail.

Revenue profit increased by £24.7m from £274.7m last year to £299.4m. The 9.0% increase was mainly due to a reduction in net interest costs, which were £18.7m lower than the prior year, together with an increase in net rental income of £16.0m, partly offset by a rise in indirect costs. Lower net interest costs are primarily due to the buyback of medium-term notes in June and December 2010, using cheaper revolving credit facilities. In common with last year, revenue profit benefited from non-recurring items totalling some £10m, of which the largest items were surrender premium receipts of £6.0m and the release of £5.8m of dilapidation provisions, partly offset by costs of £2.7m associated with the closure of Brand Empire. Further information on the net rental income performance of the London and Retail portfolios is given in the respective business reviews.

The indirect costs of London and Retail and net unallocated expenses need to be considered together as, in total, they represent the net indirect expenses of the Group including joint ventures. The £10.0m increase in these costs is largely due to some £5m of non-recurring provision releases last year and the Brand Empire closure costs this year.

Looking ahead to next year, we do not expect revenue profit to be as high as this year. The level of non-recurring income is likely to reduce, we have sold investment properties ahead of finding attractive buying opportunities and income on certain pre-development sites will cease. This year, we received £37.0m of net

REVENUE PROFIT — TABLE 13

	Retail Portfolio £m	London Portfolio £m	31 March 2012 £m	Retail Portfolio £m	London Portfolio £m	31 March 2011 £m	Change £m
Gross rental income*	312.9	293.2	606.1	308.0	302.6	610.6	(4.5)
Net service charge expense	(2.8)	(2.5)	(5.3)	(2.3)	(3.7)	(6.0)	0.7
Direct property expenditure (net)	(26.4)	(1.7)	(28.1)	(30.2)	(17.7)	(47.9)	19.8
Net rental income	283.7	289.0	572.7	275.5	281.2	556.7	16.0
Indirect costs	(28.1)	(17.7)	(45.8)	(27.4)	(17.6)	(45.0)	(0.8)
Segment profit before interest	**255.6**	**271.3**	**526.9**	**248.1**	**263.6**	**511.7**	**15.2**
Unallocated expenses (net)			(40.1)			(30.9)	(9.2)
Net interest – Group			(155.5)			(173.7)	18.2
Net interest – joint ventures			(31.9)			(32.4)	0.5
Revenue profit			**299.4**			**274.7**	**24.7**

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

rental income on properties we have now sold and, at Kingsgate House, SW1, a pre-development site where the building is currently being demolished, we received £8.5m of income during the year with no income expected in 2012/13. The reduction in income from disposals will only be partly offset by lower interest costs as our marginal cost of debt at below 2% is very low.

Valuation surplus

A key component of our pre-tax profit is the movement in the values of our investment properties and any profits or losses on disposals. Over the course of the year, the valuation increase on our investment portfolio was £190.9m, up 2.0% and our profit on disposals was £46.4m, down from £79.3m last year. A breakdown of the valuation surplus by category is shown in Table 14 below.

The like-for-like portfolio saw a 1.8% increase in value over the 12 months to March 2012 driven by a 1.2% increase in rental values, with yields little changed overall. In general, properties with exposure to London performed best with rental values rising. Central London offices and shops delivered a valuation surplus of 4.3% and 4.1% respectively, driven by the combined effect of increasing rental values, due to robust occupier demand, and a slight compression in yields as investors continued to be attracted to well-let properties in the capital. Our hotel portfolio was the main contributor to the valuation surplus of 4.6% within 'Other', with the London hotels showing the greatest uplift.

In Retail, shopping centre valuations were flat in the first half of the financial year, but falling rental values and increasing yields in the second half led to a 3.2% valuation deficit over the year. In contrast, retail warehouse and food store values were up 1.1% as rental values grew by 1.7%, partly offset by a small outwards movement in yields.

Outside the like-for-like portfolio, both our completed developments and our development programme generated valuation surpluses while proposed developments fell in value as income all but ceased in advance of redevelopment.

Earnings per share

Basic earnings per share were 67.5p, compared to 162.3p last year, the reduction being predominantly due to the lower valuation surplus on the investment property portfolio and lower profits on investment property disposals (together 30.6p per share compared to 129.2p per share last year).

In a similar way that we adjust profit before tax to remove capital and one-off items to give revenue profit, we also report an adjusted earnings per share figure. As outlined at the half year, our calculation of adjusted earnings and adjusted earnings per share has been changed in the year to exclude the profit on disposal of trading properties and profit on long-term development contracts. The new approach brings the treatment of profits from the sale of trading properties into line with our treatment of investment property disposals. The impact of the change in calculation is to reduce adjusted diluted earnings per share from 39.3p to 38.5p in the current year (2011: reduction from 36.3p to 35.5p). We have amended prior year numbers so that all years are presented on a consistent basis.

Adjusted diluted earnings per share increased by 8.5% from 35.5p last year to 38.5p per share this year. This was mainly due to the increase in revenue profit, slightly offset by the impact of additional shares issued under the scrip dividend scheme.

Total dividend

We are recommending a final dividend payment of 7.4p per share. Taken together with the three quarterly dividends of 7.2p, our full year dividend will be 29.0p per share (2011: 28.2p) or £225.8m (2011: £216.7m).

Shareholders continue to have the opportunity to participate in our scrip dividend scheme and receive their dividend in the form of Land Securities shares (a scrip dividend alternative) as opposed to cash. The take-up for the dividends paid on 26 April 2011, 28 July 2011, 24 October 2011 and 9 January 2012 was 36.4%, 40.6%, 23.9% and 18.7% respectively. This resulted in the issue of 9.2m new shares at between 654p and 833p per share and £66.6m of cash being retained in the business.

All of the cash dividends paid and payable in respect of the financial year ended 31 March 2012 comprise Property Income Distributions (PID) from REIT qualifying activities. In contrast to the cash dividends, none of the scrip dividends paid to date have been PIDs and therefore they have not been subject to the 20% withholding tax requirement which applies to PIDs for certain classes of shareholders. The latest date for election for the non-PID scrip dividend alternative in respect of the final dividend will be 25 June 2012 and the calculation price will be announced on 3 July 2012.

The purpose of the scrip dividend alternative is to enable shareholders to select the distribution they prefer. While the scrip dividend alternative results in cash being retained in the business, it also results in new shares being issued. If the new shares are issued at a time when the share price is below our adjusted net asset value per share, there will be a small dilution to existing shareholders from this discount. Rather than suspend the scrip dividend alternative when the discount is material, in such circumstances the Company intends to buy back an equivalent number of shares to those issued in connection with the scrip dividend, thereby retaining choice for shareholders but minimising any dilution associated with issuing shares.

Net assets

At 31 March 2012, our net assets per share were 921p, an increase of 36p or 4.1% from 31 March 2011. The increase in our net assets was primarily driven by the increase in value of our investment properties, profits on disposal of investment properties and our adjusted earnings, partly offset by the dividends we paid.

In common with other property companies, we calculate an adjusted measure of net assets which we believe better reflects the underlying net assets attributable to shareholders. Our adjusted net assets are lower than our reported net assets primarily due to an adjustment to include our debt at its nominal value. At 31 March 2012, adjusted diluted net assets per share were 863p per share, an increase of 37p or 4.5% from 31 March 2011.

VALUATION ANALYSIS — TABLE 14

	Market value 31 March 2012 £m	Valuation surplus %	Rental value change* %	Net initial yield %	Equivalent yield %	Movement in equivalent yield bps
Shopping centres and shops	2,018.0	(3.2)	(1.8)	6.1	6.4	16
Central London shops	775.1	4.1	3.7	4.0	5.5	(26)
Retail warehouses and food stores	1,117.1	1.1	1.7	5.0	5.6	8
London offices	3,483.9	4.3	2.2	5.2	5.6	(13)
Other (incl. rest of UK)	725.4	4.6	4.5	6.5	6.7	2
Total like-for-like portfolio	**8,119.5**	**1.8**	**1.2**	**5.4**	**5.9**	**(4)**
Proposed developments	212.6	(12.8)	n/a	0.8	n/a	n/a
Completed developments	427.4	3.3	(3.1)	4.1	5.5	(7)
Acquisitions	383.0	(4.8)	0.2	4.9	5.6	(15)
Development programme	1,188.1	8.2	n/a	1.6	5.4	(3)
Total investment portfolio	**10,330.6**	**2.0**	**1.0**	**4.8**	**5.8**	**(8)**

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

Table 15 summarises the main differences between net assets and our adjusted measure of net assets together with the key movements over the year.

Net pension deficit

The Group operates a defined benefit pension scheme which is closed to new members. At 31 March 2012, the scheme was in a net deficit position of £2.4m compared to a surplus of £8.7m at 31 March 2011. The change is primarily due to a £22.9m increase in the value of the scheme's liabilities, due to a reduction in corporate bond yields lowering the discount rate from 5.7% to 4.8%. Further information regarding the defined benefit pension scheme, including the assumptions adopted and the related sensitivities can be found in note 31 to the financial statements.

NET ASSETS ATTRIBUTABLE TO OWNERS OF THE PARENT — TABLE 15

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Net assets at the beginning of the year	**6,811.5**	5,689.9
Adjusted earnings	**298.3**	271.4
Valuation surplus on investment properties	**190.9**	908.8
Profit on disposal of investment properties	**46.4**	79.3
Profit on disposal of trading properties	**5.2**	1.2
Debt restructuring	**–**	(22.0)
Other	**(17.9)**	2.9
Profit after tax attributable to owners of the Parent	**522.9**	1,241.6
Dividends	**(154.8)**	(142.8)
Purchase of own shares	**(18.5)**	(0.2)
Other reserve movements	**(5.7)**	23.0
Net assets at the end of the year	**7,155.4**	6,811.5
Fair value of interest-rate swaps	**20.8**	22.7
Debt adjusted to nominal value	**(450.9)**	(467.5)
Adjusted net assets at the end of the year	**6,725.3**	6,366.7

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

Cash flow

A summary of the Group's cash flow for the year is set out in Table 16 below.

CASH FLOW AND NET DEBT — TABLE 16

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Operating cash inflow after interest and tax	**254.1**	153.5
Dividends paid	**(153.1)**	(143.0)
Non-current assets:		
Acquisitions	**(107.3)**	(371.3)
Disposals	**513.7**	535.0
Capital expenditure	**(307.0)**	(226.1)
	99.4	(62.4)
Loans repaid by third parties	**22.8**	16.2
Joint ventures	**(45.5)**	4.8
Fair value movement of interest-rate swaps	**(4.5)**	(1.9)
Purchase of own shares	**(18.5)**	(0.2)
Other movements	**(24.3)**	(17.2)
Decrease/(increase) in net debt	**130.4**	(50.2)
Net debt at the beginning of the year	**(3,313.6)**	(3,263.4)
Net debt at the end of the year	**(3,183.2)**	(3,313.6)

The main cash flow items are typically operating cash flows, the dividends we pay and the capital transactions we undertake. Operating cash inflows after interest and tax were £254.1m for the year ended 31 March 2012, compared with £153.5m in the prior year, the increase being driven by lower net interest paid in the year and the absence of the tax payments made in the prior year.

Like last year, our initial aim this year was for the cash received from property disposals in the Group and joint ventures broadly to match the amount we invested on acquisitions and capital expenditure. But this was not a strict target; we have a strong balance sheet and financial flexibility which enables us to take advantage of opportunities as they arise. During the year, we identified very few attractively priced investment opportunities as investor demand for better quality assets remained good. Instead, we were able to sell some secondary assets into that demand as well as a non-income producing development site. At a Group level, these capital transactions resulted in a net cash inflow of £99.4m, or £86.6m if we include joint ventures. In addition, we are due to receive cash of £481.7m in the next financial year in respect of disposals which have already been recognised in these results.

Disposals completed in the year included the sale of Corby town centre, Eland House, SW1 and 110 Cannon Street, EC4, generating receipts of £513.7m. We spent £383.8m on assets: investment property acquisitions cost £76.8m and capital expenditure totalled £307.0m, principally on our developments at Trinity, Leeds, 123 Victoria Street, SW1 and 62 Buckingham Gate, SW1. Our largest investment property acquisition was the Kingsmead Centre, Bath which cost £20.0m. We also spent £30.5m on acquiring a 12% interest in the X-Leisure Fund from a number of institutional investors.

The net payment of £45.5m to our joint ventures is largely a result of development funding for Victoria Circle, SW1 and 20 Fenchurch Street, EC3.

Net debt and gearing

As a result of the cash flows described above, our IFRS net debt decreased by £130.4m to £3,183.2m, while the reduction in borrowings in our joint ventures led to our IFRS net debt (including joint ventures) falling by £189.8m to £3,551.3m (£3,741.1m at 31 March 2011). Adjusted net debt, which includes our joint ventures and the nominal value of our debt but excludes the mark-to-market on our swaps, was down £204.5m at £3,981.4m (31 March 2011: £4,185.9m).

Table 17 below sets out various measures of our gearing.

GEARING — TABLE 17

	31 March 2012 %	31 March 2011 %
Adjusted gearing* – including notional share of joint venture debt	**59.2**	65.7
Group LTV	**40.4**	40.5
Group LTV – including share of joint ventures	**38.0**	39.0
Security Group LTV	**37.6**	40.1

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

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

Group LTV (including joint ventures) declined from 39.0% at March 2011 to 38.0% at March 2012. In the LTV calculation, the value of our assets already reflects the sale of certain properties for which we have yet to receive proceeds. Had those proceeds been received at 31 March 2012, the Group LTV ratio (including joint ventures) would have been 33.4%.

Our interest cover, excluding our share of joint ventures, has increased from 2.2 times in 2011 to 2.5 times in 2012. 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 2012 was 2.2 times. There is further information on our approach to gearing in the section on "Our principal risks and how we manage them" on p41.

Financing structure and strategy

The total capital of the Group consists of shareholders' equity, non-controlling interests and net debt. Since IFRS requires us to state a large part our net debt at below its nominal value, we view our capital structure on a basis which adjusts for this. Table 18 below outlines our main sources of capital. Further details are given in notes 28 and 29 to the financial statements.

In general, we follow a secured debt strategy as we believe that this gives the Group and joint ventures better access to borrowings and at lower cost. Other than our finance leases, all our borrowings at 31 March 2012 were secured.

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

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

During the year, we signed a new £1,085m five year revolving credit facility at a headline margin of 120 basis points over LIBOR. This replaced the existing £1,500m revolving credit facility and £400m of bilateral arrangements. In addition to the new £1,085m facility, Land Securities has retained £300m of existing bilateral arrangements which are due to expire in November 2014. Under the previous revolving credit facility, no drawings were possible where the Security Group LTV exceeded 65% or would exceed 65% as a result of the drawing. The new facility provides a mechanism whereby it is possible to utilise facilities up to a Security Group LTV of 80% subject to certain conditions, most notably the advanced notification of such intention while the Security Group LTV is below 65%.

The weighted average duration of the Group's debt (including joint ventures) is 10.9 years with a weighted average cost of debt of 5.0%.

Hedging

We use derivative products to manage our interest-rate exposure, and have a hedging policy which generally requires at least 80% of our existing debt plus increases in debt associated with net committed capital expenditure to be at fixed interest rates for the coming five years. Specific interest-rate hedges are also used within our joint ventures to fix the interest exposure on limited-recourse debt. At 31 March 2012, Group debt (including joint ventures) was 94.8% fixed (2011: 92.1%). As all of our bond debt is issued at fixed rates, we only have a small amount of outstanding interest-rate swaps at 31 March 2012 (£618.9m notional amount including our share of joint ventures).

Taxation

As a consequence of the Group's conversion to REIT status, income and capital gains from our qualifying property rental business are now exempt from UK corporation tax. No tax charge arose in respect of the current year but we released provisions of £8.0m (2011: £16.8m) which were created in prior periods and are no longer required as the relevant uncertainties have now been cleared. The Group holds further provisions of £21.6m for interest on overdue tax in relation to a matter in dispute with HMRC, which will become payable if it is not settled in our favour. The provision will be released, and the tax paid to date of £60.7m recovered, if the Group's claim is successful.

Martin Greenslade
Chief Financial Officer

FINANCING STRUCTURE — TABLE 18

	2012 Group £m	2012 Joint ventures £m	2012 Combined £m	2011 Group £m	2011 Joint ventures £m	2011 Combined £m
Bond debt	**3,363.5**	**–**	**3,363.5**	3,395.4	–	3,395.4
Bank borrowings	**300.0**	**393.4**	**693.4**	428.0	438.0	866.0
Amounts payable under finance leases	**23.3**	**4.5**	**27.8**	28.4	4.6	33.0
Less: cash and restricted deposits	**(59.2)**	**(44.1)**	**(103.3)**	(72.7)	(35.8)	(108.5)
Adjusted net debt	**3,627.6**	**353.8**	**3,981.4**	3,779.1	406.8	4,185.9
Non-controlling interests	**0.2**	**–**	**0.2**	0.8	–	0.8
Adjusted equity attributable to owners of the Parent	**6,711.0**	**14.3**	**6,725.3**	6,346.0	20.7	6,366.7
Total adjusted equity	**6,711.2**	**14.3**	**6,725.5**	6,346.8	20.7	6,367.5
Total capital	**10,338.8**	**368.1**	**10,706.9**	10,125.9	427.5	10,553.4

Group business review

Our business model

We are the largest Real Estate Investment Trust (REIT) in the UK by market capitalisation. We own, develop and manage commercial property through two business divisions – the Retail Portfolio and the London Portfolio. We manage our two divisions through the property market's cycles, adjusting key investment and development activities ahead of changing conditions to maximise return and minimise risk. All of our property activities take place in the UK.

Our customers

The Group's largest customer is Central Government, who account for 6% of the rental income on our combined portfolio. The Retail Portfolio's largest customer, aside from Accor hotels, is Arcadia, who account for 2.5% of the rental income on the portfolio. The London Portfolio's largest customer, aside from Central Government, is Royal Bank of Scotland who account for 2.9% of the rental income on the portfolio. Table 22 shows our top 12 occupiers.

In Retail, the level of retailer voids has decreased, but we continue to see tough commercial conditions for many occupiers. During the year we worked closely with occupiers to help them develop new and better ways to minimise costs and trade successfully. We try to maximise value for money for service charge payers, and we now enable all of our occupiers to discuss proposed charges with us during the budgeting process – an improvement we introduced in 2010. We share our plans before budgets are finalised, so retailers can query and influence final costs and related matters. We also provide a breakdown of service charges at all of our shopping centres and retail parks, so occupiers can see how their charge compares to those elsewhere.

We have further strengthened relationships with retailers by introducing a new retailer liaison role at our major shopping centres. Reporting directly to the centre director, the liaison manager helps ensure we understand and address retailers' changing needs.

On the leasing side, our Clearlet leases are helping to simplify leasing activity. Introduced in 2009, these are shorter and simpler than previous standard leases. They help to reduce the time and costs involved in a deal, for both sides.

The interactions that take place between our employees and shoppers help determine the success of a centre or park, and the retailers trading there. Our Customer Service DNA programme enables employees to develop the way they welcome people to our properties and assist them in their visit. Last year we rolled out the programme to seven shopping centres. This year it was put in place at all of our centres. We also brought in consultants On Brand Partners to further improve our training and make it as consistent as possible across the portfolio.

In London, we have continued to hone the way we support occupiers. Previously organised into three units, we now have two dedicated occupier teams covering all of our activities. The West End team is located in Portland House, SW1. The City and Mid-town team is located in New Street Square, EC4. This has simplified our operations and made us better aligned with agents and others in our industry. Both teams include individuals from financial management and property management, which ensures occupiers receive a seamless service rather than having to work with different Land Securities teams to address different requirements. Our open door policy means occupiers can come in at any time to discuss issues or make suggestions. This underlines the continuing value of face-to-face meetings and good relationships.

TOP 5 UK REITS TABLE 19

Rank	Company name	Mkt cap £m
1	Land Securities Group PLC	5,630
2	British Land PLC	4,266
3	Hammerson plc	2,957
4	Capital Shopping Centres Group PLC	2,851
5	Derwent London plc	1,774

Source: Datastream, as at 31 March 2012.

Customer satisfaction

Once again, we carried out a Real Service survey of retailers at shopping centres to measure their perception of our service levels. The accompanying commentary from Real Service stated that 'impressive levels of overall satisfaction' were maintained in a very difficult trading environment, along with 'strong operational performance – retailers say Land Securities know how to run shopping centres'. Results – on a scale of 1 (very poor) to 5 (excellent) – included:

- Responsiveness 4.20 (4.21 last year)
- Understanding needs 4.05 (4.03 last year)
- Willingness to recommend 98% (98% last year)
- Communication 4.08 (4.07* last year)
- Overall satisfaction 4.03 (4.07 last year).

*Adjusted from 4.05 reported in last year's Annual Report.

We also built on last year's very strong improvements in customer satisfaction scores in London. Key figures included:

- Responsiveness 83.8% (80.3% last year)
- Understanding needs 93.4% (89.6% last year)
- Willingness to recommend 83.6% (80% last year)
- Communication 83.2% (84.7% last year)
- Overall satisfaction based on the four key satisfaction measures 86% (83.6% last year).

Our people

Our objective is to attract, retain and develop the brightest and best people in property. We want them to make the most of their talents and abilities, and aspire to be the best at what they do. We want our employees to be ambitious and accountable. We are continuing to build a performance culture that encourages and rewards the individuals who create value for the Company.

We are committed to equal opportunities and a diverse and inclusive workplace in which everyone is treated with respect. Our adherence to the UN Declaration of Human Rights underpins all our policies, systems and actions.

We are working to develop leadership skills at all levels of the Company, and are identifying future leaders earlier in their career. We encourage people to speak up and listen to others. We encourage open dialogue. And we support any employee who volunteers to provide additional support to local communities.

We believe our position as the UK's largest REIT provides us with advantages when attracting new talent and providing career development opportunities for our employees. There is increasing emphasis on internal promotion, with greater opportunity for employees to move up and across the business as they develop their capabilities and experience. We increasingly look to compare our employee development and culture with high-performance companies in general, rather than others in our industry.

During the year we refreshed our annual employee engagement survey, adding a stronger emphasis on engagement and performance. The overall response rate of 83% was good, and up 1% on the previous year. Key findings included:

- 92% said 'Overall, I am satisfied working for Land Securities'
- 94% of respondents said 'I am proud to work for Land Securities'
- 94% said 'I believe strongly in the goals and objectives of Land Securities'

Our suppliers

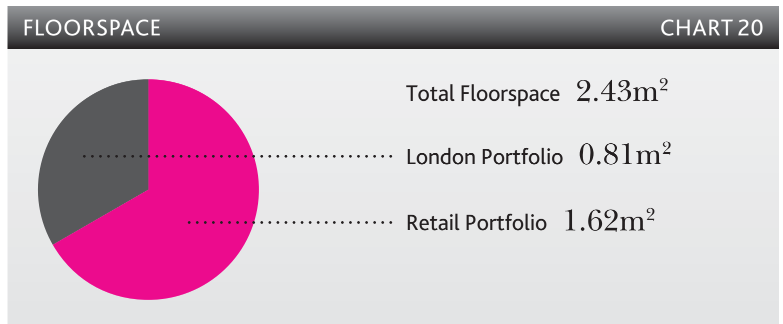
Along with our own employees, we also have an effect on the performance and opportunities of individuals employed by our major suppliers and contractors. Through development, we are creating jobs and career opportunities during a difficult time in the economy. Successful development is leading to further employment opportunities when new schemes open. We are continuing to work closely with major suppliers to ensure their people are well trained, and we expect all of our partners to uphold our high standards for health and safety.

Across the Group, we have a robust tendering process to ensure we get the best value from our supplier relationships. We monitor the performance of each supplier very carefully. We always strive to form an effective partnership with a supplier, so we can work together to achieve mutual advantage.

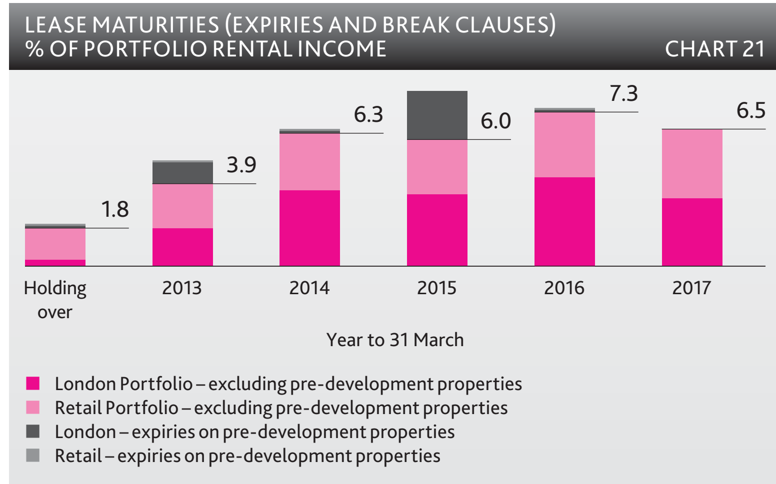
In retail asset management, the most significant activities carried out by suppliers are cleaning, security and mechanical/electrical services. We have access to a good number of potential suppliers in all key areas, which helps to mitigate supply-related risk.

In retail development, the most significant activities carried out by suppliers are construction, construction-related trades and architectural services. In construction, we work with all of the major firms active in the UK. We look for partners who have scale, proven capabilities, a sound ownership structure, a strong track record and a commitment to meeting and setting high standards. Either directly or through our service partners, we employ a wide range of trades

FLOORSPACE CHART 20



LEASE MATURITIES (EXPIRIES AND BREAK CLAUSES) % OF PORTFOLIO RENTAL INCOME CHART 21



companies. We place increasing importance on enabling companies local to a scheme to benefit from our investment in the area, where possible.

In London, our asset management teams monitor the performance of contractors very closely. The most significant activities carried out by suppliers include cleaning, security, engineering, waste management and concierge services. We are currently carrying out a retendering programme across a number of assets and expect this to generate significant cost savings while ensuring we continue to provide high levels of service for our occupiers. We particularly look for suppliers with a low turnover of employees, as employee satisfaction and performance are strong indicators of motivation, good management and a commitment to quality. We believe the best performance is achieved when our service partners are able to discuss issues and suggestions openly with us and other suppliers. To support this, we have established a service partner board. Chaired by one of our service partners, the board provides a valuable forum for open discussion and new ideas.

In London development, the most significant activities carried out by suppliers are construction, construction-related trades and architectural services. We generally work with service partners who have a very strong track record on previous Land Securities' schemes – companies we know and trust. Most contracts are on a design and build basis, with the balance of risk falling to the service partners. At our joint venture schemes at 20 Fenchurch Street, EC3, and Victoria Circle, SW1, the contracts are on a contractor management basis, with the balance of risk falling to Land Securities and our joint venture partner. This year saw the fourth year of decline in the UK construction sector, so there is plenty of supply in the construction market and we are gaining very competitive estimates during the tendering process. Our strategy is to benefit from lower construction costs now, while timing the completion of our schemes so we deliver space into a market with rising rents and investment values.

Our communities

We work hard to understand and meet the needs of local people. We want our buildings to be part of – not apart from – the area and community in which they are located.

With each major development or asset management initiative, we consult with all interested parties well before the first brick is laid. We work closely with Local Authorities, community agencies and voluntary groups to create employment, education and enterprise opportunities. And we link up with national and local charities, so our buildings can help to connect people with causes they care about.

Our employees involve themselves in charitable work by donating or raising money or volunteering their time. The Land Securities Foundation supports the efforts of our volunteers. It also awards bursaries and runs our Give As You Earn scheme to encourage charitable donations from employees.

Our investments in new development schemes mean we play a particularly important role in providing employment and training opportunities in some communities. We are constantly evolving our apprenticeship schemes, and we have specific initiatives to help groups who are furthest from the job market, including ex-offenders, young people with no experience and the long-term unemployed.

TOP 12 OCCUPIERS — TABLE 22

	% of Group rent[1]
Central Government (including Queen Anne's Gate, SW1)[2]	6.0
Accor	4.7
Royal Bank of Scotland	2.9
Deloitte	2.6
Arcadia Group	2.5
Sainsbury's	1.9
Bank of New York Mellon	1.5
Dixons Retail	1.5
Next	1.4
Boots	1.4
Primark	1.4
Taylor Wessing	1.4
	29.2

1. Includes share of joint ventures.
2. Rent from Central Government excluding Queen Anne's Gate, SW1 is 1.1%.

Our environment

Land Securities continues to lead the way on sustainability. No other property developer sets such tough targets. No other developer has pioneered so many environmental initiatives. 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 obtain the Carbon Trust Standard, and first to qualify for Environmental Management Standard 14001. We are a Planet Positive business and were one of the first companies to sign up to the 10:10 campaign for carbon emission reductions.

We want to be regarded as a key partner to local and national government on matters related to the sustainability of commercial property. We have increased our engagement with policy makers at all levels, providing insights on issues from the commercial property industry's perspective. For example, in June 2012 we ran a conference for policy makers, businesses and property companies looking in detail at the relationship between financial value and environmental performance.

Finding better ways to incentivise investment in sustainable approaches will prove vital, as the UK works towards meeting its ambitious carbon emission reduction targets. Retrofitting commercial property in the UK will be a particularly difficult and important challenge. For Land Securities, investments made to improve environmental performance today should help to protect us from changes to regulation tomorrow, but we also hope to see a growing premium for buildings that offer high levels of environmental performance.

For more on our work with our communities, people, suppliers and the environment, please see the Corporate Responsibility section on p62—69.

Our principal risks and how we manage them

Our Board recognises the importance of identifying and actively monitoring the full range of financial and non-financial risks facing the business, at both an asset and Group level. By regularly reviewing the risk appetite of the business, the Board ensures that the risk exposure remains appropriate at any point in the cycle.

Importantly the Board perceives risk not only as having a potential negative influence on the business but also as an opportunity that can be a source of financial outperformance. For effective risk management it is necessary that the identification, assessment and management of known and emerging risks form part of a dynamic process. As property is a capital intensive business, we naturally place a strong emphasis on the management of financial risks and the relationship that exists with return. Set out below is an overview of how we manage our key financial risks in the context of our investment return objectives and our approach to capital allocation.

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

As we manage gearing levels centrally at the Group balance sheet level, we make decisions on whether to allocate capital to buy, sell or develop a property on the basis of ungeared total returns, adjusted for risk, relative to our weighted average cost of capital (WACC) and also relative to alternative investment opportunities. As asset selection decisions are more important than sector allocation in generating outperformance we would expect to focus our capital allocation decisions more around the choice between development and investment than around sector allocation. If there is a material difference in the prospective returns between sectors, this will be reflected in our capital allocation.

We believe that our key areas of financial risk remain our balance sheet gearing and the level of property development. These tend to be the primary source of volatility of returns.

Balance sheet gearing

Gearing magnifies the effect of movements in income on corporate earnings and in property values on shareholders' net assets (NAV). We assess balance sheet gearing levels in terms of both Interest Cover Ratios (ICR) and Loan To Value (LTV) ratios. The UK property sector tends to focus on LTV ratios and we manage the business within an inner gearing range of 35% to 45% LTV, which we would expect to apply in normal market conditions. At certain stages of the cycle, we would be prepared to allow our LTV ratios to move to an outer range of 25% to 55% LTV.

Property development

Property development has the potential to deliver new buildings at attractive rental income yields and also to generate valuation surpluses materially ahead of general market movements. However, it can also lead to higher volatility of valuation movements and income shortfalls if projects do not let up to plan. We manage our risk through both income and capital risk control measures. The income-related risk measure is that, using conservative assumptions on vacancy at completion, the impact of rental income from the un-let element of our development programme should not exceed the Group's annual retained earnings. This provides safeguards against un-let developments leading to the Group having an uncovered dividend. We also control the proportion of our capital deployed in development: the proportion of our capital in development will generally not exceed 20% of our total capital upon completion of those schemes – save that, where a material part of the development programme is pre-let, this proportion can rise to 25%. In addition, we monitor the level of committed future capital expenditure on our development programme relative to the level of our undrawn debt facilities.

The tables below show the principal risks and uncertainties facing the business, the Board's view on how they have changed over the year and the processes by which we aim to manage them.

KEY

FINANCIAL

Risk description	Impact	Mitigation	Change from 2010/11
Liability structure p34—37			
– Bank lending capacity and funding margins negatively impacted by regulatory requirements and/or market concerns over the exposure of certain banks to heavily indebted eurozone countries with the possibility of contagion in the wider market.	– Reduced lending capacity. – Increased cost of borrowing. – Limits ability to meet existing debt maturities and fund forward cash requirements.	– Successful refinancing of a £1.1bn revolving credit facility, which matures in 2016, thereby limiting our need to go to the market in uncertain times; – Access to different sources of finance with most of our funding on a long-term basis and with a spread of maturity dates. The weighted average life of our debt at 31 March 2012 is 10.9 years; – Low gearing (Security Group LTV at 31 March 2012 of 37.6%); – Commitments funded through sales; – Our principal debt funding structure benefits from financial default only being triggered at 1 times Security Group ICR (currently 4.6 times) or 100% Security Group LTV (currently 37.6%); – At less than 1.45 times ICR or greater than 65% LTV, a persuasive covenant regime applies which is designed to preserve cash for the potential protection of lenders and encourage the business to reduce debt.	(No change) Increasing uncertainty in the financial sector and eurozone, offset by new revolving credit facility maturing in 2016

KEY

Increased No change Reduced

FINANCIAL

Risk description	Impact	Mitigation	Change from 2010/11
Liability structure p34—37			
– Liability structure is unable to adapt to changing asset strategy or property values.	– Reduced financial and operational flexibility, missed business opportunities and higher cost of financing.	– The Group's Asset and Liability Committee meets three times a year to monitor both sides of the balance sheet and recommend strategy to the Board; – We manage the business within an inner gearing range of 35% to 45% LTV in normal market conditions; – Liquidity and gearing kept under regular review; – Assess balance sheet gearing levels in terms of both ICR and LTV ratios; – Security Group structure allows assets to be sold and ability to raise new debt; – Greater flexibility in the new revolving credit facility which allows debt to be drawn in certain circumstances even when the Security Group LTV exceeds 65%.	
– Movements in interest rates.	– Adversely affects Group profits.	– We have a hedging policy which generally requires at least 80% of our existing debt plus increases in associated net committed capital expenditure to be at fixed interest rates in order to manage our interest rate exposure (94.8% as at 31 March 2012).	

PROPERTY INVESTMENT

Risk description	Impact	Mitigation	Change from 2010/11
Customers p38—59			
– Increased pressure on consumer spending.	– Shift in customer demand with impact on new lettings, renewal of existing leases and reduced rental growth. – Difficult trading conditions for tenants in the retail sector, increasing the risk that some may be unable to meet rental commitments.	– Large and diversified tenant base (our largest retail tenant, Arcadia Group, represents only 2.5% of rents); – Of our income 63.6% is derived from tenants who make less than a 1.0% contribution to rent roll; – High quality property portfolio, of which 61.2% is located in London; – Target for maximum percentage of leases subject to expiry in any one year; – Experienced leasing team; – Active development programme to maintain a modern portfolio well suited to occupier requirements; – Strong relationships with occupiers; – Variety of asset types and, for the Retail Portfolio, geographic spread.	On-going economic uncertainty
Composition of our property portfolio p38—59			
– Incorrect asset concentration, mix and lot size.	– Reduces liquidity and relative property performance. – Excessive volatility in income and valuation movements.	– Large multi-asset portfolio; – Monitor asset concentration (our largest asset is only 6.3% of the total portfolio); – Average investment property lot size of £68.9m; – Bi-annual portfolio liquidity review; – Generally favour full control and ownership of assets (14.4% of assets currently in joint ventures); – Monitor the spread of lease expiry dates (we have an average unexpired lease term of 9.2 years with a maximum of 8.3% of gross rental income expiring or subject to break clauses in any single year); – Monitor the proportion of our portfolio represented by pre-development properties.	

PROPERTY INVESTMENT

Risk description	Impact	Mitigation	Change from 2010/11
Acquisitions p38—59			
– Inability to acquire new assets to replace properties that have been sold or are in the process of being redeveloped.	– Reduction in revenue profits.	– Enlarged investment team providing more experienced resources to identify and close new acquisitions; – Closer integration between the portfolio and investment management teams; – Ability to control level of property sales; – Risk analysis of speculative development pipeline on capital and income basis; – Strategy of flexing size of development programme according to the outlook for the market cycle.	Lack of suitably priced assets

DEVELOPMENT

Risk description	Impact	Mitigation	Change from 2010/11
Development p38—59			
– Occupiers reluctant to enter into commitments to take new space in our developments.	– Negative valuation movements. – Reduction in income.	– The targeted rental income from the un-let element of our development programme should not exceed the Group's retained earnings; – Proportion of capital employed in development programme (based on total costs to completion) will generally not exceed 20% of our total capital employed, save that where a material part of the development programme is pre-let, this proportion can rise to 25%; – Monitor the level of committed future capital expenditure on our development programme relative to the level of our un-drawn debt facilities; – Monitor market cycle and likely tenant demand before committing to new developments; – Risk analysis of speculative development pipeline on capital and income basis; – 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.	On-going economic uncertainty

REGULATORY

Risk description	Impact	Mitigation	Change from 2010/11
Health and safety p62—69			
– The risk of accidents causing injury to employees, contractors, tenants and visitors to our properties.	– Criminal/civil proceedings and resultant reputational damage.	– Board responsibility for health and safety; – Quarterly Board reporting; – Dedicated specialist personnel; – Annual cycle of health and safety audits; – Established policy and procedures including ISO 18001 certification.	
Environment p62—69			
– Properties do not comply with legislation or meet customer expectations.	– Increased cost base. – Inability to attract or retain tenants.	– Board responsibility for environment; – Dedicated specialist personnel; – Established policy and procedures including ISO 14001 certified environmental management system; – Active involvement in legislative working parties; – Active environmental programme addressing key areas of impact (energy and waste).	Increasing legislation

Retail Portfolio
review of the year

"Despite the impact of weak consumer confidence and the failure of some retailers, we have made good progress. Our developments are letting up well to major retailers and our strategy is well matched to a fast evolving market."

Highlights

- Valuation deficit of 0.1%
- £281.9m of sales – 5.6% ahead of March 2011 valuation
- £14.6m of investment lettings – 2.1% above ERV, excluding turnover lettings
- Like-for-like voids down from 4.3% to 3.6% but units in administration up from 0.6% to 2.2%
- Trinity Leeds on plan; pre-lettings at 65.4%, with 6.6% in solicitors' hands
- 185-221 Buchanan Street, Glasgow, ahead of plan; pre-lettings at 91.8%
- 43,800m² of out-of-town/edge-of-town planning consents and resolutions to grant achieved

How we create value

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

- Forming close relationships with retailers and Local Authorities, so we can respond to people's changing needs and ensure our portfolio fits the market
- Developing major new shopping and leisure assets that can transform undervalued areas into thriving destinations
- Recycling capital to find and improve under-used assets so we can unlock value
- Owning assets able to thrive in a fast-changing retail environment
- Using asset management expertise to make locations more attractive to shoppers and retailers

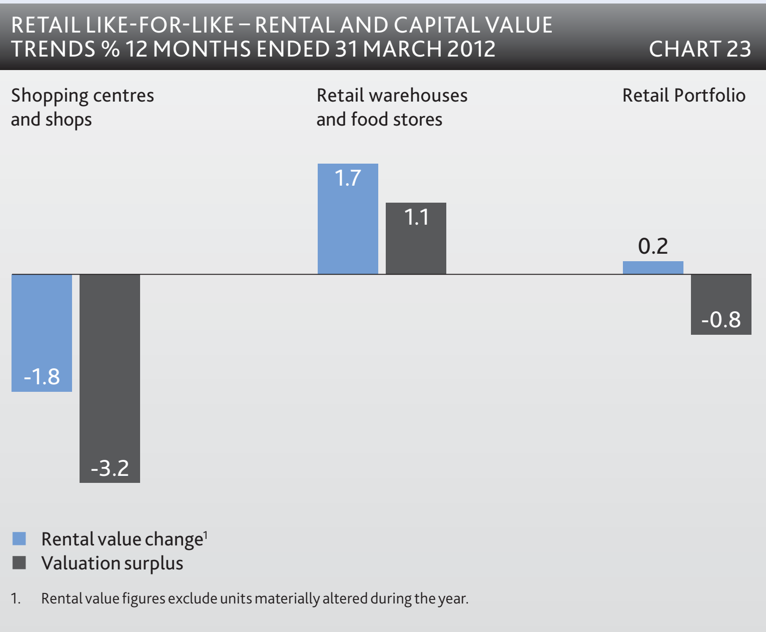
Progress against our objectives for 2011/12

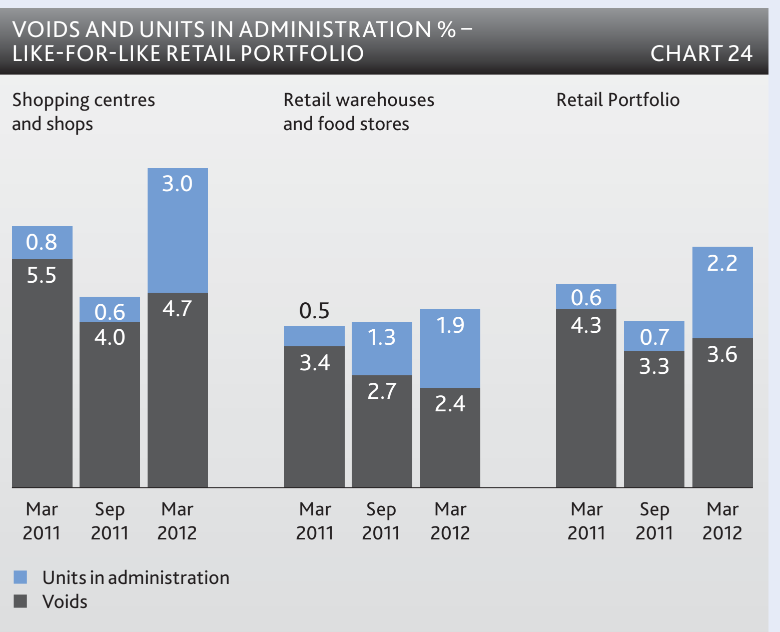
OBJECTIVE	PROGRESS
Outperform IPD	– The portfolio outperformed its IPD sector benchmark by 2.4%.
Grow our income	– Net rental income up by £8.2m.
Expand our out-of-town development programme	– New sites secured include Salisbury, Selly Oak and Maidstone.
Achieve planning permissions for specific out-of-town developments	– Positive planning decisions gained at Peterborough, Taplow, Crawley and Chadwell Heath.
Progress development lettings in St David's 2, Cardiff, Trinity Leeds and 185-221 Buchanan Street, Glasgow	– Lettings now at 88.3%, 65.4% and 91.8% respectively.
Reduce non-recoverable costs in the portfolio	– Non-recoverable costs reduced by 6.0%.
Progress discussions with local authorities and anchor stores for our development opportunities at Westgate, Oxford and Buchanan Galleries, Glasgow	– Development agreement terms agreed with Oxford City Council, terms agreed with John Lewis for the anchor store and the principle of tax increment financing approved by the Scottish Government for Buchanan Galleries.
Achieve rental growth through investment lettings above current ERV	– Investment lettings 2.1% above ERV, excluding turnover lettings, 1% below including turnover lettings.

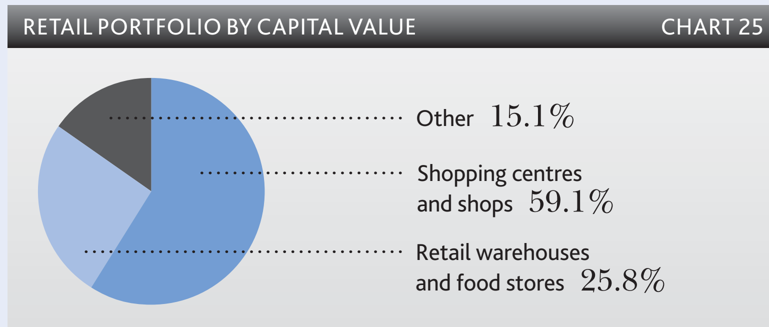
43,800m²
of out of town/edge of town planning consents and resolutions to grant achieved.

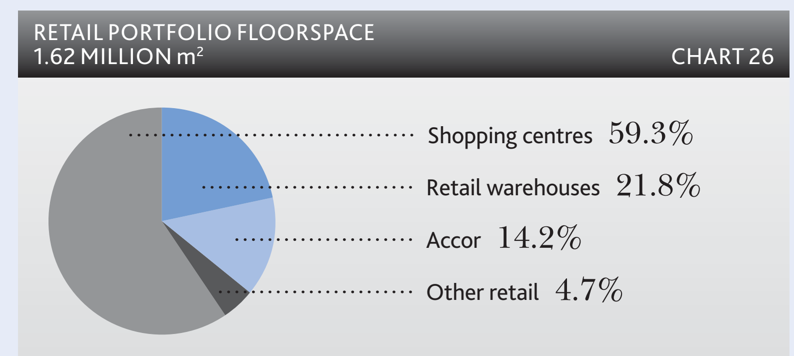
2.4%
outperformance of sector benchmark in the IPD Quarterly Universe.

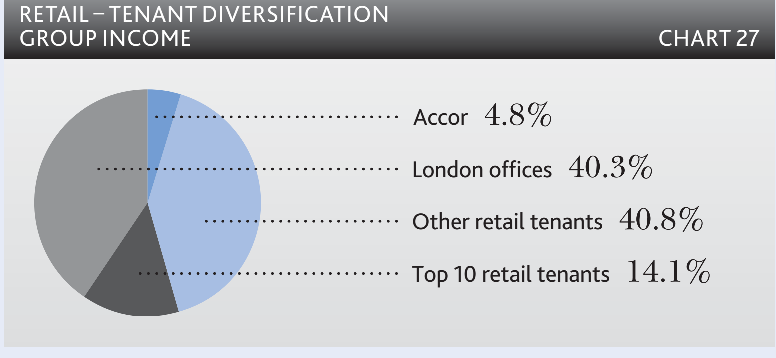
£14.6m
of investment lettings.











TOP 10 RETAIL TENANTS — TABLE 28

	% of Group rent
Arcadia Group	2.5
Sainsbury's	1.9
Dixons Retail	1.5
Next	1.4
Boots	1.4
Primark	1.4
H&M	1.1
Home Retail Group	1.0
New Look Group	1.0
Debenhams	0.9
	14.1
Retail other (excluding Accor)	40.8
Total (all retail tenants)	**54.9**

Our market

This was a demanding year for everyone in the retail sector with non-food retail sales down 1.3% according to the BRC/KPMG sales monitor. In addition we saw a further shift in retailer demand away from smaller towns and high streets towards larger shopping centres and out-of-town locations. This combined with the rapidly developing multichannel approach of shoppers to create major challenges for retailers. Some have not survived but the stronger retailers are actively addressing their floorspace requirements leading to opportunities for us in our developments and existing assets.

The investment market reflected this trend with prime and secondary values diverging further. In the second half of the year we saw shopping centre values falling with a more marked decline in weaker assets, albeit on a very low volume of transactions. The retail warehouse market was more resilient.

2011 further challenged the notion that the internet will lead to the end of physical shopping environments. While online sales remained a threat to some bricks and mortar retailers and certain locations, others are finding ways to integrate the online world into their offer. Many retailers are now transacting online and fulfilling orders through physical stores and we have made efforts to ensure our centres support this activity.

During the year we found opportunities to work with online retailers. In London, for example, we created self-service delivery lockers for Amazon at seven sites. And at One New Change, EC4 we helped Ocado create a QR code wall that enabled customers to add items to their next Ocado order by pointing their phone at a product photograph. We also used social media to reach specific consumer groups while reducing our marketing budget.

People now carry the online world with them in their phone or tablet, and more shoppers are using a mobile device as part of their retail and leisure experience. IMRG and eDigital research from November 2011 shows that 24% of consumers have used their smart phone to access websites while out shopping, and 50% of those have accessed retail websites. In the autumn of 2011, 8.2% of visits to retail sites were through mobile devices; by the winter this had risen to 11.6%. To accommodate this trend, we have entered into an agreement to offer free wireless connectivity at our centres and their websites are being mobile enabled. We are also carrying out a trial with Google and Debenhams that will enable shoppers to conduct product searches using our shopping centre websites.

We have continued to see the value of a strong retail and leisure mix. The combination of shops with attractions such as cinemas, fitness centres, health spas, cafés and restaurants ensures that people are drawn to physical environments. We expect new patterns of consumer behaviour to generate additional requirements from occupiers, leading to new asset management initiatives and development opportunities.

Our strategy

Our strategy has remained clear and in line with the evolving nature of the retail market. Based on our knowledge of the retail sector and our relationships with key retailers, we aim to provide our customers with new or more efficient space that helps them drive their own profits. Through that we will create value across both our asset management and development activities.

Our aim is to own assets that are affordable for retailers and have active plans for growth. We will look to improve our assets, raising them up the retail hierarchy and improving their appeal relative to any competition. We see opportunities to apply our skills across the retail market and work in partnership with retailers on specific locations to drive returns. Where we do not see these opportunities within our assets, as has been the case with a number of our secondary properties, we will sell them and reinvest the capital elsewhere. We have started to grow our representation in leisure because of the increasing role of this area in anchoring retail centres and in creating attractive stand alone destinations.

Our performance

The portfolio, valued at £4,751m at 31 March 2012, produced a valuation deficit for the year of 0.1% overall. Shopping centres and shops were down 1.5%. Retail warehouses and food stores were up 1.3%.

Included within the figures for our shopping centres and shops are current development projects. These performed well, with a valuation surplus of 9.5%. Our portfolio of Accor hotels showed a valuation surplus of 6.9%, reflecting positive income growth. Rental values on our like-for-like portfolio (excluding units materially altered during the year) were down by 1.8% for our shopping centres and shops, and increased by 1.7% for our retail warehouses and food stores.

The portfolio produced an ungeared total property return of 5.8%, outperforming the sector benchmark in the IPD Quarterly Universe by 2.4%. Our shopping centres outperformed the IPD sector benchmark by 1.6%. Retail warehouses outperformed the sector benchmark by 0.6%.

We reduced voids across our like-for-like portfolio from 4.3% at March 2011 to 3.6% at March 2012, of which 1.3% are subject to temporary lettings. Units in administration across the portfolio were 2.2%, up from 0.6% in March 2011. However, 0.8% of these units in administration were still trading and, including these, our overall level of occupancy was 96.3%.

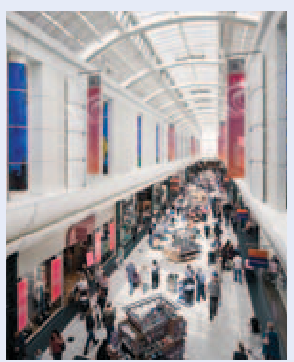
Footfall in our shopping centre portfolio was down 0.5% in the year ended 31 March 2011, with the national benchmark down 1.8% over the same period. Our measured same store VAT exclusive like-for-like sales were down 1.5%, while the BRC benchmark was down 1.3% on a VAT inclusive basis, implying outperformance by our centres on a VAT equivalent basis. The VAT change from 17.5% to 20.0% impacted three quarters of the comparative year. Our same centre sales, taking into account new lettings and tenant changes, were up 3.9% on a VAT exclusive basis. Our measured retailers' rent/sales ratio for the year ended 31 March 2012 was 10.5%. Total occupancy costs (including rent, rates, service charges and insurance) represented 17.9% of sales.

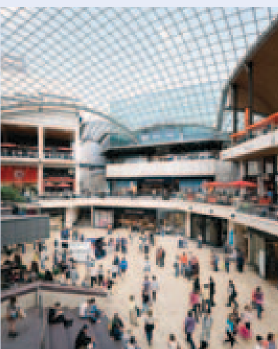
NET RENTAL INCOME — TABLE 29

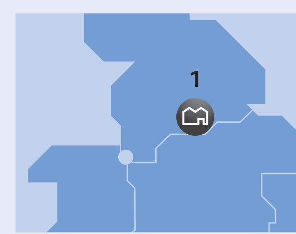
	31 March 2012 £m	31 March 2011 £m	Change £m
Like-for-like investment properties	229.5	223.8	5.7
Proposed developments	1.5	2.6	(1.1)
Development programme	3.7	4.2	(0.5)
Completed developments	9.0	6.9	2.1
Acquisitions since 1 April 2010	21.4	11.7	9.7
Sales since 1 April 2010	14.6	23.0	(8.4)
Non-property related income	4.0	3.3	0.7
Net rental income	**283.7**	**275.5**	**8.2**

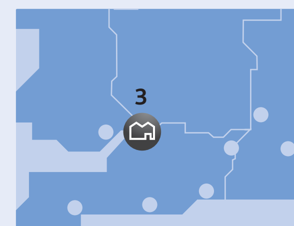
Net rental income has increased by £8.2m from £275.5m to £283.7m. There was a £5.7m favourable movement in our like-for-like properties which was driven by improved performance at a limited number of centres including Gunwharf Quays and our Accor hotel portfolio. Income from properties acquired within the last two years increased by £9.7m as we benefited from a full year of ownership of last year's acquisitions, notably Overgate, Dundee, and The O2 Centre, Finchley Road, as well as the purchase this year of Kingsmead, Bath. In contrast, there was a reduction in net rental income of £8.4m from assets we sold over the past two years including Corby town centre this year and The Mall, Stratford last year.

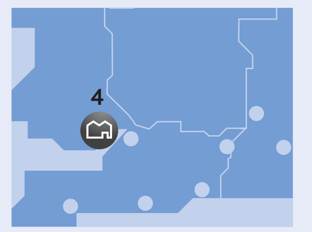
Retail Portfolio
top 5 properties

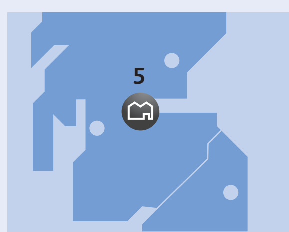












1 – White Rose, *Leeds*

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, M&S, Primark, H&M.
Acquisition date
1995
Completion
March 1997
Form of ownership
Leasehold
Ownership interest
100%
Area
65,000m²
Annualised net rent
£22m
Let by income[2]
95%

2 – Gunwharf Quays, *Portsmouth*

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

Principal occupiers
Vue Cinema, M&S, Nike, Gap.
Acquisition date
2001
Completion
February 2001
Form of ownership
Freehold
Ownership interest
100%
Area
58,300m²
Annualised net rent
£20m
Let by income[2]
99%

3 – Cabot Circus, *Bristol*

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

Principal occupiers
House of Fraser, Harvey Nichols, H&M.
Acquisition date
1950s to 2005
Completion
September 2008
Form of ownership
Leasehold
Ownership interest
50%
Area
123,000m²
Annualised net rent[1]
£20m
Let by income[2]
96%

4 – St David's Dewi Sant, *Cardiff*

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

Principal occupiers
John Lewis, New Look, H&M.
Acquisition date
1993
Completion
October 2009
Form of ownership
Leasehold
Ownership interest
50%
Area
130,100m²
Annualised net rent[1]
£16m
Let by income[2]
88%

5 – The Centre, *Livingston*

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

Principal occupiers
Debenhams, M&S, H&M, Next, Primark
Acquisition date
1973
Completion
Phase 1 September 1976
Phase 2 August 1996
Phase 3 October 2008
Form of ownership
Freehold
Ownership interest
100%
Area
93,400m²
Annualised net rent
£16m
Let by income[2]
93%

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

Sales and acquisitions

We continued to recycle capital during the year. Sales generated a total of £281.9m, slightly ahead of our development and capital expenditure of £220.2m. Sales were on average 5.6% above the March 2011 valuation and at a yield of 7.0%. Our acquisitions totalled £44.9m, yielding 5.1%.

Key sales included:

- **Corby**
  We sold Corby town centre for £67.8m. We felt that Corby was the least well equipped of our shopping centres to deal with the shift we are seeing in consumer behaviour.

- **Garratt Lane, Wandsworth**
  Our Harvest joint venture with Sainsbury's completed the £25.7m (our share) sale of the existing 7,300m² Sainsbury's store in Wandsworth, together with the forward sale of an extension of the store, hotel and a further retail unit.

- **Grimsby and Swindon**
  We sold two further food stores in the period – at Grimsby and Swindon – for £25.8m and £30.2m respectively.

- **Lord Street, Liverpool**
  We sold this small parade of high street shops in August 2011 for £19.1m.

- **St Johns Centre, Liverpool**
  We sold St Johns, Liverpool for £76.6m, as we felt the opportunity for significant improvement had receded due to competition from Liverpool One.

We also made acquisitions to increase our footprint in leisure-based schemes, as follows:

- **Kingsmead Centre, Bath**
  We acquired this 8,400m² leisure and restaurant complex in the heart of Bath for £20.0m. The centre houses the only multiplex cinema in the city. Subsequently we entered into a forward purchase agreement on an adjacent site for the development of a hotel.

- **X-Leisure**
  In February and March we spent £30.5m on acquiring a 12% interest in the X-Leisure Unit Trust from a number of institutional investors. X-Leisure owns schemes across the UK, including X-scape in Milton Keynes and Brighton Marina. The assets are of interest to us and we will now have a seat at the table as the fund approaches a vote on its extension.

Since the year end we acquired The Cornerhouse, Nottingham, a leisure scheme in the heart of this vibrant city.

Asset management

Our asset management activities were formed in three key areas.

Bringing in new major occupiers:

- **Primark**
  During the year, Primark agreed to take an extended 8,400m² store at Trinity Leeds. We also made good progress on delivering the three Primark stores we agreed in the last financial year. A new 6,500m² store at The Centre, Livingston, opened in December. Works are underway on a 6,500m² store at Westwood Cross, Thanet, and a 5,550m² store at our Bridges shopping centre in Sunderland.

- **John Lewis Partnership**
  We worked with John Lewis to create the first of its new small format, full-line department stores, which is due to open in autumn 2012 in Exeter. The store will occupy all 11 floors of the Sidwell Street site, with selling space of 10,000m². In July 2011 we completed the 'at home' shop at the Greyhound Retail Park in Chester, and it opened in September 2011.

- **Debenhams**
  We concluded a letting for a 3,000m² store on the Ravenside Retail Park, in Chesterfield. The new store will replace the recently demolished Focus DIY unit and is expected to open in autumn 2012.

- **Marks & Spencer**
  We have agreed a letting to Marks & Spencer for a 4,855m² store in Bexhill Retail Park. The agreement is subject to planning and we are expecting a decision in June 2012.

Improving leisure and food and beverage provision:

- **Aberdeen**
  As well as refurbishing the Bon Accord Centre we have expanded and refurbished the food court which was pre-let to Yo! Sushi, Café Rouge, Pret A Manger and Di Maggio's, most of which are new occupiers for Aberdeen. Trading has been strong since opening in January 2012.

- **O2**
  We have completed new lettings to Rossopomodoro and Wagamama. Yo! Sushi will relocate to a new unit. Paperchase and Oliver Bonas will be opening new stores later this year.

Adding space:

- **Lakeside Retail Park**
  We started a 2,300m² extension, with two retailers – CSL and Mamas & Papas – committed to taking 1,800m² of the scheme.

- **Southside**
  We have started construction of 3,250m² of space of which 50% is pre-let to Wagamama, Rossopomodoro and Cattle Grid. We now have planning for a further 11,700m² comprising an anchor store, 10 units and a gym.

- **Chesterfield**
  We have achieved lettings for two additional units totalling 2,460m², to Hobbycraft and ASDA Living, subject to planning.

Retail Portfolio
properties over £50m

SCOTLAND

Aberdeen
1 ● Bon Accord Centre and St Nicholas Centre[1]*
Glasgow
2 ● 185-221 Buchanan Street■▲
3 ● Buchanan Galleries[2]*
Livingston
4 ● The Centre*
Dundee
5 ○ Kingsway West Retail Park▲
6 ● Overgate Shopping Centre*

NORTH, NORTH-WEST, YORKSHIRE AND HUMBERSIDE

Gateshead
7 ○ Retail World Team Valley Retail Park*
Sunderland
8 ● The Bridges*
Leeds
9 ● White Rose Centre*
10 ● Trinity Leeds*■
Chester
11 ○ Greyhound Retail Park▲

WALES AND SOUTH-WEST

Cardiff
12 ● St David's Shopping Centre[3]*
Bristol
13 ● Cabot Circus[4]*
Exeter
14 ● Princesshay*
Portsmouth
15 ● Gunwharf Quays*
Poole
16 ○ Poole Retail Park▲

SOUTH AND SOUTH-EAST

Hatfield
17 ● The Galleria▲
West Thurrock
18 ○ Lakeside Retail Park*
Thanet
19 ○ Westwood Cross *
Bexhill-on-Sea
20 ○ Bexhill Retail Park▲
Bracknell
21 ○ The Peel Centre▲

GREATER LONDON

22 ● The O2 Centre, Finchley*
23 ● Southside Centre, Wandsworth[5]▲
24 ● Lewisham Shopping Centre*
25 ● West 12 Shopping Centre▲

KEY

Shopping centre

Retail warehouse

NOTES

1. Part of Scottish Retail Property Limited Partnership
2. Part of Buchanan Partnership
3. Part of St David's Dewi Sant Partnership
4. Part of the Bristol Alliance
5. Part of Metro Shopping Fund LP

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

During the year we ended our Brand Empire agreement with Grupo Cortefiel, one of Spain's largest fashion retailers. Eight stores were closed resulting in closure costs of £2.7m. Established to help counter a flat leasing market in late 2009, Brand Empire was an innovative way to help overseas retailers access the UK market. Unfortunately, the Grupo Cortefiel brands were unable to establish themselves here. We structured our agreements on the basis that this may happen and acted quickly and decisively to close the operation. The Brand Empire initiative had been welcomed by the sector, and a number of valuable retailer relationships were formed as a result of interest in the scheme. We will apply the lessons learnt and continue to look for new ways to help retailers and increase lettings.

Development and planning

- **Trinity Leeds**
  Having secured pre-lettings of 40% before committing to build, we now have 65.4% pre-let and 6.6% in solicitors' hands, by income. Trinity Leeds is the only major new shopping centre under construction in the UK and is due to complete in March 2013. Confirmed occupants include Marks & Spencer, Primark, BHS, Next, Boots, Topshop/Topman, H&M, River Island, Cult and Hollister.

- **185-221 Buchanan Street, Glasgow**
  Work is on schedule and discussions with major retailers have proved successful. At March 2012 we had 91.8% pre-lettings in place, by income. The retail component of the scheme is due to open in March 2013. Only one unit remains available on Buchanan Street and two units are available on West Nile Street. Confirmed occupants include Forever21, Paperchase, Gap, Fat Face, Office, Skechers and Watches of Switzerland.

- **Meteor Centre, Derby**
  In April 2011 we received permission from Derby City Council for the creation of a new 9,300m^2 food store and the reconfiguration of existing units. This redevelopment scheme will help regenerate the existing retail park and improve shopping and services.

- **Bishop Centre, Taplow**
  In March 2012 we achieved a resolution to grant planning consent for redevelopment of the existing shopping centre. The new 12,260m^2 development could commence in early 2013. Tesco has already agreed to take 5,100m^2 of the space. The remaining space will be divided into 10-12 smaller retail and leisure units.

- **Whalebone Lane, Chadwell Heath**
  We have secured planning permission for a food store at the vacant B&Q building on Whalebone Lane. Since the year end this space has been pre-let to ASDA.

- **Crawley**
  Planning permission has been gained for a 7,000m^2 supermarket and a 110-bed hotel, together with 600m^2 of restaurant space. The main units have been pre-let to Morrisons and Travelodge. Subject to achieving vacant possession, development can start in late 2012.

Retail Portfolio looking ahead

Overall, the retail outlook remains challenging and property owners are having to take an even more active approach to asset management to create value. Continued uncertainty in capital markets would add to downward pressure on the sector, but it may also generate attractive buying opportunities. Whether market conditions worsen or we see a return to growth, the quality of our portfolio and our relationships will be increasingly important.

Every retail asset will be affected in some way. Many have the potential to thrive as new dynamics emerge. Retailers continue to be drawn to less expensive space that consistently trades well and asset managers will be required to continually review their assets' attraction to the shopper and the retailer. Larger destinations are likely to do better than the overall market because of the scale of their retail and leisure offer. We will continue to ensure every one of our assets has a clear plan with flexibility to adapt to market scenarios.

Consumer behaviour is changing, not just with the growth of leisure and online shopping, but also through social networking and mobile technology, which can provide information to consumers while they are shopping. This will create even greater distance between the winners and losers in our market, from retailers to locations and property assets. Our strategy is well matched to this evolution.

KEY OBJECTIVES FOR 2012/13 — CHART 30

- Outperform IPD sector benchmark
- Protect occupancy by dealing effectively with retailer administrations
- Progress development lettings at Trinity Leeds; 185-221 Buchanan Street, Glasgow; Taplow; Peterborough; Derby; and Selly Oak
- Achieve practical completion on time and to budget at Trinity Leeds and 185-221 Buchanan Street, Glasgow
- Commence out-of-town developments at Crawley, Taplow, Derby and Chadwell Heath
- Enter into a development agreement with Oxford City Council for Westgate Centre, Oxford
- Submit planning applications at Exeter and three new sites secured in our out-of-town pipeline

Retail Portfolio
development pipeline

2013

Trinity, *Leeds*

The only large scale UK retail shopping centre development scheme due to be delivered in 2013. Trinity Leeds is located in a prime position in a thriving city. The scheme is now 72% to let or in solicitors' hands. The project is due to complete in February 2013.

2013

185-221 Buchanan Street, *Glasgow*

The scheme provides 60 metres onto Buchanan Street in the heart of the Glasgow shopping district. Currently 92% pre-let and introducing Forever21 to Scotland, the scheme is due to open in March 2013.

2014

Meteor Centre, *Derby*

This 9,300m² food store and reconfiguration of existing units received planning permission in April 2011.

RETAIL DEVELOPMENT PIPELINE AT 31 MARCH 2012 — TABLE 31

Property	Description of use	Ownership interest %	Size m²	Planning status	Letting status %	Market value £m	Net income/ ERV £m	Estimated/ actual completion date	Total development costs to date £m	Forecast total development cost £m
Developments approved or in progress										
Trinity Leeds	Retail	100	75,900		64	250	29.1	Feb 2013	202	363
185-221 Buchanan Street, Glasgow	Retail	100	10,800		92	52	4.7	Mar 2013	33	63
	Residential		3,700							
Proposed developments										
Meteor Centre, Derby	Food store	100	14,400	PR	–	n/a	n/a	2014	n/a	n/a
Developments let and transferred or sold										
Garratt Lane, Wandsworth	Food store	Sold	16,510		n/a	n/a	n/a	n/a	n/a	n/a
	Leisure		5,670							
St David's 2, Cardiff[1]	Retail	50	89,900		88	222	14.8	Oct 2009	354	360

1. St David's 2, Cardiff excludes the residential costs and value following the transfer of this element to trading properties.

Where the property is not 100% owned, floor areas shown above represent the full scheme whereas all other figures represent our proportionate share. Letting % is measured by ERV and shows letting status at 31 March 2012. Trading property development schemes are excluded from the development pipeline.

Planning status for proposed developments
PR – Planning received

Total development cost
Total development cost refers to the book value of the land at the commencement of the project, the estimated capital expenditure required to develop the scheme from the start of the financial year in which the property is added to our development programme, together with capitalised interest, being the Group's borrowing costs associated with direct expenditure on the property under development. Interest is also capitalised on the purchase cost of land or property where it is acquired specifically for redevelopment. Of the properties in the development pipeline at 31 March 2012, interest was capitalised on the land cost at Trinity Leeds and 185-221 Buchanan Street, Glasgow. The figures for total development costs include expenditure on the residential elements of 185-221 Buchanan Street, Glasgow (£11.7m).

Net income/ERV
Net income/ERV represents net headline annual rent on let units plus ERV at 31 March 2012 on unlet units.

London Portfolio
review of the year

"We have maintained momentum in a demanding environment. Sales and lettings were above valuation, voids are down and our weighted average unexpired lease term has increased. We continued to reduce risk at major development schemes, crystallised value and created new opportunities through planning success."

Highlights

- Valuation surplus of 3.9%
- £623.8m of sales – 3.8% ahead of March 2011 valuation
- £24.5m of investment lettings – 12.2% ahead of ERV
- Like-for-like voids down from 3.8% to 2.5%
- Longer weighted average unexpired lease term on the like-for-like portfolio, completed developments and acquisitions of 9.9 years (31 March 2011: 8.9 years)
- 20 Fenchurch Street, EC3 development committed (in partnership with Canary Wharf Group)
- Planning permission received at 1 & 2 New Ludgate, EC4, Kingsgate House, SW1 and 1 New Street Square, EC4
- Joint venture partnership formed at Victoria Circle, SW1 with Canada Pension Plan Investment Board

How we create value

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

- Developing assets early in the cycle to maximise returns
- Acting decisively to crystallise value and recycle capital
- Creating high quality products that meet customers' changing needs
- Being inventive and energetic in the way we manage our assets
- Establishing partnerships to deliver and de-risk major developments

Progress against our objectives for 2011/12

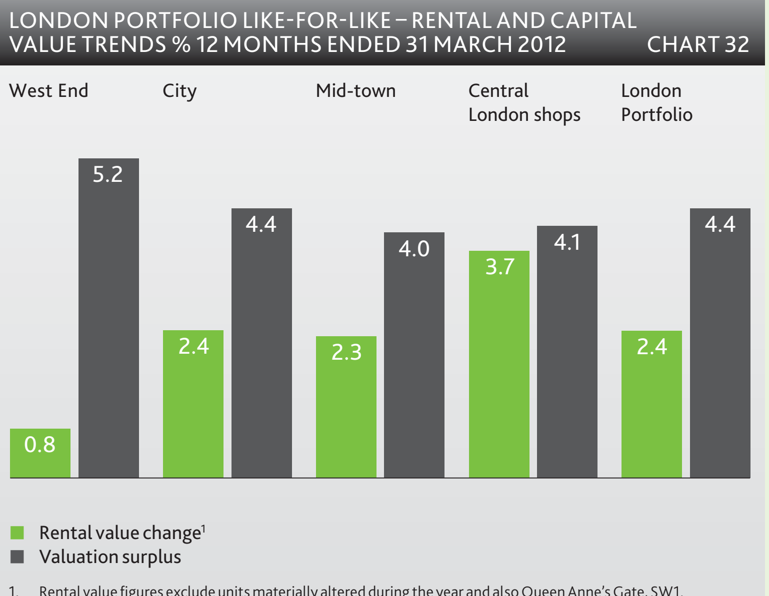
OBJECTIVE	PROGRESS
Outperform IPD	– The London portfolio underperformed its IPD sector benchmark by 2.5%.
Obtain planning consent and start on site at 30 Old Bailey and 60 Ludgate Hill, EC4 (now called 1&2 New Ludgate)	– Consent obtained and demolition completed; construction will start to time completion to suit market conditions.
Complete office lettings at One New Change, EC4	– The office element of the scheme was 83.0% let at 31 March 2012.
Progress on time and to budget at 62 Buckingham Gate, SW1; 123 Victoria Street, SW1; Wellington House, SW1; 20 Fenchurch Street, EC3; 40 Strand, WC2; and 110 Cannon Street, EC4	– All of these schemes have progressed on or ahead of time and within budget. 110 Cannon Street, EC4 was sold in the year, crystallising value early.
Secure a joint venture partner for Victoria Circle, SW1	– 50:50 partnership with Canada Pension Plan Investment Board formed in February 2012.
Complete detailed design at Arundel Great Court, WC2	– Design and negotiations with occupiers both completed. Site prepared for demolition and subsequently sold.

10.2 years
Like-for-like London offices weighted average unexpired lease term, up from 8.7 years at March 2011.

£24.5m
of investment lettings in the year.

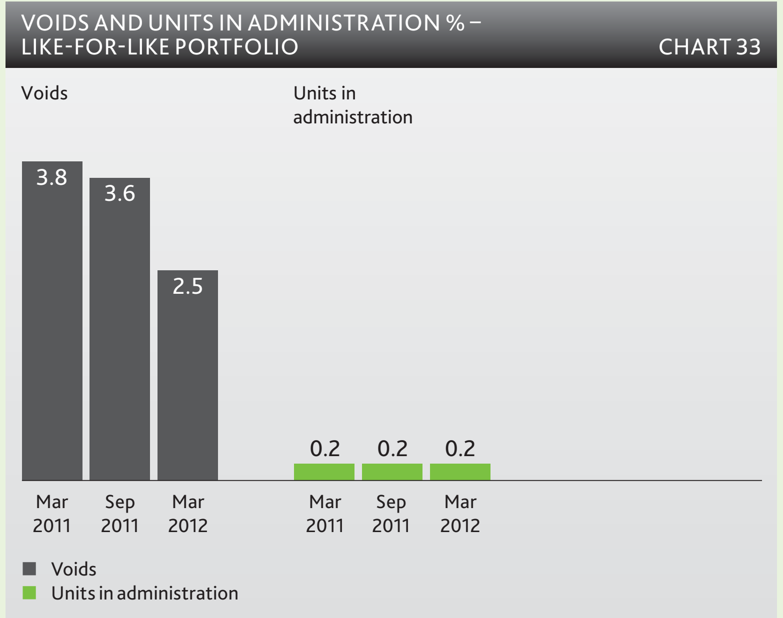
3.9%
valuation surplus for the year.

LONDON PORTFOLIO LIKE-FOR-LIKE – RENTAL AND CAPITAL VALUE TRENDS % 12 MONTHS ENDED 31 MARCH 2012 — CHART 32

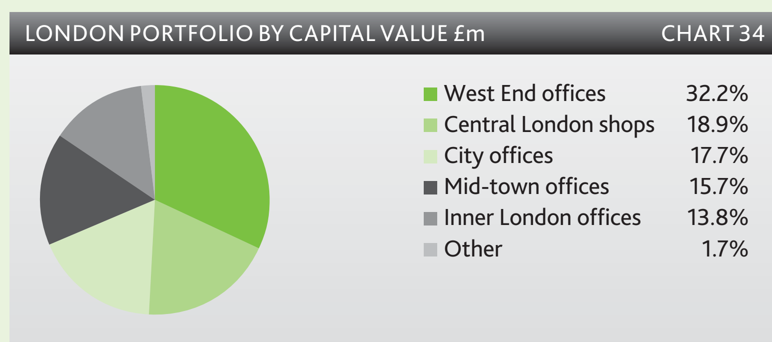


1. Rental value figures exclude units materially altered during the year and also Queen Anne's Gate, SW1.

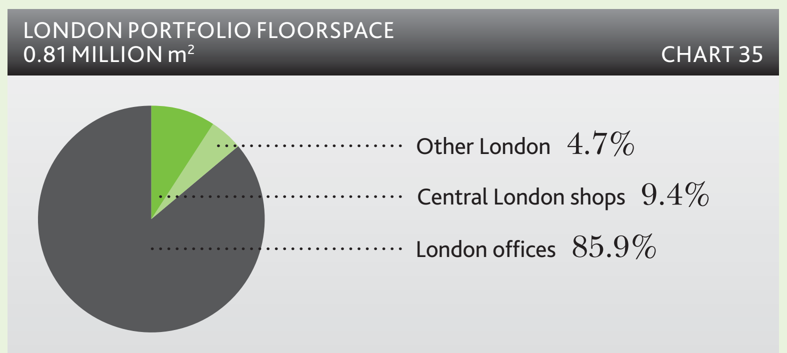
VOIDS AND UNITS IN ADMINISTRATION % – LIKE-FOR-LIKE PORTFOLIO — CHART 33



LONDON PORTFOLIO BY CAPITAL VALUE £m — CHART 34



LONDON PORTFOLIO FLOORSPACE 0.81 MILLION m² — CHART 35



LONDON PORTFOLIO – TENANT DIVERSIFICATION GROUP INCOME — CHART 36

Central London shops 7.5%
Top 10 office tenants 19.1%
Other office tenants 21.2%
Retail Portfolio 52.2%

TOP 10 OFFICE TENANTS (% OF RENT) — TABLE 37

	% of Group rent
Central Government	5.9
Royal Bank of Scotland	2.6
Deloitte	2.6
Bank of New York Mellon	1.5
Taylor Wessing	1.4
K&L Gates	1.2
Metropolitan Police	1.1
Redbus Interhouse	1.0
EDF Energy	1.0
Microsoft	0.9
	19.2
Office other	21.1
Total (all office tenants)	**40.3**

Our market

We started 2011/12 expecting to see a limited supply of new office space coming onto the market, with demand around average levels. We ended the year with both supply and demand at lower levels than those forecast.

On the demand side, wider economic uncertainty impacted confidence and, in turn, requirements for space. Some occupiers requiring new accommodation chose to delay their moves. On the supply side, many developers found it difficult to raise the capital needed to advance developments. Others remained wary of making investments. Local Authority spending cuts and localism have also added complexity to the planning process in London.

Meanwhile, London's qualities as a leading financial and commercial centre continued to attract investors from around the world. As a result, the property investment market remained liquid throughout the year.

We remain consistent in our view that supply-constrained conditions will lead to rental growth, although these conditions are taking longer to emerge. The supply of prime office space will be significantly limited by the hiatus in the development market and we expect demand for the right space in the right location to increase as pent up demand is released. Our portfolio is positioned to take advantage of this.

Our strategy

Our priorities are to develop first class space in central London and strengthen income streams through rigorous asset management. We are working to maximise returns as we move through the cycle. As early-cycle developers, we gain the benefits of competitive construction costs and rising rental values. We are progressing a well timed and well managed development programme. We have a clear plan for every asset. And we do not hesitate to realise and recycle the value in an asset if a more attractive opportunity appears.

Our performance

The London Portfolio, valued at £5,579m at 31 March 2012, produced a valuation surplus for the year of 3.9%. West End offices were up 4.9%; City offices were up 4.3%; and central London retail up 2.3%. Included within these figures are properties within the development programme, with a surplus of 7.7%, while proposed developments fell in value by 15.9%.

The Portfolio produced an ungeared total property return of 9.2%, although this underperformed the sector benchmark (central London) in the IPD Quarterly Universe by 2.5%. The underperformance reflected our exposure to the Victoria market and the actions we are taking to transform this part of the West End. We are confident our actions will prove fruitful. Offices underperformed the benchmark by 2.0%, while our central London retail properties underperformed the benchmark by 5.0% after strong outperformance of 10.3% last year.

Rental values in our like-for-like portfolio (excluding units materially altered during the year and Queen Anne's Gate, SW1) increased by 2.5%, made up of 0.8% for West End offices, 2.4% for City offices, 2.3% for Mid-town offices and 3.7% for central London retail. Like-for-like voids were 2.5%, compared to 3.8% at March 2011. Void levels on the like-for-like London retail assets were 1.4% (2011: 5.0%) and London offices were 2.8% (2011: 3.3%).

NET RENTAL INCOME — TABLE 38

	31 March 2012 £m	31 March 2011 £m	Change £m
Like-for-like investment properties	228.3	228.3	–
Proposed developments	9.4	9.4	–
Development programme	17.8	2.3	15.5
Completed developments	6.4	4.7	1.7
Acquisitions since 1 April 2010	–	–	–
Sales since 1 April 2010	22.4	33.5	(11.1)
Non-property related income	4.7	3.0	1.7
Net rental income	**289.0**	**281.2**	**7.8**

Net rental income increased by £7.8m to £289.0m. Overall, like-for-like investment properties showed no growth in net rental income as a large surrender receipt of £4.8m was offset by lower income from properties being refurbished. The development programme saw net rental income increase £15.5m over last year, driven by £14.1m of net rental income at One New Change, EC4 following completion in October 2010. Income from properties sold in the last two years declined by £11.1m. Properties sold this year, which included Eland House, SW1 and 110 Cannon Street, EC4, contributed net rental income of £22.4m of which £3.2m related to the release of dilapidation provisions. The loss of rental income from properties sold this year is likely to lead to lower net rental income next year in the London Portfolio.

Sales and acquisitions

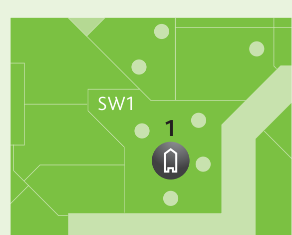
During the year we made £623.8m of sales, at 3.8% above the March 2011 valuation. The majority of these sales were made in the final quarter of the year. The net yield on disposals was 3.7%. We spent £211.9m on capital expenditure and acquisitions. We maintained a disciplined approach to buying, preferring to focus on investment in developments as we believe this remains the best way to capture rental growth in current conditions. Transactions included:

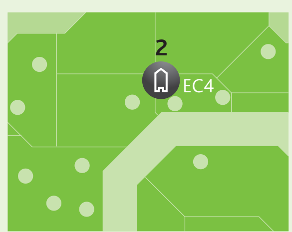
- **Eland House, SW1**
  This was an ageing 23,500m^2 building occupied by a single government tenant at risk of exercising their option to break the lease in 2016. We have a growing portfolio of new assets in the area, so we opted to sell the building during the year, generating £171.1m.

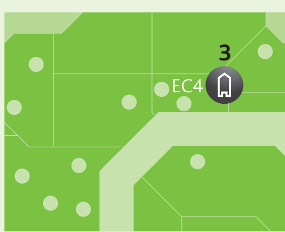
- **110 Cannon Street and Martin House, EC4**
  These buildings were at the preliminary stages of a major 6,810m^2 refurbishment. The sale raised £48.5m, crystallising early virtually all of our anticipated development surplus.

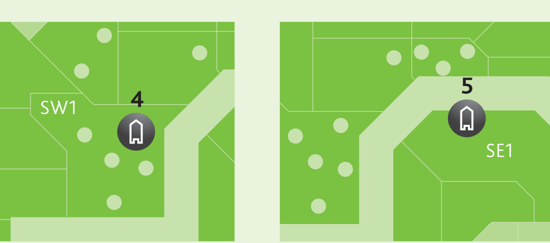
- **City Forum, EC1**
  We sold this proposed residential development for £40.8m early in the year, in keeping with our focus on development within our core geographical market.

London Portfolio
top 5 properties









1 – Cardinal Place, *SW1*

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

Principal occupiers
Microsoft, Wellington Management, M&S.
Acquisition date
1969
Completion
January 2006
Form of ownership
Freehold
Ownership interest
100%
Area
60,300m^2
Annualised net rent
£37m
Let by income
97%

2 – New Street Square, *EC4*

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

Principal occupiers
Deloitte, Taylor Wessing, Speechly Bircham.
Acquisition date
1958
Completion
May 2008
Form of ownership
Leasehold
Ownership interest
100%
Area
64,700m^2
Annualised net rent
£31m
Let by income
96%

3 – One New Change, *EC4*

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

Principal occupiers
K&L Gates, CME, H&M, M&S, TopShop.
Acquisition date
2000
Completion
October 2010
Form of ownership
Leasehold
Ownership interest
100%
Area
52,300m^2
Annualised net rent
£17m
Let by income
88%

4 – Queen Anne's Gate, *SW1*

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

Principal occupier
Central Government.
Acquisition date
1959
Completion
May 2008
Form of ownership
Freehold
Ownership interest
100%
Area
32,800m^2
Annualised net rent
£28m
Let by income
100%

5 – Bankside 2 & 3, *SE1*

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

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

- **15 Bonhill Street, EC2**
  Having completed our business plan for the asset, we sold this 10,220m² office building for £33.1m in January 2012.

- **Victoria Circle, SW1**
  As part of our site assembly of Victoria Circle, we acquired two buildings for a total of £15.2m – one at 166-172 Victoria Street, SW1; the other at 81-85 Buckingham Palace Road, SW1. Having completed the assembly we then transferred the entire Victoria Circle holding to a new 50:50 joint venture with Canada Pension Plan Investment Board.

- **Arundel Great Court, WC2**
  We have signalled that we will not carry out all our development prospects ourselves and choices have to be made. Having prepared this site for a proposed 61,700m² development we elected to sell it for a total consideration of £245.5m. From this price we believe other schemes within our pipeline will make more attractive returns.

Asset management

We continue to look for smart ways to lengthen and strengthen our income streams. During the year we let or restructured more than 87,800m² of space. New lettings were completed on average at 12.2% above ERV. We restructured a number of leases due for renewal this year, and our weighted average unexpired lease term increased on the like-for-like portfolio, completed developments and acquisitions to 9.9 years (31 March 2011: 8.9 years).

Key activity during the year included:

- **Moorgate Hall, EC2**
  Mace Group has taken all of the office space for its new headquarters under a 15-year lease. Mace will complete a phased move into the 6,220m² building by 2013, as other occupiers leave.

- **Harbour Exchange, E14**
  Telecity has more than doubled its space to 24,280m² in a 30-year deal. British American Tobacco plc has agreed a ten-year lease on 5,440m², having exited 2,410m² at Arundel Great Court, WC2, ahead of our proposed redevelopment there.

- **Oxford Street, W1**
  Our Oriana joint venture completed the development and letting of a new 13,650m² store to Primark, which is expected to open this autumn.

- **40 Strand, WC2**
  Refurbishment of the 8,850m² office space was completed in March 2012 and the new 15-year lease to Bain & Co is now in place.

- **14/22 Southwark Bridge Road, SE1**
  In return for some minor refurbishment expenditure, we entered into a new 15-year lease for 5,190m² with Motability, who previously occupied under a lease expiring in December 2012.

- **16 Palace Street, SW1**
  In return for a surrender of 1,910m² of space, we have restructured leases over 3,740m² with 3i to expire in 2025 rather than in 2020. We received a premium from 3i which more than covers the cost of refurbishment of the surrendered space. Once refurbished we will re-let this space.

Development

We have made excellent progress on our development pipeline and increased our focus on the West End. Our work in Victoria, SW1, is set to transform the area into one of central London's most desirable places to work, live, shop and invest.

Key activity in the year included:

- **One New Change, EC4**
  On opening in October 2010, the retail element of this development was 100% let and the offices are now 86% let. During the year, CBRE Global Investors Ltd and SMBC Nikko Capital Markets Ltd took space in the building.

- **123 Victoria Street, SW1**
  The refurbishment of 21,110m² of office and retail space is progressing well and on schedule to complete in August 2012, a slightly revised timetable following a transaction with Natwest Bank which will enable us to improve the office reception area. Fashion retailer Jimmy Choo has pre-let 3,440m² on a 10-year lease, which it intends to use for its office headquarters.

- **Wellington House, SW1**
  We have now pre-sold all 59 of the residential apartments for a total of £90.4m at an average selling price of £1,426 per sq ft. The scheme is on schedule to complete in July 2012.

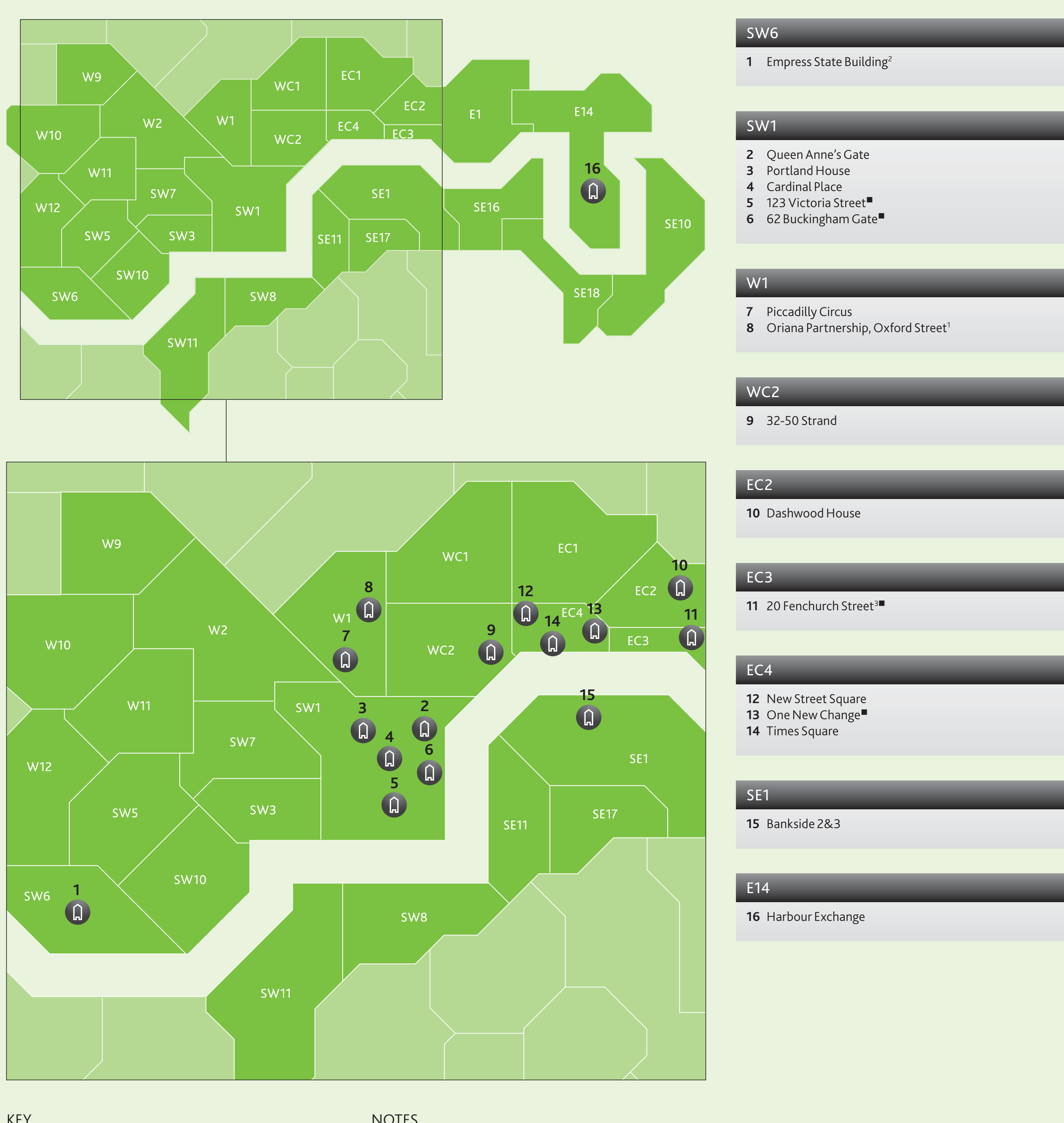
- **62 Buckingham Gate, SW1**
  Construction is well underway on the 24,160m² of office accommodation and 1,450m² of retail this development will bring to the heart of Victoria. The scheme is on time and to budget for delivery in spring 2013.

- **20 Fenchurch Street, EC3**
  We are working with our joint venture partner, Canary Wharf Group, to deliver this world class 64,460m² office building in spring 2014. We expect this to be the first of the next generation of tall City developments to complete. Early interest is very encouraging and 8.0% is in solicitors' hands.

With a number of schemes, we have secured planning and can be flexible on timing to match market conditions while working to maximise income. These include:

- **1 & 2 New Ludgate, EC4**
  This mixed-use 35,050m² development of high quality office, restaurant and retail accommodation will replace two 1960s properties. Demolition work has been completed. Construction will take approximately 22 months to complete from instruction. We will time our start point to ensure we deliver the scheme at the right point in the cycle.

London Portfolio
properties over £100m



SW6
1 Empress State Building[2]

SW1
2 Queen Anne's Gate
3 Portland House
4 Cardinal Place
5 123 Victoria Street■
6 62 Buckingham Gate■

W1
7 Piccadilly Circus
8 Oriana Partnership, Oxford Street[1]

WC2
9 32-50 Strand

EC2
10 Dashwood House

EC3
11 20 Fenchurch Street[3]■

EC4
12 New Street Square
13 One New Change■
14 Times Square

SE1
15 Bankside 2&3

E14
16 Harbour Exchange

KEY

Property location

NOTES

1. Part of the Oriana Limited Partnership
2. Part of the Empress State Limited Partnership
3. Part of the 20 Fenchurch Street Limited Partnership

■ In development pipeline

- **Kingsgate House, SW1**
  Westminster City Council has granted planning consent for our plans to redevelop this building into Grade A office space, retail units and 100 prime residential apartments, totalling 31,980m². Two new buildings will replace the existing office block. The public realm will be extended to include an attractive courtyard bordered by new shops and restaurants. Demolition has started since the year end and at this stage we have committed to complete the substructure and build to ground floor level to give us maximum flexibility. The earliest date for completion of the scheme is April 2015.

- **1 New Street Square, EC4**
  Planning consent has been granted by the City Corporation for a 23,670m² office and retail development. The new development will replace three existing buildings with one dramatic building. The existing buildings are leased, in the main, until December 2012.

- **Victoria Circle, SW1**
  In February 2012 we formed the Victoria Circle Limited Partnership, a 50:50 joint venture with Canada Pension Plan Investment Board, to own and develop Victoria Circle. The proposed development will comprise five new buildings occupying an island site opposite Victoria station. When complete, the full scheme will provide a spectacular 84,670m² mix of residential, office, retail and public amenity space.

Other development projects in the course of design include:

- **20 Eastbourne Terrace, W2**
  We continue to work on plans for the 7,700m² final phase of this regeneration project. Proposed Crossrail station works in the Paddington area are likely to impact the timing of this scheme.

- **Portland House, SW1**
  We are making good progress with our plans for the remodelling and conversion of this 29,490m² office tower into residential apartments and aim to submit a planning application to Westminster City Council in the coming financial year.

- **Oxford House, W1**
  We aim to submit a planning application for the redevelopment of this 1960s building, located opposite the proposed western entrance to Tottenham Court Road Crossrail station, into new retail and residential space.

Looking ahead

We continue to see an imbalance between supply and demand for high quality space in the medium term. Supply-constrained conditions are emerging slower than we expected this time last year, but we expect them to remain for longer as forecasts for the supply of new office developments were cut substantially during the year. A significant proportion of existing stock is unsuitable for the contemporary needs of occupiers and there is a higher than normal level of lease expiries due from 2013. This combination of factors will mean companies with office requirements will find they have less choice.

To put this in context, long-term average take-up of Grade A space in central London is 585,000m² per annum. The take-up in 2011 was 510,950m². The combination of current Grade A vacancy and forecast development completions which are not pre-let will only provide in the region of 370,000m² per year in 2012, 2013 and 2014. Tall building developments in the City continue to attract media attention, but the current development commitments will make only a modest contribution to total floorspace.

Central London's residential and retail markets remain strong. London is the only city in Europe that can claim to meet the prerequisites for a truly global city – high quality of life; exceptional business infrastructure; a strong talent pool; excellent access to markets; good communication links; and a clear and reliable legislative framework. Uncertainty elsewhere serves to underline London's enduring strength as one of the world's most dynamic and successful cities.

Against this background, we will build on the advantages gained through re-starting developments in London first. We have an attractive mix of high quality assets with strong revenue streams. We have a clear plan for every asset and a pipeline of projects that will add significant floor space through development. We are well positioned.

KEY OBJECTIVES FOR 2012/13 — **CHART 39**

- Outperform IPD sector benchmark
- Progress development lettings at One New Change, EC4, 123 Victoria Street, SW1, 62 Buckingham Gate, SW1 and 20 Fenchurch Street, EC3
- Practical completion on time and to budget at Wellington House, SW1 and 123 Victoria Street, SW1
- Progress on time and to budget at 62 Buckingham Gate, SW1 and 20 Fenchurch Street, EC3
- Demolition of Kingsgate House, SW1 and commencement of demolition at Victoria Circle, SW1
- Submission of planning applications at Portland House, SW1 and Oxford House, W1

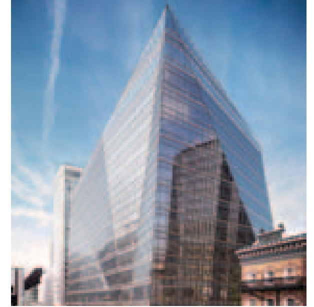
London Portfolio
development pipeline

2012

123 Victoria Street, *SW1*

Providing 21,110m^2 of office and retail space, this major refurbishment is progressing well and to budget and due to complete in August 2012. Fashion retailer Jimmy Choo has pre-let 3,440m^2 of the space for use as its headquarters.

2013



62 Buckingham Gate, *SW1*

Construction is well underway on the 24,160m^2 of office accommodation and 1,450m^2 of retail space this development will bring to the heart of Victoria. Due to complete in May 2013.

2014

20 Fenchurch Street, *EC3*

Due to be delivered in April 2014, this 64,460m^2 office building will create a new landmark for London and already has 8% of the office space in solicitors' hands. The scheme is being delivered in a joint venture with Canary Wharf Group.

2014

1&2 New Ludgate, *EC4*

Formerly 30 Old Bailey and 60 Ludgate Hill, this 35,050m^2 office space will replace two 1960s properties. Demolition is complete and construction will be timed to deliver the scheme at the right point in the cycle.

2015

Kingsgate House, *SW1*

Planning consent has been received for 31,980m^2 of office space, retail units and 100 prime residential apartments. Demolition is underway and the earliest date for completion is April 2015.

LONDON DEVELOPMENT PIPELINE AT 31 MARCH 2012 — TABLE 40

Property	Description of use	Ownership interest %	Size m^2	Planning status	Letting status %	Market value £m	Net income/ ERV £m	Estimated/ actual completion date	Total development costs to date £m	Forecast total development cost £m
Developments after practical completion										
One New Change, EC4	Office	100	31,740		83	480	28.4	Oct 2010	531	531
	Retail		20,630		97					
Developments approved or in progress										
123 Victoria Street, SW1*	Office	100	18,490		21	160	13.1	Aug 2012	132	155
	Retail		2,620		96					
62 Buckingham Gate, SW1	Office	100	24,160		–	144	17.2	May 2013	104	178
	Retail		1,450		–					
20 Fenchurch Street, EC3	Office	50	63,240		–	102	21.1	Apr 2014	88	242
	Retail		1,220		–					
Proposed developments										
1 & 2 New Ludgate, EC4	Office	100	32,400	PR	–	n/a	n/a	2014	n/a	n/a
	Retail		2,650		–					
Kingsgate House, SW1	Office	100	17,540	PR	–	n/a	n/a	2015	n/a	n/a
	Retail		4,230		–					
	Residential		10,210		–					

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

Property	Description of use	Ownership interest %	Size m^2	Planning status	Letting status %	Market value £m	Net income/ ERV £m	Estimated/ actual completion date	Total development costs to date £m	Forecast total development cost £m
Developments let and transferred or sold										
110 Cannon Street, EC4	Office	sold	6,660		n/a	n/a	n/a	n/a	n/a	n/a
	Retail		150							

Where the property is not 100% owned, floor areas shown above represent the full scheme whereas all other figures represent our proportionate share. Letting % is measured by ERV and shows letting status at 31 March 2012. Trading property development schemes (e.g. Wellington House, SW1) are excluded from the development pipeline.

Planning status for proposed developments
PR – Planning received

Net income/ERV
Net income/ERV represents net headline annual rent on let units plus ERV at 31 March 2012 on unlet units.

Total development cost
Total development cost refers to the book value of the land at the commencement of the project, the estimated capital expenditure required to develop the scheme from the start of the financial year in which the property is added to our development programme, together with capitalised interest, being the Group's borrowing costs associated with direct expenditure on the property under development. Interest is also capitalised on the purchase cost of land or property where it is acquired specifically for redevelopment. Of the properties in the development pipeline at 31 March 2012, the only property on which interest was capitalised on the land cost was One New Change, EC4.

Board of Directors

1 – Alison Carnwath (59), *Chairman of the Board*

Member of the Remuneration Committee and Chairman of the Nominations Committee

Alison was appointed to the Board in September 2004 and became Chairman in November 2008. She is Chairman of the Nominations Committee and is also a member of the Remuneration Committee. Alison worked in investment banking and corporate finance for 20 years, before pursuing a portfolio career. During her career, Alison became the first female Director of J. Henry Schroder Wagg & Co, where she worked for 10 years. Alison also held the positions of a Senior Partner of Phoenix Securities and Managing Director, New York at Donaldson, Lufkin & Jenrette. She has served as a Non-executive Director of Friends Provident plc, Gallaher Group plc and Glas Cymru Cyfyngedig (Welsh Water).

She has some 30 years' experience in international finance and investment banking and has wide Board level experience. Alison is currently a Non-executive Director at Man Group plc, Barclays plc, Zurich Insurance Group Ltd and Paccar Inc, a Fortune 500 company.

2 – Robert Noel (48), *Chief Executive*

Robert was appointed to the Board in January 2010 as Managing Director, London Portfolio and became Chief Executive on 1 April 2012. A chartered surveyor and graduate of the University of Reading, Robert was previously Property Director at Great Portland Estates plc between August 2002 and September 2009. Prior to that, he was a director at property services group Nelson Bakewell.

Robert is a trustee of the property industry charity, Landaid and former positions include being a director of the New West End Company, the Central London Business Improvement District and Chairman of the Westminster Property Association. Robert brings over 20 years' experience in a number of sectors within the property market to his new role and has an outstanding track record in the London property market.

3 – Martin Greenslade (47), *Chief Financial Officer*

Martin joined the Group as Chief Financial Officer in September 2005. A chartered accountant, having trained with Coopers & Lybrand, Martin was previously Group Finance Director of Alvis plc. He has also worked in corporate finance having served as a member of the executive committee of Nordea's investment banking division and Managing Director of its UK business. Martin is a director of International Justice Mission UK. Martin brings financial and accounting expertise from the property, engineering and financial sectors in the UK and overseas.

4 – Richard Akers (50), *Executive Director*

Richard joined the Board in May 2005, following his appointment as Managing Director, Retail Portfolio in July 2004. A chartered surveyor, Richard joined the Group in 1995 and previously held the position of Head of Retail Portfolio Management. Prior to joining the Group, Richard worked in retail development for AMEC Developments and prior to that, ARC Properties.

Richard brings more than 25 years' experience of the retail property industry to his role and is a regular author and panellist on industry matters. He is a former President of the British Council of Shopping Centres (BCSC), the main industry body for retail property owners, and has recently become a Non-executive Director of Barratt Developments PLC.

5 – Kevin O'Byrne (47), *Senior Independent Director*

Chairman of the Audit Committee and member of the Nominations Committee

Kevin was appointed to the Board as a Non-executive Director in April 2008. Kevin is a chartered accountant who trained with Arthur Andersen and has been the Group Finance Director of Kingfisher plc since 2008. He has recently been appointed Kingfisher Divisional CEO, B&Q, responsible for Group businesses in the UK, China, Turkey and Germany.

His previous roles included Group Finance Director of Dixons Retail Plc, and European Finance Director for The Quaker Oats Company. Kevin brings experience of international retail and finance matters to Board discussions.

6 – Sir Stuart Rose (63), *Non-executive Director*

Member of the Remuneration Committee

Sir Stuart joined the Board as a Non-executive Director in May 2003 and is a member of the Remuneration Committee. His extensive retail experience includes the positions of Chief Executive and then Chairman of Marks & Spencer Group plc from 2004 until 2010, Chief Executive of Arcadia Group from 2000 until December 2002 and Chief Executive of Booker PLC from 1998 until 2000. He is a Non-executive Director of Woolworths Holdings South Africa, is on the advisory board of Bridgepoint Capital and was Chairman of Business in the Community from 2008-2010. Sir Stuart commenced his career in the retail industry in 1972 and has a wealth of international management experience in the sector, being knighted in 2007 for services to the retail industry and corporate social responsibility.

7 – Simon Palley (54), *Non-executive Director*

Member of the Remuneration Committee

Simon was appointed to the Board as a Non-executive Director in August 2010 and will become Chairman of the Remuneration Committee on 1 October 2012. A senior figure within the private equity industry, Simon is Chairman of the private equity firm Centerbridge Partners Europe and a trustee of the University of Pennsylvania and The Tate Foundation.

8 – David Rough (61), *Non-executive Director*

Chairman of the Remuneration Committee and member of the Audit Committee

David joined the Board as a Non-executive Director in April 2002 and was Senior Independent Director from November 2003 to March 2012. David was Group Director (Investments) of Legal & General Group Plc until December 2001, and during that time also served as the Chairman of the Association of British Insurers' Investment Committee.

David is the Senior Independent Director and Deputy Chairman of Xstrata Group PLC and a Non-executive Director of the London Metal Exchange. He is a Non-executive Director of Brown, Shipley & Co. Ltd, the private bank. He has many years' experience as a Non-executive Director in the investment, property, finance and mining industries.

9 – Chris Bartram (63), *Non-executive Director*

Member of the Audit and Nominations Committee

Chris was appointed to the Board as a Non-executive Director in August 2009. Chris is Chairman of Orchard Street Investment Management LLP, a specialist UK commercial property investment manager. He is a chartered surveyor and a Non-executive Director of the Crown Estate and a Wilkins Fellow of Downing College, Cambridge.

He has previously served as Managing Director of Haslemere NV, Chairman of Jones Lang Wootton Fund management, President of the British Property Federation and Chairman of the Bank of England Property Forum. Chris has many years' experience in commercial property in the UK and abroad, and in particular in the property investment management industry.

10 – Stacey Rauch (54), *Non-executive Director*

Member of the Audit Committee

Stacey is a Director Emeritus of McKinsey & Company where she served clients in the US and internationally for 24 years. Whilst there she co-founded the New Jersey office and was the first woman to be appointed as an industry practice leader. She was a leader in the firm's Retail and Consumer Goods Practices, served as the head of the North American Retail and Apparel Practice and acted as the Global Retail Practice convener. She retired from McKinsey & Company in September 2010.

Her career with McKinsey saw her consult to a wide range of retailers, apparel wholesalers and consumer goods manufacturers. She is currently a Non-executive Director of Ann Inc, (a listed American women's speciality apparel retailer) and the Tops Holding Corporation, (the parent company of Tops Markets LLC, a US grocery retailer) and was recently appointed as a Non-executive Director of the Fiesta Restaurant Group which is listed on NASDAQ. She brings extensive international experience of retailing and wider business experience to the Board.

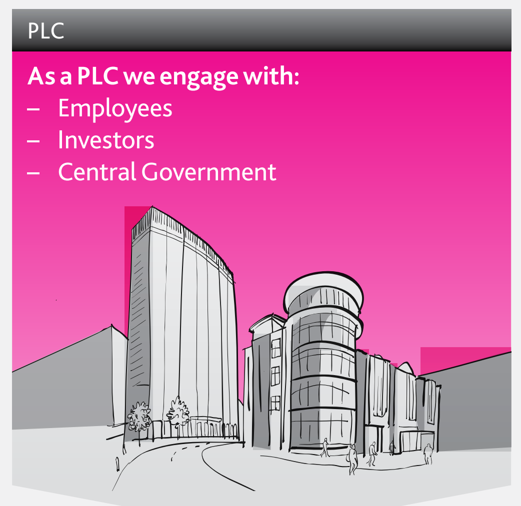
Corporate Responsibility
Strategy

For more information on our approach, please see our Corporate Responsibility Report 2012 online at www.landsecurities.co.uk/responsibility

On a day-to-day basis you may engage with us as a...

PLC

As a PLC we engage with:
- Employees
- Investors
- Central Government



PROPERTY DEVELOPER

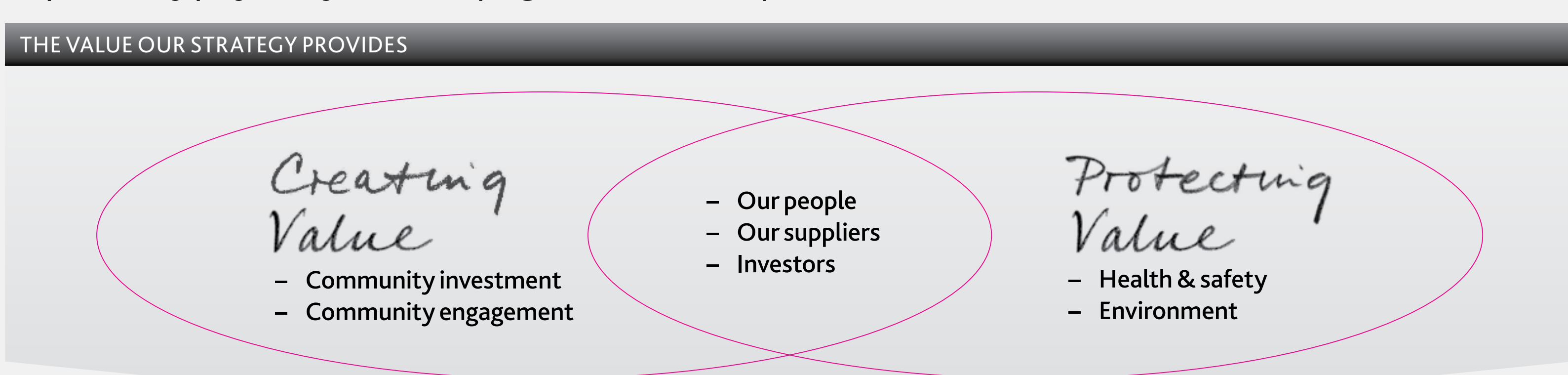
As a Property Developer we engage with:
- Suppliers
- Communities
- Local Authorities

ASSET MANAGER

As an Asset Manager we engage with:
- Customers
- Consumers
- Communities

Our strategy is simple – to be at the forefront of delivering quality space for our customers and providing an attractive total return for shareholders. We do this in a number of ways, and corporate responsibility plays a key role in helping us to create and protect value.

THE VALUE OUR STRATEGY PROVIDES



By acting responsibly and having a forward-looking perspective, we are able to deliver…

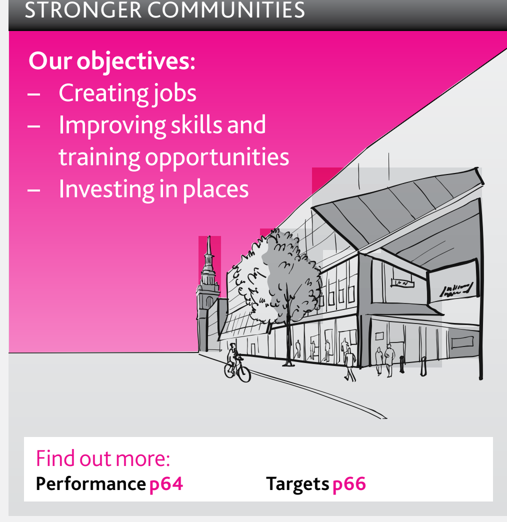
SUSTAINABLE BUSINESS

Our objectives:
- Developer of choice
- Supplier of choice
- Employer of choice

Find out more:
Performance p64 **Targets** p66

STRONGER COMMUNITIES

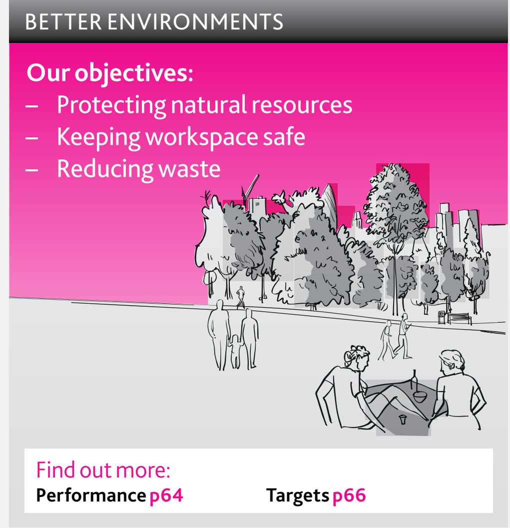
Our objectives:
- Creating jobs
- Improving skills and training opportunities
- Investing in places



Find out more:
Performance p64 **Targets** p66

BETTER ENVIRONMENTS

Our objectives:
- Protecting natural resources
- Keeping workspace safe
- Reducing waste



Find out more:
Performance p64 **Targets** p66

Report

Here, we discuss our evolving approach to CR in three key areas – sustainable business, stronger communities and better environments.

"At Land Securities CR is first and foremost about making the company strong and successful. We do this by working in the smartest way possible to meet the needs and expectations of everyone affected by what we do. We are not interested in box-ticking exercises or competitive CR. This is about making a real difference in the real world."

Robert Noel, Chief Executive

In simple terms, good CR can add value to bricks and mortar. By giving proper thought to how we do things, we can generate benefits for everyone. This gets to the heart of what good CR is all about for us – mutual advantage. We want to be the employer of choice in property, so we attract and retain the best people. We want to be the developer of choice for Local Authorities and communities, so they choose us to develop and manage property in their area. We want to be the supplier of choice for occupiers, with retail, office and residential tenants preferring to spend time in our properties. These points of difference combine to help make us the investment of choice for shareholders.

In this section we describe in more detail our approach. We also outline the targets we have set in each area, and report on how we performed during the year. For us, CR targets are a practical tool that we can use to influence long-term behaviour. We want targets to help us change the way we operate for the better, not simply provide 'easy wins' that look good on paper.

Our stakeholders

We work with many different groups of people. We describe them here along with some notes on how we discover and meet the specific needs of each group.

- **Employees**
  We encourage our people to reach their maximum potential. Our annual Employee Engagement Survey gives everyone a chance to let management know our employees' thoughts. We also have an 'Exchange Forum' in which elected representatives discuss key issues with members of the Senior Management Board.

- **Customers (retailers and office space tenants)**
  Every one of our customers has their own Land Securities contact. To help us become better landlords, each year we conduct customer satisfaction surveys among our shopping centre and office customers. Four times a year we hold occupier review meetings in our shopping centres and across our London offices.

- **Suppliers and service partners**
  We have regular meetings with the contractors and other partners who help us construct and run our buildings. Our current focus is on their training and employment policies. We want to make sure they do what they can to support our aim of providing specialist skills-training and job opportunities to local unemployed people.

- **Investors**
  Naturally, our investors seek competitive returns. But they also want assurance that they are investing in a sustainable, well-governed business. To ensure their voice is heard, we commission an independent investor survey every two years.

- **Communities**
  Our properties play an important role in many communities. We plan for their local needs by consulting with residents, community groups and businesses. We also encourage our staff to get involved through charitable donations and payroll-giving. Putting our scale to good use, each year we support one national charity across our UK shopping centre portfolio. We also encourage each shopping centre to support one or two local charities that are close to and active in the local population.

- **Local Authorities**
  No two communities are the same. So we build partnerships with decision-makers, economic development teams and planning departments to identify local priorities.

- **Central government, regulators, trade bodies and NGOs**
  We liaise with legislators and the trade organisations that influence them. We regularly brief members of both Houses of Parliament. We also participate in a number of industry-wide bodies, including the British Property Federation (BPF), the British Council for Offices (BCO), the British Council for Shopping Centres (BCSC), Better Buildings Partnership, London First and the UK Green Building Council. By demonstrating astute judgement and innovative thinking, we continue to set industry benchmarks and remain trusted advisors to government.

- **Consumers**
  There are nearly 300 million customer visits to our shopping centres each year. We try to speak to as many members of the public as possible via customer service desks in our shopping centres and through the feedback facilities on our websites.

Our Stakeholder Panel

We established the Stakeholder Panel in 2010 to give us a greater understanding of our stakeholders' views and priorities. It was originally comprised of service and construction partners, responsible business experts, local authority representatives and Land Securities employees. In 2012, we expanded it to include voices from customers, academia and the investment community. Together, they provide a range of valuable opinions on our targets, performance and reporting.

Governance and management

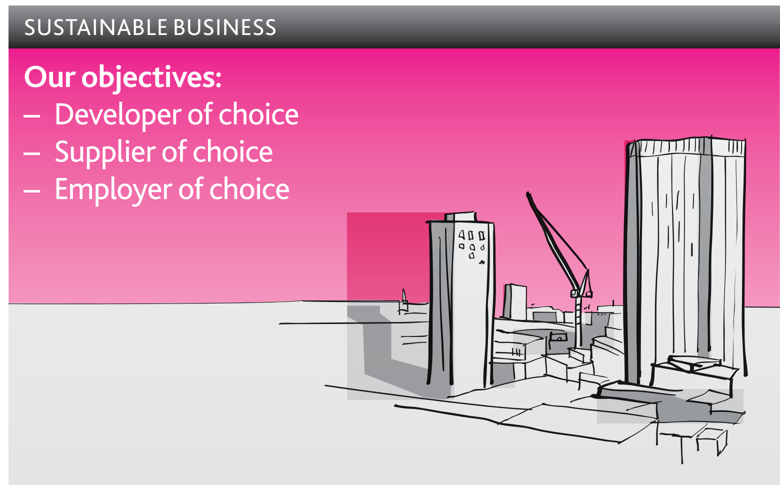
Our Corporate Responsibility Committee is made up of senior managers from across the business. Its job is to ensure that we are always doing everything we can to improve our operations as a responsible business. Its remit is to define our corporate responsibility strategy, make sure our activities remain relevant to our business objectives and monitor our performance.

Until 2011, the Committee met quarterly. Now, to ensure the company is making consistent progress against its targets, meetings have been increased to six a year. Chaired by the Group Tax and Treasury Director, Martin Wood, the Committee reports to our Chief Executive.

"The CR Committee is diverse. It incorporates senior people from every area of the business. This means it can do more than just drive an agenda – it can make it happen."

Martin Wood, CR Committee Chairman

Performance 2012



Highlights:

3.1%
of empty shops in our portfolio, compared to a national rate of 14.6% (Local Data Company).

98%
According to our customer satisfaction survey, 98% of our retail clients would recommend us.

2012
This year we were named Property Manager of the Year by the Property Manager's Association.

Sustainable business is good business.

Build a shopping centre that meets local needs and the community will support it, making it a more valuable asset. Ensure your buildings are environmentally efficient through cost-effective measures and you increase their appeal and future-proof them against new regulations. Provide a motivating, vibrant working environment and you are better placed to attract and retain talent. This is about creating and protecting value by becoming the developer, employer and supplier of choice.

Looking forward, Local Authorities are set to be given more power in the delivery of local plans. So their influence on property development will continue to grow. Employees already judge potential employers on how responsibly they run their companies, as well as how successful they are. This trend looks set to continue, as will the demand for increased transparency over issues such as remuneration. Occupiers will have more demanding environmental and social goals as their customers raise their expectations around CR, particularly environmental performance.

We need to respond to these evolving issues, staying ahead so we continue to satisfy changing needs and expectations.

London Living Wage

Land Securities supports the Mayor of London's Living Wage initiative. It sets the hourly rate at which someone can afford to live in the capital without requiring a second job to supplement their income. Everyone employed by us, or our contractors in our London HQ, earns at least the recommended rate of £8.30 an hour.

"Because volunteering teaches you so much – both about yourself and others – I encourage my team to volunteer. They've done their own fund raising and charity projects. And we've have also volunteered as a team. Land Securities has always encouraged us and helped make it possible."

Suzi Clay, Portfolio Director

STRONGER COMMUNITIES

Our objectives:
– Creating jobs
– Improving skills and training opportunities
– Investing in places

Highlights:

£3.5m
the value of the space, time, promotion and cash contributions our investment in community activities is equivalent to.

1,546
Instances of community activity across our Portfolio.

8,536
hours of time given to community activities.

Supporting communities

We support the communities where our properties are located. Whether it's charitable giving, addressing local employment needs or providing educational opportunities, our aim is to earn the trust of the local population. That trust is hard earned, but once you have it, the community is far more likely to support existing assets and engage constructively on any proposals for new developments.

Looking forward, the growth of internet shopping and the challenging economic climate are having a significant impact on many retail locations. Inevitably, there will be winners and losers. Some locations and retailers will thrive. Others will find it increasingly tough to compete. Our strategy is simple. Wherever we have a significant asset, we will invest in and work with the community that surrounds it. By supporting and securing their long-term prospects, we support and secure our own business. It's 'win win'.

Community investment

Our community investment activities include the space we give away at our assets to help promote charities and local community events, together with the management time and expertise we put in across the portfolio to support good causes, education and training. We also encourage our people to give time to help with volunteering and mentoring, as well as invest at a local level in the promotion of local events. In all, 1,546 separate instances of community investment took place in 2011/12, with 8,536 hours of time given over to ensuring we played a full part in local community life. If we add all the value of all this space, time, promotion and cash contributions, our investment in community activities is equivalent to £3.483m. The value placed on these activities is in line with London Benchmarking Group definitions on measuring community involvement.

Creating job opportunities in London

In September 2011, we launched our Employment Strategy for the London Portfolio. This was the result of partnering with JobCentre Plus and the London Probation Trust to see how we could help those furthest from the jobs market. Aimed at young people and ex-offenders the pilot programme at 62 Buckingham Gate, SW1, saw 23 people gain accredited training and go into employment – with 19 of those progressing on to further NVQ level 2 qualifications. Kit Malthouse, Deputy Mayor of London for Policing, commented: "This is an outstanding example of using training and employment to draw people away from crime and back into society."

Support for education

Our London Portfolio invites schools to use a learning pack we've produced. It offers lesson plans that tie in with the national curriculum while introducing young people to construction. We also try to make our building sites accessible for school visits so pupils, and teachers, can get to see what a major construction project is like for themselves. As for higher education, we offer work experience to University College London (UCL) planning students. There is currently a shortage of planners, so we want to provide relevant, quality experience where we can.

Charitable collaborations

Last year our Retail Portfolio – as well as encouraging all our centres to pick and work with a local charity – partnered with British Heart Foundation as their national charity of the year. Our centres were able to help BHF collect bags of donated goods. These equated to an incredible £118,410 worth of stock. In addition, through various fundraising activities, the centres helped raise £23,329 in cash. In three years of working together with us, BHF has collected 29,728 bags of stock worth £450,000, while raising awareness of the charity and heart disease.

"Lewisham Shopping Centre is one of the biggest employers in this area. Over 1,800 people work here, but it's far more than just an employer – the things we're doing to support the local area make a big difference to the community"

Paul Redden, Lewisham Shopping Centre Manager

BETTER ENVIRONMENTS

Our objectives:
- Protecting natural resources
- Keeping workspace safe
- Reducing waste

Highlights:

This year we received a National Sustainable Cities Award for our energy reduction initiatives at our head office – 5 Strand, WC2.

In the buildings where we provide electricity, our tenants can now benefit from renewable energy sourced electricity at competitive and efficient prices.

This year we stayed below the industry average accident frequency rate at all our shopping centres and development projects.

Beyond compliance

We were the first commercial property company in the UK to measure energy consumption. We were the first to produce energy efficiency reports for buildings. As an industry leader, we go beyond compliance. But we also have a responsibility to our shareholders only to invest in what has been proven to be cost-effective.

Commercial property causes around 18% of carbon emissions in the UK. Currently, though, occupiers will not pay a premium for a greener building. At some point, this will change. Our tenants' own sustainability targets are starting to make environmental considerations more important. So a 'green building' premium may be with us sometime in the future. But it's not here yet.

However, regulation does make specific demands on environmental performance, and even higher requirements are likely in the future. For this reason, we have continued to invest in new environmental approaches, systems and technologies. We have to build a quality portfolio that's likely to be ahead of legislation for many years to come. That will future-proof the portfolio, protecting shareholder investment. It will also mean our properties are more likely to stay in tune with customer needs.

Test lab

We always look for the next big thing in building design and technology. However, not all innovations are cost effective or efficient. So we test technologies at different locations – including our head office at 5 Strand, WC2 – before we implement them on a large project. The energy efficient lifts we put in have reduced energy consumption by 75%. And new lighting controls and voltage optimisation have increased efficiency. This work enabled us to move in our people from an adjacent building while still reducing the energy used at 5 Strand.

"Sustainability is the art of the possible. You have to develop targets that people believe they have a realistic chance of achieving."

Neil Pennell, Head of Sustainability and Engineering

Targets 2012

Clear targets define our aspirations and inspire our actions. Below, you can see a snapshot of how we performed this year.

Sustainable business

We had eight targets under sustainable business. We achieved five, had one ongoing and missed two.

Achieved

- All full and part-time head office based employees and supply chain employees at head office to receive at least London Living Wage (LLW), currently £8.30 per hour by March 2013.
- 50% of business critical roles (identified as succession plan vacancies in band A roles and leadership band B+) to have an identified internal successor 'ready' within 12 months by March 2014.
- Maintain overall satisfaction rates in both London and Retail customer surveys of 4.18 and 4.27 respectively.

Ongoing

- Maintain or increase 60% employee volunteering rate (for half day or more per year) but increase the proportion of those who provide skilled or professional advice or mentoring to 25% (of the 60%) by March 2014.
  This target has been harder to achieve than expected due to high levels of volunteering and insufficient recording. It has been particularly difficult to differentiate between personal and professional volunteering activities. We are putting in place new procedures to address these issues.

Missed

- Four to six London based 16-18 year-olds per year, who do not normally have access to a corporate environment, to have gained work experience at Land Securities by March 2014. Establish a summer work experience programme (in 2011).
  We missed our Summer 2011 deadline for delivery of a trial work experience scheme. However, by year end, the operational aspect of this target had been achieved.
- Fill 50% of vacancies at middle manager level (band B) with internal candidates recruited as 'graduate' or 'early career' professionals by 2016.
  The miss reflects the changes we made to the longer term aspect of this target during the year to align it more closely with the business.

Stronger communities

We had eight targets under stronger communities. We achieved seven and had one ongoing at year end.

Achieved

- Embed charitable partnerships into both London and Retail business units by 2014 by embedding charity lets into the asset management programme.
- Deliver the London Portfolio Employment and Skills programme across three development sites (20 Fenchurch Street, Park House, 123 Victoria Street) by 2014.
- Write training clauses into all relevant tender documents for key service partners and main construction contractors by 2014.

Ongoing

- Report annually against social, economic and environmental metrics to all regional Local Authorities and London Boroughs where we have significant shopping centre or development presence by March 2014.
  By year end, good relationships had been established with Local Authorities and London Boroughs, and reports were in the process of being prepared, but they had not been distributed.

Better environment

We had nine targets under better environment. We achieved five and had four ongoing at year end.

Achieved

- In anticipation of the 25% reduction in regulated emissions due in 2013, new development design to be ahead of 2010 Building Regulations requirements in terms of CO_2 emissions.
- Increase to 90% the amount of waste diverted from landfill for the shopping centre portfolio by March 2015.
- Remain below industry benchmarks for reportable incidents for health and safety purposes on development sites and within our managed property portfolio.

Ongoing

- Reduce average CO_2 emissions from the *managed portfolio* by 30% by 2020 compared to 2000/01 leading to interim reduction targets by March 2013 of: offices 8.53%, shopping centres 5.80%, retail parks 8.41%.
  This target was reset during the year – see re-based targets on p67.
- To achieve FSC project-specific certification for every completed development.
  Most schemes are collecting the evidence to meet this target. However, it is difficult to assess as no qualifying schemes completed in the year.

Ongoing

- Reduce the average water consumption across the London managed office estate by 10% (compared with 2010/11), measured in terms of litres per person by March 2016.
  The target is not due to be met until 2016 but, as we gained better data during the year, we chose to change the scope of the target. See re-based targets on p67.
- Achieve zero environmental incidents.
  During the year there were no incidents that would result in a prosecution. However, we did find an example of a contractor not following the correct procedure when disposing of fluorescent lamps, so we did not feel we had achieved this target.

Beyond 2012

We believe responsible business is better business, so we take a proactive approach to updating targets and making CR 'business as usual'.

BUSINESS AS USUAL

This year two targets moved into being business as usual.

Target	Comment
Maintain high levels of participation and scoring in employee engagement survey.	– Our employee engagement survey occurs every year. Rather than set targets for constant improvement, we want it to record what we are doing well and not so well in terms of addressing employees' concerns. So we will continue to run the survey but we will not include improvement targets.
Embed charitable partnerships in retail	– This target has been met at centres where it is suitable to have an embedded charity partnership. We are moving it to business as usual, where it will continue to be monitored.

RE-BASED TARGETS

Two key targets under better environment were rebased following the year end.

Target	Comment
Reduce average CO_2 emissions:	– The government targets use data from 1990 as the baseline against which we should measure progress on sustainability improvements. However, as we have come to understand the setting of targets better and made them more specific, we have realised that some of our past data is not reliable enough to serve as a baseline. When we originally set our sustainability targets we took our baseline as 2000/01, as we had data for this period, but not 1990. Reviewing subsequent years, we began to worry that our 2000/01 data might not be robust enough to help us make a meaningful difference. Therefore, we have changed our benchmark to the much more reliable data of 2010/11. The new target now reads: Reduce average CO_2 emissions from the like-for-like managed portfolio by 15% by 2020/21 compared to 2010/11 benchmark.
Reduce average water consumption:	– We have focused more attention on the measurement of water usage as we recognised the growing importance of this issue. This year we have expanded the target to cover average water consumption in the London managed office estate and Retail like-for-like portfolio. The new target now reads: To reduce water consumption across the like-for-like managed office and retail portfolio by 10% by 2015/16, measured in terms of volume used per unit floor area.

NEW TARGETS

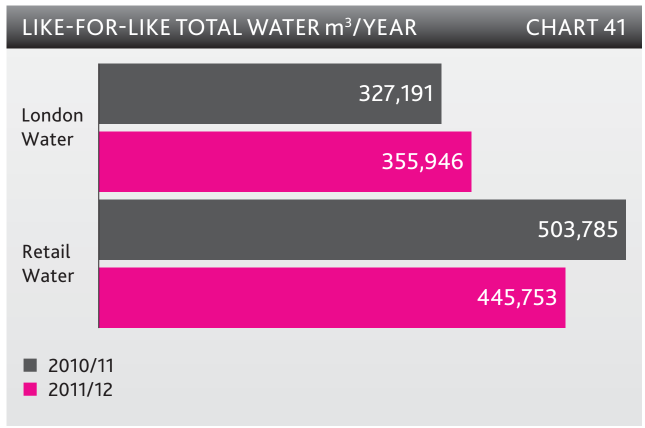
This year we also introduced some new targets to the business as we seek to improve the delivery of our responsible business approach.

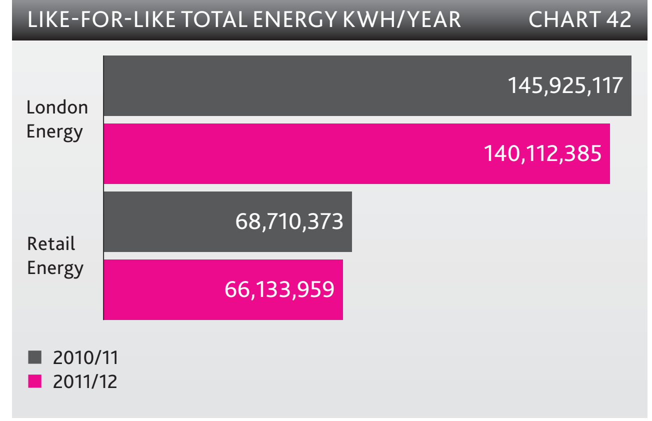
Target	Comment
Demonstrate we are a Considerate Development Client across both London and Retail Development Projects:	– This new target reflects our desire to achieve even higher standards of delivery when we are on site at new developments.
Tenant behaviour – utilise our two buildings signed up to Memorandums of Understanding to pilot environmental behavioural change programmes to roll out across the portfolio:	– This target reflects our belief that behaviour change offers the biggest opportunity to deliver a fast and sizeable reduction in CO_2 emissions in commercial property.
To ensure all buildings available for lease within the portfolio have an EPC rating of E or better by March 2017. The government has intimated that in 2018 if you do not have a rating of E or better then you cannot sell or lease a property:	– This target reflects our view that we prepare in advance for proposed legislation on the sale and lease of buildings with poorly rated energy performance to protect value in our business.
To apply Planet Positive Building Certification as a pilot study to the proposed Crawley development commencing on site in Autumn 2012 to ascertain the benefits when used in support of BREEAM Certification:	– This target reflects our desire to look at new ways to manage our construction process to identify better environmental performance.

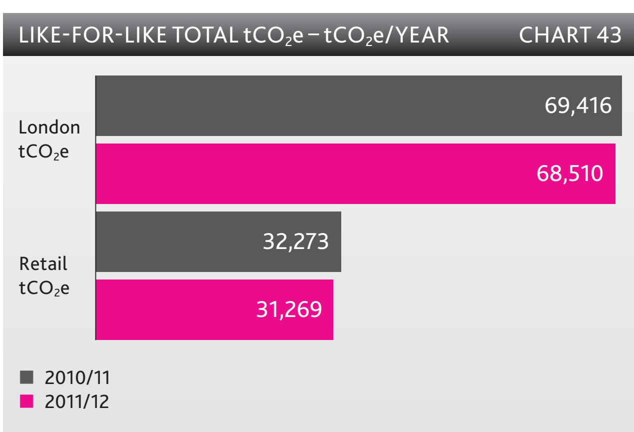
Environmental *Data*

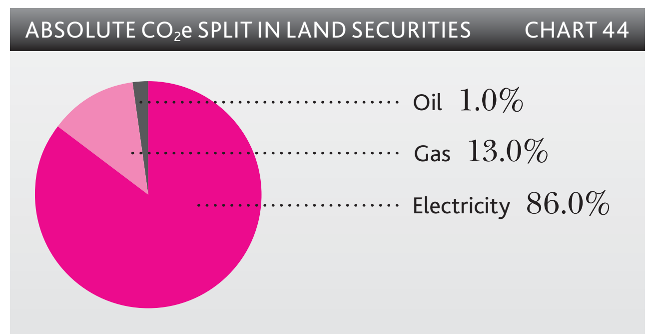
To enhance our disclosures in line with EPRA best practice recommendations, we set out below our first EPRA-based reporting dashboard.

Environmental reporting is still in its infancy but as a responsible business, and one of the largest property companies in the UK, clear reporting of emissions and other impacts is increasingly requested by our shareholders, occupiers and customers. To ensure we meet the highest standards, we now report using EPRA – European Public Real Estate Association Best Practice Recommendations for Sustainability Reporting. This Europe-wide reporting standard for commercial real estate companies enables investors and other stakeholders to compare performance in resource use across the sector.









Explanation

Absolute properties covers 130 assets and the like-for-like properties covers 88 assets. See Boundary explained below for the explanation of why these definitions help in understanding our performance.

Boundary explained

It can be difficult for a property company to provide a clear, consistent picture of carbon emissions and other environmental performance due to the dynamic nature of the industry, with buildings being acquired, sold and developed on a regular basis. However, it is possible to identify like-for-like properties within the portfolio that can be assessed consistently over time. By creating a boundary to separate measurable like-for-like properties from transient properties, we can provide a more meaningful picture of our environmental performance.

In terms of environmental reporting, our definition of a like-for-like property is one where we manage the utilities and have at least two years' worth of valid utility data. The property must also meet our financial like-for-like rules. Development schemes are excluded. Properties in our portfolio that meet these criteria are considered to be within our EPRA reporting boundary. Once the boundary of an organisation has been established, utility data is collected and checked for robustness. For this report there are 88 like-for-like properties.

KEY

Increased

No change

Reduced

ABSOLUTE FIGURES — TABLE 45

	Absolute Total Usage		Absolute Electricity		Absolute Gas		Absolute Oil		Absolute Water
	Total kWh	tCO_2e	Electricity kWh	tCO_2e	Gas kWh	tCO_2e	Oil kWh	tCO_2e	Water m^3
2010/11 (130 sites)	287,131,915	134,252	193,319,012	114,768	87,473,505	17,630	6,339,398	1,854	949,942
2011/12 (130 sites)	275,572,853	130,938	191,160,712	113,486	79,590,446	16,041	4,821,695	1,410	872,747
Difference	(11,559,062)	(3,314)	(2,158,300)	(1,281)	(7,883,059)	(1,589)	(1,517,703)	(444)	(77,195)

Explanation

On our properties all measures have shown a positive improvement in performance.

EPRA NORMALISATION BREAKDOWN PERFORMANCE (LIKE-FOR-LIKE) — TABLE 46

	2010/2011	2011/2012	Change to 2010/2011	%
Floor Area – m^2 (gross)	2,287,574	2,287,574		
Energy – kWh	214,635,490	206,246,344	(8,389,146)	(3.91)
Carbon – tCO_2e	101,689	99,779	(1,909)	(1.88)
Water – m^3	830,976	801,699	(29,277)	(3.52)
Occupiers – Workstations/Footfall (see normalisation explained)	248,561	248,811		
Like-for-Like – Number of properties	89 of 89	89 of 89		

On a like-for-like basis our performance on energy, carbon and water has improved.

LONDON (LIKE-FOR-LIKE) — TABLE 47

	2010/11	2011/12	Change (%)
Energy			
Building energy intensity			
$kWh/m^2/year$	189.68	182.12	(3.983)
kWh/person/year	2,643.13	2,537.84	(3.983)
GHG			
GHG intensity			
$tCO_2e/m^2/year$	0.090	0.089	(1.305)
tCO_2e/person/year	1.257	1.241	(1.305)
Water			
Building water intensity			
m^3/m^2/ year	0.425	0.463	8.788
m^3/person /year	5.926	6.447	8.788

RETAIL (LIKE-FOR-LIKE) — TABLE 48

	2010/11	2011/12	Change (%)
Energy			
Building energy intensity			
$kWh/m^2/year$	45.26	43.56	(3.75)
kWh/person/year	355.365	341.598	(3.87)
GHG			
GHG intensity			
$tCO_2e/m^2/year$	0.021	0.021	(3.11)
tCO_2e/person/year	0.167	0.162	(3.23)
Water			
Building water intensity			
$m^3/m^2/year$	0.332	0.294	(11.52)
m^3/person/year	2.606	2.302	(11.63)

At a basic level, the reduction in tCO_2e is probably explained by the warmer winter. As we gather more data we believe we will be able to gather a greater understanding at a local level as to some of the changes in performance.

Our normalised water usage shows that in London offices we saw an increase which we believe is the result of us installing better metering whilst in retail it fell. Overall retail is a bigger user of water, explaining the overall reduction in usage.

Normalisation explained

Intensity measures help companies to compare the real and relative efficiency of portfolios over time. A number of intensity measures are key to our EPRA reporting. These are:

- Building energy intensity $kWh/m^2/year$ & kWh/person/year
- Greenhouse gas intensity from building energy kg $CO_2e/m^2/year$ & kg CO_2e/person/year
- Building water intensity $m^3/m^2/year$ & m^3/person/year

It is important to normalise the results from different types of building so relative performance can be assessed. Clearly, the way one of our retail properties is used may differ greatly from day-to-day activity in one of our London offices. So we have specific measures for each type of property, and we then combine these to provide an overall result.

For properties in the London Portfolio, we base measurements against an average density of eight people per $99m^2$. For properties in the Retail Portfolio, we use footfall. The annual footfall is divided by 1,000 to ensure the range of the normalised data is easily readable. This methodology has been discussed and accepted by our assurers.

WASTE – LONDON — TABLE 49

	2010/11	2011/12	Change (%)
Total Waste (t)	5,757	6,701	16.40
Waste diverted (t)	5,757	6,701	16.40
Diverted (%)	100	100	

WASTE – RETAIL — TABLE 50

	2010/11	2011/12	Change (%)
Total Waste (t)	17,425	16,114	(7.52)
Waste diverted (t)	13,586	13,562	(0.17)
Diverted (%)	78.0	84.2	(7.95)

Explanation

Diverting waste from landfill is a key target for us, but we are now looking to increase the amount of recycling in our portfolio going forward.

DIRECTORS' REPORT

Introductory letter to the Corporate Governance Report from the Chairman of the Board

Land Securities Group PLC
5 Strand
London WC2N 5AF

Dear Shareholder,

I am pleased to report that your Company has again complied in full with the UK Corporate Governance Code.

As a Board, we pride ourselves on high standards of corporate governance. It is at the heart of everything we do. We monitor developments and trends in corporate governance both in the UK and internationally, adopting any emerging practice we feel would improve our governance whether or not it becomes mandatory. We engage regularly with our shareholders and welcome their feedback on our approach to governance and their statements of policy in terms of what they expect. This feeds into our reviews of governance and has led to us adopting many changes well ahead of them becoming requirements.

A key aspect for ensuring your Board's effectiveness is our annual Board and Committee evaluation process. We have just completed the third year of our three year Board evaluation cycle and took the opportunity to focus on Board skills and contributions, papers provided to the Board, risk appetite and the outlook for 2012. Our next evaluation will be conducted with the assistance of a leading independent firm to ensure that our evaluation remains comprehensive and rigorous.

The Board Committees have had an active year. The Nominations Committee led the appointment process for our new Chief Executive, Robert Noel, and our new Non-executive Director, Stacey Rauch. The Remuneration Committee oversaw the design of a new remuneration structure for Executive Directors' pay to reflect the new management structure implemented following the appointment of our new Chief Executive. The Audit Committee has had to deal with a risk environment that changed dramatically with the eurozone crisis midway through our year. You will find more details of the work of the Committees and an overview from each of the Chairmen in this report.

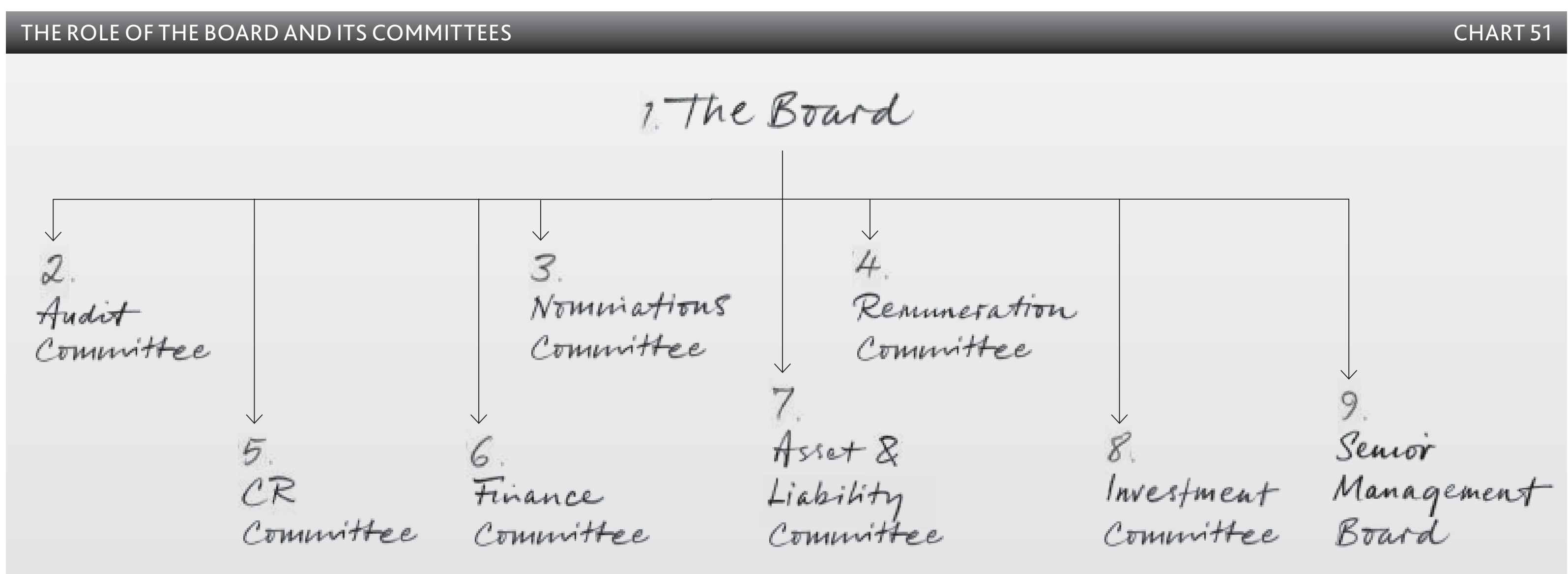
On the following pages we describe our corporate governance framework in more detail. We have re-organised our report so that its structure reflects the sections of the UK Corporate Governance Code to make it easier for shareholders to assess our performance against the main principles.

Alison Carnwath

Alison Carnwath
Chairman

Leadership

THE ROLE OF THE BOARD AND ITS COMMITTEES CHART 51



Compliance with the UK Corporate Governance Code

Land Securities is committed to delivering high standards of corporate governance and is pleased to report that it has complied fully with the UK Corporate Governance Code for the whole of the year under review.

In our Corporate Governance report, we explain how we integrate the main principles of the five sections of the UK Corporate Governance Code into our business, these being: Leadership; Effectiveness; Accountability; Remuneration; and Relations with Shareholders (Investors). Our principles and policy in relation to remuneration are covered separately in our Remuneration Report on p82—99.

1. The Board

The Board provides leadership to the Group. It sets the Group's strategy, oversees its implementation, ensuring that only acceptable risks are taken and the right people and resources are in place in order to deliver long term value to shareholders and benefits to the wider community.

To help retain control of key decisions, the Board has put in place a formal schedule of reserved matters which require its approval. The principal matters reserved to the Board are:

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

Matters delegated to certain Board Committees and management are supported by clearly defined written limits. The Board retains responsibility for all such matters delegated.

A copy of reserved matters is available to view on the Corporate Governance section of the Company's website, www.landsecurities.com/about-us/corporate-governance/role-of-the-board.

2. Audit Committee

The Audit Committee's primary function is to assist the Board in fulfilling its oversight responsibilities. During the year the Committee met four times and reviewed the following:

- interim results and the annual financial statements;
- the effectiveness of the Group's system of internal controls and risk management;
- leasing and market cyclicality risks and mitigation;
- full and half year valuations and the external valuation process; and
- the performance of the external auditors, their terms of engagement, the scope of the audit and audit findings including findings on key judgements and estimates in the financial statements.

Further information on the work of the Committee during the year can be found later in this section.

3. Nominations Committee

The Nominations Committee met three times during the year and its activities included:

- recommending the appointments of Robert Noel as Chief Executive and Stacey Rauch as Non-executive Director to the Board;
- monitoring the Board's structure, size, composition and diversity to achieve a balanced and effective Board in terms of skills, knowledge and experience;
- reviewing the leadership needs and succession planning of the Group including identifying and developing talent;
- undertaking a rigorous review of the independence of Sir Stuart Rose and David Rough who complete 9 and 10 years of service on the Board, respectively, in the coming year;
- recommending the appointment of Kevin O'Byrne to the role of Senior Independent Director and changes in the membership of the Board Committees; and
- approving the appointment of Richard Akers as a Non-executive Director at Barratt Developments PLC and re-assessing potential conflicts of interest of all Directors.

Further information on the work of the Committee during the year can be found later in this section.

4. Remuneration Committee

The Remuneration Committee met four times during the year and its activities included:

- determining the individual remuneration packages for Executive Directors and Senior Managers including the new Chief Executive and determining the appropriate remuneration for the outgoing Chief Executive;
- designing proposals to change the structure of Executive Director remuneration in response to the new executive structure and presenting them to the full Board for consideration;
- approving the targets and performance assessments for performance-related incentive schemes; and
- overseeing the operation of all incentive schemes and awards and determining whether the performance criteria had been met.

Further information on the work of the Committee during the year can be found in the Remuneration Report.

5. Corporate Responsibility Committee

The Corporate Responsibility (CR) Committee reports to the Chief Executive and is chaired by the Group's Tax and Treasury Director. The Committee meets every two months and is responsible for:

- defining strategic priorities in CR;
- monitoring CR performance; and
- ensuring that CR activities remain directly related to our business objectives.

Our Corporate Responsibility Report 2012 is available at www.landsecurities.com/responsibility.

6. Finance Committee

The Finance Committee is comprised of the Chief Executive, the Chief Financial Officer and David Rough, a Non-executive Director, and met three times during the year. The Committee is responsible for considering the Group's funding and reviewing certain funding activities including the approval of all new debt facilities.

7. Asset and Liability Committee

The Asset & Liability Committee members include all of the Executive Directors and the Group's Tax and Treasury Director and met three times during the year. The Committee is responsible for reviewing:

- the external environment – the economy, financial markets and the property market;
- funding in the context of the Group's requirements;
- the forecast impact of transactions on the Group's balance sheet;
- balance sheet gearing ratios and balance sheet resilience; and
- liquidity analysis, development and pre-development exposure.

In addition to these Committees our Investment Committee and Senior Management Board met to consider operational matters and significant transactions.

8. Investment Committee

The Investment Committee meets weekly and is comprised of the Group's Executive Directors and is responsible for approving acquisitions, disposals, developments and other transactions with a value between £20 million and £150 million.

9. Senior Management Board

The Senior Management Board is made up of the Group's Executive Directors and is attended by the Group's General Counsel and Company Secretary. It meets weekly with other senior executives to discuss operational matters.

BOARD AND COMMITTEE ATTENDANCE AT MEETINGS — TABLE 52

The number of principal Board and Committee meetings attended by each Director during the financial year was as follows[1]:

	Board	Nominations Committee	Remuneration Committee	Audit Committee
Alison Carnwath	9/9	3/3	4/4	
Francis Salway	9/9			
Martin Greenslade	9/9			
Robert Noel	9/9			
Richard Akers	9/9			
Sir Stuart Rose	9/9	3/3	4/4	
Kevin O'Byrne	9/9			3/3
Chris Bartram	9/9	3/3		2/3[2]
David Rough	9/9	3/3	4/4	3/3
Simon Palley	8/9[3]		4/4	
Stacey Rauch	2/2			

1. Actual attendance/maximum number of meetings a Director could attend as a Board/Committee member.
2. Chris Bartram was unable to attend one meeting of the Audit Committee as he was required to attend another engagement arranged prior to him joining the Board.
3. Simon Palley was unable to attend one Board Meeting due to illness.

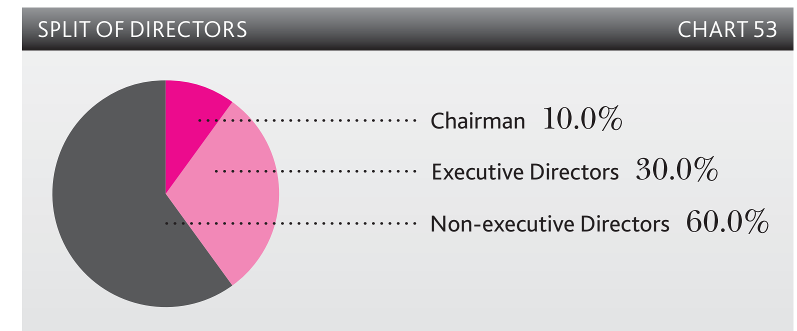
Board composition and roles

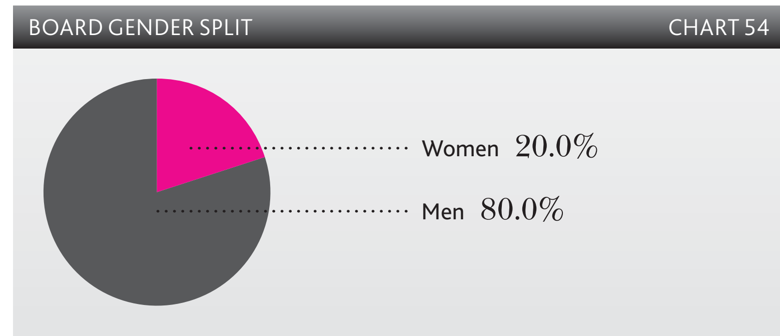
Our Board comprises the Chairman, three Executive Directors and six independent Non-executive Directors. The Chairman and Chief Executive's key responsibilities are summarised below:

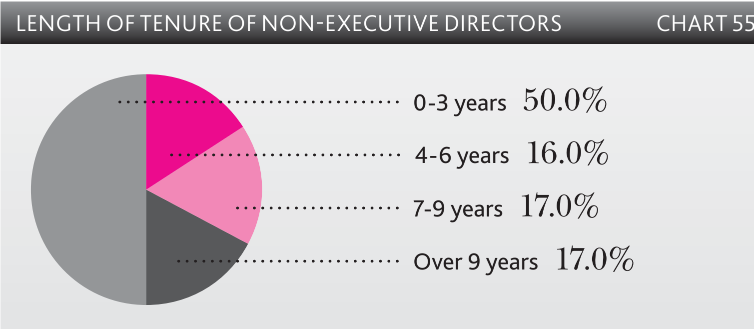
- As Chairman, Alison Carnwath is responsible for leading the Board, its effectiveness and its integrity. She sets the tone for the Company, and ensures the links between the Board and management and the Board with shareholders are strong.
- During the year to 31 March 2012, as Chief Executive, Francis Salway was responsible for the day to day management of the Group's operations, reporting to the Board. Robert Noel assumed the role from 1 April 2012.

As at 1 April 2012, the composition of the Board was:

SPLIT OF DIRECTORS — CHART 53







Kevin O'Byrne replaced David Rough as Senior Independent Director (SID) on 1 April 2012. For the year under review, David Rough was available to discuss any concerns with shareholders that could not be resolved through the normal channels of communication with the Chairman or Chief Executive. No such concerns were raised.

Board Agenda

During the year, nine principal Board meetings were held with the Board also meeting regularly at dinners, company events and on an ad hoc basis. Individual Non-executive Directors also met with Executive Directors and senior management on a number of occasions.

At every meeting, each Executive Director gave a report on his particular area of responsibility within the business, which were primarily:

Francis Salway (Chief Executive)
- Overview of the Group's business performance
- Progress with the Group's key business targets
- Human resources
- Investor relations

Martin Greenslade (Chief Financial Officer)
- Overview of the Group's financial performance
- The Group's Financial Statements
- The Group's five year forecast and budget
- Funding

Robert Noel (Executive Director)
- Operational performance of the London Portfolio
- Trends in the London property market
- Environment
- Corporate Responsibility

Richard Akers (Executive Director)
- Operational performance of the Retail Portfolio
- Trends in retail markets
- Health & Safety
- Valuation

Group Strategy

Strategy is the focus for discussion at Board meetings.

Our strategy is to focus on our two core UK commercial property markets, London and Retail, and provide an attractive total return for our shareholders by being at the forefront of meeting the space requirements of our customers. We have a clear plan for every asset and allocate capital to exploit our skills and opportunities through the cycle.

- **Reviewing Strategy**
  During the year the Board analysed the prospects for the economy, central London office, retail and residential markets, and retail property within the UK to ensure the Group's strategy was appropriate for the current climate and longer term.

- **Objectives supporting our Strategy**
  The Board monitored progress against the objectives supporting the Group's strategy by reviewing:
  - the Group's five year forecast and budget
  - the annual business plan
  - balanced scorecards which covered a number of non-financial measures.

- **Monitoring the execution of Strategy**
  The Board received detailed Board reports in advance of each meeting which included:
  - updates on business performance
  - progress against the Group's key business targets
  - the half-yearly and annual results
  - review of market sectors
  - progress on the Group's principal developments
  - a six-monthly comparison of investment property performance to IPD indices
  - review of gearing and the Group's balance sheet.

- **Embedding Strategy**
  The Board monitored and reviewed the following areas to ensure the strategy was embedded through the organisation:
  - remuneration
  - investor relations activities
  - human resources
  - corporate governance
  - risk management and internal controls
  - health and safety
  - environmental performance
  - Board performance evaluation
  - Corporate Responsibility matters.

The Chairman regularly held meetings with the Non-executive Directors without the Executive Directors present. These meetings usually occurred after Board meetings.

Letter from the Nominations Committee

Land Securities Group PLC
5 Strand
London WC2N 5AF

Dear Shareholder,

This has been one of the most significant years for the Committee for some time.

During the year, the Nominations Committee comprised myself, David Rough, Sir Stuart Rose and Chris Bartram. We met three times, with all of the members attending all of the meetings.

Early in the year, Francis Salway approached me and indicated that he wished to step down as Chief Executive during the course of 2012. I informed members of the Committee immediately and we agreed a strategy for appointing his replacement. This included appointing a leading executive search firm who produced a shortlist of internal and external candidates based on a description of the role prepared by the Committee. The leading candidate was the Managing Director of our London Portfolio, Robert Noel. Robert met, separately, with all members of the Committee and with our retained search consultant for in depth interviews. The search firm also prepared a comprehensive report benchmarking Robert against other candidates and recommending his appointment. The Committee agreed with the recommendation unanimously.

Robert has demonstrated exemplary leadership in the London business which he has headed since joining Land Securities in 2010, and prior to that had a solid track record in the property industry as Property Director at Great Portland Estates. He brings a wealth of knowledge to his new role and the Committee is satisfied that he has the requisite skills and experience to lead Land Securities as Chief Executive.

The Committee engaged another leading international search firm to assist with the search for an additional Non-executive Director with a strong international retail background. A number of candidates were interviewed. Once we identified Stacey Rauch as our preferred choice, we arranged for her to have separate meetings with each member of the Board. The Board was unanimous in their decision to offer her the position and we are delighted that she chose to accept.

Stacey is a former partner of McKinsey & Co in the US, has a broad business experience and a deep knowledge of retail matters from an international perspective which complements the existing skills and outlook of the Board. Further biographical details of Stacey and each of the Directors can be found on p60.

During the course of the next year, Sir Stuart Rose and David Rough, our Non-executive Directors will have completed nine and ten years of service respectively. In accordance with the UK Corporate Governance Code and guidance published by the NAPF, we conducted a rigorous review of their independence, together with an analysis of their contributions to Board and Committees, their external interests and roles. The Committee concluded that both David and Sir Stuart were independent in character and judgement, noting, in particular, their objectivity and the constructive challenge that they provided to management and the additional support and guidance they provided Executive Directors and senior managers outside Board meetings. Although we have refreshed our Board regularly with a new independent Non-executive Director being appointed during each of the past four years, I was delighted that David and Sir Stuart accepted my invitation to continue serving on the Board. I know that their vast experience and support will be invaluable for our incoming Chief Executive.

As I mentioned in my earlier letter, Kevin O'Byrne took over from David Rough as our Senior Independent Director on 1 April 2012 and Simon Palley will become Chairman of our Remuneration Committee, in place of David, later in the year. In addition, Sir Stuart will step down from the Nominations and Remuneration Committees. David and Sir Stuart have served with distinction in those positions and I would like to express my appreciation for their excellent work.

Having reviewed the effectiveness and commitment of the Non-executive Directors, we concluded that we were satisfied with the time commitment of each Non-executive Director during the year and were confident that each of them would be in a position to discharge their duties to the Company in the coming year. We therefore recommend their reappointment to the Board at the forthcoming AGM.

During the year we also reviewed the leadership needs and succession planning of the Group, undertaking a Group wide talent review. The review sought to establish the strength of the talent pool within the Group and to identify individuals with the potential to move upwards and laterally within the business.

Finally, the Committee approved the appointment of Richard Akers as a Non-executive Director at Barratt Developments PLC. More information on his appointment and the potential conflicts of interests of other Board members can be found on p77.

Alison Carnwath

Alison Carnwath
Chairman, Nominations Committee

The Committee's written terms of reference are available on the Company's website at http://www.landsecurities.com/about-us/corporate-governance/board-committees

Board Effectiveness

Professional development, support, training and induction for Directors

To develop and refresh the Board's knowledge and skills, the Chairman organised two development sessions. These consisted of briefings from external and internal speakers on development appraisals and environmental issues affecting the business. Furthermore, the Board's 'off-site' Board meeting held over two days in Leeds included a detailed assessment of the future of retail, the impact of the internet on retail and likely trends in London office space requirements. It was also attended by a number of external experts and concluded with visits to the Group's development at Trinity Leeds and its shopping centre at White Rose.

As part of their continuing development, the Group supports Executive Directors and Senior Managers taking up Non-executive Directorship positions at listed companies and charities as it feels this will benefit the Company in terms of giving them more rounded experience and assisting their development. On 1 April 2012 Richard Akers accepted a Non-executive Directorship at Barratt Developments PLC and during the year Francis Salway continued as a Non-executive Director at Next plc. Prior to approving these appointments, the Nominations Committee considered the likely time commitment in their roles and the benefit for the Group in terms of the broadening of their experience.

Stacey Rauch was appointed as a Non-executive Director on 1 January 2012. Ms Rauch received a comprehensive induction arranged by the Chairman. She met with senior management from the London and Retail teams, visiting a number of properties and development sites across the portfolios. Ms Rauch also had separate meetings with senior management from the Company Secretarial/Legal, Tax and Treasury, Corporate Affairs and Investor Relations, Human Resources, Finance, and Health and Safety teams. In addition she received bespoke training on Corporate Governance, was taken through the Group's financial statements and key financial metrics and met with the Group's auditors and valuers.

Board access to appropriate information

Advice on governance matters was provided by the Group General Counsel and Company Secretary during the year. Information was provided to the Board in the appropriate form including detailed reports and presentations to enable it to discharge its duties. Although none was sought during the year, all Directors had access to external advice, at the expense of the Company.

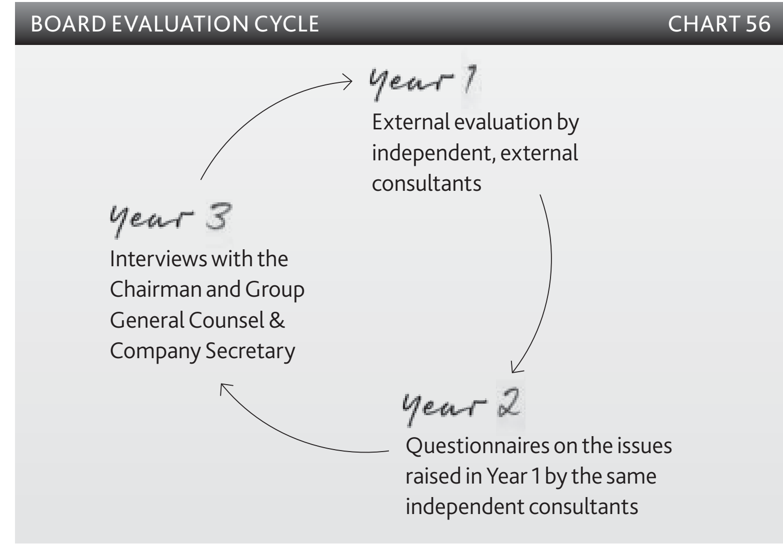
During the year the Non-executive Directors met with the Executive Directors and senior employees below Board level. The meetings took place at Board dinners, and Committee meetings as well as on a number of less formal occasions. These meetings provided senior managers with exposure to and advice from the Board and enabled Non-executive Directors to learn more about the day-to-day running of the business.

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 we recognise that our effectiveness is critical to the Company's continued success.

This year marked the third in our three year Board evaluation cycle. In the first year of the cycle, a detailed evaluation was conducted by Independent Audit Limited, who followed up the issues raised in a questionnaire in the second year.

BOARD EVALUATION CYCLE — CHART 56



This year's Board evaluation was based on a series of separate interviews with Directors, conducted by the Chairman and the Group General Counsel and Company Secretary. The items discussed in these interviews included the mix of skills and contributions amongst the Board, the quality and content of Board papers, the risk appetite of the Group in relation to development and investment transactions as well as matters raised in Years 1 and 2.

The evaluation established that Directors felt the board had a good mix of personalities and skills, with no notable gaps. They were pleased with the Chairman's conduct of the processes to appoint a new Chief Executive and new Non-executive Director, feeling them to be rigorous and inclusive. Some offered suggestions for the skills to consider as the longer serving Non-executives retired. The consensus was that, with the number of Executive Directors reducing to three, the Board was of a good size and did not require additional members although this would be kept under review and considered again once the new Chief Executive had settled in his role.

A number of Directors encouraged forward looking Board papers, focusing on strategy, trends and new opportunities as these were areas in which Non-executive Directors felt more able to contribute to and add value.

For papers seeking approval for transactions and new developments, Non-executive Directors emphasised the importance of context for management's recommendation including how the proposals fit with the Group's strategy and forecasts, and an assessment of the alternatives. Furthermore, it was requested that operational reviews should include regular updates on progress with the Group's key developments and ongoing transactions, with items likely to be brought to the Board for approval flagged as far ahead as possible.

Directors were supportive of how management incorporated risk and the evaluation of risk within proposals for transactions, funding and new development. They felt that the Group benefited from a strong balance sheet at a difficult time as a result.

Overall, the outcome of the evaluation was very positive, with good progress noted on the areas of focus raised in previous evaluations. Issues raised during the evaluation would be taken forward by the Chairman.

The Chairman's performance and leadership was reviewed by the Non-executive Directors, led by the Senior Independent Director.

Independence

The Nominations Committee reviewed and confirmed the independence of Sir Stuart Rose and David Rough. Details of this review can be found in the letter from Alison Carnwath, Chairman of the Nominations Committee. The review included a thorough assessment against the criteria for independence set out in the UK Corporate Governance Code and guidance published by NAPF. The Committee also concluded that the remaining Non-executive Directors were fully independent in character and judgement and, as previously concluded, Alison Carnwath was independent at the time of her appointment as Chairman.

Approach to gender diversity

The Group has formal policies to promote equality of opportunity, including by gender, across the organisation, and the Board is confident that it will meet its target to increase the representation of women on the Board to at least 25% by 2015. The Board has made good progress against this during the year under review with the appointment of Stacey Rauch as a Non-executive Director, increasing the proportion to 20%. It does however believe that an appointment to the Board should be based on merit and overall suitability for the role and a high priority is attached to retaining our current senior team.

Re-election to the Board

Since March 2010, all Directors have stood for re-election annually. As detailed in the notice of the Annual General Meeting all Directors, except Francis Salway who stepped down as Chief Executive on 31 March 2012, will again this year stand for re-election.

Conflicts of interest

The Board operates a policy to identify and, where appropriate, manage conflicts or potential conflicts of interest.

The Nominations Committee monitors this and considered that there was a potential for a conflict of interest to arise in relation to the positions of:

- Chris Bartram as Chairman of Orchard Street Investment Management and a Non-executive Director of the Crown Estate, which are in some areas of operation, competitors of the Group
- Francis Salway as Non-executive Director of Next plc, a customer of the Group
- Kevin O'Byrne as an Executive Director of Kingfisher plc, a customer of the Group
- Richard Akers as a Non-executive Director of Barratt Developments PLC, which is in some areas of operation, a competitor of the Group.

The Committee addressed Chris Bartram's conflict of interest by ensuring that, where appropriate, he did not take part in discussions or see relevant information on potential acquisitions of property. Since operational matters, such as retail leasing, were unlikely to be considered at Board level, the Committee concluded that in practice conflicts of interest were unlikely to occur in relation to the appointments of Francis Salway and Kevin O'Byrne.

The Committee considered potential conflicts of interest in relation to a proposal during the year to appoint Richard Akers as a Non-executive Director of Barratt Developments PLC. The risk was considered low given the Group operated in different sectors of the property market to Barratt Developments which is predominantly a residential house and flat developer. Nevertheless, the appointment was approved on the basis that Barratt Developments agreed not to circulate any papers to Mr Akers or involve him in discussions regarding an acquisition or disposal of land they believe might be in competition or conflict with the Company.

Letter from the Chairman of the Audit Committee

Land Securities Group PLC
5 Strand
London WC2N 5AF

Dear Shareholder,

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

The Committee comprised of David Rough, Chris Bartram and myself, all of whom are independent Non-executive Directors.

The Committee's primary function is to assist the Board in fulfilling its oversight responsibilities by reviewing financial information provided to shareholders, reviewing the Company's system of internal controls and risk management, assessing the performance of the internal and external auditors and reviewing the external valuation process.

During the year the Committee met four times and its activities included reviewing:

- the preliminary and interim financial statements and matters raised by management and the external and internal auditors
- the effectiveness of the Group's system of internal controls and risk management
- the results of internal audit reviews, and management action plans to resolve any issues arising and tracking their resolution
- the external auditors, their effectiveness, objectivity, independence, terms of engagement and the scope of the audit
- audit plans for external and internal audits
- its policy on the provision of non-audit services by the external auditor
- the full and half year valuations and the external valuation process; and
- the Group's policies for preventing fraud and bribery, its employee code of conduct and its business ethics and anti-corruption policy.

As Audit Committee Chairman, I invited the Chairman of the Board, the Chief Executive and Chief Financial Officer to each meeting and other Directors to attend from time to time. In addition, the Director of Risk Management and Internal Audit and representatives from the Group's auditors, PricewaterhouseCoopers LLP (PwC), were present at each meeting. The Group's external valuers Knight Frank LLP also attended the meetings after the half year and full year valuations to present their reports.

Given the uncertainty in the markets and the wider economy this year, the Committee had a strong focus on risk. It reviewed the Group's key risks in the light of the eurozone crisis highlighting those risks it felt had increased in the Group's interim results. In addition, I invited the Executive Directors and senior management from the London and Retail portfolios to present to the Committee on the key risks facing the Group and the associated mitigation strategies. These included presentations on development risks, strategies for dealing with the risk of lease expiries and the risks associated with market cyclicality, giving us visibility on how these risks are managed on a day-to-day basis.

We also reviewed the performance of PwC and their non-audit work and the performance of the external valuers. More information on our work on these matters appears on the following pages together with an overview of our internal control and risk management process.

Finally, in conjunction with the Board evaluation outlined on p76, the Committee reviewed its own effectiveness and concluded that it continued to operate as an effective Audit Committee.

Kevin O'Byrne
Chairman, Audit Committee

Although all of the Committee members are considered to be appropriately experienced to fulfil their role, Kevin O'Byrne is considered to have significant, recent and relevant financial experience in line with the UK Corporate Governance Code. Further biographical details of each of the members of the Committee are set out in the Directors' section of the Annual Report.
The Committee's written terms of reference are available on the Company's website at http://www.landsecurities.com/about-us/corporate-governance/board-committees.

Accountability

External Audits and Valuations

External Auditors and Non-audit work

The Audit Committee had policies and procedures in place to monitor and maintain the objectivity and independence of the external auditors, PricewaterhouseCoopers LLP (PwC). The policy requires prior approval by the Chairman of the Audit Committee for non-audit work above a threshold level of £25,000 per engagement.

During the year the auditors undertook the following non-audit work, none of which exceeded the non-audit work threshold:

- Providing a comfort letter on the annual update of the Group's debt prospectus
- Reviewing agreed upon procedures in relation to non-statutory financial statements of Thomas More Square Estate
- Reviewing agreed upon procedures in relation to the ground rent schedules provided to the Crown Estate for the Exeter properties
- Non-statutory reporting on the consolidated financial statements of LS Intermediate Limited
- Extraction procedures on the ground rent and service charge certificates

Due to familiarity with the subject matter and alignment with work carried out under the audit these services were provided by PwC. In order to maintain PwC's independence and objectively, PwC undertook their standard independence procedures in relation to those engagements. Further details on the amounts of non-audit work paid to PwC are set out in note 7 to the financial statements.

The Committee also appraised the effectiveness of PwC, considered their reappointment, and also assessed their independence. The Committee concluded that PwC remained independent. Furthermore, PwC confirmed to the Committee that they maintained appropriate internal safeguards to ensure their independence and objectivity.

During the year, the Audit Committee held a private meeting with PwC, without management being present in order to receive feedback from them on matters such as the quality of interaction with management. The Chairman of the Committee also met with them separately, on several occasions.

Significant judgements, key assumptions and estimates

The Audit Committee monitored the following areas as these were considered key because of their impact on the Group's results and remuneration of senior management or the level of complexity, judgement or estimation involved in their application on the consolidated financial statements:

- Property valuations
- Finance lease calculations
- The accounting treatment for trading properties and trade receivables
- Provisions
- Revenue recognition
- Capitalisation of expenses
- Calculation of revenue profit and adjusted earnings per share
- Valuation of interest-rate swaps
- Compliance with the Real Estate Investment Trust (REIT) regime

Further details on each of these can be found in notes 2 and 3 to the financial statements on p110—112.

Valuers

The Audit Committee also has in place policies and procedures to monitor the objectivity of the external valuers, Knight Frank LLP. The work of Knight Frank is particularly important since the valuations of the Group's portfolio are a significant determinant of the Group's reported performance and senior management remuneration.

The external valuers and external auditors have full access to one another and operate with an open dialogue and exchange of information that is independent of the Group.

During the year the Audit Committee Chairman, Kevin O'Byrne, attended key valuation meetings (along with the external auditors) to be assured of the independence and rigour of the process. In addition, Knight Frank presented its valuation findings to the Audit Committee at the interim and full year review of results.

We have a fixed fee arrangement with our valuers. Given the importance of the work undertaken by Knight Frank, we have disclosed the fees we pay them in note 8 to the financial statements.

The total fees paid by the Company to Knight Frank in the year represented less than 5% of their total fee income for the year. The Audit Committee regularly reviews the total fees that the Company pays to Knight Frank as a proportion of the total fees paid to all of our property advisers. The Committee remains satisfied that it represents only a small proportion of the total.

Internal Controls and Risk Management

The Board is responsible for the Group's system of internal control, which has been designed to manage, rather than eliminate the risk of failure to meet business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board's approach to risk management is supported by an oversight structure which includes the Audit Committee.

The Board has an on-going process to identify, evaluate and manage the significant risks faced by the Group, which has been in place throughout the year and up to the date of the approval of the annual report and accounts. This process is regularly reviewed by the Board, and accords with the 2005 Turnbull guidance. In addition, the Board reviews annually the effectiveness of the risk management and internal control systems.

The key features of our system of risk management and internal control include:

Strategic and business planning

- A five year forecast and business plan is prepared annually, against which the performance of the business is regularly monitored, together with funding requirements and cashflows.

Investment appraisal

- Significant capital projects, major contracts and business and property acquisitions are reviewed in detail and approved in accordance with a formal schedule of reserved matters.
- Post investment appraisals prepared by management are also received and reviewed.

Financial monitoring

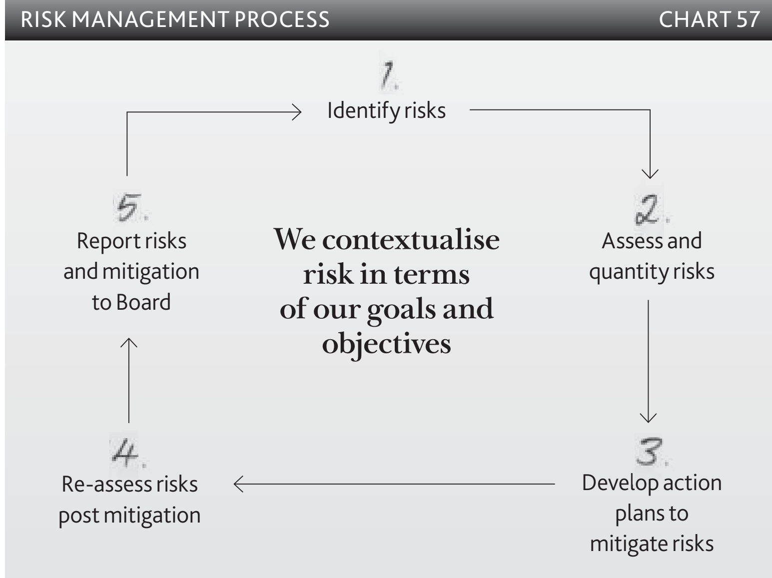
- Profitability, cash flow and capital expenditure are closely monitored and key historic and forecast financial information is reported to the Board on a monthly basis, including explanations of variances between actual and budgeted performance.

Systems of control, procedures and delegated authorities

- Clearly defined guidelines and approval limits exist for capital and operating expenditure and other key business transactions and decisions.
- Financial reporting controls identify and address key financial reporting risks including risks arising from changes in accounting standards, as well as any areas of accounting judgement.

Risk management

The Group has a risk management process that is embedded throughout the organisation. The risk management process is summarised as follows:



1. **Identify**
   Risks are identified for each area of the business and the Group as a whole.

2. **Assess and quantify**
   Each risk is rated in terms of probability of occurrence and potential impact on financial performance and the reputation of the Group.

3. **Develop action plans to mitigate**
   The Risk Management and Internal Audit team assists the business in developing action plans to mitigate risk and review and test key business processes and controls, including following up with the implementation of management actions to the Audit Committee.

4. **Re-assess risk post mitigation**
   Risks are continually re-assessed to ensure that mitigation strategies have been effective.

5. **Report risks and mitigation to the Board**
   Risks are reviewed with the Executive Directors and the Audit Committee and then reported to the Board.

Assurance

The Board reviewed the effectiveness of the Group's system of risk management and internal control including financial, operational and compliance controls. This was primarily achieved by:

- reviewing key controls on a quarterly basis to ensure they were embedded and operating effectively within the business
- reviewing the reports from the Risk Management and Internal Audit team on any issues identified in the course of their work. The Director of Risk Management and Internal Audit met regularly with senior management and attended all meetings of the Audit Committee
- reviewing annually the Group's system of internal control which includes a summary of key controls, a report from the internal audit team on their work and the results of compliance questionnaires which provided assurances from senior management that business activities had been conducted appropriately
- reviewing the effectiveness of the internal audit function
- monitoring the risks and associated controls over the financial reporting processes, including the process by which the Group's financial statements are prepared for publication
- reviewing reports from the external auditors on any issues identified in the course of their work, including an internal control report on control weaknesses.

From the review of the risk management and internal control system, the Board confirms that no significant failings or weaknesses have been identified.

The Audit Committee also maintains a whistleblowing facility to enable employees to raise issues on a confidential basis. The Audit Committee ensures that proportionate and independent investigation is undertaken on any whistleblowing incidents. No incidents were recorded during the year.

Relations with investors

Approach to Investor Relations

The Board has a comprehensive Investor Relations programme which aims to provide existing and potential investors with a means of developing their understanding of the Group.

The Investor Relations programme is split between institutional shareholders (which make up the majority of shareholders), private shareholders and debt investors. Feedback from the programme of events is provided to the Board to ensure that they develop an understanding of the Group's major investors. During the year under review, the programme included:

Institutional Shareholders programme

- **Meetings with principal shareholders**
  - Meetings with Directors and the Chairman were offered on a regular basis throughout the year.
  - The Chairman, particularly with regard to the Chief Executive succession, maintained contact with principal shareholders and kept the Board informed of their views.

- **Road shows**
  - Institutional shareholders were invited to annual and half-yearly results meetings. As well as the Executive Directors, the Chairman and the Senior Independent Director were available to meet with shareholders.

- **Investor conference**
  - The Investor conference is held annually and focuses on the Retail and London portfolios in alternate years. This year the conference was held in Leeds and focused on the Retail portfolio. As well as updates on market conditions and our business, there were property tours of Trinity Leeds and White Rose, and an opportunity for attendees to meet management below Executive Director level.
  - The presentations and an audio-cast or web-cast of the conference were made available on the corporate website to enable those investors who could not attend to access all the information disclosed at the conference.

- **Industry conferences**
  - Industry conferences provide Executive Directors with a chance to meet a large number of shareholders on a formal and more informal basis. Conferences that were attended by Executive Directors included the UBS Global Property conference in London, Citi CEO conference in Florida, Merrill Lynch conference in New York, the Nomura conference in Tokyo, and the Kempen conference in Amsterdam, amongst others.

Private Shareholders programme and the Annual General Meeting (AGM)

Private shareholders are actively encouraged to give feedback and communicate with the Directors, through the Company Secretary. They were also able to meet Directors at the United Kingdom Shareholders' Association (UKSA) meeting, held annually at our head office and at the Annual General Meeting (AGM).

The AGM provided all shareholders with an opportunity to question the Board and the Chairmen of the Board Committees on matters put to the meeting including the Annual Report. Shareholders who attended the AGM were given a detailed presentation by the Chief Executive on the activities and performance of the Group over the preceding year.

The results of voting at general meetings are published on the Company's website, www.landsecurities.com/investors/shareholder-investor-information/agm-annual-general-meeting, as required by the UK Corporate Governance Code.

Debt Investors programme

- **Credit side institutional investors**
  - Meetings were held with our Chief Financial Officer and the Treasury team after the annual and half-year results.

- **Banks**
  - There was regular dialogue with our key relationship banks including quarterly meetings with the Treasury team and in-house dinners with Executive Directors and the Senior Independent Director.

Further information on our debt investors can be found http://www.landsecurities.com/investors/debt-investors.

Independent feedback on Investor Relations

As a Board we receive independent feedback on Investor Relations through a biennial presentation by Makinson Cowell, an independent adviser. Makinson Cowell undertook a comprehensive Investor Relations audit this year, benchmarking all aspects of the Investor Relations programme and interviewing principal investors face-to-face to obtain their views on management and business performance. The results were then presented to the Board, with suggestions and improvements being taken forward by management. Recommendations and actions included:

- continuing the Chairman's periodic contact with larger investors
- extending coverage through investor relations only meetings
- developing practices to broaden contacts with remuneration, corporate responsibility and governance specialists.

Our Investor Relations department also received feedback from analysts and investors semi-annually through the Group's corporate advisers. These were fed back to the Board to help develop their understanding of our shareholders.

Other disclosures

Other disclosures required by paragraph 7.2.6 of the Disclosure and Transparency Rules and the Companies Act 2006 are set out in the Report of the Directors on p100.

Letter from the Chairman of the Remuneration Committee

Land Securities Group PLC
5 Strand
London WC2N 5AF

Dear Shareholder,

This has been a busy year for the Remuneration Committee.

The year started well for your Company. Our 2010/11 results were well received. Confidence in the economic recovery was returning, which was reflected both in terms of property values and lettings. The performance targets set by the Committee for bonus payments reflected that confidence. We set ambitious targets for development lettings in both the London and Retail portfolios. We set a target for a small net investment during the year. In addition, we set targets for outperformance of IPD and revenue profit. The targets reflected our significant development programme and our desire to maintain income.

The eurozone crisis brought more caution into the economy and into the property markets in which we operate. It became clear that the targets we set at the beginning of the year would become much harder to achieve. The caution meant tenants were more reluctant to take space and we became a less willing investor. Hence, the net investment target became more difficult to attain as value, from our perspective, became more difficult to find. IPD benchmark outperformance also became harder to achieve, with the Group's focus turning to asset management and achieving higher sales prices in order to drive outperformance and improve balance sheet flexibility for the future. Despite the change in outlook, the targets set at the beginning of the year were not adjusted and our people have had to work much harder to achieve them. Despite the tremendous efforts of our employees in this difficult environment our business outturn has not been as good as we had hoped or had achieved in the previous year. The Group bonus pool is down as a result.

The appointment of Robert Noel as the Group's Chief Executive has led to a reduction of Executive Directors from four to three. The corresponding changes to management responsibilities meant that changes to the incentive structure for Executive Directors were necessary. Rather than make gradual changes over the course of a number of years, the Committee commissioned a wholesale review. This gave us the opportunity to address elements of our incentive package, such as the Additional Bonus and Discretionary Bonuses, which some shareholders disliked. It has also enabled us to propose the introduction of a clawback mechanism into our incentive schemes.

The outcome of the review is a proposed shift in the balance of the incentive structure away from discretionary payments and outperformance of our IPD weighted benchmarks, towards relative shareholder return and a package that is longer term in nature. We believe our proposals will improve the alignment of executives with the interests of long term shareholders and are seeking shareholder approval for them at this year's AGM.

We have been particularly conscious of the current environment for pay in listed companies, closely monitoring the Government consultations on executive pay and governance policy statements from our shareholders. Before settling on these proposals, we entered into extensive engagement with our top 20 shareholders, who together hold nearly 50% of our shares. We are very grateful for their time and their input, which has informed our thinking and led to a number of changes. Full details of the review appear in Section 6 of this report.

In their feedback, investors also asked for more information. This included a comparison between the salary of our Chief Executive and the average for our employees, more detail on the calculation of performance conditions for incentives and details of our on target and maximum pay. We have included all of this, and more, within our report and hope you find it helpful.

The Committee also considered the remuneration of our outgoing Chief Executive, Francis Salway at two specially convened meetings. The Committee allowed one tranche of Long Term Incentives to vest on his leaving the Group on 31 March 2012. These would ordinarily have vested in June and July 2012. Francis remained our Chief Executive for the whole of the year under review and was awarded a bonus, in line with our policy. The Committee allowed the early vesting of two tranches of deferred bonus shares which had been purchased using cash withheld from bonuses in previous years. No other payments were made to him upon departure. More details of these appear in the 'At A Glance' Section and in Section 3, where we explain the rationale for the payments and the calculation of the performance conditions.

More details of the work of the Committee follows and we hope you find it helpful in understanding our remuneration policy and practice.

David Rough
Chairman, Remuneration Committee

At a glance

Salary Paid and Bonus Payments for Directors

EXECUTIVE DIRECTOR SALARY AND ANNUAL BONUSES FOR THE YEAR — TABLE 58

(£'000)	Annual salary	Annual bonus, including any discretionary bonus, paid in cash	Annual bonus deferred into shares
F W Salway	665	481	–
R J Akers	400	405	249
M F Greenslade	435	331	77
R M Noel	425	308	81

1. Annual bonuses comprise both a cash element and an element which will be deferred into the Company's shares.
2. The annual cash and deferred bonus columns, for R J Akers, each include £171,000 that relates to the out performance of the Retail Portfolio against its IPD benchmark for the financial year 2010/11, but paid in 2011/12.
3. R J Akers is potentially entitled to an additional bonus of 50% of salary for the 2011 / 12 financial year as the performance of the Retail Portfolio exceeded the relevant IPD benchmark in absolute terms by 2.5%. If the performance criteria for the financial year 2012/13 is also met, half of the payment would become due in cash in June 2013 and half deferred into the Company's shares for a period of two years.

In Section 3, we provide a detailed explanation as to how each bonus was earned, together with additional information showing how pay during the year compared with on target and maximum amounts.

For the coming year, only two Executive Directors, Martin Greenslade and Richard Akers, will receive annual salary increases. Francis Salway retired on 31 March 2012, with his successor, Robert Noel, not being eligible for a salary increase until 1 July 2013.

The average increase awarded to those two directors was 4.15% as against an average of 3.77% for the rest of the Group. The average increase over 5 years (including these increases), has been 2.7% for Mr Greenslade and 2.4% for Mr Akers. An explanation of the rationale for these pay increases appears in Section 3 of this report. Salary increases take effect from 1 July 2012.

Section 3 also contains detail on the process undertaken by the Committee in setting the salary for our new Chief Executive.

No increases were awarded to our Non-executive Directors, whose fees have not increased since October 2009. Our Chairman has not received an increase since her appointment in November 2008.

EXECUTIVE DIRECTOR SALARIES — TABLE 59

(£'000)	Current	From 1 July 2012	% increase	Average % increase over 5 years (including 2011/12–2012/13)
F W Salway*	665	–	–	–
R M Noel**	680	680	n/a	–
M F Greenslade	435	460	5.8%	2.7%
R J Akers	400	410	2.5%	2.4%

* F W Salway retired as Chief Executive on 31 March 2012.
**R M Noel was appointed Chief Executive on 1 April 2012 and his salary will next be reviewed in 2013.

New Proposals to Alter the Structure of Executive Remuneration and Introduce a 'Clawback' Mechanism

There have not been any changes to the Committee's remuneration policy for the 2011/12 year under review.

Section 6 of this report contains the Committee's proposals to alter the structure of Executive Director remuneration with effect from the financial year 2012/13. The section includes the Committee's rationale for the changes and the steps it has taken to ensure that the proposals are appropriate, that the performance conditions are stretching and that the outcomes are aligned to the interests of investors. In summary:

- The proposals simplify the existing remuneration structure and better align the pay of Executive Directors to the performance of the Group as a whole
- There is a reduction in the overall maximum value of annual and long term incentives from 500% to 450% of basic salary
- Discretionary bonuses, of up to 50% of basic salary, are removed
- Additional Bonuses of up to 200% of basic salary are also removed
- Annual bonuses, currently up to 100% of basic salary, are increased to 150% with amounts above 50% and 100% automatically deferred into shares for one and two years, respectively
- Long Term Incentive Plan Awards and Matching Performance Share Awards are increased from 100% of salary, for each, to 150% of salary for each
- The balance of the incentive structure shifts away from discretionary payments and outperformance of our IPD weighted benchmarks towards relative total shareholder return, which will improve executive alignment with shareholders
- The shift in emphasis from annual bonuses to awards under the Long Term Incentive Schemes and the increase in bonus deferral means that the incentive package becomes more long term
- Clawback provisions are to be introduced, which give the Committee authority to 'clawback', from future awards, overpayments of bonus or an excess vesting of a share award caused by a misstatement of the Company's results or a performance condition
- Implementation of these proposals is subject to shareholders approving certain changes to the Company's Long Term Incentive Plan proposed at the Company's forthcoming AGM.

Pay Around the Group

The average pay increase for employees other than Directors was 3.77%, as against 4.15% for the two Executive Directors who received annual increases. The ratio of the salary of our Chief Executive to the average salary across the Group (excluding Directors) is 12:1.

More details of pay and benefits around the Group are set out in Section 5.

Payments to our Outgoing Chief Executive

Following Francis Salway's decision to resign his position as Chief Executive, the Committee agreed to allow his Long Term Incentive Plan awards that had been due to vest in June and July 2012 to vest on 31 March 2012, which was his leaving date. In line with the Company's policy that applies to all employees, since Mr Salway had worked for the whole of the 2011/12 financial year, the Committee exercised its discretion to award him a bonus for the 2011/12 financial year. The Committee also allowed the vesting of Deferred Bonus Shares awarded in 2010 and 2011, which had been purchased using part of his bonus award that was deferred in those years.

All other share and incentive awards lapsed and he did not receive any pay in lieu of notice or other payment. Full details of the payments and the Committee's rationale for these payments are set out in Section 3.

1. The Remuneration Committee, its Role and Governance

Compliance

This report has been prepared by the Remuneration Committee (the Committee) in accordance with the Companies Act 2006, the Listing Rules of the Financial Services Authority and The Large and Medium Companies and Groups (Accounts and Reports) Regulations 2008. In accordance with those Regulations, this report has been approved by the Board and will be submitted to shareholders for consideration at the Annual General Meeting, to be held on 19 July 2012. The Committee complies with the provisions set out in the UK Corporate Governance Code.

PricewaterhouseCoopers LLP has audited Tables 72—76 and associated footnotes.

Responsibilities and Terms of Reference

The Committee is responsible for:

- Determining the overall strategy for the remuneration of Executive Directors and Senior Managers and for ensuring that this is aligned with the Company's strategy and the wider business environment so that the outturn of performance conditions reflects the performance of the business
- Designing a policy to execute its strategy
- Determining the individual remuneration packages for executive directors and senior managers
- Overseeing any significant changes to employee benefits across the Group, including pensions
- Approving the design of and targets for performance-related incentive schemes
- Overseeing the operation of all incentive schemes and awards and determining whether performance criteria have been met
- The Committee's terms of reference are available at www.landsecurities.com.

Advisers

Both the Group Human Resources Director and the Group General Counsel and Company Secretary provided information and advice to the Committee throughout the year. The Committee has appointed and received advice, on remuneration and ancillary legal matters, from New Bridge Street (NBS), an AON Hewitt company, and also made use of various published surveys to help determine appropriate remuneration levels. NBS has voluntarily signed up to the Remuneration Consultants Code of Conduct and has no other connection with the Land Securities Group.

The Committee intends to conduct a benchmarking review of its remuneration and benefit consultants work during the course of the coming year.

Membership and Meetings

The Committee is chaired by David Rough.

The other members of the Committee during the year were Sir Stuart Rose, Alison Carnwath, Simon Palley, who joined the Committee on 10 May 2011 and Bo Lerenius, who stepped down from the Board and the Committee on 21 July 2011. Alison Carnwath is not classified as an independent Non-executive Director for the purposes of the UK Corporate Governance Code, solely by virtue of her being the Chairman of the Board, however she was an independent Non-executive Director at the time of her appointment as Chairman. All of the other members were and remain independent Non-executive Directors.

The Committee met four times during the course of the year. All of the members attended all of the meetings.

The Chief Executive and Human Resources Director were invited to attend meetings of the Committee. No Director was involved in any decision relating to his or her own remuneration. As set out in the Corporate Governance Section of this report, a review of the Committee's performance was undertaken by the Chairman of the Board, with the assistance of the Group General Counsel and Company Secretary. The Committee's performance had been reviewed externally by Independent Audit Limited in 2010, who followed this up in 2011 with a review of matters raised during their initial evaluation. The Committee's performance will be reviewed externally again during the coming year.

Activities and Highlights

During the course of the year, the Remuneration Committee considered a number of matters, including:

- A complete review of every aspect of remuneration for Executive Directors and senior managers, resulting in the proposals summarised in section 6.
- The implementation of clawback arrangements
- The proportion of remuneration generated from the Group's performance against IPD as opposed to other measures
- Research compiled by the Committee's independent consultants benchmarking Executive Director and Senior Manager salaries
- Salary increases for Executive Directors and Senior Managers, together with overall levels of salary increases across the Group
- Achievement against business unit and personal targets under the annual bonus scheme for Executive Directors and Senior Managers
- Achievement against the performance conditions for the Long Term Incentive and Matching Performance Share Plans
- The determination of certain share awards to Francis Salway under the 'good leaver' provisions in the scheme rules reviewing his performance against targets and the calculation of payments made to him
- Proposed share incentive awards to Executive Directors and senior managers
- Directors' compliance with the Company's Share Ownership Guidelines.

2. Remuneration Policy and Components

In this Section, we outline our strategy and policy and then examine the components of our remuneration package, explaining why each of them has been chosen and why we believe our performance conditions are stretching and aligned with the interests of shareholders.

There have not been any changes in remuneration policy or awards made during the course of the year under review, although changes are proposed for the following year. These are set out in section 6.

Remuneration Strategy

Land Securities' primary aim is to produce returns for our shareholders that are superior to those of our competitors, both in the short and long term. That is why a significant proportion of our incentives only pay out if we outperform our competitors. In order to do this, we need to do a number of things well. We need to buy well, sell well, develop well, manage our assets through the property cycle well, and ensure we have the right financial flexibility and appropriate gearing. Our people are key to achieving this. We need to ensure that we attract and retain the best people throughout the organisation and the remuneration package we offer is one of the ways in which we do that. Our package is designed to:

- Attract, retain and motivate high quality management, recognising that the Group operates in a competitive market for talent

– Align the interests of Executive Directors and Senior Managers with those of shareholders
– Be fair, transparent and easily understood by the Company's stakeholders, which include its Directors, employees and investors alike
– Be in a form that can be applied consistently across the Group to support a high performance culture aligned to achieving the Group's strategic objectives.

Remuneration Policy

In order to achieve its strategy, the Committee's policy is to:
– Set base salary at around median of the relevant market competitive level
– Ensure that superior rewards are only paid for exceptional performance. Accordingly, a substantial proportion of Executive Directors' remuneration is delivered through performance related pay, with incentives to outperform industry performance benchmarks and the total shareholder return of our peers
– Agree and set challenging business targets for the Executive Directors and their direct reports, both on an annual and longer term basis
– Ensure an appropriate balance between short and long term and fixed and variable rewards
– Ensure further alignment with longer term investor goals by ensuring deferral of part of the annual bonus and requiring Executive Directors to make and maintain significant investments in the Company's shares in order to maximise their Matching Performance Share Awards
– Engage with investors and ensure their views and those of other stakeholders are reflected in the remuneration package offered.

Benchmarking

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

The benchmarking shows that the current Executive Directors' salary levels are below the median benchmarks for first group of comparator companies and well below those of companies within the second group.

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

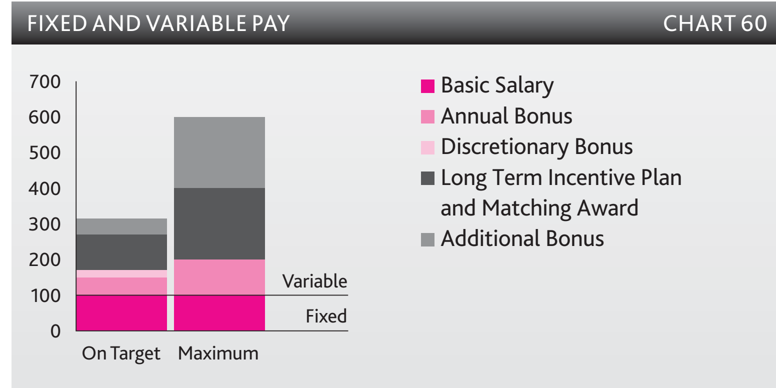
Alignment with Shareholders

The Remuneration Committee's objective is to align individual reward with the Group's performance both in the short and long term. The remuneration package we offer our Executive Directors seeks to do this in the following way:
– Basic salaries are set to reflect an individual's ongoing performance and contribution to the business
– Annual bonuses tailored to reward high performance against key short and long term objectives and superior relative performance of the Group compared with property industry benchmarks
– Long Term Incentive Plan rewards for Executive Directors are aligned with our long term business objectives and value created for shareholders in excess of that created by general increases in the value of property or shares
– 25% of any annual bonus will be deferred into the Company's shares for three years. 50% of any award made in relation to exceptional outperformance against property industry benchmarks is deferred into the Company's shares for two years. Deferral operates as a strong retention tool
– Within five years of joining the Board, all Executive Directors must own shares with a value of at least one and a half times their basic salary and, in the case of the Chief Executive, twice his basic salary. In practical terms, at current tax rates, our Chief Executive is required to hold shares with a value in excess of four times his net annual basic salary.

Fixed and Variable Pay

In the year under review, each of the Executive Directors' remuneration comprised the following elements of fixed and variable pay, shown as a proportion of basic pay:

FIXED AND VARIABLE PAY CHART 60



Components of Variable Remuneration and Performance Criteria in 2011/2012

Executive Director remuneration comprises fixed pay, which includes basic salary, pension allowance and benefits in kind and variable pay comprising bonus and participation in the Company's Long Term Incentive Plans.

(i) Bonus Arrangements

The bonus arrangements for Executive Directors comprise three elements.

The first is the 'Annual Bonus' and is based on the achievement of business targets that vary between Executive Directors, with a maximum award of 100% of basic salary. The second is a 'Discretionary Bonus' paying up to 50% of basic salary and designed to reward an exceptional achievement or the establishment or successful execution of a key initiative neither of which would be fully reflected by the Annual Bonus mechanism. The third element rewards an outstanding total return performance relative to key IPD benchmarks with the award of up to 200% of basic salary.

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

Annual Bonus

Executive Directors may receive a bonus of up to 100% of salary, with 80% of that based on the performance against key targets for the areas of the business for which they are responsible. The Committee calibrates the targets for each Executive Director 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. These targets are considered at and approved by the full Board. The remaining 20% is based upon the achievement of objectively measurable, personal key performance targets, in common with every employee within the Group.

All targets are set at the beginning of the year. At present, 25% of any bonus awarded under this heading is automatically deferred into the Company's shares and receives a Matching Performance Share Award under the terms of the Company's Long Term Incentive Plan (LTIP).

The bonus criteria for the year under review is set out in section 3, together with individual Directors' performance against those targets. For the coming year, the criteria for annual bonuses for all Executive Directors are based on the Company's relative performance against IPD, its performance against targets for revenue profit and on the achievement of key business targets. These are explained in detail on p21. In addition, each Executive Director has a number of objectively measureable personal targets.

Discretionary Bonus for Exceptional Performance

If shareholders approve the changes to remuneration set out in the circular attached to this annual report, the Discretionary Bonus will be withdrawn for Executive Directors with effect from the beginning of the 2012/13 financial year.

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

Following feedback from shareholders, the Committee set criteria for the award of discretionary bonuses, which will only be awarded by the Committee where there has been exceptional achievement in a specific area or the establishment or successful execution of a strategic initiative. The maximum award from this element of the bonus pool is £500,000, in aggregate, for all Executive Directors.

The Company operates a separate discretionary bonus pool open to all employees other than Executive Directors, details of which are set out in section 5. The aggregate amount of the pool is £1m, with awards normally made to no more than 10% of the Group's employees. The awards are not capped, but are usually not more than 30% of basic salary and are made on the basis of an exceptional single achievement or outstanding all round performance.

Additional Bonus Opportunity

If shareholders approve the changes to remuneration set out in the circular attached to this Annual Report, the Additional Bonus Opportunity will be withdrawn with effect from the beginning of the 2012/13 financial year.

This part of Executive Directors' annual bonus opportunity is intended to reward exceptional outperformance and creation of value for shareholders. Any award will be made as a result of material outperformance of the industry performance benchmark, not as a result of a general increase in the value of property assets.

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

The purpose of the additional bonus is to encourage Executive Directors to strive for material outperformance every year. The Committee designed the bonus targets that applied to this element of the Executive Directors' bonus opportunity so that the performance targets are significantly above that required for other bonus opportunities, with outperformance of the IPD benchmark by more than 2% being required before any payout is made, with the maximum payout requiring outperformance of 4%. Any payout is conditional upon the relative performance in the following year exceeding the IPD benchmark or delivering outperformance over the two years of at least 1% per annum. Accordingly, the Committee's assessment for any award under this category includes a forward looking measure so that no bonus payments will be made until the subsequent year's outturn for TPR performance becomes available.

For the year under review, the relevant benchmark for Richard Akers is the Retail business total property return and for Robert Noel, the relevant London business total property return. The relevant benchmark for Francis Salway and Martin Greenslade is the aggregate of the London and Retail business.

50% of any award will be deferred into the Company's shares for two years, which means that vesting takes place three years from the year to which the bonus relates.

(ii) Long Term Incentive Share Plans

Long Term Incentive Plan Awards

In the year under review, each Executive Director received a conditional award of shares of 100% of salary, which was in line with the Committee's current grant policy.

Matching Performance Share Plan Awards

In addition, Matching Performance Share Awards are available to Executive Directors on the basis of their investment in the Company's shares. These awards are subject to the same performance criteria as for LTIP awards.

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

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

Performance Criteria for Long Term Incentive Plan and Matching Performance Share Awards

Awards of LTIP Performance Shares and Matching Performance Shares are subject to the same performance conditions, for all recipients, and are measured over 3 years by the Committee and are designed to reward outperformance. There is no re-testing of these awards, so that if the targets are not met on first testing, the awards lapse.

Relative Ungeared Total Property Return (TPR)

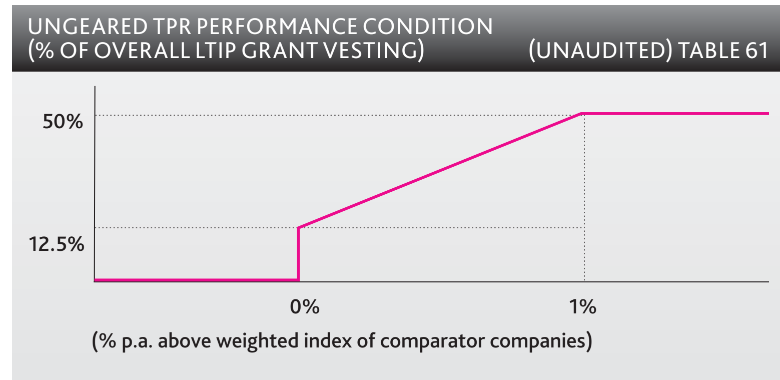
Half of any award will vest based on the Group's Ungeared TPR equalling or exceeding the IPD weighted indices that reflect the sector mix of Land Securities' investment portfolio.

The target range for this measure is:

- Performance equal to the sector weighted IPD index – 12.5% of the award vests
- Performance equal to the sector weighted IPD index + 1% per annum – 50% of the initial award vests
- Straight line vesting occurs between these points
- Performance below the sector weighted IPD index – the 50% proportion of the LTIP grant will lapse in full.

Ungeared TPR was chosen as a key performance measure for the investment portfolio element of the business because it is used both internally and externally within the property sector as a measurement of relative performance. The measure does not reward general movements in the value of commercial property, only outperformance. Outperformance of this measure can create considerable value for Shareholders. On the basis of a portfolio valued at £10.5 billion, an average 1% pa relative outperformance across the portfolio over three years would generate approximately £315 million of value beyond that created by the equivalent value of property in the sector weighted index.

UNGEARED TPR PERFORMANCE CONDITION (% OF OVERALL LTIP GRANT VESTING) (UNAUDITED) TABLE 61



Relative Total Shareholder Return (TSR)

The remaining 50% of the vesting criteria is based on Land Securities' three year TSR performance (share price increase plus reinvested dividends) compared against an index formed by weighting the TSR performance of the property companies within the FTSE 350 Real Estate Index by their market capitalisations at the beginning of the performance period (excluding Land Securities).

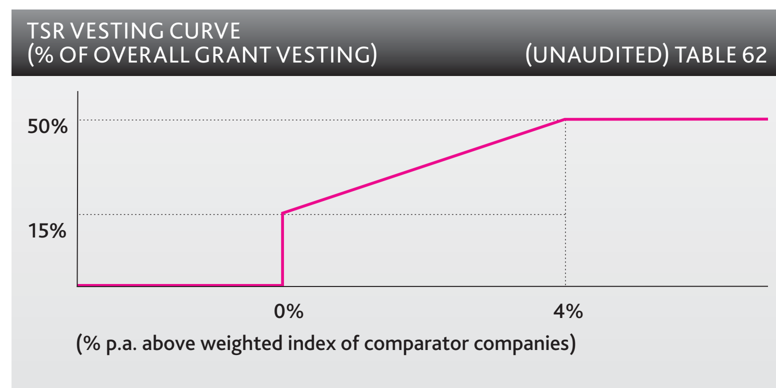
The TSR measure has been adopted by the Committee as it aligns the interests of Executive Directors with those of shareholders by targeting outperformance of the Company's comparator group of listed property companies.

The target range for this measure is:

- Performance equal to the comparator group – 15% of the award vests
- Performance equal to the comparator group + 4% per annum – 50% of the initial award vests
- Straight line vesting occurs between these points
- Performance below the comparator group – the 50% proportion of the LTIP grant will lapse in full.

Based on a market capitalisation of £5.5 billion, an average 4% relative outperformance of TSR over three years would generate approximately £700 million of value for Shareholders beyond that achieved by our comparator group.

TSR VESTING CURVE (% OF OVERALL GRANT VESTING) (UNAUDITED) TABLE 62



The Group's comparator groups for the beginning of each 3 year period from 1 April 2009 are set out below.

COMPARATOR GROUPS (UNAUDITED) TABLE 63

Comparator Groups	1 April 2009	1 April 2010	1 April 2011	1 April 2012
The British Land Company PLC	✓	✓	✓	✓
Big Yellow Group PLC	✓	✓	✓	✓
Capital and Counties Properties PLC		✓	✓	✓
Capital Shopping Centres Group PLC		✓	✓	✓
Daejan Holdings PLC	✓	✓	✓	✓
Derwent London PLC	✓	✓	✓	✓
F&C Commercial Property Trust Limited	✓	✓	✓	✓
Grainger PLC		✓	✓	✓
Great Portland Estates PLC	✓	✓	✓	✓
Hammerson PLC	✓	✓	✓	✓
Hansteen Holdings PLC		✓	✓	✓
Helical Bar PLC	✓	✓	✓	
Liberty International PLC	✓			
London and Stamford Group PLC	✓	✓	✓	✓
Segro PLC	✓	✓	✓	✓
Shaftesbury PLC	✓	✓	✓	✓
St Modwen Properties PLC		✓	✓	✓
UK Commercial Property Trust Limited		✓	✓	✓
UNITE Group PLC		✓	✓	

The following tables illustrate the performance of awards made under the Group's long term incentive plans over the last five years. The first shows the actual performance of awards vesting between June 2008 and March 2012. The vesting criteria for these awards was based equally on the Group's performance against Ungeared TPR and Normalised Adjusted Diluted Earnings Per Share, an adjusted earnings per share measure which was replaced by the TSR measure following the disposal of our Trillium business.

For awards made in 2009 and vesting after April 2012, the Group adopted a new performance measure, based on the Group's performance against TPR and TSR.

Table 65 shows the approximate performance of LTIP and Matching Performance Share Awards that would have vested between the years 2008 and 2011 had the current TPR and TSR performance conditions been in place for that period. The figures are for illustrative purposes only and assume that the comparator group for 2011/12 is the same for the whole of that period. Spot prices at the beginning and end of each period are used for these purposes, as opposed to the 30 day averages used to calculate the performance of actual awards.

For awards granted in June and July 2009, the Group outperformed its sector weighted IPD index by an average of 0.62% per annum, causing 35.9% of the award to vest. Based on a portfolio value of £9,406 million on 1 April 2009, the value of this outperformance equates to approximately £180 million of value created for shareholders in excess of our IPD sector benchmarks over the period.

For the same period, the Group's TSR was 98.81%, outperforming its comparator group in terms of TSR by 4.22% and causing the maximum, 50%, of the award to vest. Based on our market capitalisation of £3.2 billion on 1 April 2009, the outperformance created approximately £422 million of value over and above that of our comparator group over the period. The TSR calculation is carried out by the Committee's independent benefits adviser, New Bridge Street.

In total, 85.9% of the award will vest in June (LTIP) and July (LTIP Matching Performance Shares) 2012.

For awards granted in 2010, the Group's performance over the two years to 31 March 2012 would, if sustained over the three year period, result in 74.2% of the share awards vesting. For awards granted in 2011, performance over the one year period to 31 March 2012 would, if sustained over the second and third years of the period, result in 50% of share awards vesting.

PERCENTAGE OF LTIP AND MATCHING PERFORMANCE SHARE AWARDS ACTUALLY VESTING DURING THE LAST 5 YEARS (UNAUDITED) TABLE 64

Vesting of LTIP awards		Percentage of award vesting			
Year of grant	Performance Period	TPR	NADEPS	TSR	Total
2005	April 2005 to March 2008	50%	50%	–	100.0%
2006	April 2006 to March 2009	42.50%	50%	–	92.5%
2007	April 2007 to March 2010	50%	0%	–	50.0%
2008	April 2008 to March 2011	27.50%	0%	–	27.5%
2009	April 2009 to March 2012	35.90%	–	50%	85.9%

ILLUSTRATIVE PERCENTAGE OF LTIP AND MATCHING PERFORMANCE SHARE AWARDS VESTING BETWEEN 2008 AND 2011 (ASSUMING THE CURRENT TPR/TSR PERFORMANCE CONDITIONS HAD BEEN IN PLACE) (UNAUDITED) TABLE 65

Vesting of LTIP awards		Percentage of award vesting		
Year of grant	Performance Period	TPR	TSR	Total
2005	April 2005 to March 2008	50%	0%	50.0%
2006	April 2006 to March 2009	42.50%	23%	65.5%
2007	April 2007 to March 2010	50%	0%	50.0%
2008	April 2008 to March 2011	27.50%	0%	27.5%

The maximum number of shares which could potentially vest as a result of historic long-term incentive awards and the number of shares which vest in the financial year are shown in Table 72.

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

(iii) Deferred Bonus Share Plan

Where part of a bonus is deferred into the Company's shares, those shares are held within the Company's employee benefit trust and are automatically transferred to Executive Directors on the second or third anniversary of the grant date, depending on the nature of the award, provided that they remain employed by the Company on that date, or otherwise meet other criteria set out in the rules of scheme.

The proceeds of any dividends accruing on the deferred shares are used to purchase shares, with those additional shares transferred to the Executive Director on vesting.

(iv) Clawback Arrangements

Subject to the approval of Shareholders and with effect from the 2012/13 year, the Remuneration Committee will have discretion to recover the value of any overpaid awards of Annual Bonus and/or LTIP/Matching Performance Share Awards where the overpayment was made as a result of the misstatement of the Company's results or a performance condition which caused the overpayment. The recovery will be made against future bonuses and unvested share awards and, to the extent permitted, from Deferred Bonus Shares. This 'clawback' will apply to awards made to Executive Directors and to Senior Managers.

(v) Pension Arrangements

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

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

Richard Akers participates in the Group's defined benefit pension scheme which was open to property management and administration staff until 31 December 1998. This scheme was designed to provide a pension of 1/60th of Pensionable Salary for each year of pensionable service at normal retirement age. The benefits provided to Mr Akers are based on a Pensionable Salary which is subject to a cap, based on the former statutory earnings cap. With effect from 1 April 2006, the defined benefit pension scheme has moved to future accrual on a 'CARE' (Career Average Revalued Earnings) basis, on either a 1/80th accrual or a 1/60th accrual subject to employee contributions. To date, Mr Akers has elected to accrue benefits on a 1/60th basis with employee contributions of 5% of basic salary. Where the amount of the Group's deemed contribution is less than 25% of Mr Akers' base salary, the balance is paid to him in the form of a pension allowance or in cash. Table 75 illustrates the accrued value of Mr Akers' defined benefit pension. He will cease to be an active member of this scheme in 2012/13 and will receive a pension allowance instead of contributions to the scheme.

(vi) Share Options

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

The Committee determined that the performance criteria had been met for grants made over the period 2002 to 2004 and as a result the executive share options granted during that period have not lapsed and are exercisable in full for 10 years from the grant date. Directors' options over ordinary shares are shown in Table 76.

(vii) Savings-Related Share Option Scheme

All employees, including Executive Directors, are invited to participate in the Company's Savings-Related Share Option Scheme. The scheme is designed to align the interests of employees with the longer term interests of shareholders and provide certain tax benefits for our employees. On joining, participants make an election for the scheme to mature on either the 3rd, 5th or 7th anniversary of them joining and may contribute up to £250 per month. On maturity, participants are eligible to purchase newly allotted shares from the Company at a discount of approximately 20% to the market price of the shares at the commencement of the participant joining the scheme or receive the cash with any accrued interest.

Shareholders will be asked to renew authority for this scheme at the coming AGM.

Shareholding Guidelines for Directors

The Committee believes that it is important for a significant investment to be made by each Executive Director in the Group's shares so that each Executive Director's interest in the growth and performance of the Group is closely aligned with the interests of our shareholders. The Committee has, therefore, established share ownership guidelines for the Group's Executive and Non-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 one and a half times their base salary. An Executive Director must normally satisfy the guidelines within five years of his date of appointment in order to qualify for future awards of long-term incentives. In determining their compliance with these requirements, Executive Directors are entitled to include unvested share awards made to them without performance conditions.

In May 2007, the Committee determined that Francis Salway had met the revised share ownership guidelines and in May 2010 the Committee agreed that Martin Greenslade and Richard Akers had met the revised guidelines. In May 2011 the Committee agreed that Robert Noel had also met the guidelines. Following his appointment as the Group's Chief Executive on 1 April 2012, Mr Noel will have five years to meet the ownership guidelines for his new position.

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. In May 2012, the Committee determined that all Non-executive Directors in place at the time had complied with this requirement, with the exception of Stacey Rauch who has until 1 January 2015 to comply.

The Committee monitors the Directors' progress against the guidelines as at 31 March of every year, using the share price at the close of business that day.

Dilution effect of the Group's share incentive schemes

Awards granted under the 2005 Long-term Incentive Plan, which covers LTIP and Matching Performance Share awards and Deferred Bonus Share awards and the 2005 Executive Share Option Plan, which covers employees below Board and senior management level, are met through the funding of an Employee Benefit Trust administered by an external trustee which acquires shares in the market. The Employee Benefit Trust held 2,355,235 shares at 31 March 2012.

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 2012, the total number of shares which could be allotted under this scheme was 619,309 shares, which represented less than 1% of the issued share capital of the Company.

3. Payments to Executive Directors, their Service Contracts and Shareholdings

Directors' Emoluments for the year ended 31 March 2012

Table 72 sets out Directors' emoluments for the financial year ended 31 March 2012. 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.

There follows a detailed breakdown of the individual payments accruing to Directors during the year under review.

Francis Salway, Chief Executive

During the year, Francis Salway retired from his position as Chief Executive and left the Group on 31 March 2012. In January, the Committee met to discuss whether it would treat Mr Salway as a 'good leaver' in accordance with the Company's share scheme rules thereby allowing some or all of his outstanding share awards to vest early, but still subject to performance conditions.

In recognition of his achievements during nearly eight years as Chief Executive and eleven years with the Group and his assistance during the process to appoint and hand over to his successor, the Committee considered Mr Salway a good leaver in every sense.

The Committee permitted the early vesting of LTIP and Matching Performance Share Awards granted to Mr Salway in 2009, which would ordinarily have vested shortly after his leaving, in June and July 2012, had he remained employed by the Group. Vesting remained subject to performance testing. The Committee also approved the early vesting of Mr Salway's 2010 and 2011 Deferred Bonus Shares, which were purchased using cash from bonuses previously awarded to him for past performance and did not have any performance conditions attaching to them. Mr Salway's 2010 and 2011 LTIP and Matching Performance Share Awards and all outstanding Share Option awards have now lapsed.

The TPR proportion of the vesting criteria was calculated as at 30 September 2011, on the basis of a valuation prepared by our valuers, Knight Frank, the outcome of which was published by the Group in its interim results. That date was chosen as it was the most recent date upon which the Group's portfolio had been independently valued.

The TSR element of the award was calculated as at 29 February, being the latest practicable date for calculation, by the Committee's independent advisers, New Bridge Street. The outcome of the performance testing resulted in 194,952 LTIP and Matching Performance Shares and 42,554 Deferred Bonus Shares to vest, with values of £1.42m and £310,000 respectively.

In line with the policy of the Group applicable to all employees, the Committee agreed to allow Mr Salway to be considered for an annual bonus as he had been employed by the Group for the whole of the financial year. Mr Salway's annual bonus was calculated against a number of Group and personal targets. A maximum bonus of 80% of salary was dependent on the Group's performance against revenue profit, total property return, development lettings and planning application targets. The Committee scored his achievement at 55.2% against the maximum 80% of salary.

The remaining 20% was calculated on the basis of a number of specific and measurable personal targets which included the development of his direct reports, with Mr Salway awarded a score of 18.2% of a maximum 20% of salary.

The overall outcome was a bonus of 73.4% of salary, which led to a cash bonus of £481,000 (2011: £757,000). He was not awarded a Discretionary or Additional Bonus.

The figures were agreed by a specially convened meeting of the Committee held in March 2012 and required some estimation of the likely position at year end. Had the performance conditions been calculated once the final information had become available, the overall payments to Mr Salway would have been higher.

Mr Salway did not receive any pay in lieu of notice or any other payment beyond those set out above.

In addition, Mr Salway received 22,645 shares in respect of LTIP and Matching Performance Share Awards which vested in the usual way during 2011/12, with a value of £161,000 and 52,005 Deferred Bonus Shares with a value of £337,000.

Mr Salway was a Non-executive Director of Next PLC for the whole of the year under review, for which he received fees of £50,000. The Nominations Committee permitted him to retain these fees. His role at Next PLC is considered in the Corporate Governance Report.

Martin Greenslade, Chief Financial Officer

The Committee awarded Martin Greenslade a salary increase of 5.75% to £460,000, which will become effective on 1 July 2012. The rise reflects both his performance in his role and the increased responsibility brought about by Francis Salway leaving the Group and a restructuring within the Group's finance function that will bring about organisational changes. Over the last 5 years, the average annual increase awarded to Mr Greenslade was 2.7% (including this increase). His salary had fallen behind the median for the comparator group of property and utility companies and some way below the median for companies with a similar market capitalisation.

Mr Greenslade's annual bonus was calculated on the basis of achievement against a number of Group and personal targets. The targets relating to the Group performance were the same as those set for Francis Salway and the outcome, 55.2% of salary as against a maximum 80%, was also the same.

Mr Greenslade's personal targets included overseeing new funding arrangements for the Group and joint ventures, restructuring the finance and company secretarial departments, ensuring a new forecasting system was implemented across the business and helping deliver a best in class investor relations programme. He was scored at 15.7% out of a maximum of 20%.

In accordance with the terms of the discretionary bonus arrangement, the Committee awarded Mr Greenslade a discretionary bonus of £100,000, equating to 23% of salary. This reflects his exceptional achievement in leading the refinancing of the Group's £1.1 billion revolving credit facilities on favourable terms in a very difficult market. The terms negotiated strengthen the Group's balance sheet and will provide the Group with real competitive advantage for a number of years to come. This achievement was not fully reflected in the Annual Bonus plan.

Mr Greenslade's overall bonus was 93.9% of salary, which equates to £408,000 (2011: £316,000). Of this, £331,000 will be paid in cash and the balance, £77,000, will be deferred into shares for three years.

LTIP and Matching Performance Share Awards over 14,428 shares vested during the year with a value of £103,000 and 31,076 Deferred Bonus Shares also vested, with a value of £214,000.

Robert Noel, Managing Director, London Portfolio

Robert Noel became the Group's Chief Executive on 1 April 2012, with the Committee awarding him a salary of £680,000. The Committee set the salary having taken advice from New Bridge Street. This salary equals the basic salary of the outgoing Chief Executive, plus a cost of living increase of 2.2% as his salary will not be reviewed until 1 July 2013. This level of salary is considered appropriate given Mr Noel's calibre and experience and after taking due account of salary levels for chief executives in companies of a similar size and complexity. To provide a degree of context, the proposed salary is at around 95% of the median benchmark considered for similar sized property and utility companies and at around 80% of the median benchmark considered for similar sized FTSE 100 companies.

Mr Noel's annual bonus was calculated on the basis of achievement against targets set for the performance of the London Portfolio and a number of personal targets. A maximum bonus of 80% of salary was dependent on the London Portfolio's performance targets for total property return, revenue profit, progress with the London Portfolio's extensive development programme, development lettings, planning applications and stakeholder measures. Mr Noel scored 57.8% out of a maximum of 80%.

Mr Noel's personal targets included the development of direct reports, key operational targets including specific milestones within the development programme and community initiatives, and were scored at 18.5% out of a maximum of 20%.

In accordance with the terms of the discretionary bonus arrangement, the Committee awarded Mr Noel a discretionary bonus of £65,000, equating to 15.3% of salary. This reflected his exceptional performance in achieving a number of milestones within the London Portfolio. These included the successful creation of the Victoria Circle joint venture and the disposals of Arundel Great Court and Eland House which have reduced risk in the London Portfolio leaving it well placed for success in the coming years. This achievement was not fully reflected in the Annual Bonus plan.

Mr Noel's overall bonus was 91.6% of salary, which equates to £389,000 (2011: £427,000). Of this £308,000 will be paid in cash and the balance, £81,000, will be deferred into shares for three years.

As part of the package to recruit Mr Noel to the Board as Managing Director of the London Portfolio from 1 January 2010, Mr Noel was granted an award of shares which broadly matched the long-term incentive awards he left behind at his previous employer. This award was described in the last year's report and was structured to reflect the timing and likelihood of vesting of those share awards. In relation to quantum it was agreed that these awards would not be subject to performance conditions but the value would be scaled back to reflect assumptions in relation to the likelihood of vesting.

34,000 shares of Mr Noel's award vested in 2010, with a further award of 46,000 shares vesting during the year under review at a value of £387,000. The final award of 80,000 shares is due to vest in June 2012. Had Mr Noel left the employment of the Company prior to vesting, he would have forfeited the balance of the award.

Mr Noel did not have any other share awards vesting in the year.

Richard Akers, Managing Director, Retail Portfolio

The Committee awarded Richard Akers a salary increase of 2.5% to £410,000 which will become effective on 1 July 2012. Over the last 5 years, the average annual increase awarded to Mr Akers has been 2.4% (including this increase).

Mr Akers' annual bonus was calculated on the basis of achievement against targets set for the performance of the Retail Portfolio and a number of personal targets. A maximum bonus of 80% of salary was dependent on the Retail Portfolio's performance against targets for total property return, revenue profit, development lettings, planning applications and land acquisition targets, asset management initiatives and stakeholder measures. Mr Akers scored 61.8% out of a maximum of 80%.

Mr Akers' personal targets included objectives to build talent within the Retail business, the growth of the Group's out of town development programme, specific property sales, progression of the Group's new development programme and a variety of other profit generating initiatives. Mr Akers scored 16.0% out of a maximum of 20%.

Mr Akers' overall bonus was 77.8% of salary, which equates to £311,000 (2011: £330,000). Of this £233,000 will be paid in cash and the balance, £78,000, will be deferred into shares for three years.

In addition, as the performance of the Retail Portfolio in the 2010/11 financial year exceeded the relevant IPD sector benchmark by 2.9%, Mr Akers became entitled to an Additional Bonus of £342,000, 90% of his then salary (half payable in cash and half in deferred shares), subject to the performance criteria for the subsequent year's performance also being met. That performance criteria has now been met so that payment of the Additional Bonus, in respect of 2010/11, will become due in June 2012.

In the year under review the Retail Portfolio again outperformed the relevant IPD benchmark, this time by 2.5%. If the performance criteria for the coming year is met, Mr Akers will be entitled to receive an additional bonus of £200,000, being 50% of his current salary. Half of this will be paid in cash in June 2013 and the other half deferred into shares for a further two years.

LTIP and Matching Performance Share Awards over 10,409 shares vested during the year, with a value of £74,000 and 33,036 Deferred Bonus Shares with a value of £268,000. Mr Akers also exercised an historic share option award with a value of £6,000.

Mr Akers became a Non-executive Director of Barratt Developments PLC on 2 April 2012. The Nominations Committee has permitted him to retain his director's fees which are expected to be in the region of £40,000 per annum.

DATES OF APPOINTMENT FOR EXECUTIVE DIRECTORS — TABLE 66

Name	Date of appointment	Date of contract
F W Salway	2 April 01	31 May 01
M F Greenslade	1 September 05	1 September 05
R J Akers	17 May 05	17 May 05
R M Noel	1 January 10	23 January 12

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

Key features of Directors' Service Agreements

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

The service agreements for Martin Greenslade and Richard Akers, which have been in place since 2005, contain a provision whereby if either of them is given notice to terminate his employment by the Company, he will be considered for a bonus in the usual way and at the usual time following the relevant bonus year subject to a minimum bonus amount of 10% of basic salary pro-rated to reflect the number of months of the bonus year prior to the service of notice of termination.

Their service agreements also include provisions entitling them to be contractually treated as 'good leavers' for the purposes of the Company's share schemes in the event of them being dismissed. In those circumstances, they would be entitled to receive the time pro-rated vesting of all outstanding share awards, subject to performance testing. Mr Akers and Mr Greenslade have been in talks with the Company to amend the provisions dealing with compensation on termination to bring them into line with institutional guidelines; however these discussions were put on hold pending the outcome of the recent Government consultation on executive remuneration.

Any proposals for the early termination of the service agreements of Executive Directors or senior executives are considered by the Committee.

The service agreements of the Executive Directors provide for phased payments of amounts payable on termination, in order to mitigate amounts potentially payable by the Company. The Company does not make any arrangements that guarantee pensions with limited or no abatement on severance or early retirement.

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

Directors' Shareholdings

The interests of the Directors in the shares of the Company as at 31 March 2012 are shown in Table 74.

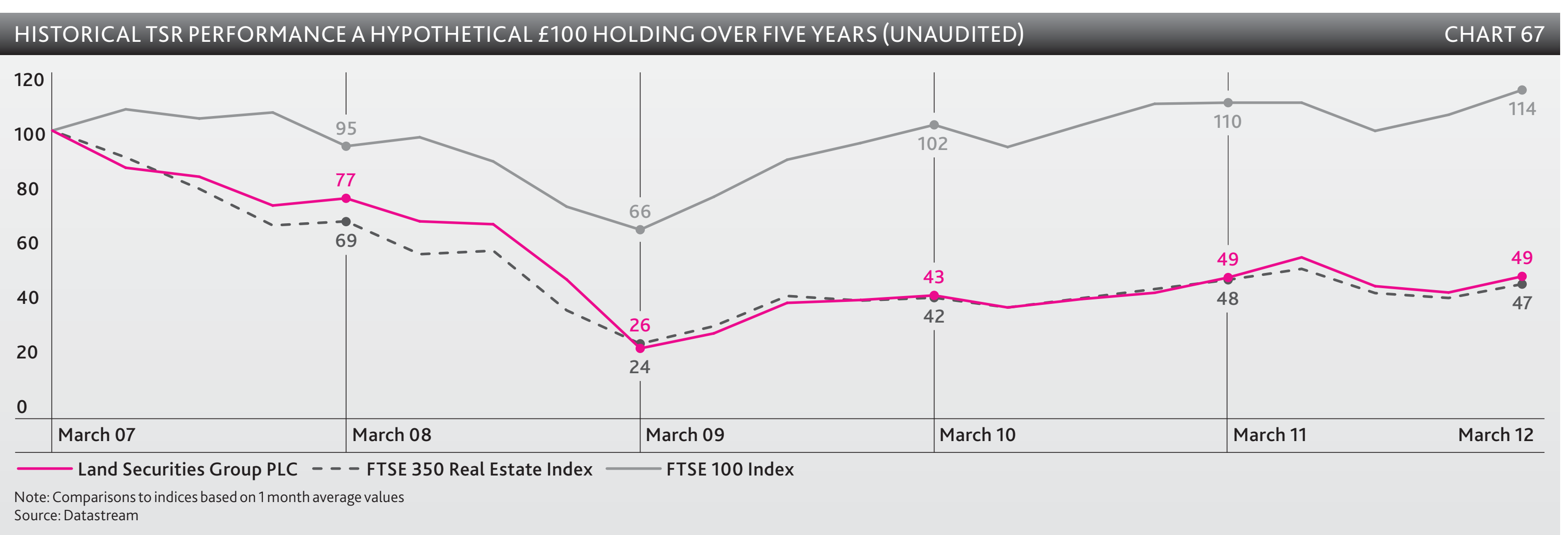
There have been no changes in the shareholdings of the Directors between the end of the financial year and 17 May 2012, save that Alison Carnwath, Martin Greenslade and Stacey Rauch acquired 1,302, 968 and 59 shares respectively under the Company's Scrip Dividend Scheme or the reinvestment of their cash dividends.

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

Performance Graphs

As required by legislation covering the Directors' remuneration report, Table 67 below illustrates the performance of the Company measured by total shareholder return (share price growth plus dividends paid) against a 'broad equity market index' over a period of five years. As the Company is a constituent of the FTSE All Share Real Estate sector this index is considered to be the most appropriate benchmark for the purposes of the graph. An additional line to illustrate the Company's performance compared with the FTSE 100 index over the previous five years, is also included.

HISTORICAL TSR PERFORMANCE A HYPOTHETICAL £100 HOLDING OVER FIVE YEARS (UNAUDITED) — CHART 67



Note: Comparisons to indices based on 1 month average values
Source: Datastream

4. Fees Paid to Non-executive Directors

NED PAY IN 2011/12 (£'000) (UNAUDITED) TABLE 68

	Amount received	Fees 11/12	Fees 12/13
A J Carnwath	300	300	300
D Rough	83	83	60
S Rose	60	60	60
K O'Byrne	77	78	88
C Bartram	60	60	60
S Palley	60	60	73
S Rauch*	15	60	60
B Lerenius**	18	–	–
C Bland**	18	–	–
Total	**691**	**701**	**701**

* Appointed 1 January 2012.
**Retired 21 July 2011.

The annual fees of the Chairman of the Board and Non-executive Directors are determined by the Board, having regard to independent advice. The Board also takes into account the time commitments of the Non-executive Directors, which are reviewed annually as part of the Board appraisal process. During the year, no increases to the Chairman's fee of £300,000 or to the base Non-executive Directors' fee of £60,000 were proposed. These have remained unchanged since November 2008 and October 2009, respectively.

No additional fees are payable for attendance at Board or Committee meetings or for membership of Board Committees, but additional fees outlined below are payable in respect of specific responsibilities:

ADDITIONAL NED FEES (UNAUDITED) TABLE 69

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

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

DATES OF NED APPOINTMENT TO THE BOARD (UNAUDITED) TABLE 70

Name	Date of appointment	Date of contract
D Rough	2 April 02	29 April 04
S Rose	21 May 03	29 April 04
A J Carnwath	1 September 04	13 November 08
K O'Byrne	1 April 08	9 April 08
C Bartram	1 August 09	21 July 09
S Palley	1 August 10	29 July 10
S Rauch	1 January 12	26 November 11

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

The appointment of a Non-executive Director can be terminated, by either party, upon one month's notice and the appointment of the Chairman on three months' notice. The terms and conditions of appointment of the Non-executive Directors are available for inspection at the Company's registered office.

Pay of Senior Managers and Other Employees

Senior Managers

The Group currently employs 14 senior managers in positions below Board level. None of these senior managers receives a salary or total remuneration package which is higher than those paid to the Executive Directors. The structure of their remuneration packages, 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 described below.

Six of the senior managers, who are responsible for the areas which impact the most significantly on the results of the Group, are also eligible to participate in the additional bonus opportunity for the delivery of exceptional financial returns, as described above in this report, but at up to a maximum of 80% of annual salary. This bonus opportunity will be replaced with an increased annual bonus potential and an additional LTIP award should Shareholders approve the changes to remuneration set out in the circular accompanying this annual report.

During the year under review, bonuses for this group of employees ranged from 49% to 84% of salary, with an average bonus of 61% (2011: 76%) of salary.

Two of these employees received additional bonuses in the year that related to the performance of their business units in the prior year. Including these payments would increase the upper end of the range from 84% to 142% and the average to 69%.

All Other Employees

All employees are entitled to participate in the Company's bonus scheme which awards between 20% and 80% of salary, depending on seniority, and to be considered for an award from the discretionary bonus pool of £1m, with awards normally made to no more than 10% of the Group's employees. The awards are usually not more than 30% of basic salary and are made on the basis of an exceptional single achievement or outstanding all round performance.

In addition, all employees are entitled to receive private health insurance, permanent health insurance and a season ticket loan all on exactly the same basis as the Executive Directors.

The ratio of the salary of our Chief Executive to the average salary across the Group (excluding Directors) is 12:1 (£665,000: £53,400).

5. Changes Proposed to the Remuneration Structure for 2012/13

Background and Objectives for the Review

Following the appointment of Robert Noel as the Group's Chief Executive with effect from 1 April 2012, the number of Executive Directors reduced from four to three. Board responsibilities have been re-shaped so that the roles of Executive Directors align more closely with one another and focus on the Group as a whole, as opposed to individual business units.

In conjunction with our independent advisers, New Bridge Street, the Committee undertook a full review of its executive remuneration policy to take into account these management changes, to address a number of other issues that had arisen with our existing arrangements and to address developments in institutional investors' best practice expectations.

The objectives of the review were to:

- Align Executive Directors' remuneration to the performance of the Group as a whole
- Address feedback from shareholders who disliked the Company's use of 'Discretionary' and 'Additional' bonuses
- Reduce the weight of outperformance of IPD and increase the weight of total shareholder return within the package which will improve executive alignment with shareholders
- Maintain outperformance of the industry benchmarks and our peers as the key performance conditions, whilst ensuring that executives were not incentivised to take undue risks
- Make the remuneration package more long term
- Implement changes to the Committee's policy in one go, rather than make the changes over a number of years
- Refresh shareholder authorities for the existing SAYE and LTIP and Matching Performance Share schemes which would otherwise expire in the coming years.

A summary of the Committee's proposals, which will apply to all Executive Directors, appears below:

OUR NEW EXECUTIVE REMUNERATION PROPOSALS (UNAUDITED) TABLE 71

Incentive	Current policy	Proposed policy
Annual Bonus and Deferral	100% of basic salary (with 25% deferred into shares for 36 months)[1]	150% of basic salary (with the whole of any amounts above 50% and 100% automatically deferred into shares for one and two years, respectively)
Discretionary Bonus	Up to 50% of basic salary (payable in cash)[1]	Withdrawn
Additional Bonus	Up to 200% of basic salary, for outperformance of the relevant London/Retail/Group Benchmark of between 2-4%[1]	Withdrawn
LTIP Awards	100% of salary	150% of salary
Matching Performance Share Award	Up to 100% of basic salary, subject to purchasing or pledging sufficient shares (which may include Deferred Bonus Shares)	Up to 150% of basic salary, subject to purchasing or pledging sufficient shares (which may no longer include Deferred Bonus Shares)
Maximum Overall Quantum of Incentives	500% of basic salary	450% of basic salary

1. Under the current policy, the amounts payable in respect of Annual, Discretionary and Additional bonuses are capped at 300% of basic salary.

Assessment of Performance Conditions

The Annual Bonus targets will be set and tested in the same way as described in the Policy section of this report.

The Committee considered, in great detail, whether the performance conditions attaching to the shares awards should be changed, particularly in the light of the proposal to increase awards. Some of the data used by the Committee in its assessment of the stretch within the existing targets is shown at tables 64 and 65.

The degree of stretch in each metric was reviewed during the formulation of our proposals and, in summary, the current targets were considered to remain appropriately stretching. In terms of the IPD condition, given Land Securities' size relative to the sector weighted IPD benchmark, the Committee remains satisfied that the current condition remains appropriately challenging. Over the three-year measurement period, maximum vesting requires the creation of more than £300m of value over and above general movements in the value of commercial property within our sectors, based on the valuation of our portfolio at 31 March 2012.

Similarly, requiring a 4% pa outperformance premium above the selected companies in the FTSE 350 Real Estate Index for full vesting is a more demanding test than a traditional TSR median to upper quartile test for most companies. Land Securities would only have achieved full vesting of the TSR proportion of an award once within the last five years, had it been in operation for that period, and would have achieved 0% vesting for three of those five years.

A key consideration when determining the targets for 2012/13 was to ensure that target and maximum total remuneration levels were around median market practice when compared against appropriate benchmarks. The Remuneration Committee is comfortable that retaining the above targets achieves this objective at the same time as requiring a greater investment in Land Securities shares if the full value of a Matching Performance Share Award is to be received.

Accordingly, noting the reduction in annual bonus opportunity, retaining the above targets for long term incentive purposes is considered to remain appropriate.

Although the Committee decided not to alter the performance conditions for the awards, it has decided to widen the total property return benchmark to include Inner London along with Central London as this better reflects the spread of our investment property portfolio in London. Over the last five years, our data shows that our returns would have been slightly weaker using the new benchmark. Our Retail portfolio benchmarks will remain the same.

Consultation

We shared our proposals with our largest 25 shareholders, who together hold approximately half of the Company's shares, and the two largest shareholder representative bodies. We discussed the proposals at length and met with shareholders and investor bodies as required. There was broad support for the changes, with shareholders recognising that the proposed changes met the Committee's objectives.

The majority of shareholders recognised that the effect of the removal of the discretionary and additional bonus elements and the reduction in overall quantum leads to a better structure overall. Although some shareholders questioned the quantum of increase in LTIP shares with no increase in performance condition, the Committee feels that the targets are sufficiently challenging.

Some shareholders queried the Company's existing practice of permitting annual bonus deferrals to attract Matching Performance Share Awards. The Committee agreed to withdraw this aspect from the initial proposals.

Following feedback on the grant of Matching Performance Share Awards, the Committee also agreed to implement changes which will encourage Executive Directors to build and maintain very significant shareholdings. These grants will no longer be made to match cash bonuses deferred into shares but will require additional shares to be acquired or pledged instead. Currently, Executive Directors are required to hold between one and a half and two times their salary in shares within five years of their appointment. Going forward, once the five year period has elapsed, the Committee will require Executive Directors to pledge shares over and above the shareholding requirement in order to receive a Matching Performance Share Award. (By way of example, in order to receive a full Matching Performance Share Award once our Chief Executive has been in post for seven years, he will be required to hold shares with a value of at least 6.25 times his net salary.)

Finally, in reaction to feedback from one of the shareholder bodies the Committee has agreed to increase deferral so that any bonus payment in excess of 50% of salary is deferred into shares.

Shareholder Approval

The proposals described above are subject to Shareholders approving amendments to the rules of the Company's Long Term Incentive Plan at the Company's AGM on 19 July 2012. A detailed description of the changes to this plan is included within the Notice of AGM that accompanies this report.

Adrian de Souza
Group General Counsel and Company Secretary

Tables

DIRECTORS' EMOLUMENTS (£'000) (AUDITED) TABLE 72

	Basic salary and fees		Benefits[1,6]		Pensions allowance		Bonuses paid in cash[2]		Bonuses deferred into shares		Total emoluments (excluding contribution to pension scheme)	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
Executive:												
F W Salway[5]	663	653	41	23	165	41	481	617	–	140	1,350	1,474
R J Akers	395	378	21	23	63	15	405	330	249	85	1,133	831
M F Greenslade	433	422	19	18	63	–	331	237	77	79	923	756
R M Noel	421	406	15	11	105	102	308	345	81	82	930	946
	1,912	1,859	96	75	396	158	1,525	1,529	407	386	4,336	4,007
Non-Executive:												
A J Carnwath	300	300	–	–	–	–	–	–	–	–	300	300
D Rough	83	83	–	–	–	–	–	–	–	–	83	83
S Rose	60	60	–	–	–	–	–	–	–	–	60	60
B Lerenius[3]	18	60	–	–	–	–	–	–	–	–	18	60
C Bland[3]	18	60	–	–	–	–	–	–	–	–	18	60
K O'Byrne	77	77	–	–	–	–	–	–	–	–	77	77
C Bartram	60	60	–	–	–	–	–	–	–	–	60	60
S Palley	60	40	–	–	–	–	–	–	–	–	60	40
S Rauch (appointed 1 January 2012)[3]	15	–	5	–	–	–	–	–	–	–	20	–
	2,603	2,599	101	75	396	158	1,525	1,529	407	386	5,032	4,747

	Contributions made to a pension scheme		Deferred bonus shares vested		LTIP and matching shares vested		Conditional shares vested[4]		Share options exercised	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
Executive:										
F W Salway	1	122	647	61	1579	220	–	–	–	–
R J Akers	39	83	268	31	74	130	–	–	6	–
M F Greenslade	45	106	214	35	103	144	–	–	–	–
R M Noel	–	–	–	–	–	–	387	191	–	–
	85	311	1,129	127	1,756	494	387	191	6	–

Notes:
1. Benefits consist of the provision of a company car or car allowance, private medical insurance, life assurance premiums and holiday pay.
2. R J Akers was entitled to an additional bonus of 90% of salary for the 2010/11 financial year as the performance of the Retail Portfolio exceeded the relevant IPD benchmark by 2.9% for 2010/11 and by 2.5% for 2011/12. In accordance with his entitlement, half of the payment is payable in cash in June 2012, with the balance deferred into the Company's shares for a period of two years. He will also be entitled to an additional bonus for 2012/13 if the Retail Portfolio exceeds the IPD benchmark in 2012/13. Under this award, if the performance criteria is met he would receive £100,000 payable half in cash and the balance being deferred into shares for a further two years.
3. B Lerenius and C Bland retired from the Board on 21 July 2011. Stacey Rauch was appointed to the Board on 1 January 2012.
4. R M Noel was awarded 160,000 Conditional shares on his appointment to the Board. 34,000 shares vested at nil consideration in June 2010 and 46,000 vested at nil consideration in June 2011. 80,000 are due to vest in June 2012.
5. Francis Salway retired from the Board on 31 March 2012. On retirement his awards over LTIP and Matching Shares made in 2009 which were due to vest on 29 June 2012 and 31 July 2012 respectively were allowed to vest on 31 March 2012. He also received a cash bonus in respect of the 2011/12 year. His Deferred Bonus Shares from 2010 and 2011 were released. All other LTIP and Matching Share awards from 2010 and 2011 lapsed.
6. A benefit of £4,844 accrued to S Rauch in relation to travel costs.
7. Pensions of £68,072 (2010/11 £66,224) resulting from unfunded historic benefit obligations were paid to former Directors or their dependants.

LTIP AND MATCHING PERFORMANCE SHARES AWARDED AND THOSE THAT VESTED THIS YEAR* (AUDITED) — TABLE 73

	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							
	2012	30/03/2009	1095†	58,914†	16,201	711.5	30/03/2012
	2012	29/06/2009	468	137,527	104,658	727.29	31/03/2012
	2013	29/06/2010	572	110,445	–	–	29/06/2013‡
	2014	29/06/2011	827.5	79,154	–	–	29/06/2014‡
– Matching shares							
	2012	30/03/2009	1095†	23,434†	6,444	711.5	30/03/2012
	2012	31/07/2009	532	118,652	90,294	727.29	31/03/2012
	2013	30/07/2010	613	107,864	–	–	30/07/2013‡
	2014	29/07/2011	861	33,836	–	–	29/07/2014‡
R J Akers							
– LTIP shares							
	2012	30/03/2009	1095†	25,525†	7,019	711.5	30/03/2012
	2012	29/06/2009	468	79,446			29/06/2012
	2013	29/06/2010	572	63,801			29/06/2013
	2014	29/06/2011	827.5	45,921			29/06/2014
– Matching shares							
	2012	30/03/2009	1095†	12,330†	3,390	711.5	30/03/2012
	2012	31/07/2009	532	68,542			31/07/2012
	2013	30/07/2010	613	62,620			30/07/2013
	2014	29/07/2011	861	47,254			29/07/2014
M F Greenslade							
– LTIP shares							
	2012	30/03/2009	1095†	37,815†	10,399	711.5	30/03/2012
	2012	29/06/2009	468	88,273			29/06/2012
	2013	29/06/2010	572	70,890			29/06/2013
	2014	29/06/2011	827.5	51,359			29/06/2014
– Matching shares							
	2012	30/03/2009	1095†	14,654†	4,029	711.5	31/03/2012
	2012	31/07/2009	532	76,160			31/07/2012
	2013	30/07/2010	613	70,046			30/07/2013
	2014	29/07/2011	861	51,580			29/07/2014
R M Noel							
– LTIP shares							
	2013	29/06/2010	572	68,493			29/06/2013
	2014	29/06/2011	827.5	49,305			29/06/2014
– Matching shares							
	2013	30/07/2010	613	65,564			30/07/2013
	2014	29/07/2011	861	50,218			29/07/2014

*Subject to performance tests (see p87—90).
† As adjusted for the Rights Issue in March 2009.
‡ Lapsed on 31 March 2012.

DIRECTORS' INTERESTS IN SHARES AT 31 MARCH 2012 (AUDITED) TABLE 74

	Ordinary shares		Deferred shares		LTIP performance shares*		LTIP matching performance shares*		Conditional share award	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
A J Carnwath	**131,328**	126,157	**–**	–	**–**	–	**–**	–	**–**	–
F W Salway	**472,218**	290,676	**–**	74,776	**–**	306,886	**–**	249,950	**–**	–
R J Akers	**141,388**	109,874	**94,009**	120,456	**189,168**	168,772	**178,416**	143,492	**–**	–
M F Greenslade	**156,486**	121,778	**26,626**	48,291	**210,522**	196,978	**197,786**	160,860	**–**	–
R M Noel	**70,740**	48,660	**10,127**	–	**117,798**	68,493	**115,782**	65,564	**80,000**	126,000
D Rough	**18,524**	18,524	**–**	–	**–**	–	**–**	–	**–**	–
S A Rose	**16,250**	16,250	**–**	–	**–**	–	**–**	–	**–**	–
S Palley	**16,408**	16,250	**–**	–	**–**	–	**–**	–	**–**	–
C Bartram	**9,253**	9,253	**–**	–	**–**	–	**–**	–	**–**	–
K O'Byrne	**11,516**	11,350	**–**	–	**–**	–	**–**	–	**–**	–
S Rauch**	**6,000**	–	**–**	–	**–**	–	**–**	–	**–**	–

* Subject to performance conditions (see p87—90)
** S Rauch held no shares on appointment.

DEFINED BENEFIT PENSION SCHEME (AUDITED) TABLE 75

	Accrued benefit at 31 March 2012 £	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 1 April 2011 £	Transfer value of accrued benefits at 31 March 2012 £	Increase in transfer value net of Directors' contributions†
R J Akers	36,749	2,135	3,853	44,489	540,417	765,626	218,729

*Inflation, as measured by the change in the Consumer Price Index ('CPI') between September 2010 and September 2011 was 5.2% over this period.
† Directors' contributions were £6,480.
The 'Increase in transfer value net of Directors' contributions' differs from the 'Transfer value of increase in accrued benefit' in that it reflects the change in market conditions over the year less the Directors' own contributions to the pension scheme.
The transfer values have been calculated on the basis of the 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.

DIRECTORS' OPTIONS OVER ORDINARY SHARES (AUDITED) TABLE 76

			Granted during year		Exercised/(lapsed) during year[6]					
	Note	Number of options at 31/03/11	Number	Grant price (pence)	Number	Exercise price (pence)	Market price on exercise (pence)	Number of options at 31/03/12[5]	Exercise price (pence)	Exercisable dates
F W Salway	(2)	47,793	–	–	(47,793)	–	–	–	1044	07/2007-07/2014
R J Akers	(1)	11,652	–	–	11,652	783	836	–	–	07/2004-07/2011
	(2)	8,600	–	–	–	–	–	8,600	710	07/2006-07/2013
	(2)	12,762	–	–	–	–	–	12,762	1044	07/2007-07/2014
	(3)	4,033	–	–	–	–	–	4,033	388	06/2014-12/2014
M F Greenslade	(3)	1,193	–	–	–	–	–	1,193	1372	12/2011-06/2012

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 as it is available to all staff and HM Revenue & Customs' rules do not permit performance conditions for this type of scheme.
4. As adjusted for the Rights Issue in March 2009.
5. Total number of options held by Directors at 31 March 2012 was 26,588 (2011: 86,033).
6. The range of the closing middle market prices for Land Securities Group PLC ordinary shares during the year was 612 pence to 885 pence. The closing share price on 30 March 2012 was 722.5 pence.

Report of the Directors additional disclosures

Share capital

At the Company's last Annual General Meeting (AGM), held on 21 July 2011, shareholders authorised the Company to make market purchases of ordinary shares representing up to 10% of its issued share capital at that time and to allot shares within certain limits permitted by shareholders and the Companies Act. These authorities expire at the 2012 AGM. No shares were repurchased in the year to 31 March 2012. However, following repurchases in earlier periods, the Company currently holds 5,896,000 ordinary shares in treasury. New shares were allotted during the year only in relation to certain employee share awards and the Company's scrip dividend facility. Resolutions to renew these authorities will be proposed at the 2012 AGM.

Substantial shareholders

At 15 May 2012 the interests in issued share capital which had been notified to the Company under the Disclosure and Transparency Rules (DTR 5) of the Financial Services Authority are shown below.

SHAREHOLDERS OWNING OVER 3% OF THE COMPANY'S SHARES — TABLE 77

	Number of shares	%
BlackRock Inc	50,151,233	6.37
Norges Bank	40,749,193	5.18
APG Algemene Pensioen Groep	32,442,934	4.12
Peel Holdings Plc	30,181,060	3.84
Legal & General Investment Management	29,827,505	3.79

Directors' indemnities and insurance

On 5 May 2006, the Company agreed to indemnify each Director against any liability incurred in relation to acts or omissions arising in the course of their office. The indemnity applies only to the extent permitted by law. A copy of the deed of indemnity is available for inspection at the Company's registered office and at the AGM. The Company has ensured that appropriate insurance cover is available in respect of potential legal action against its Directors.

Auditors and disclosure of information to auditors

So far as the Directors are aware, there is no relevant audit information that has not been brought to the attention of the Company's auditors. Each Director has taken all reasonable steps to make himself or herself aware of any relevant audit information and to establish that such information was provided to the auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the 2012 AGM.

Provisions on change of control

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

Payment policy

The Group's policy is to pay invoices in accordance with their terms. The Company has no trade creditors as at 31 March 2012. The Group's creditor payment days at 31 March 2012 represented 27 days' purchases (2011: 25 days).

Financial reporting and the 'going concern' basis for accounting

The Board seeks to present a balanced and understandable assessment of the Group's position and prospects. In order to satisfy themselves that the Company has adequate resources to continue in operational existence for the foreseeable future, the Directors have reviewed assumptions about future trading performance, valuation projections and debt requirements contained within the Group's current five year plan and reported against them, 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.

Voting rights

Each ordinary share of the Company carries one vote. Further information on the voting and other rights of shareholders are set out in the Company's Articles of Association and in the explanatory notes that accompany the Notice of the AGM which are available on the Company's website at www.landsecurities.com.

Annual General Meeting (AGM)

Accompanying this report is the Notice of the AGM which sets out the resolutions for consideration at the meeting, together with an explanation of them.

By order of the Board

Adrian de Souza
Group General Counsel and Company Secretary

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From Group revenue and costs to earnings per share.

Balance sheet
The Group's balance sheet at 31 March 2012.

Notes to the financial statements
Includes accounting policies and segmental information.

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Statement of Directors' responsibilities

in respect of the annual report and the financial statements

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. 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. Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit and loss of the Group and Company for that period.

In preparing those financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRS as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business.

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

Directors' responsibility statement

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

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

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

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

- **Alison Carnwath, Chairman**
- **Robert Noel, Chief Executive**
- **Martin Greenslade, Chief Financial Officer**
- **Richard Akers, Executive Director**
- **David Rough**
- **Sir Stuart Rose**
- **Kevin O'Byrne**
- **Chris Bartram**
- **Simon Palley**
- **Stacey Rauch (appointed 1 January 2012)**

By order of the Board
Adrian de Souza
Group General Counsel and Company Secretary
15 May 2012

Independent auditors' report

to the members of Land Securities Group PLC

We have audited the Group and Parent Company financial statements (the 'financial statements') of Land Securities Group PLC for the year ended 31 March 2012 which comprise the Group Income Statement, the Group and Company Balance Sheets, the Group and Company Statements of Cash Flows, the Group Statement of Comprehensive Income, the Group and Company Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' responsibilities set out on p102, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report 2012 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

– the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2012 and of the Group's profit and Group's and Parent Company's cash flows for the year then ended;
– the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
– the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
– the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

– the Directors' statement, set out on p100, in relation to going concern;
– the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
– certain elements of the report to shareholders by the Board on Directors' remuneration.

John Waters (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
15 May 2012

Income statement

for the year ended 31 March 2012

	Notes	Group 2012 £m	Group 2011 £m
Group revenue[1]	5	**671.5**	701.9
Costs		**(239.6)**	(270.8)
		431.9	431.1
Profit on disposal of investment properties	4	**45.4**	75.7
Net surplus on revaluation of investment properties	4	**169.8**	794.1
Impairment charge on trading properties	4	**(2.0)**	(1.4)
Operating profit		**645.1**	1,299.5
Interest expense	9	**(201.1)**	(240.2)
Interest income	9	**26.2**	26.0
Fair value movement on interest-rate swaps	9	**(4.5)**	(1.9)
		465.7	1,083.4
Share of post tax profit from joint ventures	18	**52.2**	143.9
Impairment of investment in joint ventures		**(2.2)**	–
Profit before tax		**515.7**	1,227.3
Income tax	11	**8.0**	16.8
Profit for the financial year		**523.7**	1,244.1
Attributable to:			
Owners of the Parent		**522.9**	1,241.6
Non-controlling interests		**0.8**	2.5
Profit for the financial year		**523.7**	1,244.1
Earnings per share attributable to the owners of the Parent (pence)			
Basic earnings per share	12	**67.5**	162.3
Diluted earnings per share	12	**67.4**	162.2

1. Group revenue excludes the share of joint ventures' revenue of **£121.4m** (2011: £107.5m).

Statement of comprehensive income

for the year ended 31 March 2012

	Notes	Group 2012 £m	Group 2011 £m
Profit for the financial year		**523.7**	1,244.1
Other comprehensive income consisting of:			
Actuarial (losses)/gains on defined benefit pension scheme	31	**(16.1)**	11.0
Share of joint ventures' fair value movement on interest-rate swaps treated as cash flow hedges	18	**4.9**	12.4
Other comprehensive (expense)/income for the financial year		**(11.2)**	23.4
Total comprehensive income for the financial year		**512.5**	1,267.5
Attributable to:			
Owners of the Parent		**511.7**	1,265.0
Non-controlling interests		**0.8**	2.5
Total comprehensive income for the financial year		**512.5**	1,267.5

Balance sheets

at 31 March 2012

	Notes	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Non-current assets					
Investment properties	14	**8,453.2**	8,889.0	**–**	–
Other property, plant and equipment	15	**8.8**	11.3	**–**	–
Net investment in finance leases	16	**185.0**	116.8	**–**	–
Loan investments	17	**50.8**	72.2	**–**	–
Investments in joint ventures	18	**1,137.6**	939.6	**–**	–
Investments in subsidiary undertakings	19	**–**	–	**6,177.8**	6,173.0
Other investments	20	**32.3**	1.8	**–**	–
Trade and other receivables	22	**–**	77.0	**–**	–
Pension surplus	31	**–**	8.7	**–**	–
Total non-current assets		**9,867.7**	10,116.4	**6,177.8**	6,173.0
Current assets					
Trading properties and long-term development contracts	21	**133.1**	129.3	**–**	–
Trade and other receivables	22	**759.6**	352.5	**15.8**	10.0
Monies held in restricted accounts and deposits	23	**29.5**	35.1	**–**	–
Cash and cash equivalents	24	**29.7**	37.6	**0.2**	0.2
Total current assets		**951.9**	554.5	**16.0**	10.2
Total assets		**10,819.6**	10,670.9	**6,193.8**	6,183.2
Current liabilities					
Borrowings	28	**(10.8)**	(33.0)	**–**	–
Trade and other payables	25	**(361.3)**	(423.2)	**(691.5)**	(403.1)
Provisions	26	**(8.6)**	(7.4)	**–**	–
Current tax liabilities		**(21.6)**	(35.5)	**–**	–
Total current liabilities		**(402.3)**	(499.1)	**(691.5)**	(403.1)
Non-current liabilities					
Borrowings	28	**(3,225.1)**	(3,351.3)	**–**	–
Derivative financial instruments	27	**(6.5)**	(2.0)	**–**	–
Pension deficit	31	**(2.4)**	–	**–**	–
Trade and other payables	25	**(27.7)**	(6.2)	**–**	–
Total non-current liabilities		**(3,261.7)**	(3,359.5)	**–**	–
Total liabilities		**(3,664.0)**	(3,858.6)	**(691.5)**	(403.1)
Net assets		**7,155.6**	6,812.3	**5,502.3**	5,780.1
Equity					
Capital and reserves attributable to the owners of the Parent					
Ordinary shares	33	**78.5**	77.6	**78.5**	77.6
Share premium		**786.2**	785.5	**786.2**	785.5
Capital redemption reserve		**30.5**	30.5	**30.5**	30.5
Merger reserve		**–**	–	**373.6**	373.6
Share-based payments		**6.8**	7.2	**6.8**	7.2
Retained earnings		**6,271.2**	5,914.3	**4,226.7**	4,505.7
Own shares	34	**(17.8)**	(3.6)	**–**	–
Equity attributable to the owners of the Parent		**7,155.4**	6,811.5	**5,502.3**	5,780.1
Non-controlling interests		**0.2**	0.8	**–**	–
Total equity		**7,155.6**	6,812.3	**5,502.3**	5,780.1

The financial statements on p104—150 were approved by the Board of Directors on 15 May 2012 and were signed on its behalf by:

R M Noel **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	Non-controlling interest £m	Total equity £m
	Attributable to owners of the Parent								
At 1 April 2010	76.5	785.3	30.5	6.0	4,798.5	(6.9)	5,689.9	(0.9)	5,689.0
Profit for the year ended 31 March 2011	–	–	–	–	1,241.6	–	1,241.6	2.5	1,244.1
Other comprehensive income:									
Actuarial gain on pension scheme	–	–	–	–	11.0	–	11.0	–	11.0
Fair value movement on interest-rate swaps treated as cash flow hedges	–	–	–	–	12.4	–	12.4	–	12.4
Total comprehensive income for the year ended 31 March 2011	–	–	–	–	1,265.0	–	1,265.0	2.5	1,267.5
Transactions with owners:									
Exercise of options	–	0.2	–	–	–	–	0.2	–	0.2
New share capital subscribed	1.1	69.7	–	–	–	–	70.8	–	70.8
Transfer to retained earnings in respect of shares issued in lieu of cash dividends	–	(69.7)	–	–	69.7	–	–	–	–
Fair value of share-based payments	–	–	–	3.8	–	–	3.8	–	3.8
Release on exercise/forfeiture of share options	–	–	–	(2.6)	2.6	–	–	–	–
Settlement and transfer of shares to employees on exercise of share options	–	–	–	–	(7.9)	3.5	(4.4)	–	(4.4)
Dividends to owners of the Parent	–	–	–	–	(213.6)	–	(213.6)	–	(213.6)
Distribution paid to non-controlling interests	–	–	–	–	–	–	–	(0.8)	(0.8)
Acquisition of own shares	–	–	–	–	–	(0.2)	(0.2)	–	(0.2)
Total transactions with owners of the Parent	1.1	0.2	–	1.2	(149.2)	3.3	(143.4)	(0.8)	(144.2)
At 31 March 2011	77.6	785.5	30.5	7.2	5,914.3	(3.6)	6,811.5	0.8	6,812.3
Profit for the year ended 31 March 2012	–	–	–	–	**522.9**	–	**522.9**	**0.8**	**523.7**
Other comprehensive income:									
Actuarial loss on pension scheme	–	–	–	–	**(16.1)**	–	**(16.1)**	–	**(16.1)**
Fair value movement on interest-rate swaps treated as cash flow hedges	–	–	–	–	**4.9**	–	**4.9**	–	**4.9**
Total comprehensive income for the year ended 31 March 2012	–	–	–	–	**511.7**	–	**511.7**	**0.8**	**512.5**
Transactions with owners:									
Exercise of options	–	**0.7**	–	–	–	–	**0.7**	–	**0.7**
New share capital subscribed	**0.9**	**65.7**	–	–	–	–	**66.6**	–	**66.6**
Transfer to retained earnings in respect of shares issued in lieu of cash dividend	–	**(65.7)**	–	–	**65.7**	–	–	–	–
Fair value of share-based payments	–	–	–	**4.8**	–	–	**4.8**	–	**4.8**
Release on exercise/forfeiture of share options	–	–	–	**(5.2)**	**5.2**	–	–	–	–
Settlement and transfer of shares to employees on exercise of share options	–	–	–	–	**(4.3)**	**4.3**	–	–	–
Dividends to owners of the Parent	–	–	–	–	**(221.4)**	–	**(221.4)**	–	**(221.4)**
Distributions paid to non-controlling interests	–	–	–	–	–	–	–	**(1.4)**	**(1.4)**
Acquisition of own shares	–	–	–	–	–	**(18.5)**	**(18.5)**	–	**(18.5)**
Total transactions with owners of the Parent	**0.9**	**0.7**	–	**(0.4)**	**(154.8)**	**(14.2)**	**(167.8)**	**(1.4)**	**(169.2)**
At 31 March 2012	**78.5**	**786.2**	**30.5**	**6.8**	**6,271.2**	**(17.8)**	**7,155.4**	**0.2**	**7,155.6**

1. Included within retained earnings are cumulative losses in respect of cash flow hedges (interest rate swaps) of **£3.0m** (2011: £7.9m).

Statement of changes in equity

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 2010	76.5	785.3	30.5	373.6	6.0	4,423.9	5,695.8
Profit for the year ended 31 March 2011	–	–	–	–	–	223.1	223.1
Exercise of options	–	0.2	–	–	–	–	0.2
New share capital subscribed	1.1	69.7	–	–	–	–	70.8
Transfer to retained earnings in respect of shares issued in lieu of cash dividend	–	(69.7)	–	–	–	69.7	–
Fair value of share-based payments	–	–	–	–	3.8	–	3.8
Release on exercise/forfeiture of share options	–	–	–	–	(2.6)	2.6	–
Dividends	–	–	–	–	–	(213.6)	(213.6)
At 31 March 2011	77.6	785.5	30.5	373.6	7.2	4,505.7	5,780.1
Loss for the year ended 31 March 2012	**–**	**–**	**–**	**–**	**–**	**(29.1)**	**(29.1)**
Exercise of options	**–**	**0.7**	**–**	**–**	**–**	**–**	**0.7**
New share capital subscribed	**0.9**	**65.7**	**–**	**–**	**–**	**–**	**66.6**
Transfer to retained earnings in respect of shares issued in lieu of cash dividend	**–**	**(65.7)**	**–**	**–**	**–**	**65.7**	**–**
Fair value of share-based payments	**–**	**–**	**–**	**–**	**4.8**	**–**	**4.8**
Transfer of treasury shares from group undertakings	**–**	**–**	**–**	**–**	**–**	**(99.4)**	**(99.4)**
Release on exercise/forfeiture of share options	**–**	**–**	**–**	**–**	**(5.2)**	**5.2**	**–**
Dividends	**–**	**–**	**–**	**–**	**–**	**(221.4)**	**(221.4)**
At 31 March 2012	**78.5**	**786.2**	**30.5**	**373.6**	**6.8**	**4,226.7**	**5,502.3**

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 2012

	Notes	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Net cash generated from operations					
Cash generated from operations	36	**401.8**	420.0	**–**	–
Interest paid		**(164.4)**	(218.7)	**–**	–
Interest received		**27.1**	18.0	**–**	–
Employer contributions to defined benefit pension scheme	31	**(4.9)**	(5.1)	**–**	–
Corporation tax paid		**(5.5)**	(60.7)	**–**	–
Net cash inflow from operations		**254.1**	153.5	**–**	–
Cash flows from investing activities					
Investment property development expenditure		**(158.8)**	(139.7)	**–**	–
Acquisition of investment properties and other investments		**(107.3)**	(371.3)	**–**	–
Other investment property related expenditure		**(145.9)**	(81.9)	**–**	–
Capital expenditure on properties		**(412.0)**	(592.9)	**–**	–
Disposal of investment properties		**513.7**	535.0	**–**	–
Net proceeds/(expenditure) on properties		**101.7**	(57.9)	**–**	–
Expenditure on non-property related non-current assets		**(2.3)**	(4.5)	**–**	–
Net cash inflow/(outflow) from capital expenditure		**99.4**	(62.4)	**–**	–
Receipts in respect of finance lease receivables		**1.1**	1.0	**–**	–
Loans repaid by third parties		**22.8**	16.2	**–**	–
Cash contributed to joint ventures	18	**(21.1)**	(81.7)	**–**	–
Divestment of joint ventures		**–**	0.3	**–**	–
Loan advances to joint ventures	18	**(66.5)**	(17.3)	**–**	–
Loan repayments by joint ventures	18	**18.0**	77.9	**–**	–
Distributions from joint ventures	18	**24.1**	25.6	**–**	–
Net cash inflow/(outflow) from investing activities		**77.8**	(40.4)	**–**	–
Cash flows from financing activities					
Cash received on issue of shares arising from exercise of share options		**0.7**	–	**–**	–
Purchase of own shares		**(18.5)**	–	**–**	–
Proceeds from new loans (net of finance fees)		**288.1**	427.3	**–**	–
Repayment of loans	28	**(461.0)**	(556.0)	**–**	–
Premium on repurchase of bonds		**–**	(22.5)	**–**	–
Decrease in monies held in restricted accounts and deposits	23	**5.6**	60.5	**–**	–
Decrease in finance leases payable		**(0.2)**	(0.4)	**–**	–
Dividends paid to owners of the Parent	10	**(153.1)**	(143.0)	**–**	–
Distributions paid to non-controlling interests		**(1.4)**	(0.8)	**–**	–
Net cash outflow from financing activities		**(339.8)**	(234.9)	**–**	–
Decrease in cash and cash equivalents for the year		**(7.9)**	(121.8)	**–**	–
Cash and cash equivalents at the beginning of the year		**37.6**	159.4	**0.2**	0.2
Cash and cash equivalents at the end of the year	24	**29.7**	37.6	**0.2**	0.2

The Company cash flow statement excludes transactions, including the payment of dividends, that are settled on the Company's behalf by other group undertakings.

Notes to the financial statements

for the year ended 31 March 2012

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 (Land Securities Group PLC and all of its subsidiary undertakings), and under the historical cost convention as modified by the revaluation of land and buildings, available-for-sale investments, derivative financial instruments and financial assets and liabilities held for trading. A summary of the more important Group accounting policies, which have been applied consistently across the Group, is set out in note 2 below.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates, disclosed in note 3, are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Land Securities Group PLC has not presented its own statement of comprehensive income (and separate income statement), as permitted by Section 408 of Companies Act 2006. The loss for the year of the Company, dealt with in its financial statements, was **£29.1m** (2011: a profit of £223.1m).

2. Significant accounting policies

The accounting policies are consistent with those applied in the year ended 31 March 2011, as amended to reflect the adoption of the new Standards, Amendments to Standards and Interpretations which are mandatory for the year ended 31 March 2012.

The following accounting standards or interpretations were effective for the financial year beginning 1 April 2011 but have not had a material impact on the Group:

- IAS 24 (amendment) 'Related Party Disclosures'
- IFRS 1 (amendment) 'First Time Adoption of International Financial Reporting Standards'
- IFRIC 14 (amendment) IAS 19 'Prepayments of a Minimum Funding Requirement'
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'
- Annual Improvements 2010

The following IFRS accounting standards and interpretations relevant to the Group have been issued but are not yet effective, or have not yet been adopted by the EU. None of these standards or interpretations have been early adopted by the Group. The Group is in the process of assessing the impact of these new standards and interpretations on its financial reporting. The two standards which may have a material impact on the Group's financial reporting are IFRS 11, 'Joint Arrangements' and IFRS 12 'Disclosure of interests in other entities'.

- IAS 1 (amendment) 'Presentation of Financial Statements'
- IAS 12 (amendment) 'Income Taxes'
- IAS 19 (amendment) 'Employee Benefits'
- IAS 27 (revised) 'Separate Financial Statements'
- IAS 28 (revised) 'Investments in Associates and Joint Ventures'
- IAS 32 and IFRS 7 (amendment) 'Financial Instruments Amendment on Financial Assets and Liability Offsetting'
- IFRS 9 'Financial Instruments' on 'Classification and Measurement' of Financial Assets and Liabilities
- IFRS 10 'Consolidated Financial Statements'
- IFRS 11 'Joint Arrangements'
- IFRS 12 'Disclosure of Interests in Other Entities'
- IFRS 13 'Fair Value Measurements'

(a) Basis of consolidation

The consolidated financial statements for the year ended 31 March 2012 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 concerned. Unrealised losses are eliminated in the same way, but only to the extent that there is no evidence of impairment.

(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 income and expense are items incurred centrally which are neither directly attributable nor reasonably allocatable to individual segments. Unallocated assets are cash and cash equivalents, monies held in restricted accounts, loan investments and the pension surplus. Unallocated liabilities include borrowings, derivative financial instruments, current tax liabilities and trade and other payables.

(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 independent valuers at each reporting date. Properties are treated as acquired at the point when the Group assumes the significant risks and returns of ownership and as disposed when these are transferred to the buyer. This generally occurs on unconditional exchange, except where completion is expected to occur significantly after exchange. 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.

Notes to the financial statements

for the year ended 31 March 2012 continued

2. Significant accounting policies continued

(c) Investment properties continued

The difference between the fair value of an investment property at the reporting date and its carrying amount prior to re-measurement is included in the income statement as a valuation surplus or deficit.

When the Group begins to redevelop an existing investment property for continued future use as an investment property, the property remains an investment property and is accounted for as such. When the Group begins to redevelop an existing investment property with a view to sell, the property is transferred to trading properties and held as a current asset. The property is re-measured to fair value as at the date of the transfer with any gain or loss being taken to the income statement. The re-measured amount becomes the deemed cost at which the property is then carried in trading properties.

Borrowing costs associated with direct expenditure on properties under development or undergoing major refurbishment are capitalised. The interest capitalised is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amount capitalised is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalised as from the commencement of the development work until the date of practical completion. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalised on the purchase cost of land or property acquired specifically for redevelopment in the short-term but only where activities necessary to prepare the asset for redevelopment are in progress.

(d) Property, plant and equipment

This category comprises computers, motor vehicles, furniture, fixtures and fittings and improvements to Group offices. These assets are stated at cost less accumulated depreciation and are depreciated to their residual value on a straight-line basis over their estimated useful lives of between two and five years.

The residual values and useful lives of all property, plant and equipment are reviewed, and adjusted if appropriate, at least at each financial year end.

(e) Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost in the Company's balance sheet, less any provision for impairment in value.

(f) Trading properties and long-term development contracts

Trading properties are those properties held for sale or those being developed with a view to sell and are shown at the lower of cost and net realisable value. Proceeds received on the sale of trading properties are recognised within Revenue.

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) Other investments

Other investments are available-for-sale financial assets and are held at fair value. Changes to fair value are recorded within other comprehensive income.

(h) Trade and other receivables

Trade and other receivables are recognised initially at fair value, subsequently at amortised cost and, where relevant, adjusted for the time value of money. A provision for impairment is established where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables concerned. If collection is expected in more than one year, they are classified as non-current assets.

(i) Cash and cash equivalents

Cash and cash equivalents comprises cash balances, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or fewer. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are deducted from cash and cash equivalents for the purpose of the statement of cash flows.

(j) 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.

(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. Where relevant, 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, pension obligations are measured at discounted present value, while pension 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 schemes are recognised separately in the income statement. Service costs are spread using the projected unit credit 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 classified 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 by any Group entity to acquire the Company's equity share capital including any directly attributable incremental costs, is deducted from equity until the shares are cancelled, reissued or disposed. Where own shares are sold or reissued, the net consideration received is included in equity. Shares acquired by the Employee Share Ownership Trust (ESOT) 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 2012 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. Where the share awards have non-market related performance criteria the Group has used the Black-Scholes option valuation model to establish the relevant fair values. Where the share awards have a TSR market related performance criteria the Group has used the Monte-Carlo simulation valuation model to establish the relevant fair values. The resulting values are amortised through the income statement over the vesting period of the options and other grants. For awards with non-market related criteria, the charge is reversed if it appears probable that the performance criteria will not be met.

(p) Revenue

The Group recognises revenue on an accruals basis, when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Group. Revenue comprises rental income, service charges and other recoveries from tenants of the Group's investment and trading properties, proceeds of sales of its trading properties and income arising on long-term contracts. Rental income includes the income from managed operations such as car parks, food courts, serviced offices and flats. Service charges and other recoveries include income in relation to service charges and directly recoverable expenditure together with any chargeable management fees.

Rental income from investment property leased out under an operating lease is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are an integral part of the net consideration for the use of the property and are therefore recognised on the same straight-line basis. Service charges and other recoveries are recorded as income in the periods in which they are earned.

When property is let under a finance lease, the Group recognises a receivable at an amount equal to the net investment in the lease at inception of the lease. Rentals received are accounted for as repayments of principal and finance income as appropriate. Finance income is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining net investment in the finance lease. Contingent rents, being lease payments that are not fixed at the inception of a lease, for example turnover rents, are recorded as income in the periods in which they are earned.

(q) Expenses

Property and contract expenditure is expensed as incurred with the exception of expenditure on long-term development contracts (see (f) above).

Rental payments made under an operating lease are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are an integral part of the net consideration for the use of the property and also recognised on a straight-line basis.

Minimum lease payments payable on finance leases and operating leases accounted for as finance leases under IAS 40 are apportioned between finance expense and reduction of the outstanding liability. Finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining liability. Contingent rents (as defined in (p) above) are charged as an expense in the periods in which they are incurred.

(r) Impairment

The carrying amounts of the Group's non-financial assets, other than investment properties (see (c) above), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see below). An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. The value in use is determined as the net present value of the future cash flows expected to be derived from the asset, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount after the reversal does not exceed the amount that would have been determined, net of applicable depreciation, if no impairment loss had been recognised.

(s) Derivative financial instruments (derivatives) and hedge accounting

The Group uses interest-rate swaps to help manage its interest-rate risk. In accordance with its treasury policy, the Group does not hold or issue derivatives for trading purposes.

Where hedge accounting is applied the Group documents, at the inception of the transaction, the relationship between the hedging instruments and the hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

All derivatives are initially recognised at fair value at the date the derivative is entered into and are subsequently re-measured at fair value. The fair value of interest-rate swaps is based on broker or counterparty quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for similar instruments at the measurement date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument.

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. The associated gains or losses that were recognised in the statement of other comprehensive income are reclassified into the income statement on termination or expiry of the hedge.

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 immediately in the income statement.

(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 substantively 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.

Notes to the financial statements

for the year ended 31 March 2012 continued

2. Significant accounting policies continued

(u) Leases continued

(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 within investment properties at the commencement of the lease at the lower of the fair value of the property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The finance charges are charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The investment properties acquired under finance leases are subsequently carried at their fair value.

A Group company is the lessor:

i) Operating lease – properties leased out to tenants under operating leases are included in investment properties in the balance sheet.

ii) Finance lease – when assets are leased out under a finance lease, the present value of the minimum lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method before tax, which reflects a constant periodic rate of return. Where only the buildings element of a property lease is classified as a finance lease, the land element is shown within operating leases.

(v) Dividends

Final dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

3. Significant judgements, key assumptions and estimates

The Group's significant accounting policies are stated in note 2 above. Not all of these significant accounting policies require management to make difficult, subjective or complex judgements or estimates. The following is intended to provide an understanding of the policies that management consider critical because of the level of complexity, judgement or estimation involved in their application and their impact on the consolidated financial statements. These judgements involve assumptions or estimates in respect of future events. Actual results may differ from these estimates.

(a) Investment property valuation

The Group uses the valuation performed by its external valuers, Knight Frank LLP, as the fair value of its investment properties.

The valuation of the Group's property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental revenues from that particular property. As a result, the valuations the Group places on its property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility or low transaction flow in the commercial property market.

The investment property valuation contains a number of assumptions upon which Knight Frank LLP has based its valuation of the Group's properties as at 31 March 2012. The assumptions on which the Property Valuation Report has been based include, but are not limited to, matters such as the tenure and tenancy details for the properties, ground conditions at the properties, the structural condition of the properties, prevailing market yields and comparable market transactions. These assumptions are market standard and accord with the RICS Valuation Standards. However, if any assumptions made by the property valuer prove to be false, this may mean that the value of the Group's properties differs from their valuation, which could have a material effect on the Group's financial condition.

(b) Finance lease calculations

In apportioning rentals on finance lease properties, the Group is required to estimate the split of the fair values of the properties concerned between land and buildings. The inception of many of the Group's leases took place many years ago and therefore reliable estimates are very difficult to obtain. Accordingly, the Group has had to apply its judgement in estimating the split at inception of certain finance lease properties.

(c) Trading properties

Trading properties are carried at the lower of cost and net realisable value. The latter is assessed by the Group having regard to suitable valuations performed by its external valuer, Knight Frank LLP.

The estimation of the net realisable value of the Group's trading properties, especially the development land and infrastructure programmes, is inherently subjective due to a number of factors, including their complexity, unusually large size, the substantial expenditure required and long timescales to completion. In addition, as a result of these timescales to completion, the plans associated with these programmes could be subject to significant variation. As a result, and similar to the valuation of investment properties, the net realisable values of the Group's trading properties are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate.

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) 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.

Notes to the financial statements

for the year ended 31 March 2012 continued

4. Segmental information

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

All the Group's operations are in the UK and are organised into two business segments against which the Group reports its segmental information, being Retail Portfolio and London Portfolio. The London Portfolio includes all our London offices and Central London retail (excluding assets held in the Metro Shopping Fund Limited Partnership joint venture) and the Retail Portfolio includes all our shopping centres, shops, retail warehouse properties, 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. The following segmental information is therefore presented on a proportionately consolidated basis.

The Group's primary measure of underlying profit before tax is Revenue profit. This measure seeks to show the profit arising from 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 2012 continued

4. Segmental information continued

The segmental information provided to senior management for the reportable segments for the year ended 31 March 2012 is as follows:

Group	Retail Portfolio			London Portfolio			Year ended 31 March 2012 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	255.9	66.1	322.0	279.5	11.7	291.2	535.4	77.8	613.2
Finance lease interest	2.1	0.4	2.5	6.2	–	6.2	8.3	0.4	8.7
Gross rental income (before rents payable)	258.0	66.5	324.5	285.7	11.7	297.4	543.7	78.2	621.9
Rents payable[1]	(9.5)	(2.1)	(11.6)	(4.2)	–	(4.2)	(13.7)	(2.1)	(15.8)
Gross rental income (after rents payable)	248.5	64.4	312.9	281.5	11.7	293.2	530.0	76.1	606.1
Service charge income[2]	33.9	8.4	42.3	42.8	0.3	43.1	76.7	8.7	85.4
Service charge expense	(34.5)	(10.6)	(45.1)	(45.3)	(0.3)	(45.6)	(79.8)	(10.9)	(90.7)
Net service charge expense	(0.6)	(2.2)	(2.8)	(2.5)	–	(2.5)	(3.1)	(2.2)	(5.3)
Other property related income[2]	12.8	1.2	14.0	19.0	–	19.0	31.8	1.2	33.0
Direct property expenditure	(29.8)	(10.6)	(40.4)	(19.8)	(0.9)	(20.7)	(49.6)	(11.5)	(61.1)
Net rental income	230.9	52.8	283.7	278.2	10.8	289.0	509.1	63.6	572.7
Indirect property expenditure[2]	(23.6)	(2.3)	(25.9)	(16.7)	(0.6)	(17.3)	(40.3)	(2.9)	(43.2)
Depreciation	(2.2)	–	(2.2)	(0.4)	–	(0.4)	(2.6)	–	(2.6)
Segment profit before interest	205.1	50.5	255.6	261.1	10.2	271.3	466.2	60.7	526.9
Joint venture net interest expense	–	(21.2)	(21.2)	–	(10.7)	(10.7)	–	(31.9)	(31.9)
Segment profit	205.1	29.3	234.4	261.1	(0.5)	260.6	466.2	28.8	495.0
Group services – income							3.9	–	3.9
– expense							(44.0)	–	(44.0)
Interest expense							(201.1)	–	(201.1)
Interest income							26.2	–	26.2
Eliminate effect of bond exchange de-recognition							16.6	–	16.6
Eliminate debt restructuring charges							2.8	–	2.8
Revenue profit							270.6	28.8	299.4

1. Included within rents payable is finance lease interest payable of **£1.5m** (2011: £2.0m) and **£0.6m** (2011: £1.2m) for the Retail and London portfolios, respectively.
2. Indirect property expenditure, group services expense and depreciation together comprise the administration costs of the business. In relation to some of these, the Group receives fee income from joint ventures and third parties for work on asset, property and development management, as well as corporate services. These fees are included in service charge income, other property related income and group services income. Net administration costs (after deducting related income) amounted to **£69.1m** (31 March 2011: £60.6m).

Group	Retail Portfolio			London Portfolio			Year ended 31 March 2012 Total		
Reconciliation to profit before tax	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m
Segment profit before interest	205.1	50.5	255.6	261.1	10.2	271.3	466.2	60.7	526.9
Trading properties sale proceeds	0.9	26.2	27.1	7.1	5.2	12.3	8.0	31.4	39.4
Carrying value of trading properties disposals	(0.6)	(23.4)	(24.0)	(5.2)	(5.0)	(10.2)	(5.8)	(28.4)	(34.2)
Profit on disposal of trading properties	0.3	2.8	3.1	1.9	0.2	2.1	2.2	3.0	5.2
Long-term development contract income	–	1.9	1.9	7.4	–	7.4	7.4	1.9	9.3
Long-term development contract expenditure	–	(1.9)	(1.9)	(3.8)	–	(3.8)	(3.8)	(1.9)	(5.7)
Profit on long-term development contracts	–	–	–	3.6	–	3.6	3.6	–	3.6
	205.4	53.3	258.7	266.6	10.4	277.0	472.0	63.7	535.7
Investment property disposal proceeds	255.1	26.8	281.9	706.3	–	706.3	961.4	26.8	988.2
Carrying value of investment property disposals (including lease incentives)	(235.1)	(25.8)	(260.9)	(680.9)	–	(680.9)	(916.0)	(25.8)	(941.8)
Profit on disposal of investment properties	20.0	1.0	21.0	25.4	–	25.4	45.4	1.0	46.4
Net surplus/(deficit) on revaluation of investment properties	6.1	(11.6)	(5.5)	163.7	32.7	196.4	169.8	21.1	190.9
Impairment (charge)/release on trading properties	–	(0.9)	(0.9)	(2.0)	0.8	(1.2)	(2.0)	(0.1)	(2.1)
	231.5	41.8	273.3	453.7	43.9	497.6	685.2	85.7	770.9
Group services – income							3.9	–	3.9
– expense							(44.0)	–	(44.0)
Operating profit							645.1	85.7	730.8
Interest expense							(201.1)	(31.9)	(233.0)
Interest income							26.2	–	26.2
Fair value movement on interest-rate swaps							(4.5)	(0.9)	(5.4)
Impairment of investment in joint ventures							(2.2)	–	(2.2)
Joint venture tax adjustment							–	(0.3)	(0.3)
Joint venture net liabilities adjustment							–	(0.4)	(0.4)
Profit before tax							463.5	52.2	515.7

Notes to the financial statements

for the year ended 31 March 2012 continued

4. Segmental information continued

Group	Retail Portfolio			London Portfolio			Year ended 31 March 2011 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	251.2	68.3	319.5	292.7	10.4	303.1	543.9	78.7	622.6
Finance lease interest	2.4	0.5	2.9	3.7	–	3.7	6.1	0.5	6.6
Gross rental income (before rents payable)	253.6	68.8	322.4	296.4	10.4	306.8	550.0	79.2	629.2
Rents payable[1]	(10.9)	(3.5)	(14.4)	(4.2)	–	(4.2)	(15.1)	(3.5)	(18.6)
Gross rental income (after rents payable)	242.7	65.3	308.0	292.2	10.4	302.6	534.9	75.7	610.6
Service charge income[2]	32.5	9.2	41.7	44.5	0.2	44.7	77.0	9.4	86.4
Service charge expense	(33.5)	(10.5)	(44.0)	(48.2)	(0.2)	(48.4)	(81.7)	(10.7)	(92.4)
Net service charge expense	(1.0)	(1.3)	(2.3)	(3.7)	–	(3.7)	(4.7)	(1.3)	(6.0)
Other property related income[2]	10.3	1.0	11.3	18.0	0.1	18.1	28.3	1.1	29.4
Direct property expenditure	(29.3)	(12.2)	(41.5)	(35.6)	(0.2)	(35.8)	(64.9)	(12.4)	(77.3)
Net rental income	222.7	52.8	275.5	270.9	10.3	281.2	493.6	63.1	556.7
Indirect property expenditure[2]	(23.6)	(3.6)	(27.2)	(16.7)	(0.2)	(16.9)	(40.3)	(3.8)	(44.1)
Depreciation	(0.2)	–	(0.2)	(0.7)	–	(0.7)	(0.9)	–	(0.9)
Segment profit before interest	198.9	49.2	248.1	253.5	10.1	263.6	452.4	59.3	511.7
Joint venture net interest expense	–	(22.2)	(22.2)	–	(10.2)	(10.2)	–	(32.4)	(32.4)
Segment profit	198.9	27.0	225.9	253.5	(0.1)	253.4	452.4	26.9	479.3
Group services – income							4.3	–	4.3
– expense							(32.9)	–	(32.9)
– eliminate non-revenue profit income							(2.3)	–	(2.3)
Interest expense							(240.2)	–	(240.2)
Interest income							26.0	–	26.0
Eliminate effect of bond exchange de-recognition							18.5	–	18.5
Eliminate debt restructuring charges							22.0	–	22.0
Revenue profit							247.8	26.9	274.7

1. Included within rents payable is finance lease interest payable of £2.0m and £1.2m for the Retail and London portfolios, respectively.
2. Indirect property expenditure, group services expense and depreciation together comprise the administration costs of the business. In relation to some of these, the Group receives fee income from joint ventures and third parties for work on asset, property and development management, as well as corporate services. These fees are included in service charge income, other property related income and group services income. Net administration costs (after deducting related income) amounted to £60.6m.

Group	Retail Portfolio			London Portfolio			Year ended 31 March 2011 Total		
Reconciliation to profit before tax	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m
Segment profit before interest	198.9	49.2	248.1	253.5	10.1	263.6	452.4	59.3	511.7
Trading properties sale proceeds	1.4	13.5	14.9	1.5	4.3	5.8	2.9	17.8	20.7
Carrying value of trading properties disposals	(1.4)	(12.2)	(13.6)	0.4	(6.3)	(5.9)	(1.0)	(18.5)	(19.5)
Profit/(loss) on disposal of trading properties	–	1.3	1.3	1.9	(2.0)	(0.1)	1.9	(0.7)	1.2
Long-term development contract income	–	–	–	39.4	–	39.4	39.4	–	39.4
Long-term development contract expenditure	–	–	–	(34.0)	–	(34.0)	(34.0)	–	(34.0)
Profit on long-term development contracts	–	–	–	5.4	–	5.4	5.4	–	5.4
	198.9	50.5	249.4	260.8	8.1	268.9	459.7	58.6	518.3
Investment property disposal proceeds	137.6	126.5	264.1	468.7	–	468.7	606.3	126.5	732.8
Carrying value of investment property disposals (including lease incentives)	(124.4)	(122.9)	(247.3)	(406.2)	–	(406.2)	(530.6)	(122.9)	(653.5)
Profit on disposal of investment properties	13.2	3.6	16.8	62.5	–	62.5	75.7	3.6	79.3
Net surplus on revaluation of investment properties	307.5	60.6	368.1	486.6	54.1	540.7	794.1	114.7	908.8
Impairment (charge)/release on trading properties	–	1.7	1.7	(1.4)	0.4	(1.0)	(1.4)	2.1	0.7
	519.6	116.4	636.0	808.5	62.6	871.1	1,328.1	179.0	1,507.1
Group services – income							4.3	–	4.3
– expense							(32.9)	–	(32.9)
Operating profit							1,299.5	179.0	1,478.5
Interest expense							(240.2)	(32.4)	(272.6)
Interest income							26.0	–	26.0
Fair value movement on interest-rate swaps							(1.9)	(0.3)	(2.2)
Joint venture tax adjustment							–	(0.8)	(0.8)
Joint venture net liabilities adjustment							–	(1.6)	(1.6)
Profit before tax							1,083.4	143.9	1,227.3

Notes to the financial statements
for the year ended 31 March 2012 continued

4. Segmental information continued

Group	Retail Portfolio			London Portfolio			Year ended 31 March 2012 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	3,672.4	1,004.1	4,676.5	4,780.8	449.3	5,230.1	8,453.2	1,453.4	9,906.6
Other property, plant and equipment	2.5	–	2.5	6.3	–	6.3	8.8	–	8.8
Net investment in finance leases	33.0	8.3	41.3	152.0	–	152.0	185.0	8.3	193.3
Trading properties and long-term development contracts	–	7.7	7.7	133.1	15.3	148.4	133.1	23.0	156.1
Trade and other receivables	222.0	96.8	318.8	537.6	3.6	541.2	759.6	100.4	860.0
Share of joint venture cash	–	21.3	21.3	–	22.8	22.8	–	44.1	44.1
Segment assets	3,929.9	1,138.2	5,068.1	5,609.8	491.0	6,100.8	9,539.7	1,629.2	11,168.9
Unallocated:									
Cash and cash equivalents							29.7	–	29.7
Monies held in restricted accounts							29.5	–	29.5
Loan investments							50.8	–	50.8
Other investments							32.3	–	32.3
Joint venture liabilities							–	(491.6)	(491.6)
Total assets							9,682.0	1,137.6	10,819.6
Trade and other payables	(96.5)	(66.2)	(162.7)	(138.1)	(12.6)	(150.7)	(234.6)	(78.8)	(313.4)
Provisions	(0.6)	(0.6)	(1.2)	(8.0)	–	(8.0)	(8.6)	(0.6)	(9.2)
Share of joint venture borrowings	–	(263.4)	(263.4)	–	(148.8)	(148.8)	–	(412.2)	(412.2)
Segment liabilities	(97.1)	(330.2)	(427.3)	(146.1)	(161.4)	(307.5)	(243.2)	(491.6)	(734.8)
Unallocated:									
Borrowings							(3,235.9)	–	(3,235.9)
Derivative financial instruments							(6.5)	–	(6.5)
Pension deficit							(2.4)	–	(2.4)
Current tax liabilities							(21.6)	–	(21.6)
Trade and other payables							(154.4)	–	(154.4)
Joint venture liabilities to assets							–	491.6	491.6
Total liabilities							(3,664.0)	–	(3,664.0)
Other segment items									
Capital expenditure	133.0	14.0	147.0	151.3	31.3	182.6	284.3	45.3	329.6

Notes to the financial statements

for the year ended 31 March 2012 continued

4. Segmental information continued

Group	Retail Portfolio			London Portfolio			Year ended 31 March 2011 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	3,696.4	1,024.8	4,721.2	5,192.6	303.2	5,495.8	8,889.0	1,328.0	10,217.0
Other property, plant and equipment	5.1	–	5.1	6.2	–	6.2	11.3	–	11.3
Net investment in finance leases	53.8	8.4	62.2	63.0	–	63.0	116.8	8.4	125.2
Trading properties and long-term development contracts	0.6	30.9	31.5	128.7	15.3	144.0	129.3	46.2	175.5
Trade and other receivables	112.2	99.5	211.7	319.1	4.8	323.9	431.3	104.3	535.6
Share of joint venture cash	–	27.6	27.6	–	8.2	8.2	–	35.8	35.8
Joint venture net liabilities adjustment	–	0.4	0.4	–	–	–	–	0.4	0.4
Segment assets	3,868.1	1,191.6	5,059.7	5,709.6	331.5	6,041.1	9,577.7	1,523.1	11,100.8
Unallocated:									
Cash and cash equivalents							37.6	–	37.6
Monies held in restricted accounts							35.1	–	35.1
Derivative financial instruments							72.2	–	72.2
Loan investments							8.7	–	8.7
Joint venture liabilities							–	(583.5)	(583.5)
Total assets							9,731.3	939.6	10,670.9
Trade and other payables	(108.2)	(99.1)	(207.3)	(200.2)	(20.3)	(220.5)	(308.4)	(119.4)	(427.8)
Provisions	(0.3)	(0.8)	(1.1)	(7.1)	–	(7.1)	(7.4)	(0.8)	(8.2)
Share of joint venture borrowings	–	(304.4)	(304.4)	–	(158.9)	(158.9)	–	(463.3)	(463.3)
Segment liabilities	(108.5)	(404.3)	(512.8)	(207.3)	(179.2)	(386.5)	(315.8)	(583.5)	(899.3)
Unallocated:									
Borrowings							(3,384.3)	–	(3,384.3)
Derivative financial instruments							(2.0)	–	(2.0)
Current tax liabilities							(35.5)	–	(35.5)
Trade and other payables							(121.0)	–	(121.0)
Joint venture liabilities to assets							–	583.5	583.5
Total liabilities							(3,858.6)	–	(3,858.6)
Other segment items									
Capital expenditure	62.8	44.8	107.6	188.3	11.1	199.4	251.1	55.9	307.0

Notes to the financial statements

for the year ended 31 March 2012 continued

5. Group revenue

Group	2012 £m	2011 £m
Rental income (excluding adjustment for lease incentives)	**520.7**	525.3
Adjustment for lease incentives	**14.7**	18.6
Rental income	**535.4**	543.9
Service charge income	**76.7**	77.0
Other property related income	**31.8**	28.3
Trading property sales proceeds	**8.0**	2.9
Long-term development contract income	**7.4**	39.4
Finance lease interest	**8.3**	6.1
Other income	**3.9**	4.3
	671.5	701.9

6. Employee costs

Group	2012 Number	2011 Number
The average monthly number of employees during the year was:		
Indirect property or contract and administration	**436**	444
Direct property or contract services:		
Full-time	**178**	182
Part-time	**42**	66
	656	692

The average number of employees for the year ended 31 March 2012 includes **45** employees (2011: 40 employees) in respect of our Brand Empire operations. Brand Empire ceased trading in the year ended 31 March 2012.

Group	2012 £m	2011 £m
Employee costs		
Salaries	**50.8**	44.0
Social security	**7.2**	5.6
Other pension (note 31)	**3.0**	3.3
Share-based payments (note 32)	**4.8**	3.8
	65.8	56.7

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

During the year, **one** director (2011: one) had retirement benefits accruing under the defined contribution pension scheme. Retirement benefits accrue to **one** director (2011: 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 p82—99.

Details of the employee costs associated with the Group's executive directors are included in note 37.

Notes to the financial statements

for the year ended 31 March 2012 continued

7. Auditor remuneration

Group	2012 £m	2011 £m
Services provided by the Group's auditor		
Audit fees:		
Parent company and consolidated financial statements	**0.2**	0.2
Other fees:		
Audit of subsidiary undertakings	**0.3**	0.3
Services supplied pursuant to legislation	**0.2**	0.2
	0.7	0.7

It is the Group's policy to employ the Group's auditors, PricewaterhouseCoopers LLP, on assignments additional to their statutory duties where their expertise and experience with the Group are important. Where appropriate, the Group seeks tenders for services and if fees are expected to be greater than £25,000 they are pre-approved by the Audit Committee. In addition, PricewaterhouseCoopers LLP also receives fees for statutory duties performed for some of our joint venture arrangements, of which our proportionate share of the fees was **£0.1m** (2011: £0.1m).

8. External valuer remuneration

Group	2012 £m	2011 £m
Services provided by the Group's external valuer		
Valuation fees:		
Year and half-year valuations	**0.9**	1.0
Security Group valuation	**–**	0.1
	0.9	1.1
Other consultancy and agency services	**1.1**	0.9
	2.0	2.0

The fee payable to Knight Frank LLP (Knight Frank), the Group's external valuers, for the year and half year valuation is a fixed fee that is adjusted on an annual basis for acquisitions and disposals of investment properties in the reporting period to which the fee relates. Knight Frank also undertakes some other consultancy and agency work on behalf of the Group. Knight Frank has confirmed to us that the total fees paid by the Group represented less than 5 per cent of their total revenue in each year. In addition, Knight Frank also receives fees for their duties performed for some of our joint venture arrangements, of which our proportionate share of the fees was **£0.1m** (2011: £0.1m).

9. Net interest expense

	Group		Company	
	2012 £m	2011 £m	2012 £m	2011 £m
Interest expense				
Bond and debenture debt	**(177.8)**	(218.0)	**–**	–
Bank borrowings	**(13.0)**	(10.5)	**–**	–
Other interest payable	**(0.6)**	(1.8)	**(27.4)**	(3.9)
Amortisation of bond exchange de-recognition	**(16.6)**	(18.5)	**–**	–
Interest on pension scheme liabilities	**(8.0)**	(8.2)	**–**	–
	(216.0)	(257.0)	**(27.4)**	(3.9)
Interest capitalised in relation to properties under development	**14.9**	16.8	**–**	–
Total interest expense	**(201.1)**	(240.2)	**(27.4)**	(3.9)
Interest income				
Short-term deposits	**0.4**	0.5	–	–
Interest received on loan investments	**3.8**	6.8	–	–
Other interest receivable	**7.4**	5.6	–	–
Interest receivable from joint ventures	**5.5**	4.5	–	–
Expected return on pension scheme assets	**9.1**	8.6	–	–
Total interest income	**26.2**	26.0	–	–
Fair value movement on interest-rate swaps	**(4.5)**	(1.9)	–	–
Net interest expense	**(179.4)**	(216.1)	**(27.4)**	(3.9)

Included within rents payable (note 4) is finance lease interest payable of **£2.1m** (2011: £3.2m).

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for the year ended 31 March 2012 continued

10. Dividends

Ordinary dividends paid	Payment date	Actual per share pence	Group and Company 2012 £m	Group and Company 2011 £m
For the year ended 31 March 2010:				
Third interim	1 April 2010	7.0	–	53.1
Final	30 July 2010	7.0	–	53.3
For the year ended 31 March 2011:				
First interim	25 October 2010	7.0	–	53.5
Second interim	10 January 2011	7.0	–	53.7
Third interim	26 April 2011	7.0	**53.9**	–
Final	28 July 2011	7.2	**55.6**	–
For the year ended 31 March 2012:				
First interim	24 October 2011	7.2	**55.8**	–
Second interim	9 January 2012	7.2	**56.1**	–
Gross dividend			**221.4**	213.6

The Board has proposed a final quarterly dividend for the year ended 31 March 2012 of **7.4p** per share (2011: 7.2p), which will be 100% PID, to the extent it is paid in cash, and result in a further distribution of **£57.8m** (2011: £55.6m). It will be paid on 26 July 2012 to shareholders who are on the Register of Members on 22 June 2012. The final dividend is in addition to the third quarterly interim dividend of 7.2p or **£56.1m** paid on 26 April 2012 (2011: 7.0p or £53.9m). The total dividend paid and proposed in respect of the year ended 31 March 2012 is **29.0p** (2011: 28.2p).

The Company operates a scrip dividend scheme which provides shareholders with the opportunity to receive their dividend in shares as opposed to cash. Shares issued in lieu of dividends during the year, all of which were non-PID distributions, totalled **£66.6m** (2011: £70.8m). The difference between the gross dividend of £221.4m and the amount reported in the consolidated cash flow for the year of £153.1m is the shares issued in lieu of dividends (£66.6m) and the timing of the payment of the related withholding tax (£1.7m).

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

11. Income tax

	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Current tax				
Corporation tax credit for the year	**–**	–	**(10.2)**	(4.5)
Adjustment in respect of prior years	**(8.0)**	(16.8)	**–**	–
Total income tax credit in the income statement	**(8.0)**	(16.8)	**(10.2)**	(4.5)

The tax for the year is lower than the standard rate of corporation tax in the UK of 26% (2011: 28%). The differences are explained below:

	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Profit/(loss) before tax	**515.7**	1,227.3	**(39.3)**	218.8
Profit/(loss) before tax multiplied by the rate of corporation tax in the UK of 26% (2011: 28%)	**134.1**	343.6	**(10.2)**	61.3
Effects of:				
Interest rate fair value movements and other timing differences	**0.9**	0.5	**–**	–
Prior year corporation tax adjustments	**(8.0)**	(16.8)	**–**	–
Non-allowable expenses and non-taxable items	**1.6**	1.0	**–**	(65.8)
Losses carried forward	**4.9**	3.1	**–**	–
Utilised losses brought forward	**(7.2)**	(7.3)	**–**	–
Exempt property rental profits and revaluations in the year	**(134.0)**	(351.2)	**–**	–
Exempt property (gains)/losses in the year	**(0.3)**	10.3	**–**	–
Total income tax credit in the income statement (as above)	**(8.0)**	(16.8)	**(10.2)**	(4.5)

The Group has unutilised trading and other tax losses carried forward as at 31 March 2012 of approximately **£86.0m** (2011: £100.0m).

Notes to the financial statements

for the year ended 31 March 2012 continued

11. Income tax continued

During the year the Group released provisions of **£8.0m** (2011: £16.8m) to the income statement which were created in prior years and no longer required as the relevant uncertainties had been cleared. At 31 March 2012, the Group held a provision of **£21.3m** (2011: £25.8m) for interest on overdue tax in relation to a matter in dispute with HM Revenue and Customs, which may become payable if not settled in the Group's favour. The provision will be released, and the tax paid to date of £60.7m recovered, if the Group's appeal is successful.

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

12. Earnings per share

Group	2012 £m	2011 £m
Profit for the financial year attributable to the owners of the Parent	**522.9**	1,241.6
Net surplus on revaluation of investment properties – Group	**(169.8)**	(794.1)
– Joint ventures	**(21.1)**	(114.7)
Profit on disposal of investment properties – Group	**(45.4)**	(75.7)
– Joint ventures	**(1.0)**	(3.6)
Impairment charge on trading properties – Group	**2.0**	1.4
– Joint ventures	**0.1**	(2.1)
Profit on disposal of trading properties – Group	**(2.2)**	(1.9)
– Joint ventures	**(3.0)**	0.7
Fair value movement on interest-rate swaps – Group	**4.5**	1.9
– Joint ventures	**0.9**	0.3
Impairment of investment in joint ventures	**2.2**	–
Joint venture net liabilities adjustment[1]	**0.4**	1.6
EPRA adjusted earnings attributable to the owners of the Parent	**290.5**	255.4
Tax adjustments related to prior periods – Group	**(8.0)**	(16.8)
Eliminate profit on long-term development contracts – Group[2]	**(3.6)**	(5.4)
Eliminate non-recurring revenue items	**-**	(2.3)
Eliminate debt restructuring charges and other interest items – Group	**2.8**	22.0
Eliminate amortisation of bond exchange de-recognition – Group	**16.6**	18.5
Adjusted earnings attributable to the owners of the Parent	**298.3**	271.4

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

Our calculation of adjusted earnings and adjusted earnings per share has been changed in the year to exclude the profit on disposal of trading properties and profit on long-term development contracts. In the future we expect these items to become larger but occur less frequently, in particular where they relate to the sale of residential units. This would result in fluctuations to adjusted earnings and adjusted earnings per share if not excluded. We have amended prior year numbers so that all years are presented on a consistent basis.

	2012 million	2011 million
Weighted average number of ordinary shares	**781.5**	771.1
Weighted average number of treasury shares	**(5.9)**	(5.9)
Weighted average number of own shares	**(1.4)**	(0.3)
Weighted average number of ordinary shares – basic earnings per share	**774.2**	764.9
Dilutive effect of share options	**1.7**	0.7
Weighted average number of ordinary shares – diluted earnings per share	**775.9**	765.6

	2012 Pence	2011 Pence
Basic earnings per share	**67.5**	162.3
Diluted earnings per share	**67.4**	162.2
Adjusted earnings per share	**38.5**	35.5
Adjusted diluted earnings per share	**38.5**	35.5
EPRA adjusted earnings per share	**37.4**	33.4

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

Notes to the financial statements
for the year ended 31 March 2012 continued

13. Net assets per share

Group	2012 £m	2011 £m
Net assets attributable to the owners of the Parent	**7,155.4**	6,811.5
Fair value of interest-rate swaps – Group	**6.5**	2.0
– Joint ventures	**14.3**	20.7
EPRA adjusted net assets	**7,176.2**	6,834.2
Reverse bond exchange de-recognition adjustment	**(450.9)**	(467.5)
Adjusted net assets attributable to the owners of the Parent	**6,725.3**	6,366.7
Reinstate bond exchange de-recognition adjustment	**450.9**	467.5
Fair value of interest-rate swaps – Group	**(6.5)**	(2.0)
– Joint ventures	**(14.3)**	(20.7)
Excess of fair value of debt over book value (note 28)	**(860.9)**	(558.7)
EPRA triple net assets	**6,294.5**	6,252.8

	2012 million	2011 million
Number of ordinary shares in issue	**785.1**	775.9
Number of treasury shares	**(5.9)**	(5.9)
Number of own shares	**(2.3)**	(0.3)
Number of ordinary shares – basic net assets per share	**776.9**	769.7
Dilutive effect of share options	**2.6**	0.9
Number of ordinary shares – diluted net assets per share	**779.5**	770.6

	2012 Pence	2011 Pence
Net assets per share	**921**	885
Diluted net assets per share	**918**	884
Adjusted net assets per share	**866**	827
Adjusted diluted net assets per share	**863**	826
EPRA measure – adjusted diluted net assets per share	**921**	887
– diluted triple net assets per share	**808**	812

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

Notes to the financial statements

for the year ended 31 March 2012 continued

14. Investment properties

Group	Portfolio management £m	Development programme £m	Total £m
Net book value at 1 April 2010	7,255.1	789.2	8,044.3
Developments transferred from the development programme into portfolio management	259.3	(259.3)	–
Properties transferred from portfolio management into the development programme	(210.2)	210.2	–
Property acquisitions	364.6	11.9	376.5
Capital expenditure	81.5	169.6	251.1
Capitalised interest	–	15.9	15.9
Disposals	(313.9)	(241.5)	(555.4)
Depreciation	(0.5)	–	(0.5)
Transfer from trading properties	–	(37.0)	(37.0)
Valuation surplus	592.1	202.0	794.1
Net book value at 31 March 2011	**8,028.0**	**861.0**	**8,889.0**
Property acquisitions	**69.7**	**–**	**69.7**
Issue of finance lease	**(89.7)**	**–**	**(89.7)**
Capitalised expenditure	**140.2**	**141.8**	**282.0**
Capitalised interest	**1.8**	**11.7**	**13.5**
Disposals	**(863.5)**	**(32.3)**	**(895.8)**
Depreciation	**(0.1)**	**–**	**(0.1)**
Transfer from trading properties	**14.8**	**–**	**14.8**
Valuation surplus	**95.6**	**74.2**	**169.8**
Net book value at 31 March 2012	**7,396.8**	**1,056.4**	**8,453.2**

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 2011	8,028.0	861.0	8,889.0
Plus: tenant lease incentives (note 22)	183.9	10.3	194.2
Less: head leases capitalised (note 30)	(27.1)	(1.3)	(28.4)
Plus: properties treated as finance leases	130.9	5.2	136.1
Market value at 31 March 2011 – Group	8,315.7	875.2	9,190.9
– Joint ventures (note 18)	1,160.2	207.8	1,368.0
– Group and share of joint ventures	9,475.9	1,083.0	10,558.9
Net book value at 31 March 2012	**7,396.8**	**1,056.4**	**8,453.2**
Plus: tenant lease incentives (note 22)	**181.1**	**23.6**	**204.7**
Less: head leases capitalised (note 30)	**(22.0)**	**(1.3)**	**(23.3)**
Plus: properties treated as finance leases	**197.4**	**7.8**	**205.2**
Market value at 31 March 2012 – Group	**7,753.3**	**1,086.5**	**8,839.8**
– Joint ventures (note 18)	**1,389.2**	**101.6**	**1,490.8**
– Group and share of joint ventures	**9,142.5**	**1,188.1**	**10,330.6**

The net book value of leasehold properties where head leases have been capitalised is **£885.7m** (2011: £942.4m).

The fair value of the Group's investment properties at 31 March 2012 has been arrived at on the basis of a valuation carried out at that date by Knight Frank LLP, external valuers. The valuation by Knight Frank LLP, which conforms to Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors and with IVA 1 of the International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties. Fixed asset properties include capitalised interest of **£189.9m** (2011: £176.4m). The average rate of interest capitalisation for the year is **5.0%** (2011: 5.2%). The historical cost of investment properties is **£6,006.5m** (2011: £6,767.6m).

The current value of investment properties, including joint ventures, in respect of proposed developments is **£212.6m** (2011: £170.5m). Developments are transferred out of the development programme when physically complete and 95% let, or two years after practical completion, whichever is earlier. The only scheme transferred out of the development programme during the year was St. David's 2, Cardiff.

The Group has outstanding capital commitments of **£105.3m** at 31 March 2012 (2011: £157.8m).

Notes to the financial statements

for the year ended 31 March 2012 continued

15. Other property, plant and equipment

Group	£m
Net book value at 1 April 2010	12.8
Capital expenditure	4.6
Disposals	(0.1)
Depreciation	(6.0)
Net book value at the year ended 31 March 2011	**11.3**
Capital expenditure	**2.3**
Disposals	**(0.2)**
Depreciation	**(4.6)**
Net book value at the year ended 31 March 2012	**8.8**

16. Net investment in finance leases

Group	2012 £m	2011 £m
Non-current		
Finance leases – gross receivables	**414.9**	275.9
Unearned finance income	**(263.5)**	(184.8)
Unguaranteed residual value	**33.6**	25.7
	185.0	116.8
Current		
Finance leases – gross receivables	**11.5**	7.2
Unearned finance income	**(11.0)**	(6.3)
	0.5	0.9
Total net investment in finance leases	**185.5**	117.7
Gross receivables from finance leases:		
Not later than one year	**11.5**	7.2
Later than one year but not more than five years	**46.5**	29.1
More than five years	**368.4**	246.8
	426.4	283.1
Unearned future finance income	**(274.5)**	(191.1)
Unguaranteed residual value	**33.6**	25.7
Net investment in finance leases	**185.5**	117.7

The Group has leased out a number of investment properties under finance leases, which range from 30 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, using a discount rate of **5.0%** (2011: 4.9%), is **£190.5m** (2011: £125.8m).

17. Loan investments

			2012			2011
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	**22.2**	**50.0**	**72.2**	34.3	50.0	84.3
Amortisation of loan note discount at acquisition	**1.2**	**–**	**1.2**	4.1	–	4.1
Redemptions	**(22.6)**	**–**	**(22.6)**	(16.2)	–	(16.2)
At the end of the year	**0.8**	**50.0**	**50.8**	22.2	50.0	72.2

The credit quality of loan investments is assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. None of the loan investments are past due and are therefore not impaired.

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

Notes to the financial statements

for the year ended 31 March 2012 continued

17. Loan investments continued

Group	2012 Real estate secured loan notes £m	2012 Loans to third parties £m	2012 Total £m	2011 Real estate secured loan notes £m	2011 Loans to third parties £m	2011 Total £m
Counterparties with external credit ratings						
AAA	–	–	–	22.2	–	22.2
AA-	**0.8**	–	**0.8**	–	–	–
	0.8	–	**0.8**	22.2	–	22.2
Counterparties without external credit ratings						
Group 1[1]	–	–	–	–	–	–
Group 2[2]	–	**50.0**	**50.0**	–	50.0	50.0
Group 3[3]	–	–	–	–	–	–
	–	**50.0**	**50.0**	–	50.0	50.0
	0.8	**50.0**	**50.8**	22.2	50.0	72.2

1. New counterparty (less than six months).
2. Existing counterparty (more than six months) with no defaults in the past.
3. Existing counterparty (more than six months) with some defaults in the past.

18. Investments in joint ventures

The Group's joint ventures are described below:

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

1. Included within Other in subsequent tables.
2. Disposed of in the year to 31 March 2012.

Notes to the financial statements

for the year ended 31 March 2012 continued

18. Investments in joint ventures continued

Year ended 31 March 2012

Income statement	The Scottish Retail Property Limited Partnership £m	Metro Shopping Fund Limited Partnership £m	Buchanan Partnership £m	St. David's Limited Partnership £m	Bristol Alliance Limited Partnership £m	The Harvest Limited Partnership £m	The Oriana Limited Partnership £m	Other £m	Total £m
Rental income	7.2	7.2	9.2	16.1	18.7	4.2	3.7	11.5	77.8
Finance lease interest	–	–	0.1	–	0.2	–	–	0.1	0.4
Gross rental income (before rents payable)	7.2	7.2	9.3	16.1	18.9	4.2	3.7	11.6	78.2
Rents payable	0.1	–	–	(1.3)	(0.6)	–	–	(0.3)	(2.1)
Gross rental income (after rents payable)	7.3	7.2	9.3	14.8	18.3	4.2	3.7	11.3	76.1
Service charge income	1.2	1.2	1.1	2.2	2.1	0.2	0.1	0.6	8.7
Service charge expense	(1.3)	(2.0)	(1.1)	(2.9)	(2.5)	(0.1)	(0.2)	(0.8)	(10.9)
Net service charge expense	(0.1)	(0.8)	–	(0.7)	(0.4)	0.1	(0.1)	(0.2)	(2.2)
Other property related income	0.3	0.2	–	0.3	0.3	–	–	0.1	1.2
Direct property expenditure	(1.2)	(0.7)	(1.1)	(4.1)	(2.6)	(0.4)	(0.5)	(0.9)	(11.5)
Net rental income	6.3	5.9	8.2	10.3	15.6	3.9	3.1	10.3	63.6
Indirect property expenditure	(0.5)	(0.3)	(0.1)	(0.5)	(0.4)	(0.2)	(0.3)	(0.6)	(2.9)
Segment profit before interest	5.8	5.6	8.1	9.8	15.2	3.7	2.8	9.7	60.7
Net interest expense[1]	(3.3)	(4.7)	(4.1)	(7.3)	–	(1.8)	(4.9)	(6.6)	(32.7)
Capitalised interest	–	–	–	–	–	–	–	0.8	0.8
Segment profit/(loss)	2.5	0.9	4.0	2.5	15.2	1.9	(2.1)	3.9	28.8
Segment profit before interest	5.8	5.6	8.1	9.8	15.2	3.7	2.8	9.7	60.7
Trading properties sale proceeds	–	–	–	7.1	–	–	–	24.3	31.4
Carrying value of trading properties disposals	–	–	–	(6.2)	–	–	–	(22.2)	(28.4)
Profit on disposal of trading properties	–	–	–	0.9	–	–	–	2.1	3.0
Long-term development contract income	–	–	–	–	–	1.9	–	–	1.9
Long-term development contract expenditure	–	–	–	–	–	(1.9)	–	–	(1.9)
Profit on long-term development contracts	–	–	–	–	–	–	–	–	–
Investment property disposal proceeds	–	–	–	0.6	–	26.2	–	–	26.8
Carrying value of investment property disposals	–	(0.2)	–	(0.4)	–	(25.4)	–	0.2	(25.8)
(Loss)/profit on disposal of investment properties	–	(0.2)	–	0.2	–	0.8	–	0.2	1.0
Net (deficit)/surplus on revaluation of investment properties	(2.8)	(0.6)	1.3	2.5	(8.6)	0.1	14.4	14.8	21.1
Impairment (charge)/release on trading properties	–	–	–	(1.6)	–	–	–	1.5	(0.1)
Operating profit	3.0	4.8	9.4	11.8	6.6	4.6	17.2	28.3	85.7
Net interest expense	(3.3)	(4.7)	(4.1)	(9.6)	–	(3.8)	(3.0)	(4.3)	(32.8)
(Loss)/profit before tax	(0.3)	0.1	5.3	2.2	6.6	0.8	14.2	24.0	52.9
Income tax	–	(0.3)	–	–	–	–	–	–	(0.3)
	(0.3)	(0.2)	5.3	2.2	6.6	0.8	14.2	24.0	52.6
Net liabilities adjustment[2]	–	–	–	–	–	–	–	(0.4)	(0.4)
Share of post tax (loss)/profit	(0.3)	(0.2)	5.3	2.2	6.6	0.8	14.2	23.6	52.2

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

Notes to the financial statements

for the year ended 31 March 2012 continued

18. Investments in joint ventures continued

Year ended 31 March 2011

Income statement	The Scottish Retail Property Limited Partnership £m	Metro Shopping Fund Limited Partnership £m	Buchanan Partnership £m	St. David's Limited Partnership £m	Bristol Alliance Limited Partnership £m	The Harvest Limited Partnership £m	The Oriana Limited Partnership £m	Other £m	Total £m
Rental income	7.7	9.8	8.8	14.7	18.9	4.9	3.2	10.7	78.7
Finance lease interest	–	–	0.2	–	0.3	–	–	–	0.5
Gross rental income (before rents payable)	7.7	9.8	9.0	14.7	19.2	4.9	3.2	10.7	79.2
Rents payable	(0.1)	–	–	(2.6)	(0.5)	–	–	(0.3)	(3.5)
Gross rental income (after rents payable)	7.6	9.8	9.0	12.1	18.7	4.9	3.2	10.4	75.7
Service charge income	1.3	2.2	0.6	2.1	2.3	0.1	0.2	0.6	9.4
Service charge expense	(1.3)	(2.3)	(0.6)	(3.0)	(2.5)	(0.1)	(0.2)	(0.7)	(10.7)
Net service charge expense	–	(0.1)	–	(0.9)	(0.2)	–	–	(0.1)	(1.3)
Other property related income	0.3	0.1	–	0.4	0.2	–	0.1	–	1.1
Direct property expenditure	(1.9)	(1.4)	(1.8)	(3.7)	(2.6)	(0.2)	(0.2)	(0.6)	(12.4)
Net rental income	6.0	8.4	7.2	7.9	16.1	4.7	3.1	9.7	63.1
Indirect property expenditure	(0.3)	(0.6)	(0.1)	(1.2)	(0.8)	(0.2)	–	(0.6)	(3.8)
Segment profit before interest	5.7	7.8	7.1	6.7	15.3	4.5	3.1	9.1	59.3
Net interest expense[1]	(3.3)	(7.5)	(4.1)	(4.2)	0.1	(2.9)	(4.9)	(5.9)	(32.7)
Capitalised interest	–	–	–	–	–	–	–	0.3	0.3
Segment profit/(loss)	2.4	0.3	3.0	2.5	15.4	1.6	(1.8)	3.5	26.9
Segment profit before interest	5.7	7.8	7.1	6.7	15.3	4.5	3.1	9.1	59.3
Trading properties sale proceeds	–	–	–	11.2	–	–	–	6.6	17.8
Carrying value of trading properties disposals	–	–	–	(10.2)	–	–	–	(8.3)	(18.5)
Profit/(loss) on disposal of trading properties	–	–	–	1.0	–	–	–	(1.7)	(0.7)
Long-term development contract income	–	–	–	–	–	–	–	–	–
Long-term development contract expenditure	–	–	–	–	–	–	–	–	–
Profit on long-term development contracts	–	–	–	–	–	–	–	–	–
Investment property disposal proceeds	–	119.9	–	1.7	4.9	–	–	–	126.5
Carrying value of investment property disposals	–	(117.7)	–	(1.6)	(3.6)	–	–	–	(122.9)
Profit on disposal of investment properties	–	2.2	–	0.1	1.3	–	–	–	3.6
Net surplus on revaluation of investment properties	1.1	6.9	13.1	14.9	12.7	9.9	32.5	23.6	114.7
Impairment release on trading properties	–	–	–	–	–	–	–	2.1	2.1
Operating profit	6.8	16.9	20.2	22.7	29.3	14.4	35.6	33.1	179.0
Net interest expense	(3.3)	(12.0)	(4.1)	(4.1)	0.1	(2.9)	(2.8)	(3.6)	(32.7)
Profit before tax	3.5	4.9	16.1	18.6	29.4	11.5	32.8	29.5	146.3
Income tax	–	(0.7)	–	–	–	–	–	(0.1)	(0.8)
	3.5	4.2	16.1	18.6	29.4	11.5	32.8	29.4	145.5
Net liabilities adjustment[2]	–	–	–	–	–	–	–	(1.6)	(1.6)
Share of post tax profit	3.5	4.2	16.1	18.6	29.4	11.5	32.8	27.8	143.9

Notes to the financial statements

for the year ended 31 March 2012 continued

18. Investments in joint ventures continued

Net investment	The Scottish Retail Property Limited Partnership £m	Metro Shopping Fund Limited Partnership £m	Buchanan Partnership £m	St. David's Limited Partnership £m	Bristol Alliance Limited Partnership £m	The Harvest Limited Partnership £m	The Oriana Limited Partnership £m	Other £m	Total £m
At 1 April 2010	30.2	31.0	122.1	173.6	287.2	80.7	14.8	48.2	787.8
Cash contributed	0.5	2.2	1.3	–	–	2.0	–	75.3	81.3
Other contributions	–	–	–	–	–	–	–	0.4	0.4
Distributions	–	(21.0)	(3.6)	–	–	–	–	(1.0)	(25.6)
Fair value movement on cash flow hedges taken to comprehensive income	2.2	9.2	–	–	–	0.9	–	0.1	12.4
Loan advances	–	–	–	8.2	–	–	–	9.1	17.3
Loan repayments	–	–	–	(56.2)	(19.8)	–	–	(1.9)	(77.9)
Share of post tax profit	3.5	4.2	16.1	18.6	29.4	11.5	32.8	27.8	143.9
At 31 March 2011	**36.4**	**25.6**	**135.9**	**144.2**	**296.8**	**95.1**	**47.6**	**158.0**	**939.6**
Cash contributed	**3.2**	**16.8**	**0.8**	**–**	**–**	**0.3**	**–**	**–**	**21.1**
Property and other contributions	**–**	**–**	**–**	**0.1**	**–**	**–**	**14.2**	**85.2**	**99.5**
Distributions	**(1.3)**	**(0.6)**	**(3.3)**	**–**	**(17.0)**	**–**	**–**	**(1.9)**	**(24.1)**
Fair value movement on cash flow hedges taken to comprehensive income	**1.7**	**1.0**	**–**	**–**	**–**	**2.1**	**–**	**0.1**	**4.9**
Disposals	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1.9)**	**(1.9)**
Loan advances	**–**	**–**	**–**	**19.0**	**1.0**	**3.0**	**–**	**43.5**	**66.5**
Loan repayments	**–**	**–**	**–**	**(18.0)**	**–**	**–**	**–**	**–**	**(18.0)**
Share of post tax (loss)/profit	**(0.3)**	**(0.2)**	**5.3**	**2.2**	**6.6**	**0.8**	**14.2**	**23.6**	**52.2**
Impairment of investment	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2.2)**	**(2.2)**
At 31 March 2012	**39.7**	**42.6**	**138.7**	**147.5**	**287.4**	**101.3**	**76.0**	**304.4**	**1,137.6**
Balance sheet at 31 March 2012									
Investment properties[1]	99.7	109.1	132.8	266.0	275.4	73.5	150.7	346.2	1,453.4
Current assets	6.3	5.9	8.2	22.4	23.3	52.4	3.7	53.6	175.8
	106.0	115.0	141.0	288.4	298.7	125.9	154.4	399.8	1,629.2
Current liabilities	(3.6)	(3.4)	(2.3)	(45.0)	(8.7)	(3.5)	(2.7)	(13.1)	(82.3)
Non-current liabilities	(62.7)	(69.0)	–	(95.9)	(2.6)	(21.1)	(75.7)	(82.3)	(409.3)
	(66.3)	(72.4)	(2.3)	(140.9)	(11.3)	(24.6)	(78.4)	(95.4)	(491.6)
Net assets	**39.7**	**42.6**	**138.7**	**147.5**	**287.4**	**101.3**	**76.0**	**304.4**	**1,137.6**
Capital commitments	**0.5**	**–**	**–**	**0.9**	**0.1**	**0.5**	**0.2**	**11.8**	**14.0**
Market value of investment properties[1]	**101.4**	**110.0**	**138.0**	**278.1**	**290.0**	**74.3**	**151.1**	**347.9**	**1,490.8**
Net (debt)/cash	**(60.2)**	**(65.2)**	**1.9**	**(92.3)**	**0.7**	**(19.4)**	**(72.6)**	**(61.0)**	**(368.1)**
Balance sheet at 31 March 2011									
Investment properties[1]	98.9	109.3	132.2	255.5	281.5	96.7	129.8	224.1	1,328.0
Current assets	7.3	6.2	7.5	39.4	25.8	45.6	3.6	59.3	194.7
	106.2	115.5	139.7	294.9	307.3	142.3	133.4	283.4	1,522.7
Current liabilities	(5.3)	(4.4)	(3.8)	(57.3)	(7.9)	(0.8)	(8.6)	(32.0)	(120.1)
Non-current liabilities	(64.5)	(85.5)	–	(93.4)	(2.6)	(46.4)	(77.2)	(93.8)	(463.4)
	(69.8)	(89.9)	(3.8)	(150.7)	(10.5)	(47.2)	(85.8)	(125.8)	(583.5)
Net liabilities adjustment[2]	–	–	–	–	–	–	–	0.4	0.4
Net assets	**36.4**	**25.6**	**135.9**	**144.2**	**296.8**	**95.1**	**47.6**	**158.0**	**939.6**
Capital commitments	**3.2**	**0.4**	**0.1**	**4.4**	**2.1**	**–**	**1.9**	**1.0**	**13.1**
Market value of investment properties[1]	**101.0**	**110.0**	**138.0**	**268.1**	**297.9**	**97.7**	**129.8**	**225.5**	**1,368.0**
Net (debt)/cash	**(62.5)**	**(83.1)**	**2.1**	**(79.9)**	**1.5**	**(45.3)**	**(73.7)**	**(86.6)**	**(427.5)**

1. The difference between the book value and the market value is the amount included in prepayments in respect of lease incentives, head leases capitalised and properties treated as finance leases.
2. Joint ventures with net liabilities are carried at zero value in the balance sheet where there is no commitment to fund the deficit and any distributions are included in the consolidated income statement for the year.

Notes to the financial statements

for the year ended 31 March 2012 continued

19. Investments in subsidiary undertakings

Company	2012 £m	2011 £m
At the beginning of the year	**6,173.0**	5,684.5
Capital injection	**–**	250.0
Capital contributions relating to share-based payments (note 32)	**4.8**	3.8
Reversal of past impairments	**–**	234.7
At the end of the year	**6,177.8**	6,173.0

In accordance with IFRIC 11 'IFRS 2 – Group and Treasury Transactions' the equity settled share-based charge for the employees of the Company's subsidiaries is treated as an increase in the cost of investment in the subsidiaries, with 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
LS Cardinal Limited
The City of London Real Property Company Limited
Ravenside Investments Limited
LS Victoria Properties 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 2012 will be appended to the Company's next annual return.

20. Other investments

Group	2012 £m	2011 £m
At the beginning of the year	**1.8**	1.8
Acquisitions	**30.5**	–
At the end of the year	**32.3**	1.8

During the year, the Group acquired a 12% interest in the X-Leisure Unit Trust for £30.5m.

21. Trading properties and long-term development contracts

Group

Trading properties	Development land and infrastructure £m	Other £m	Long-term development contracts £m	Total £m
At 1 April 2010	67.5	16.5	3.9	87.9
Capital expenditure	3.7	0.4	–	4.1
Capitalised interest	0.8	–	–	0.8
Transfer from investment properties	37.0	–	–	37.0
Disposals	–	(1.4)	–	(1.4)
Impairment provision	(1.4)	–	–	(1.4)
Contract costs deferred	–	–	2.3	2.3
At 31 March 2011	**107.6**	**15.5**	**6.2**	**129.3**
Transfer between categories	**(39.7)**	**39.7**	**–**	**–**
Capital expenditure	**2.2**	**20.6**	**–**	**22.8**
Capitalised interest	**0.8**	**0.6**	**–**	**1.4**
Transfer to investment properties	**–**	**(14.8)**	**–**	**(14.8)**
Disposals	**(0.9)**	**(4.9)**	**–**	**(5.8)**
Impairment provision	**(2.0)**	**–**	**–**	**(2.0)**
Contract costs deferred	**–**	**–**	**2.2**	**2.2**
At 31 March 2012	**68.0**	**56.7**	**8.4**	**133.1**

The realisable value of the Group's trading properties at 31 March 2012 has been based on a valuation carried out at that date by Knight Frank LLP, external valuers. The cumulative impairment provision at 31 March 2012 in respect of Development land and infrastructure was **£110.5m** (31 March 2011: £108.5m, of which £4.2m is fully impaired); and in respect of Other was **£0.3m** (31 March 2011: £0.3m).

Notes to the financial statements

for the year ended 31 March 2012 continued

21. Trading properties and long-term development contracts continued

Group

Long-term development contracts	2012 £m	2011 £m
Income statement:		
Contract revenue recognised as revenue in the year	**7.4**	39.4
Contract expenditure recognised as costs in the year	**(3.8)**	(34.0)
	3.6	5.4
Balance sheet:		
Contract costs incurred and recognised profits (less recognised losses) to date	**498.0**	483.7
Advances received from customers	**(489.6)**	(478.3)
	8.4	5.4
Plus: gross amount due from customers for contract work (included in prepayments and deferred income)	**–**	0.8
Balance at the end of the year	**8.4**	6.2

22. Trade and other receivables

	Group		Company	
	2012 £m	2011 £m	2012 £m	2011 £m
Trade receivables	**34.6**	51.0	**–**	–
Less: allowance for doubtful accounts	**(10.1)**	(13.9)	**–**	–
Net trade receivables	**24.5**	37.1	**–**	–
Property sales receivables	**482.1**	23.3	**–**	–
Other receivables	**4.1**	9.7	**0.1**	–
Tenant lease incentives	**204.7**	194.2	**–**	–
Prepayments and accrued income	**35.9**	29.6	**–**	0.1
Current tax assets	**–**	–	**10.2**	4.5
Net investment in finance leases due within one year (note 16)	**0.5**	0.9	**–**	–
Amounts due from joint ventures	**7.8**	57.7	**–**	–
Loans to Group undertakings	**–**	–	**5.5**	5.4
Total current trade and other receivables	**759.6**	352.5	**15.8**	10.0
Plus: non-current trade and other receivables (deferred consideration)	**–**	77.0	**–**	–
Total trade and other receivables	**759.6**	429.5	**15.8**	10.0

Group	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
Accounts receivable past due					
As at 31 March 2012					
Past due but not impaired	**23.0**	**1.3**	**0.2**	**–**	**24.5**
Past due and impaired	**–**	**1.7**	**3.0**	**5.4**	**10.1**
	23.0	**3.0**	**3.2**	**5.4**	**34.6**
As at 31 March 2011					
Past due but not impaired	28.0	4.9	1.1	–	34.0
Past due and impaired	0.7	2.6	2.6	11.1	17.0
	28.7	7.5	3.7	11.1	51.0

Notes to the financial statements

for the year ended 31 March 2012 continued

22. Trade and other receivables continued

In accordance with IFRS 7, the amounts shown as past due represent the total credit exposure, not the amount actually past due. Trade receivables are all considered past due as they relate to rents receivable from tenants all of which are payable in advance.

Group	2012 £m	2011 £m
Movement in allowances for doubtful accounts		
At 1 April	**13.9**	20.2
Net charge/(release) to the income statement	**0.9**	(0.4)
Utilised in the year	**(4.7)**	(5.9)
At 31 March	**10.1**	13.9

Group	2012 £m	2011 £m
Movement in tenant lease incentives		
At 1 April	**194.2**	171.9
Revenue recognised	**14.7**	18.6
Capital incentives granted	**2.6**	7.9
Provision for doubtful receivables	**(2.2)**	(1.8)
Disposal of properties	**(4.6)**	(2.4)
At 31 March	**204.7**	194.2

23. Monies held in restricted accounts and deposits

Group	2012 £m	2011 £m
Cash at bank and in hand	**13.0**	11.9
Short-term deposits	**–**	6.0
Liquidity funds	**16.5**	17.2
	29.5	35.1

Monies held in restricted accounts and deposits represent cash held by the Group in accounts with conditions that restrict the use of these monies by the Group and, as such, 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 where the account or deposit is placed.

Group	2012 £m	2011 £m
Counterparties with external credit ratings		
AAA	**–**	17.2
AA	**–**	–
A+	**23.5**	11.9
A	**4.0**	6.0
BBB+	**2.0**	–
	29.5	35.1

Notes to the financial statements
for the year ended 31 March 2012 continued

24. Cash and cash equivalents

	Group		Company	
	2012 £m	2011 £m	**2012 £m**	2011 £m
Cash at bank and in hand	**11.5**	13.6	**0.2**	0.2
Short-term deposits	**1.0**	24.0	**–**	–
Liquidity funds	**17.2**	–	**–**	–
	29.7	37.6	**0.2**	0.2

Liquidity funds
The liquidity funds are AAA rated cash-investment funds with constant net asset values, offering the Group same day access to the funds deposited. These investments yielded an average return of **0.6%** in the year ended 31 March 2012 (2011: an average return of 0.4%).

Short-term deposits
The effective interest rate on short-term deposits was **0.4%** at 31 March 2012 (2011: 0.3%) and had an average maturity of **2 days** (2011: 1 day).

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

Group	**2012 £m**	2011 £m
Counterparties with external credit ratings		
AAA	**17.2**	–
AA	**–**	5.1
A+	**1.6**	32.5
A	**8.7**	–
A-	**2.2**	–
	29.7	37.6

25. Trade and other payables

	Group		Company	
	2012 £m	2011 £m	**2012 £m**	2011 £m
Trade payables	**7.4**	12.2	**–**	–
Capital payables	**48.1**	74.6	**–**	–
Other payables	**46.9**	49.8	**7.2**	5.4
Accruals and deferred income	**214.1**	228.1	**3.0**	4.5
Amounts owed to joint ventures	**44.8**	58.5	**–**	–
Loans from Group undertakings	**–**	–	**681.3**	393.2
Total current trade and other payables	**361.3**	423.2	**691.5**	403.1
Non-current trade and other payables	**27.7**	6.2	**–**	–
Total trade and other payables	**389.0**	429.4	**691.5**	403.1

Capital payables represent amounts due under contracts to purchase properties, which were unconditionally exchanged at the year end, and for work completed on investment properties but not paid for at the year end. Deferred income principally relates to rents received in advance.

Notes to the financial statements

for the year ended 31 March 2012 continued

26. Provisions

Group	£m
At 1 April 2010	1.5
Charge to income statement for the year	6.9
Utilised in the year	(1.2)
Released to the income statement in the year	(0.3)
Reclassified from accruals	0.5
At 31 March 2011	**7.4**
Charge to income statement for the year	**3.2**
Utilised in the year	**(2.4)**
Released to the income statement in the year	**(0.2)**
Reclassified from accruals	**0.6**
At 31 March 2012	**8.6**

Included in the balance above, the following amounts are anticipated to be utilised within one year:

At 31 March 2011	7.4
At 31 March 2012	**8.3**

Provisions relate to costs arising in the ordinary course of business in respect of a number of properties held by the Group.

27. Derivative financial instruments

	2012		2011	
Group	**Assets £m**	**Liabilities £m**	Assets £m	Liabilities £m
Interest-rate swaps (non-designated)	**–**	**(6.5)**	–	(2.0)
Total	**–**	**(6.5)**	–	(2.0)

Non-designated derivatives are classified as a non-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 investments. The fair value of these contracts is recorded in the balance sheet and is determined by discounting future cash flows at the prevailing market rates at the balance sheet date.

The change in fair value of the contracts that are not designated as hedging instruments is taken to the income statement. For contracts that are designated as cash flow hedges the change in the fair value of the contracts is recognised in the statement of other comprehensive income. There was no ineffectiveness to be recognised from the designated cash flow hedges in either the current or prior year. The deferred asset or liability assumed is released to the income statement on termination or expiry of the hedge.

At the balance sheet date, the notional amount of outstanding derivative financial instruments was as follows:

	2012 £m	2011 £m
Interest-rate swaps	**220.0**	220.0
	220.0	220.0

Notes to the financial statements

for the year ended 31 March 2012 continued

28. Borrowings

Group	Secured/ unsecured	Fixed/ floating	Effective interest rate %	Nominal/ notional value £m	Fair value £m	Book value £m
						2012
Current borrowings						
Sterling						
5.253 per cent QAG Bond	Secured	Fixed	5.3	**10.5**	**12.2**	**10.5**
Amounts payable under finance leases (note 30)	Unsecured	Fixed	7.8	**0.3**	**0.3**	**0.3**
Total current borrowings				**10.8**	**12.5**	**10.8**
Non-current borrowings						
Sterling						
5.292 per cent MTN due 2015	Secured	Fixed	5.3	**122.7**	**127.8**	**122.7**
4.875 per cent MTN due 2019	Secured	Fixed	5.0	**400.0**	**442.4**	**397.4**
5.425 per cent MTN due 2022	Secured	Fixed	5.5	**255.3**	**290.9**	**254.7**
4.875 per cent MTN due 2025	Secured	Fixed	4.9	**300.0**	**328.4**	**297.5**
5.391 per cent MTN due 2026	Secured	Fixed	5.4	**210.7**	**236.4**	**209.9**
5.391 per cent MTN due 2027	Secured	Fixed	5.4	**608.8**	**689.2**	**606.4**
5.376 per cent MTN due 2029	Secured	Fixed	5.4	**317.6**	**356.9**	**316.1**
5.396 per cent MTN due 2032	Secured	Fixed	5.4	**322.7**	**359.4**	**320.9**
5.125 per cent MTN due 2036	Secured	Fixed	5.1	**500.0**	**537.0**	**498.5**
Bond exchange de-recognition adjustment				**–**	**–**	**(450.9)**
				3,037.8	**3,368.4**	**2,573.2**
5.253 per cent QAG Bond	Secured	Fixed	5.3	**329.0**	**380.5**	**328.9**
Syndicated bank debt	Secured	Floating	LIBOR + margin	**300.0**	**300.0**	**300.0**
Bilateral facilities	Secured	Floating	LIBOR + margin	**–**	**–**	**–**
Amounts payable under finance leases (note 30)	Unsecured	Fixed	7.8	**23.0**	**35.4**	**23.0**
Total non-current borrowings				**3,689.8**	**4,084.3**	**3,225.1**
Total borrowings				**3,700.6**	**4,096.8**	**3,235.9**

Medium term notes (MTN)

The MTN are secured on the fixed and floating pool of assets of the Security Group. Debt investors benefit from security over a pool of investment properties, development properties and the Group's investment in the Bristol Alliance Limited Partnership and the Westgate Oxford Alliance Limited Partnership, valued at **£8.8bn** at 31 March 2012 (2011: £8.7bn). 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 29). 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 was classed as a current borrowing at 31 March 2011, as it was fully repaid on 3 May 2011.

Syndicated bank debt

At 31 March 2011 the Group had a £1.5bn authorised credit facility with a maturity of August 2013, which was £428.0m drawn. In December 2011, the borrowings under this facility were repaid and the facility was cancelled in full. At the same time a new £1.050bn facility was entered into, which matures in December 2016. The new facility was increased to £1.085bn in February 2012 and was £300.0m drawn at 31 March 2012.

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

Bilateral facilities

Committed bilateral facilities totalling **£300.0m** (2011: £700.0m) are available to the Group and are secured on the assets of the Security Group. These facilities mature in November 2014. No drawings were made under these facilities at either 31 March 2012 or 31 March 2011.

Queen Anne's Gate Bond

On 29 July 2009, the Group issued a £360.3m bond secured on the rental cash flows from the commercial lease with the UK Government over Queen Anne's Gate, London, SW1. The QAG Bond is a fully amortising bond with a final maturity in February 2027 and a fixed interest rate of 5.253% per annum. At 31 March 2012 the bond had an amortised book value of **£339.4m** (2011: £348.7m).

Notes to the financial statements

for the year ended 31 March 2012 continued

28. Borrowings continued

Fair values

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

Group	Secured/ unsecured	Fixed/ floating	Effective interest rate %	Nominal/ notional value £m	Fair value £m	Book value £m
						2011
Current borrowings						
Sterling						
4.625 per cent MTN due 2013	Secured	Floating	LIBOR + margin	23.5	23.5	23.5
5.253 per cent QAG Bond	Secured	Fixed	5.3	9.3	9.9	9.3
Amounts payable under finance leases (note 30)	Unsecured	Fixed	7.4	0.2	0.2	0.2
Total current borrowings				**33.0**	**33.6**	**33.0**
Non-current borrowings						
Sterling						
5.292 per cent MTN due 2015	Secured	Fixed	5.3	122.7	129.9	122.6
4.875 per cent MTN due 2019	Secured	Fixed	5.0	400.0	417.5	397.0
5.425 per cent MTN due 2022	Secured	Fixed	5.4	255.3	267.0	254.6
4.875 per cent MTN due 2025	Secured	Fixed	4.9	300.0	295.3	297.4
5.391 per cent MTN due 2026	Secured	Fixed	5.4	210.7	215.1	209.8
5.391 per cent MTN due 2027	Secured	Fixed	5.4	608.9	623.6	606.3
5.376 per cent MTN due 2029	Secured	Fixed	5.4	317.6	322.9	316.0
5.396 per cent MTN due 2032	Secured	Fixed	5.4	322.8	325.3	320.9
5.125 per cent MTN due 2036	Secured	Fixed	5.1	500.0	485.2	498.6
Bond exchange de-recognition adjustment				–	–	(467.5)
				3,038.0	3,081.8	2,555.7
5.253 per cent QAG Bond	Secured	Fixed	5.3	339.5	359.5	339.4
Syndicated bank debt	Secured	Floating	LIBOR + margin	428.0	428.0	428.0
Bilateral facilities	Secured	Floating	LIBOR + margin	–	–	–
Amounts payable under finance leases (note 30)	Unsecured	Fixed	7.4	28.2	40.1	28.2
Total non-current borrowings				**3,833.7**	**3,909.4**	**3,351.3**
Total borrowings				**3,866.7**	**3,943.0**	**3,384.3**

Reconciliation of the movement in borrowings

Group	2012 £m	2011 £m
At the beginning of the year	**3,384.3**	3,518.3
Repayment of loans	**(461.0)**	(556.0)
Proceeds from new loans	**300.0**	428.0
Amortisation of finance fees	**1.1**	(0.3)
Amortisation of bond exchange de-recognition adjustment	**16.6**	18.5
Net movement in finance lease obligations	**(5.1)**	(24.2)
At the end of the year	**3,235.9**	3,384.3

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.

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29. Financial risk management

Introduction

A review of the Group's objectives, policies and processes for managing and monitoring risk is set out in the "Financial review" (p34—37) and "Our principal risks and how we manage them" (p41—43). This note provides further detail on financial risk management and includes quantitative information on specific financial risks.

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

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

Capital structure

The capital structure of the Group consists of shareholders' equity and net borrowings, including cash held on deposit. The type and maturity of the Group's borrowings are analysed further in note 28 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.

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. As the Group came out of the last property downturn, its objective was to see rising asset values reduce gearing and LTV ratios. During the year, gearing and LTV levels reduced in line with this objective. The following table details a number of the Group's key metrics in relation to managing its capital structure.

			2012			2011
Group	Group £m	Joint ventures £m	Combined £m	Group £m	Joint ventures £m	Combined £m
Property portfolio						
Market value of investment properties	**8,839.8**	**1,490.8**	**10,330.6**	9,190.9	1,368.0	10,558.9
Trading properties and long-term contracts	**133.1**	**23.0**	**156.1**	129.3	46.2	175.5
	8,972.9	**1,513.8**	**10,486.7**	9,320.2	1,414.2	10,734.4
Net debt						
Borrowings	**3,235.9**	**397.9**	**3,633.8**	3,384.3	442.6	3,826.9
Cash and cash equivalents	**(29.7)**	**(41.4)**	**(71.1)**	(37.6)	(33.2)	(70.8)
Monies held in restricted accounts and deposits	**(29.5)**	**(2.7)**	**(32.2)**	(35.1)	(2.6)	(37.7)
Fair value of interest-rate swaps	**6.5**	**14.3**	**20.8**	2.0	20.7	22.7
Net debt	**3,183.2**	**368.1**	**3,551.3**	3,313.6	427.5	3,741.1
Less: Fair value of interest-rate swaps	**(6.5)**	**(14.3)**	**(20.8)**	(2.0)	(20.7)	(22.7)
Reverse bond exchange de-recognition (note 28)	**450.9**	**–**	**450.9**	467.5	–	467.5
Adjusted net debt	**3,627.6**	**353.8**	**3,981.4**	3,779.1	406.8	4,185.9
Adjusted total equity						
Total equity	**7,155.6**		**7,155.6**	6,812.3		6,812.3
Fair value of interest-rate swaps	**6.5**	**14.3**	**20.8**	2.0	20.7	22.7
Reverse bond exchange de-recognition (note 28)	**(450.9)**		**(450.9)**	(467.5)		(467.5)
Adjusted total equity	**6,711.2**	**14.3**	**6,725.5**	6,346.8	20.7	6,367.5
Gearing	**44.5%**		**49.6%**	48.6%		54.9%
Adjusted gearing	**54.1%**		**59.2%**	59.5%		65.7%
Loan to value – Group	**40.4%**		**38.0%**	40.5%		39.0%
Loan to value – Security Group	**37.6%**			40.1%		
Weighted average cost of debt	**5.0%**		**5.0%**	4.7%		4.9%

Notes to the financial statements

for the year ended 31 March 2012 continued

29. Financial risk management continued

The following table summarises the Group's financial assets and liabilities into the categories required by IFRS 7, 'Financial Instruments, Disclosure':

Group	2012 £m	2011 £m
Available for sale financial assets	**32.3**	1.8
Loans and receivables	**810.4**	501.7
Financial liabilities at amortised cost	**(3,624.9)**	(3,813.7)
Net financial liabilities at fair value through profit and loss	**(6.5)**	(2.0)
	(2,788.7)	(3,312.2)

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, where the Group manages the deposit 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 the Group's 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 relate to the sale of a small number of properties, for which all payments to date have been received when due. The credit risk on outstanding amounts is considered to be 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 acquired investments in commercial property backed loan notes which were independently rated with a rating of AAA at acquisition. The majority of these notes were redeemed in the year ended 31 March 2012 and the remainder has been repaid subsequent to the balance sheet date.

(ii) Liquidity risk

The Group actively maintains a mixture of notes with final maturities between 2015 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 2012 £m	December 2011 £m	September 2011 £m	June 2011 £m	March 2011 £m
Cash and cash equivalents	**29.7**	61.1	19.0	14.2	37.6
Undrawn committed credit lines	**1,085.0**	930.0	1,790.0	1,945.0	1,772.0
Available funds	**1,114.7**	991.1	1,809.0	1,959.2	1,809.6
As a proportion of drawn debt	**30.3%**	26.1%	47.7%	54.0%	47.1%

Notes to the financial statements

for the year ended 31 March 2012 continued

29. Financial risk management continued

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 1.0x.

As at 31 March 2012, the reported LTV for the Security Group was **37.6%** (2011: 40.1%), 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.

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.

				2012
Group	**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)	**193.2**	**313.5**	**862.3**	**4,623.8**
Finance lease liabilities	**2.1**	**3.6**	**3.5**	**203.5**
Derivative financial instruments	**–**	**–**	**6.5**	**–**
Trade payables	**7.4**	**–**	**–**	**–**
Capital payables	**48.1**	**–**	**–**	**–**
	250.8	**317.1**	**872.3**	**4,827.3**

				2011
Group	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)	212.9	190.1	1,102.0	4,789.9
Finance lease liabilities	2.2	2.1	5.9	243.2
Derivative financial instruments	–	–	2.0	–
Trade payables	12.2	–	–	–
Capital payables	74.6	–	–	–
	301.9	192.2	1,109.9	5,033.1

(iii) Market risk

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

Interest rates

The Group uses derivative products to manage its interest-rate exposure, and has a hedging policy that generally requires at least 80% of our existing debt plus increases in debt associated with net committed capital expenditure to be at fixed interest rates for the coming five years. 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. Specific interest-rate hedges are also used within our joint ventures to fix the interest rate exposure on limited-recourse debt. Where specific hedges are used in geared joint ventures to fix the interest exposure on limited-recourse debt, these may qualify for hedge accounting.

At 31 March 2012, the Group (including joint ventures) had **£0.6bn** (2011: £0.7bn) of interest rate swaps in place, and its net debt was **94.8%** fixed (2011: 92.1%). Based on the Group's debt balances at 31 March 2012, a 1% increase in interest rates would increase the net interest payable in the income statement by **£3.0m** (2011: £4.3m). 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.

Notes to the financial statements

for the year ended 31 March 2012 continued

29. Financial risk management continued

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 significant 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 2012 or at 31 March 2011.

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:

			2012			2011
Group	Fixed rate £m	Floating rate £m	Total £m	Fixed rate £m	Floating rate £m	Total £m
Sterling	**3,400.6**	**300.0**	**3,700.6**	3,438.7	428.0	3,866.7

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

			2012			2011
Group	Fixed rate £m	Floating rate £m	Total £m	Fixed rate £m	Floating rate £m	Total £m
One year or less, or on demand	**10.8**	**–**	**10.8**	33.0	–	33.0
More than one year but not more than two years	**8.7**	**–**	**8.7**	10.6	–	10.6
More than two years but not more than five years	**165.7**	**300.0**	**465.7**	162.1	428.0	590.1
More than five years	**3,215.4**	**–**	**3,215.4**	3,233.0	–	3,233.0
	3,400.6	**300.0**	**3,700.6**	3,438.7	428.0	3,866.7

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

Group	2012 £m	2011 £m
One year or less, or on demand	**–**	–
More than one year but not more than two years	**–**	–
More than two years but not more than five years	**220.0**	220.0
More than five years	**–**	–
	220.0	220.0

Valuation hierarchy

Interest-rate swaps and other investments are the only financial instruments which are carried at fair value. The table below shows the aggregate assets and liabilities carried at fair value by valuation method:

				2012				2011
Group	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets	**–**	**32.3**	**–**	**32.3**	–	1.8	–	1.8
Liabilities	**–**	**(6.5)**	**–**	**(6.5)**	–	(2.0)	–	(2.0)

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.

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for the year ended 31 March 2012 continued

30. Obligations under finance leases

Group	2012 £m	2011 £m
The minimum lease payments under finance leases fall due as follows:		
Not later than one year	**2.1**	2.2
Later than one year but not more than five years	**7.1**	8.0
More than five years	**203.5**	243.2
	212.7	253.4
Future finance charges on finance leases	**(189.4)**	(225.0)
Present value of finance lease liabilities	**23.3**	28.4

	2012 £m	2011 £m
The present value of finance lease liabilities is as follows:		
Not later than one year	**0.3**	0.2
Later than one year but not more than five years	**–**	(0.1)
More than five years	**23.0**	28.3
	23.3	28.4

The fair value of the Group's lease obligations, using a discount rate of **5.0%** (2011: 4.9%), is **£35.7m** (2011: £40.3m).

31. Net pension (deficit)/surplus

Defined contribution scheme

A defined contribution scheme was introduced on 1 January 1999 for all new administrative and senior property based employees, subject to eligibility, together with a separate similar scheme, effective 1 April 1998, for other property based employees.

Pension costs for defined contribution schemes are as follows:

Group	2012 £m	2011 £m
Defined contribution schemes	**2.0**	2.0

Defined benefit scheme

The Pension & Assurance Scheme of the Land Securities Group of Companies (the Scheme) is a wholly-funded scheme, and the assets of the Scheme are held in a self-administered trust fund which is separate from the Group's assets.

Contributions to the Scheme are determined by a qualified independent actuary on the basis of triennial valuations using the projected unit credit method. As the Scheme is closed to new members, the current service cost is expected to increase as a percentage of salary of the Scheme members, under the projected unit credit 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, 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 2011. This valuation was updated to 31 March 2012 using, where required, assumptions prescribed by IAS 19, 'Employee Benefits'. The next full actuarial valuation will be performed as at 30 June 2012.

All death-in-service and incapacity benefits 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	2012 %	2011 %
Rate of increase in pensionable salaries	**3.50**	3.70
Rate of increase in pensions in payment	**3.50**	3.70
Discount rate	**4.80**	5.70
Inflation – Retail Price Index	**3.50**	3.70
– Consumer Price Index	**2.70**	3.20
Expected return on scheme assets	**5.25**	6.02

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for the year ended 31 March 2012 continued

31. Net pension (deficit)/surplus continued

The expected return on scheme assets is based on expectations for bonds and equities. At the year end, the expected return on bonds is based on market yields of long-dated bonds at that date. The estimated expected return on equities includes an additional equity-risk premium.

In the prior year, the Group changed the basis on which inflation is estimated from the Retail Price Index (RPI) to the Consumer Price Index (CPI) for part of the scheme's liability. This was accounted for as a change in accounting estimate and was therefore applied prospectively from 1 April 2010. The effect of the change was to decrease the present value of the defined benefit obligation at 31 March 2011 by £2.1m.

The mortality assumptions used in this valuation were:

Group	2012 Years	2011 Years
Life expectancy at age 60 for current pensioners – Men	**30.0**	29.9
– Women	**31.7**	31.5
Life expectancy at age 60 for future pensioners (current age 40) – Men	**33.1**	32.9
– Women	**34.9**	34.7

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

Group	2012 %	2011 %	2012 £m	2011 £m
Equities	**7.50**	7.50	**59.6**	64.0
Bonds and insurance contracts	**3.98**	4.93	**101.8**	86.3
Other	**0.50**	0.50	**1.0**	0.3
Fair value of scheme assets			**162.4**	150.6
Present value of scheme liabilities			**(164.8)**	(141.9)
Net pension (deficit)/surplus			**(2.4)**	8.7

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

Group	2012 %	2011 %
Equities	**37**	43
Bonds and insurance contracts	**63**	57

The scheme assets do not include any directly owned financial instruments issued by the Company. Indirectly owned financial instruments had a fair value of less than **£0.1m** (2011: less than £0.1m).

Group	2012 £m	2011 £m
Analysis of the amounts charged to the income statement		
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 to interest expense		
Expected return on scheme assets	**(9.1)**	(8.6)
Interest on scheme liabilities	**8.0**	8.2
Net credit to interest expense	**(1.1)**	(0.4)

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 £3.3m
Rate of mortality	Increase by 1 year	Increase by 2.5% or £2.0m

As the above table demonstrates, changes in assumptions can have a significant impact on the scheme liabilities. The assumptions agreed with the Trustees of the Scheme for the triennial valuation and subsequent interim updates differ from those described by IAS 19, 'Employee Benefits'. Using these assumptions would result in a balance sheet deficit for the Scheme of **£35.0m** at 31 March 2012 as opposed to a deficit of £2.4m.

Notes to the financial statements

for the year ended 31 March 2012 continued

31. Net pension (deficit)/surplus continued

Group Change in the present value of the defined benefit obligation	2012 £m	2011 £m
At the beginning of the year	**141.9**	148.1
Current service cost	**1.0**	1.3
Interest cost	**8.0**	8.2
Actuarial losses/(gains)	**18.4**	(11.3)
Benefits paid	**(4.7)**	(4.6)
Contributions by scheme participants	**0.2**	0.2
At the end of the year	**164.8**	141.9

Group Changes in the fair value of scheme assets	2012 £m	2011 £m
At the beginning of the year	**150.6**	141.6
Expected return on scheme assets	**9.1**	8.6
Employer contributions	**4.9**	5.1
Actual return less expected return on scheme assets	**2.3**	(0.3)
Benefits paid	**(4.7)**	(4.6)
Contributions by scheme participants	**0.2**	0.2
At the end of the year	**162.4**	150.6
Actual return on scheme assets	**11.4**	8.3

Group Analysis of the movement in the balance sheet surplus/(deficit)	2012 £m	2011 £m
At the beginning of the year	**8.7**	(6.5)
Charge to operating profit	**(1.0)**	(1.3)
Expected return on scheme assets	**9.1**	8.6
Interest on scheme liabilities	**(8.0)**	(8.2)
Employer contributions	**4.9**	5.1
Actuarial (losses)/gains	**(16.1)**	11.0
At the end of the year	**(2.4)**	8.7

Group Analysis of the amounts recognised in other comprehensive income	2012 £m	2011 £m
Analysis of gains and losses		
Actual return less expected return on scheme assets	**2.3**	(0.3)
Experience (losses)/gains arising on scheme liabilities	**(18.4)**	11.3
Actuarial (losses)/gains	**(16.1)**	11.0
Cumulative actuarial losses recognised in other comprehensive income	**(44.5)**	(28.4)

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

Group History of experience gains and losses	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Experience adjustments arising on scheme assets					
Amount	**2.3**	(0.3)	25.2	(26.2)	(12.1)
Percentage of scheme assets	**1.4%**	0.2%	17.8%	24.5%	8.7%
Experience adjustments arising on scheme liabilities					
Amount	**(18.4)**	11.3	(40.4)	11.0	(32.0)
Percentage of the present value of funded obligations	**11.2%**	7.9%	27.3%	10.6%	25.8%
Present value of scheme liabilities	**(164.8)**	(141.9)	(148.1)	(104.1)	(123.9)
Fair value of scheme assets	**162.4**	150.6	141.6	107.1	139.0
Non-permissible surplus	**–**	–	–	–	(4.1)
(Deficit)/surplus	**(2.4)**	8.7	(6.5)	3.0	11.0

The contributions expected to be paid in respect of the defined-benefit schemes during the financial year ending 31 March 2013 amount to £4.8m.

The Company did not operate any defined-contribution schemes or defined-benefit schemes during the financial year ended 31 March 2012 or in the previous financial year.

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for the year ended 31 March 2012 continued

32. Share-based payments

The Group's share-based payments are all equity settled and comprise the Savings Related Share Option Scheme (Sharesave), various Executive Share Option Schemes (ESOS), the Deferred Bonus Share Scheme related to the annual bonus scheme, the Long-Term Incentive Plan (including the Matching Performance Share Plan) and Conditional shares granted on the appointment of Robert Noel 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	2012 £m	2011 £m
Savings Related Share Option Scheme	**0.3**	0.1
Executive Share Option Schemes	**0.5**	0.6
Deferred Bonus Share Scheme	**1.1**	0.5
Long-Term Incentive Plan	**2.7**	2.1
Conditional shares granted 1 January 2010	**0.2**	0.5
	4.8	3.8

Savings Related Share Option Scheme

Under the 2003 Savings Related Share Option Scheme 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 TSB Bank and administered by Equiniti Ltd. On completion of the three, five or seven year contract period, ordinary shares in the Company may be purchased at a price based upon the current market price at date of invitation less a 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 for an additional six months or withdraw their cash immediately. Fair-value calculations assume a lapse rate, based upon historic values, of approximately 20% for employees leaving the Group before vesting.

2003 Savings Related Share Option Scheme

	Number of options		Weighted average exercise price	
	2012 Number	2011 Number	2012 Pence	2011 Pence
At the beginning of the year	**633,040**	692,070	**427**	447
Granted	**102,662**	78,848	**627**	477
Exercised	**(31,410)**	(17,407)	**398**	436
Forfeited	**(32,999)**	(56,526)	**472**	441
Lapsed	**(51,984)**	(63,945)	**636**	686
At the end of the year	**619,309**	633,040	**442**	427
Exercisable at the end of the year	**4,466**	9,641	**1,235**	1,238

	Years	Years
Weighted average remaining contractual life	**1.79**	2.57

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. 1,200 of the options outstanding are exercisable at 862p and 198 at 1032p, 4,876 at 1372p, 1,553 at 1315p, 466,559 at 388p, 55,884 at 477p and 89,039 at 627.5p during 2012 and the periods 2012 to 2013, 2012 to 2014, 2012 to 2016, 2013 to 2017 and 2013 to 2018, respectively.

The weighted average share price at the date of exercise during the year was **677p** (2011: 693p). During the year options were granted on 17 June 2011 (2011: 18 June 2010). The estimated fair value of the options granted in the year was **£0.1m** (2011: £0.1m).

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for the year ended 31 March 2012 continued

32. Share-based payments continued
Executive Share Option Schemes
2000 Executive Share Option Scheme

	Number of options		Weighted average exercise price	
	2012 Number	2011 Number	**2012 Pence**	2011 Pence
At the beginning of the year	**95,200**	98,178	**759**	758
Exercised	**(59,083)**	–	**775**	–
Forfeited	**–**	(2,978)	**–**	739
Lapsed	**(5,601)**	–	**733**	–
At the end of the year	**30,516**	95,200	**732**	759
Exercisable at the end of the year	**30,516**	95,200	**732**	759

	Years	Years
Weighted average remaining contractual life	**0.30**	0.76

No new grants 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 732p in 2012. The weighted average share price at the date of exercise for share options exercised during the year was **838p**. No options were exercised during the prior year.

2002 Executive Share Option Scheme

	Number of options		Weighted average exercise price	
	2012 Number	2011 Number	**2012 Pence**	2011 Pence
At the beginning of the year	**666,710**	694,326	**930**	929
Exercised	**(23,533)**	(10,924)	**705**	710
Forfeited	**–**	(16,692)	**–**	1,044
Lapsed	**(224,727)**	–	**946**	–
At the end of the year	**418,450**	666,710	**934**	930
Exercisable at the end of the year	**418,450**	666,710	**934**	930

	Years	Years
Weighted average remaining contractual life	**1.94**	2.92

No new grants have been made under this scheme since 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. 137,716 and 280,734 of the options outstanding under the scheme are exercisable at 710p and 1044p respectively up to 2014. The weighted average share price at the date of exercise for share options exercised during the year was **740p** (2011: 710p).

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for the year ended 31 March 2012 continued

32. Share-based payments continued

2005 Executive Share Option Scheme

	Number of options		Weighted average exercise price	
	2012 Number	2011 Number	**2012 Pence**	2011 Pence
At the beginning of the year	**3,344,458**	2,553,576	**817**	904
Granted	**654,309**	974,252	**828**	584
Exercised	**(24,822)**	(21,748)	**524**	493
Forfeited	**(892,073)**	(161,622)	**1,158**	830
At the end of the year	**3,081,872**	3,344,458	**723**	817
Exercisable at the end of the year	**576,751**	533,869	**1,269**	1,517

	Years	Years
Weighted average remaining contractual life	**7.61**	7.91

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 over ordinary shares in the Company 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 from the Employee Share Option Trust. Options are normally forfeited if the employee leaves the scheme before the options vest, or lapse if options are not exercised within 10 years of the date of grant. Fair value calculations assume a lapse rate, based upon historic values, of 2% per annum for employees leaving the Group before vesting.

The options outstanding under the scheme are exercisable at 469p, 584p, 723p, 827.5p, 1095p, 1280p, 1560p and 1565p during the periods 2012 to 2019, 2013 to 2020, 2012 to 2019, 2014 to 2021, 2012 to 2019, 2012 to 2015, 2012 to 2017 and 2012 to 2016, respectively.

The weighted average share price at the date of exercise for share options exercised during the year was **749p** (2011: 718p). During the year options were granted on 29 June 2011 (2011: 29 June 2010). The estimated fair value of the options granted on those dates was **£0.5m** (2011: £0.6m).

Deferred Bonus Shares Scheme

	Number of shares	
	2012	2011
At the beginning of the year	**243,523**	142,756
Granted	**46,644**	111,822
Capitalisation of dividends	**9,046**	11,072
Exercised	**(168,560)**	(22,127)
At the end of the year	**130,653**	243,523
Exercisable at the end of the year	**–**	–

	Years	Years
Weighted average remaining contractual life	**1.53**	1.60

The Executive Directors' Annual Bonus Scheme is structured in two distinct parts. Under the Annual Bonus participants are eligible for awards of up to 100% of salary, 25% deferred into shares. The underlying performance criteria are specific to each Executive Director and include Total returns, 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% deferred into shares. Awards under the plan are satisfied by transfers of existing shares held by the Employee Share Ownership Trust (ESOT).

The shares are deferred for two or 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 **676p** (2011: 576p). During the year deferred shares were granted on 29 June 2011 (2011: 29 June 2010). The estimated fair value of the rights over shares granted in 2012 was **£0.4m** (2011: £0.6m).

Notes to the financial statements

for the year ended 31 March 2012 continued

32. Share-based payments continued

2005 Long-Term Incentive Plan

	Number of shares	
	2012	2011
At the beginning of the year	**2,358,103**	1,791,301
Granted	**729,950**	1,086,600
Vested and exercised	**(289,787)**	(202,989)
Forfeited	**(619,817)**	(316,809)
At the end of the year	**2,178,449**	2,358,103
Exercisable at the end of the year	**–**	–

	Years	Years
Weighted average remaining contractual life	**1.23**	1.66

The Long-Term Incentive Plan (LTIP) for Executive Directors and senior executives authorises the Remuneration Committee to make grants of LTIP Performance Shares with a face value of up to 100% of salary to participants. In addition, an award of Matching Performance Shares can be made, linked to a co-investment in shares by participants. The participant's investment can be made through shares acquired under the Deferred Bonus Plan and/or through optional pledging of shares purchased in the market. The maximum level of matching is shares to the value of 50% of salary for Executive Directors and 25% of salary for senior executives. On a two for one basis the maximum Matching Performance Shares award is over shares with a value of 100% of salary for Executive Directors and 50% of salary for senior executives. Awards of LTIP Performance Shares and Matching Performance Shares are subject to the same performance measures over three years. For awards 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 a comparator group of certain FTSE 350 Real Estate Companies. Vesting is on a sliding scale between 0% for performance below the index and 100% for performance which beats the index by 4% per annum or more. Awards may be satisfied by the issue of new shares and/or transfer of treasury shares and/or transfer of shares other than treasury shares.

For awards made with the TPR performance condition, fair value calculations assume that LTIP and matching shares will be awarded at 50% of the maximum possible under the scheme and have been adjusted for participants who have left the scheme, but no adjustment has been made for future anticipated lapses. For the market based TSR awards, the effect of the performance conditions is incorporated into the grant date fair value of the award. No subsequent adjustment to the charge can be made to reflect the outcome of the performance test. Adjustments can, however, be made for participants who leave the scheme before vesting.

The shares outstanding under the scheme are to be issued at nil consideration provided performance conditions are met. The weighted average share price at the date of exercise for shares exercised during the year was **722p** (2011: 600p). Rights to receive 423,390 Matching Performance Shares were granted on 29 June 2011 (2011: 613,703 and 26,173 Matching Performance Shares were granted on 30 June 2010 and 21 December 2010 respectively). Rights to receive 306,560 Matching Performance Shares were granted on 29 July 2011 (2011: 429,738 and 13,086 Matching Performance Shares were granted on 30 July 2010 and 21 December 2010 respectively). The estimated fair value of the rights over the shares granted on those dates was **£3.2m** (2011: £2.4m).

Conditional shares granted 1 January 2010

	Number of shares	
	2012	2011
At the beginning of the year	**126,000**	160,000
Vested and exercised	**(46,000)**	(34,000)
At the end of the year	**80,000**	126,000
Exercisable at the end of the year	**–**	–

	Years	Years
Weighted average remaining contractual life	**0.25**	0.89

160,000 shares were granted to Robert Noel on his appointment on 1 January 2010. **46,000** shares vested on 30 June 2011 (2011: 34,000 shares vested on 30 June 2010). A further 80,000 shares vest on 30 June 2012, provided that Robert Noel is employed at the vesting date. There are no other performance conditions. The weighted average share price at the date of exercise for shares exercised during the year was **837p** (2011: 567p). The estimated fair value of the shares on the date of grant was £1.0m.

Notes to the financial statements

for the year ended 31 March 2012 continued

32. Share-based payments continued

Fair-value inputs for awards with non-market performance conditions

Fair values are calculated using the Black-Scholes option pricing model for awards with non-market performance conditions. Inputs into this model for each scheme are as follows:

	2003 Savings Related Share Option Scheme	2002 Executive Share Option Scheme	2005 Executive Share Option Scheme	Deferred Bonus Shares	2005 Long-Term Incentive Plan (awards issued before 31 March 2009)	Conditional shares granted 1 January 2010
Range of share prices at grant date	485p to 1903p	756p to 1159p	469p to 1737p	584p to 1095p	485p to 1219p	661p
Range of exercise prices	388p to 1523p	756p to 1159p	469p to 1737p	nil p	nil p	nil p
Expected volatility	19% to 22%	19%	19% to 22%	20% to 22%	19% to 22%	22%
Expected life	3 to 7 years	3 to 5 years	2.3 to 5 years	3 years	2.3 to 3 years	1.5 to 2.5 years
Risk-free rate	1.56% to 5.53%	3.60% to 5.10%	1.43% to 5.67%	1.43% to 2.04%	1.27% to 4.80%	1.32%
Expected dividend yield	3.02% to 5.98%	4.11% to 4.34%	3.02% to 6.53%	3.48% to 6.53%	2.97% to 6.53%	4.38%

Expected volatility was determined by calculating the historic volatility of the Group's share price over the previous 10 years. The expected life used in the model has been determined based upon management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations. Risk-free rate is the yield at the date of the grant of an option on a gilt-edged stock with a redemption date equal to the anticipated exercise of that option.

Fair-value inputs for awards with market performance conditions

Fair values are calculated using the Monte-Carlo simulation option pricing model for awards with market performance conditions. Awards made under the 2005 Long-Term Incentive Plan which were granted after 31 March 2009 include a Total Shareholder Return (TSR) condition, which is a market based condition. The inputs into this model for the scheme are as follows:

	Range of share prices at date of grant	Range of exercise prices	Expected volatility – Group	Expected volatility – index of comparator companies	Correlation – Group vs. index
2005 Long-Term Incentive Plan (awards issued after 31 March 2009)	485p – 827.5p	nil p	20% – 22%	20% – 25%	85%

33. Called up share capital

Group and Company	Allotted and fully paid 2012 £m	2011 £m
Ordinary shares of 10p each	**78.5**	77.6
	78.5	77.6

Following a change to the Company's Articles of Association, the issued share capital of the Company now consists of ordinary shares of 10p nominal value each. References to the Non-equity B shares and the Redeemable preference shares, previously issued by the Company but no longer in issue, have been removed.

	Number of shares 2012	2011
At the beginning of the year	**775,872,954**	764,649,482
Issued on the exercise of options	**114,026**	28,331
Issued in lieu of cash dividends	**9,154,178**	11,195,141
At the end of the year	**785,141,158**	775,872,954

The number of options over ordinary shares that were outstanding at 31 March 2012 was **4,150,147** (2011: 4,739,408). If all the options were exercised at that date then **1,068,275** new ordinary shares (2011: 1,394,950 new ordinary shares) would be issued and **3,081,872** shares would be required (2011: 3,344,458 shares transferred) from the Employee Share Ownership Trust (ESOT).

Shareholders at the Annual General Meeting have previously authorised the acquisition of shares by the Company representing up to 10% of its share capital, to be held as treasury shares. At 31 March 2012 the Group held **5,896,000** ordinary shares (2011: 5,896,000 ordinary shares) with a market value of **£42.6m** (2011: £43.2m) in treasury.

Notes to the financial statements

for the year ended 31 March 2012 continued

34. Own shares

Group	2012 £m	2011 £m
Cost at the beginning of the year	**3.6**	6.9
Acquisition of ordinary shares	**18.5**	0.2
Transfer of shares to employees on exercise of share options	**(4.3)**	(3.5)
Cost at the end of the year	**17.8**	3.6

Own shares consist of shares in Land Securities Group PLC held by the Employee Share Ownership Trust (ESOT) in respect of the Group's commitment to a number of its employee share option schemes (note 32).

The number of shares held by the ESOT at 31 March 2012 was **2,355,235** (2011: 287,988). The market value of these shares at 31 March 2012 was **£17.0m** (2011: £2.1m).

35. Contingencies

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

The Group has a contingent asset in respect of Bankside 4, a property previously owned by the Group. The Bankside 4 sale agreement included a profit share in relation to future sales of residential units on the site. As at 31 March 2012, it was not virtually certain that an economic benefit would flow to the Group, nor could the value of the possible asset be reliably measured. Therefore no asset was recognised at this date.

36. Cash flow from operating activities

	Group		Company	
Reconciliation of operating profit to net cash inflow from operating activities:	2012 £m	2011 £m	2012 £m	2011 £m
Cash generated from operations				
Operating profit/(loss)	**645.1**	1,299.5	**(11.9)**	222.9
Adjustments for:				
Depreciation	**4.6**	6.5	**–**	–
Profit on disposal of investment properties	**(45.4)**	(75.7)	**–**	–
Net valuation surplus on investment properties	**(169.8)**	(794.1)	**–**	–
Impairment of trading properties	**2.0**	1.4	**–**	–
Share-based payment charge	**4.8**	3.8	**–**	–
Reversal of previous impairment	**–**	–	**–**	(234.7)
Defined benefit pension scheme charge	**1.0**	1.3	**–**	–
	442.3	442.7	**(11.9)**	(11.8)
Changes in working capital:				
(Increase)/decrease in trading properties and long-term development contracts	**(1.8)**	1.2	**–**	–
Decrease/(increase) in receivables	**5.6**	(41.9)	**–**	–
(Decrease)/increase in payables and provisions	**(44.3)**	18.0	**11.9**	11.8
Net cash generated from operations	**401.8**	420.0	**–**	–

Notes to the financial statements

for the year ended 31 March 2012 continued

37. Related party transactions

Subsidiaries

During the year, the Company entered into transactions, in the normal course of business, with other related parties as follows:

Company	2012 £m	2011 £m
Transactions with subsidiary undertakings:		
Recharge of costs	**(161.3)**	(147.1)
Interest paid	**(27.4)**	(3.9)
Investment in subsidiary	**–**	(250.0)

At 31 March 2012, **£675.8m** (2011: £387.8m) was due to subsidiary undertakings.

Joint ventures

As disclosed in note 18, the Group has investments in a number of joint ventures. Details of transactions and balances between the Group and its joint ventures are disclosed as follows:

	Year ended and as at 31 March 2012				Year ended and as at 31 March 2011			
Group	Revenues £m	Net investments into joint ventures £m	Amounts owed by joint ventures £m	Amounts owed to joint ventures £m	Revenues £m	Net investments into joint ventures £m	Amounts owed by joint ventures £m	Amounts owed to joint ventures £m
The Scottish Retail Property Limited Partnership	**0.4**	**1.9**	**0.4**	**–**	0.5	0.5	3.4	(3.1)
Metro Shopping Fund Limited Partnership	**2.4**	**16.2**	**0.6**	**–**	0.3	(18.8)	1.5	–
Buchanan Partnership	**4.3**	**(2.5)**	**0.5**	**–**	4.2	(2.3)	0.5	–
St. David's Limited Partnership	**1.6**	**1.1**	**0.4**	**–**	1.7	(48.0)	17.5	–
The Martineau Galleries Limited Partnership	**0.2**	**(0.6)**	**0.2**	**–**	0.2	–	–	–
Bristol Alliance Limited Partnership	**1.0**	**(16.0)**	**0.2**	**–**	1.2	(19.8)	6.0	–
Westgate Oxford Alliance Limited Partnership	**0.7**	**(1.2)**	**0.4**	**–**	0.5	28.1	0.6	–
20 Fenchurch Street Limited Partnership	**2.7**	**18.7**	**1.5**	**–**	0.4	55.3	0.1	–
Countryside Land Securities (Springhead) Limited	**0.1**	**0.3**	**1.1**	**–**	–	(1.9)	1.0	–
The Ebbsfleet Limited Partnership	**–**	**–**	**0.2**	**–**	–	–	0.2	–
The Harvest Limited Partnership	**1.5**	**3.3**	**0.8**	**(42.9)**	0.5	2.0	0.8	(43.6)
The Oriana Limited Partnership	**0.1**	**14.2**	**0.8**	**(0.1)**	0.1	–	6.9	–
Millshaw Property Co. Limited	**–**	**–**	**–**	**(10.4)**	–	–	–	(11.8)
Fen Farm Developments Limited	**0.1**	**–**	**–**	**–**	0.1	–	16.6	–
The Empress State Limited Partnership	**–**	**5.4**	**–**	**–**	–	–	0.1	–
HNJV Limited	**–**	**–**	**–**	**–**	–	–	2.5	–
Victoria Circle Limited Partnership	**0.7**	**102.0**	**0.7**	**(1.8)**	–	–	–	–
	15.8	**142.8**	**7.8**	**(55.2)**	9.7	(4.9)	57.7	(58.5)

Further detail of the above transactions and balances can be seen in note 18.

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the applicable categories specified in IAS 24 'Related Party Disclosures'. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' remuneration report on p82—99.

	2012 £m	2011 £m
Short-term employee benefits	**6.9**	5.1
Post-employment benefits	**0.1**	0.3
Share-based payments	**1.9**	2.0
	8.9	7.4

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for the year ended 31 March 2012 continued

38. Operating lease arrangements

The Group earns rental income by leasing its investment and operating properties to tenants under non-cancellable operating leases.

At the balance sheet date, the Group had contracted with tenants to receive the following future minimum lease payments:

	2012 £m	2011 £m
Not later than one year	**494.6**	462.1
Later than one year but not more than five years	**1,328.4**	1,772.2
More than five years	**3,140.7**	3,368.3
	4,963.7	5,602.6

The total of contingent rents recognised as income during the year was **£40.5m** (2011: £37.1m).

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Business analysis

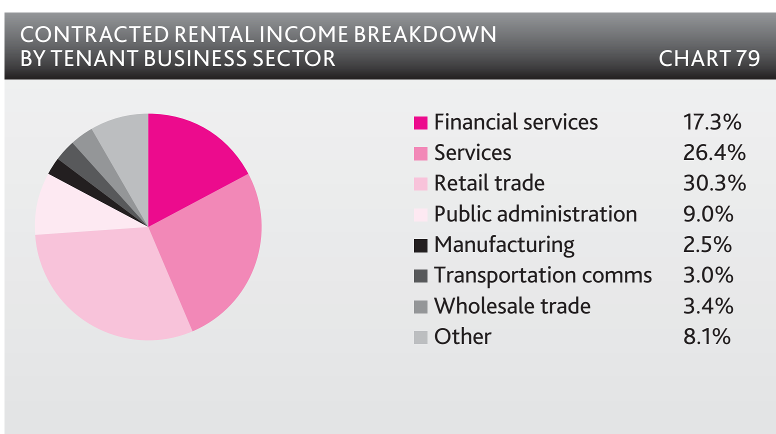
Some of the information in the Business analysis section is presented in a format to assist comparison with other property companies and IPD data, although it is not always consistent with the Group's reported operating segments.

% PORTFOLIO BY VALUE AND NUMBER OF PROPERTY HOLDINGS AT 31 MARCH 2012 — TABLE 78

£m	Value %	Number of properties
0 – 9.99	2.1	54
10 – 24.99	3.2	20
25 – 49.99	6.9	21
50 – 99.99	17.0	23
100 – 149.99	15.8	13
150 – 199.99	11.5	7
200 +	43.5	12
Total	**100.0**	**150**

Includes share of joint venture properties.

CONTRACTED RENTAL INCOME BREAKDOWN BY TENANT BUSINESS SECTOR — CHART 79



YIELD CHANGES – LIKE-FOR-LIKE PORTFOLIO — TABLE 80

	31 March 2011		31 March 2012		
	Net initial yield %	Equivalent yield %	Net initial yield %	Topped-up net initial yield[1] %	Equivalent yield %
Shopping centres and shops	5.8	6.2	6.1	6.3	6.4
Retail warehouses and food stores	5.0	5.6	5.0	5.4	5.6
Central London shops	4.1	5.7	4.0	4.6	5.5
London office	5.6	5.7	5.2	5.7	5.6
Total portfolio	**5.5**	**5.9**	**5.4**	**5.8**	**5.9**

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

COMBINED PORTFOLIO VALUE BY LOCATION AT 31 MARCH 2012 — TABLE 81

	Shopping centres and shops %	Retail warehouses %	Offices %	Hotel, Leisure, Residential and other %	Total %
Central, inner and outer London	13.5	0.5	42.9	4.3	**61.2**
South-East and Eastern	3.3	4.7	0.1	1.6	**9.7**
Midlands	0.3	1.3	–	0.4	**2.0**
Wales and South-West	6.8	0.7	–	0.3	**7.8**
North, North West, Yorkshire and Humberside	7.4	3.1	0.2	0.6	**11.3**
Scotland and Northern Ireland	6.1	1.6	–	0.3	**8.0**
Total	**37.4**	**11.9**	**43.2**	**7.5**	**100.0**

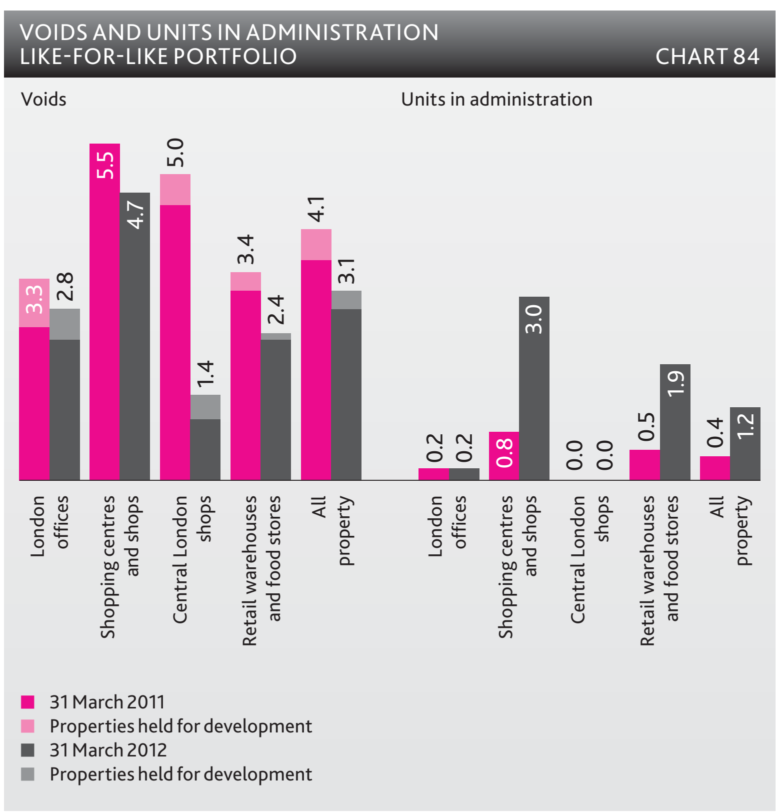
% figures calculated by reference to the combined portfolio value of £10.3bn.

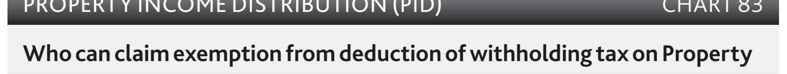
TOP 12 OCCUPIERS — TABLE 82

	% of rent[1]
Central Government (including Queen Anne's Gate, SW1)[2]	6.0
Accor	4.7
Royal Bank of Scotland	2.9
Deloitte	2.6
Arcadia Group	2.5
Sainsbury's	1.9
Bank of New York Mellon	1.5
Dixons Retail	1.5
Next	1.4
Boots	1.4
Primark	1.4
Taylor Wessing	1.4
	29.2

1. Includes share of joint ventures.
2. Rent from Central Government excluding Queen Anne's Gate, SW1 is 1.1%.

VOIDS AND UNITS IN ADMINISTRATION LIKE-FOR-LIKE PORTFOLIO — CHART 84





PROPERTY INCOME DISTRIBUTION (PID) — CHART 83

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

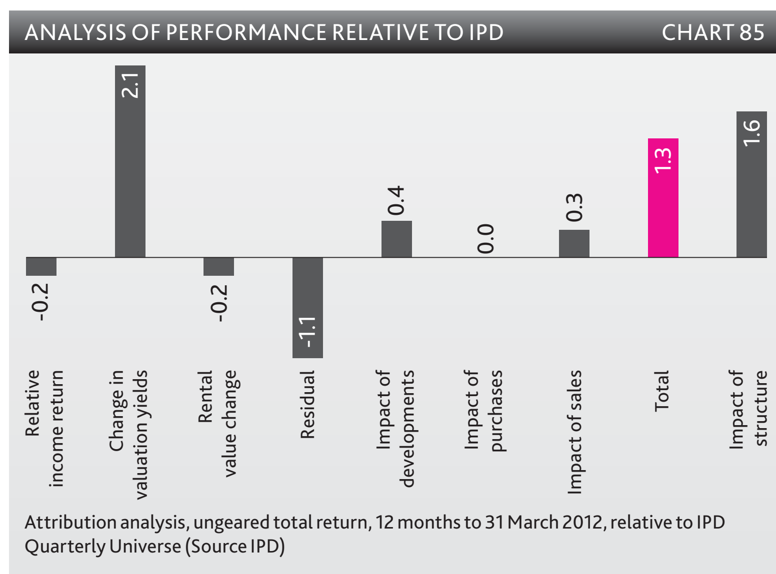
- UK companies
- Charities
- Local Authorities
- UK Pension Schemes
- Managers of PEPs, ISAs and Child Trust Funds

Who is unlikely to be able to claim exemption from deduction of withholding tax on Property Income Distributions?

- Overseas shareholders[2]
- Individual private shareholders

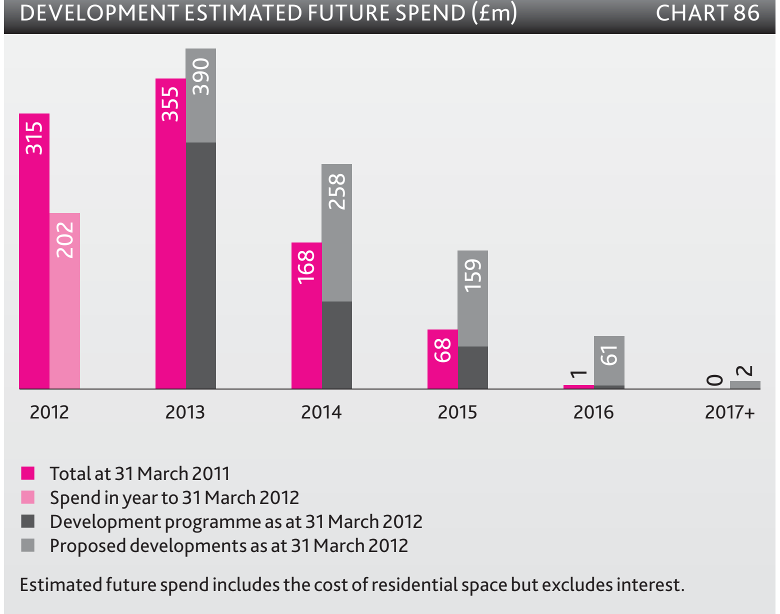
1. See Investor information p169—170 for how eligible shareholders can claim exemption.
2. May be able to reclaim some or all of the withholding tax under relevant double taxation treaty.

ANALYSIS OF PERFORMANCE RELATIVE TO IPD — CHART 85



Attribution analysis, ungeared total return, 12 months to 31 March 2012, relative to IPD Quarterly Universe (Source IPD)

DEVELOPMENT ESTIMATED FUTURE SPEND (£m) — CHART 86



Estimated future spend includes the cost of residential space but excludes interest.

SCOTLAND

Retail warehouses	1.6%
Shopping centres and shops	6.1%
Offices	–
Other	0.3%
Total	8.0%

NORTH, NORTH-WEST, YORKSHIRE AND HUMBERSIDE

Retail warehouses	3.1%
Shopping centres and shops	7.4%
Offices	0.2%
Other	0.6%
Total	11.3%

MIDLANDS

Retail warehouses	1.3%
Shopping centres and shops	0.3%
Offices	–
Other	0.4%
Total	2.0%

WALES AND SOUTH-WEST

Retail warehouses	0.7%
Shopping centres and shops	6.8%
Offices	–
Other	0.3%
Total	7.8%

SOUTH AND SOUTH-EAST

Retail warehouses	4.7%
Shopping centres and shops	3.3%
Offices	0.1%
Other	1.6%
Total	9.7%

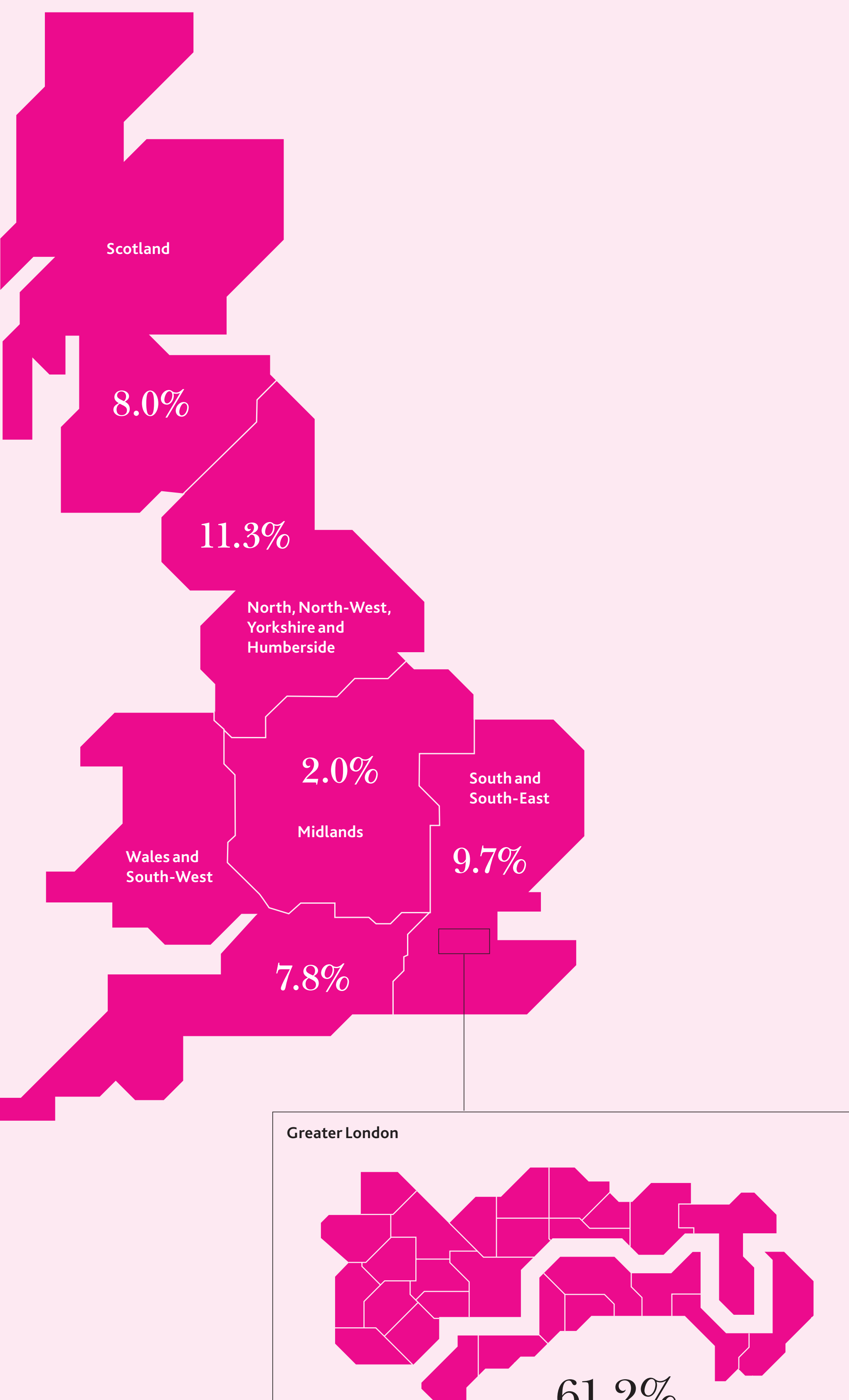
GREATER LONDON

Retail warehouses	0.5%
Shopping centres and shops	13.5%
Offices	42.9%
Other	4.3%
Total	61.2%

TOTAL BY USE

Retail warehouses	11.9%
Shopping centres and shops	37.4%
Offices	43.2%
Other	7.5%
Total	100.0%

Combined portfolio value by location CHART 87



EPRA performance measures

TABLE 88

	Definition for EPRA measure	Notes	31 March 2012 Land Securities Measure	31 March 2012 EPRA Measure	31 March 2011 Land Securities Measure	31 March 2011 EPRA Measure
Adjusted earnings	Recurring earnings from core operational activity	12	**£298.3m**	**£290.5m[1]**	£271.4m	£255.4m
Adjusted earnings per share	Adjusted diluted earnings per weighted number of ordinary shares	12	**38.5p**	**37.4p[1]**	35.5p	33.4p
Adjusted net assets	Net asset value adjusted to exclude fair value movements on interest-rate swaps	13	**£6,725.3m**	**£7,176.2m[2]**	£6,366.7m	£6,834.2m
Adjusted net assets per share	Adjusted diluted net assets per share	13	**863p**	**921p[2]**	826p	887p
Triple net assets	Adjusted net assets amended to include the fair value of financial instruments and debt	13	**£6,294.5m**	**£6,294.5m**	£6,252.8m	£6,252.8m
Triple net assets per share	Diluted triple net assets per share	13	**808p**	**808p**	812p	812p
Net Initial Yield (NIY)	Annualised rental income less non-recoverable costs as a % of market value plus assumed purchasers' costs[3]		**4.8%**	**5.2%**	5.0%	5.4%
Topped-up NIY	NIY adjusted for rent free periods[3]		**5.2%**	**5.6%**	5.4%	5.7%
Voids/Vacancy Rate	ERV of vacant space as a % of ERV of combined portfolio excluding the development programme[4]		**3.1%**	**3.2%**	4.1%	5.4%

Refer to notes 12 and 13 and table 94 for further analysis.

1. EPRA adjusted earnings and EPRA adjusted earnings per share include the effect of bond exchange de-recognition charges of £16.6m (2011:£18.5m), profit on long-term development contracts of £3.6m (2011: £5.4m), non-revenue tax adjustments of £8.0m (2011: £16.8m) and non-revenue profit debt restructuring charges of £2.8m (2011:£22.8m) and in 2011 the effect of non-recurring revenue items of £2.3m.
2. EPRA adjusted net assets and adjusted diluted net assets per share include the bond exchange de-recognition adjustment of £450.9m.
3. Our NIY and Topped-up NIY relate to the combined portfolio and are calculated by our external valuers. EPRA NIY and EPRA Topped-up NIY calculations are consistent with ours, but exclude the development programme.
4. Our measure reflects voids in our like-for-like portfolio only. The EPRA measure reflects voids in the combined portfolio excluding only the development programme.

Reconciliation of net book value of the investment properties to the market value

TABLE 89

	As at 31 March 2012 Group (excl. Joint ventures) £m	As at 31 March 2012 Joint ventures £m	As at 31 March 2012 Total £m	As at 31 March 2011 Group (excl. Joint ventures) £m	As at 31 March 2011 Joint ventures £m	As at 31 March 2011 Total £m
Net book value	**8,453.2**	**1,453.4**	**9,906.6**	8,889.0	1,328.0	10,217.0
Plus: tenant lease incentives	**204.7**	**33.8**	**238.5**	194.2	36.1	230.3
Less: head leases capitalised	**(23.3)**	**(4.5)**	**(27.8)**	(28.4)	(4.6)	(33.0)
Plus: properties treated as finance leases	**205.2**	**8.1**	**213.3**	136.1	8.5	144.6
Market value	**8,839.8**	**1,490.8**	**10,330.6**	9,190.9	1,368.0	10,558.9

Top 10 property holdings

TABLE 90

Total value £4.0bn (39% of combined portfolio)

Name	Principal occupiers	Ownership interest %		Floor area m²	Annualised net rent[1] £m	Let by income %	Weighted average unexpired lease term yrs
Cardinal Place, SW1	Microsoft	100	Retail	7,700	37.2	97	6.1
	Wellington		Office	52,300			
	M&S						
New Street Square, EC4	Deloitte	100	Retail	2,100	31.2	96	11.7
	Taylor Wessing		Office	62,600			
One New Change, EC4	K&L Gates	100	Retail	20,600	16.9	88	10.7
	CME		Office	31,700			
	H&M						
	M&S						
	Topshop						
Queen Anne's Gate, SW1	Government	100	Office	32,800	28.0	100	14.6
White Rose Centre, Leeds	Sainsbury's	100	Retail	65,000	21.5	95	8.1
	Debenhams						
	M&S						
	Primark						
Gunwharf Quays, Portsmouth	Vue Cinema	100	Retail	31,300	20.5	99	6.0
	M&S		Office	2,800			
	Nike		Other	24,300			
	Gap						
Bankside 2&3, SE1	Royal Bank of Scotland	100	Retail	3,500	16.3	100	15.2
			Office	35,200			
Cabot Circus, Bristol	House of Fraser	50	Retail	114,200	19.5	96	9.3
	Harvey Nichols		Other	8,800			
	H&M						
Piccadilly Circus, W1	Hyundai	100	Retail	5,200	13.5	91	2.9
	Boots		Office	1,500			
	Barclays		Other	440			
St David's, Cardiff	John Lewis	50	Retail	130,100	16.2	88	8.1
	New Look						
	H&M						
	BHS						
	Debenhams						

1 Group share.

Average rents at 31 March 2012

TABLE 91

	Average rent £/m²	Average ERV £/m²
Retail		
Shopping centres and shops	n/a	n/a
Retail warehouses and food stores	214	213
Offices		
London office portfolio	408	412

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

Like-for-like reversionary potential

TABLE 92

	31 March 2012 % of rent	31 March 2011 % of rent
Gross reversions	**8.8**	8.0
Over-rented	**(6.0)**	(6.2)
Net reversionary potential	**2.8**	1.8

The reversion is calculated with reference to the gross secure rent roll after the expiry of rent-free periods on those properties which fall under the like-for-like definition as set out in the notes to the combined portfolio analysis. Reversionary potential excludes additional income from the letting of voids and the expiry of rent-free periods. Of the over-rented income, £15.9m is subject to a lease expiry or break clause in the next five years.

One year performance relative to IPD
Ungeared total returns – year to 31 March 2012

TABLE 93

	Land Securities %	IPD %
Retail – Shopping centres	4.1	2.4[4]
– Retail warehouses	6.7[1]	6.0[4]
Central London retail	6.9	12.5[4]
Central London offices	9.6[2]	11.9[4]
Total portfolio[3]	7.7	6.3[5]

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

Combined portfolio analysis

Like-for-like segmental analysis

TABLE 94

	Market value[1]		Valuation surplus[2]		Rental income[3]		Annualised rental income[4]	Annualised net rent[5]		Net estimated rental value[6]	
	31 March 2012 £m	31 March 2011 £m	**Surplus/ (deficit) £m**	**Surplus/ (deficit) %**	**31 March 2012 £m**	31 March 2011 £m	**31 March 2012 £m**	**31 March 2012 £m**	31 March 2011 £m	**31 March 2012 £m**	31 March 2011 £m
Shopping centres and shops											
Shopping centres and shops	**2,018.0**	2,060.7	**(64.7)**	**(3.2)**	**158.4**	155.4	**151.4**	**143.6**	141.3	**148.0**	150.1
Central London shops	**775.1**	728.3	**30.4**	**4.1**	**33.4**	30.5	**37.7**	**34.1**	32.3	**49.0**	45.9
	2,793.1	2,789.0	**(34.3)**	**(1.2)**	**191.8**	185.9	**189.1**	**177.7**	173.6	**197.0**	196.0
Retail warehouses											
Retail warehouses and food stores	**1,117.1**	1,076.2	**12.0**	**1.1**	**61.1**	60.5	**62.9**	**61.6**	61.9	**67.3**	65.1
Total retail	**3,910.2**	3,865.2	**(22.3)**	**(0.6)**	**252.9**	246.4	**252.0**	**239.3**	235.5	**264.3**	261.1
London offices											
West End	**1,473.7**	1,399.2	**70.8**	**5.2**	**86.5**	87.8	**86.0**	**85.4**	85.2	**79.1**	78.6
City	**365.9**	346.9	**15.4**	**4.4**	**21.9**	22.4	**22.1**	**20.0**	21.9	**24.6**	23.8
Mid-town	**875.3**	828.4	**28.6**	**4.0**	**41.7**	49.3	**42.1**	**43.3**	43.1	**51.6**	50.5
Inner London	**769.0**	725.4	**16.5**	**2.6**	**52.8**	49.5	**47.1**	**45.6**	48.8	**46.6**	45.3
Total London offices	**3,483.9**	3,299.9	**131.3**	**4.3**	**202.9**	209.0	**197.3**	**194.3**	199.0	**201.9**	198.2
Rest of UK	**37.9**	40.0	**(1.5)**	**(3.8)**	**3.2**	3.2	**3.5**	**3.5**	3.7	**4.0**	4.3
Total offices	**3,521.8**	3,339.9	**129.8**	**4.2**	**206.1**	212.2	**200.8**	**197.8**	202.7	**205.9**	202.5
Other	**687.5**	649.0	**33.0**	**5.1**	**45.3**	44.0	**46.5**	**46.4**	46.1	**48.9**	46.2
Like-for-like portfolio[11]	**8,119.5**	7,854.1	**140.5**	**1.8**	**504.3**	502.6	**499.3**	**483.5**	484.3	**519.1**	509.8
Proposed developments[12]	**212.6**	218.4	**(31.2)**	**(12.8)**	**10.9**	15.0	**2.2**	**2.3**	12.6	**10.8**	19.1
Completed developments[13]	**427.4**	405.3	**13.0**	**3.3**	**20.0**	16.3	**21.4**	**21.3**	14.9	**25.8**	26.7
Acquisitions[14]	**383.0**	344.9	**(19.0)**	**(4.8)**	**24.8**	12.9	**24.2**	**23.3**	22.1	**24.9**	23.0
Sales and restructured interests[15]	**–**	823.6	**–**	**–**	**35.1**	66.0	**–**	**–**	50.2	**–**	57.4
Development programme[16]	**1,188.1**	912.6	**87.6**	**8.2**	**26.8**	16.4	**28.3**	**23.8**	11.5	**111.9**	85.0
Combined portfolio	**10,330.6**	10,558.9	**190.9**	**2.0**	**621.9**	629.2	**575.4**	**554.2**	595.6	**692.5**	721.0
Properties treated as finance leases					**(8.7)**	(6.6)					
Combined portfolio					**613.2**	622.6					
Total portfolio analysis											
Shopping centres and shops											
Shopping centres and shops	**2,810.7**	2,851.6	**(43.1)**	**(1.5)**	**206.7**	198.2	**188.8**	**180.3**	190.9	**215.1**	231.9
Central London shops	**1,056.4**	1,018.0	**24.0**	**2.3**	**46.6**	44.6	**48.0**	**44.8**	42.2	**65.1**	62.8
	3,867.1	3,869.6	**(19.1)**	**(0.5)**	**253.3**	242.8	**236.8**	**225.1**	233.1	**280.2**	294.7
Retail warehouses											
Retail warehouses and food stores	**1,225.1**	1,299.6	**15.5**	**1.3**	**69.5**	74.4	**69.1**	**67.7**	73.1	**73.6**	78.2
Total retail	**5,092.2**	5,169.2	**(3.6)**	**(0.1)**	**322.8**	317.2	**305.9**	**292.8**	306.2	**353.8**	372.9
London offices											
West End	**1,795.7**	1,872.1	**81.8**	**4.9**	**106.1**	115.2	**87.4**	**87.1**	106.9	**112.9**	121.0
City	**986.7**	1,017.5	**39.4**	**4.3**	**42.0**	40.5	**38.7**	**31.5**	31.6	**70.1**	65.0
Mid-town	**875.3**	909.5	**28.6**	**4.0**	**43.4**	51.1	**42.1**	**43.3**	45.1	**51.6**	57.2
Inner London	**769.0**	726.2	**16.5**	**2.6**	**52.8**	50.1	**47.1**	**45.6**	48.8	**46.6**	45.4
Total London offices	**4,426.7**	4,525.3	**166.3**	**4.2**	**244.3**	256.9	**215.3**	**207.5**	232.4	**281.2**	288.6
Rest of UK	**38.4**	42.2	**(2.3)**	**(5.7)**	**3.2**	3.3	**3.5**	**3.5**	3.8	**4.1**	4.4
Total offices	**4,465.1**	4,567.5	**164.0**	**4.1**	**247.5**	260.2	**218.8**	**211.0**	236.2	**285.3**	293.0
Other	**773.3**	822.2	**30.5**	**4.1**	**51.6**	51.8	**50.7**	**50.4**	53.2	**53.4**	55.1
Combined portfolio	**10,330.6**	10,558.9	**190.9**	**2.0**	**621.9**	629.2	**575.4**	**554.2**	595.6	**692.5**	721.0
Properties treated as finance leases					**(8.7)**	(6.6)					
Combined portfolio					**613.2**	622.6					
Represented by:											
Investment portfolio	**8,839.8**	9,190.9	**169.8**	**2.0**	**543.7**	550.0	**490.3**	**472.7**	519.7	**583.2**	637.0
Share of joint ventures	**1,490.8**	1,368.0	**21.1**	**1.5**	**78.2**	79.2	**85.1**	**81.5**	75.9	**109.3**	84.0
Combined portfolio	**10,330.6**	10,558.9	**190.9**	**2.0**	**621.9**	629.2	**575.4**	**554.2**	595.6	**692.5**	721.0

Combined portfolio analysis continued

Like-for-like segmental analysis

	Gross estimated rental value[7]		Net initial yield[8]		Equivalent yield[9]		Voids (by ERV)[10]	
	31 March 2012 £m	31 March 2011 £m	**31 March 2012 %**	31 March 2011 %	**31 March 2012 %**	31 March 2011 %	**31 March 2012 %**	31 March 2011 %
Shopping centres and shops								
Shopping centres and shops	**157.7**	159.9	**6.1**	5.8	**6.4**	6.2	**4.7**	5.5
Central London shops	**49.3**	46.2	**4.0**	4.1	**5.5**	5.7	**1.4**	5.0
	207.0	206.1	**5.5**	5.4	**6.1**	6.1	**3.9**	5.4
Retail warehouses								
Retail warehouses and food stores	**67.8**	65.6	**5.0**	5.0	**5.6**	5.6	**2.4**	3.4
Total retail	**274.8**	271.7	**5.4**	5.3	**6.0**	6.0	**3.5**	4.9
London offices								
West End	**79.1**	78.6	**5.4**	5.8	**5.6**	5.9	**2.8**	4.1
City	**25.3**	24.7	**4.7**	5.2	**5.8**	6.0	**4.0**	6.9
Mid-town	**53.3**	52.1	**4.8**	4.9	**5.3**	5.3	**4.1**	1.9
Inner London	**47.4**	46.1	**5.6**	6.3	**5.8**	5.8	**0.6**	1.7
Total London offices	**205.1**	201.5	**5.2**	5.6	**5.6**	5.7	**2.8**	3.3
Rest of UK	**4.1**	4.4	**7.6**	8.1	**9.0**	8.9	**12.2**	6.8
Total offices	**209.2**	205.9	**5.3**	5.6	**5.6**	5.8	**3.0**	3.4
Other	**48.8**	46.2	**6.5**	6.6	**6.6**	6.6	**1.0**	2.2
Like-for-like portfolio[11]	**532.8**	523.8	**5.4**	5.5	**5.9**	5.9	**3.1**	4.1
Proposed developments[12]	**10.8**	19.1	**0.8**	4.9	**n/a**	n/a	**n/a**	n/a
Completed developments[13]	**26.7**	27.6	**4.1**	2.8	**5.5**	5.5	**n/a**	n/a
Acquisitions[14]	**25.8**	23.8	**4.9**	5.2	**5.6**	n/a	**n/a**	n/a
Sales and restructured interests[15]	**–**	57.5	**–**	5.7	**n/a**	n/a	**n/a**	n/a
Development programme[16]	**112.2**	85.6	**1.6**	1.0	**5.4**	5.5	**n/a**	n/a
Combined portfolio	**708.3**	737.4	**4.8**	5.0	**5.8**	n/a	**n/a**	n/a

Total portfolio analysis

	31 March 2012 £m	31 March 2011 £m	**31 March 2012 %**	31 March 2011 %
Shopping centres and shops				
Shopping centres and shops	**226.4**	243.4	**5.4**	5.5
Central London shops	**65.5**	63.7	**3.8**	3.8
	291.9	307.1	**4.9**	5.1
Retail warehouses				
Retail warehouses and food stores	**74.1**	78.8	**5.0**	5.0
Total retail	**366.0**	385.9	**4.9**	5.1
London offices				
West End	**112.9**	121.0	**4.6**	5.5
City	**70.9**	65.8	**2.8**	2.6
Mid-town	**53.3**	58.8	**4.8**	4.6
Inner London	**47.4**	46.2	**5.6**	6.3
Total London offices	**284.5**	291.8	**4.4**	4.8
Rest of UK	**4.2**	4.5	**7.6**	8.0
Total offices	**288.7**	296.3	**4.4**	4.8
Other	**53.6**	55.2	**6.2**	6.1
Combined portfolio	**708.3**	737.4	**4.8**	5.0
Represented by:				
Investment portfolio	**597.1**	651.6	**4.8**	5.1
Share of joint ventures	**111.2**	85.8	**4.6**	4.7
Combined portfolio	**708.3**	737.4	**4.8**	5.0

Notes:
1. The market value figures include the Group's share of joint ventures, and are determined by the Group's external valuers, in accordance with the RICS Valuation Standards.
2. The valuation surplus is stated after adjusting for the effect of SIC 15 under IFRS.
3. Rental income is as reported in the income statement, on an accruals basis, and adjusted for the spreading of lease incentives over the term certain of the lease in accordance with SIC 15. It is stated gross, prior to the deduction of ground rents and without deduction for operational outgoings on car park and commercialisation activities.
4. Annualised rental income is annual 'rental income' (as defined in 3 above) at the balance sheet date, except that car park and commercialisation income are included on a net basis (after deduction for operational outgoings). Annualised rental income includes temporary lettings.
5. Annualised net rent is annual cash rent, after the deduction of ground rents, as at the balance sheet date. It is calculated with the same methodology as annualised rental income but is stated net of ground rent and before SIC 15 adjustments.
6. Net estimated rental value is gross estimated rental value, as defined in the glossary, after deducting expected ground rents.
7. Gross estimated rental value (ERV) – refer to glossary. The figure for proposed developments relates to the existing buildings and not to the schemes proposed.
8. Net initial yield is a calculation by the Group's external valuers as the yield that would be received by a purchaser, based on the estimated net rental income expressed as a percentage of the acquisition cost, being the market value plus assumed usual purchasers' costs at the reporting date. This calculation is in line with EPRA guidance.
   Estimated net rental income is the passing cash rent less ground rent at the balance sheet date, estimated non-recoverable outgoings and void costs including service charges, insurance costs and void rates. This calculation includes all properties including those sites with no income.
9. Equivalent yield – refer to glossary. Proposed developments are excluded from the calculation of equivalent yield on the combined portfolio.
10. Voids – refer to glossary.
11. The like-for-like portfolio includes all properties which have been in the portfolio since 1 April 2010 but excluding those which were acquired, sold or included in the development programme at any time during the year. Capital expenditure on refurbishments, acquisitions of headleases and similar capital expenditure has been allocated to the like-for-like portfolio in preparing this table.
12. Proposed developments – refer to glossary.
13. Completed developments represent those properties previously included in the development programme, which have been transferred from the development programme since 1 April 2010.
14. Includes all properties acquired in the year since 1 April 2010.
15. Includes all properties sold in the year since 1 April 2010.
16. The development programme consists of authorised and committed developments, projects under construction and developments which have reached practical completion within the last two years but are not yet 95% let. Yield figures are only calculated for properties in the development programme that have reached practical completion.

Combined portfolio reconciliation

Income statement – rental income reconciliation

TABLE 95

	Retail £m	London £m	Other £m	31 March 2012 £m	Retail £m	London £m	Other £m	31 March 2011 £m
Combined portfolio analysis	**322.8**	**244.3**	**54.8**	**621.9**	317.2	256.9	55.1	629.2
Central London shops (excluding Metro Shopping Fund LP)	**(46.6)**	**46.6**	**–**	**–**	(43.0)	43.0	–	–
Inner London offices (including Metro Shopping Fund LP)	**–**	**–**	**–**	**–**	0.5	(0.5)	–	–
Rest of UK offices	**3.2**	**–**	**(3.2)**	**–**	3.3	–	(3.3)	–
Other	**45.1**	**6.5**	**(51.6)**	**–**	44.4	7.4	(51.8)	–
	324.5	**297.4**	**–**	**621.9**	322.4	306.8	–	629.2
Less finance lease adjustment	**(2.5)**	**(6.2)**	**–**	**(8.7)**	(2.9)	(3.7)	–	(6.6)
Total rental income	**322.0**	**291.2**	**–**	**613.2**	319.5	303.1	–	622.6

Market value reconciliation

TABLE 96

	Retail £m	London £m	Other £m	31 March 2012 £m	Retail £m	London £m	Other £m	31 March 2011 £m
Combined portfolio analysis	**5,092.2**	**4,426.7**	**811.7**	**10,330.6**	5,169.2	4,525.3	864.4	10,558.9
Central London shops (excluding Metro Shopping Fund LP)	**(1,056.4)**	**1,056.4**	**–**	**–**	(1,018.0)	1,018.0	–	–
Rest of UK offices	**38.4**	**–**	**(38.4)**	**–**	42.2	–	(42.2)	–
Other	**677.0**	**96.3**	**(773.3)**	**–**	630.5	191.7	(822.2)	–
Per business unit	**4,751.2**	**5,579.4**	**–**	**10,330.6**	4,823.9	5,735.0	–	10,558.9

Gross estimated rental value reconciliation

TABLE 97

	Retail £m	London £m	Other £m	31 March 2012 £m	Retail £m	London £m	Other £m	31 March 2011 £m
Combined portfolio analysis	**366.0**	**284.5**	**57.8**	**708.3**	385.9	291.8	59.7	737.4
Central London shops (excluding Metro Shopping Fund LP)	**(65.5)**	**65.5**	**–**	**–**	(63.7)	63.7	–	–
Rest of UK offices	**4.2**	**–**	**(4.2)**	**–**	4.5	–	(4.5)	–
Other	**49.1**	**4.5**	**(53.6)**	**–**	45.6	9.6	(55.2)	–
Per business unit	**353.8**	**354.5**	**–**	**708.3**	372.3	365.1	–	737.4

Tables 95 and 96 provide reconciliations for both rental income and market values between the information presented in the Business Analysis and the reported operating segments.

Lease lengths

TABLE 98

	Unexpired lease term at 31 March 2012			
	Like-for-like portfolio		Like-for-like portfolio, completed developments and acquisitions	
	Median[1] years	Mean[1] years	Median[1] years	Mean[1] years
Shopping centres and shops				
Shopping centres and shops	**6.2**	**8.0**	**6.5**	**8.5**
Central London shops	**4.3**	**9.3**	**4.3**	**9.3**
	5.9	**9.0**	**6.2**	**9.2**
Retail warehouses				
Retail warehouses and food stores	**8.9**	**8.8**	**9.2**	**9.3**
Total retail	**6.7**	**8.5**	**6.8**	**8.8**
London offices				
West End	**6.6**	**9.3**	**6.2**	**9.2**
City	**10.6**	**7.6**	**6.5**	**6.9**
Mid-town	**13.5**	**11.7**	**13.5**	**11.7**
Inner London	**10.6**	**11.5**	**10.6**	**11.5**
Total London offices	**8.8**	**10.2**	**6.9**	**10.0**
Rest of UK	**2.0**	**2.7**	**2.0**	**2.7**
Total offices	**8.6**	**10.1**	**8.0**	**9.9**
Other	**6.5**	**7.9**	**6.6**	**8.0**
Total	**7.0**	**9.1**	**7.1**	**9.2**

1. Median is the number of years until half the income is subject to lease expiry/break clauses. Mean is the rent-weighted average remaining term on leases subject to lease expiry/break clauses.

Development pipeline financial summary

TABLE 99

	Cumulative movements on the development programme to 31 March 2012						Total scheme details[1]				
	Market value at start of scheme £m	Capital expenditure incurred to date £m	Capitalised interest to date £m	Valuation surplus / (deficit) to date[2] £m	Disposals, SIC15 rent and other adjustments £m	Market value at 31 March 2012 £m	Estimated total capital expenditure[3] £m	Estimated total capitalised interest £m	Estimated total development cost[4] £m	Net Income/ ERV[5] £m	Valuation surplus / (deficit) for year ended 31 March 2012[2] £m
Developments let and transferred or sold											
Shopping centres and shops	7.8	329.8	16.1	(126.7)	(5.1)	221.9	336.1	16.1	360.0	14.8	6.6
Retail warehouses and food stores[6]	24.8	0.1	–	0.6	(25.5)	–	–	–	–	–	0.6
London Portfolio	26.7	1.5	–	19.9	(48.1)	–	–	–	–	–	14.8
	59.3	331.4	16.1	(106.2)	(78.7)	221.9	336.1	16.1	360.0	14.8	22.0
Developments after practical completion, approved or in progress											
Shopping centres and shops	97.5	125.6	11.7	64.9	2.6	302.3	302.7	25.7	425.9	33.8	25.6
Retail warehouses and food stores	–	–	–	–	–	–	–	–	–	–	–
London Portfolio	337.6	460.2	57.5	6.1	24.4	885.8	698.5	70.1	1,106.2	79.8	62.0
	435.1	585.8	69.2	71.0	27.0	1,188.1	1,001.2	95.8	1,532.1	113.6	87.6
		Movement on proposed developments for the year to 31 March 2012									
Proposed developments											
Shopping centres and shops	–	–	–	–	–	–	–	–	–	–	–
Retail warehouses and food stores	31.8	0.1	–	2.4	–	34.3	23.6	0.8	58.7	3.6	2.4
London Portfolio	186.6	24.5	0.9	(33.6)	(0.1)	178.3	414.6	21.6	614.5	37.3	(33.6)
	218.4	24.6	0.9	(31.2)	(0.1)	212.6	438.2	22.4	673.2	40.9	(31.2)

Notes:
1. Total scheme details exclude properties sold in the year.
2. Includes profit realised on the disposal of property.
3. For proposed development properties the estimated total capital expenditure represents the outstanding costs required to complete the scheme as at 31 March 2012.
4. Includes the property at its market value at the start of the financial year in which the property was added to the development programme together with estimated capitalised interest. For proposed development properties, the market value of the property at 31 March 2012 is included in the estimated total cost. Estimated total development cost includes the cost of residential properties for shopping centres and shops of £11.7m in the development programme. Estimated costs for proposed schemes could still be subject to material change prior to final approval.
5. Net headline annual rent on let units plus net ERV at 31 March 2012 on unlet units.
6. Includes the sale of Garratt Lane, Wandsworth, a proposed development.

Five year summary

	2012 £m	2011 £m	2010 £m	2009 £m	2008[1] £m
Income statement					
Group revenue	**671.5**	701.9	833.4	821.2	818.0
Costs	**(239.6)**	(270.8)	(392.5)	(326.4)	(317.4)
	431.9	431.1	440.9	494.8	500.6
Profit/(loss) on disposal of investment properties	**45.4**	75.7	(32.5)	(130.8)	57.3
Net surplus/(deficit) on revaluation of investment properties	**169.8**	794.1	746.0	(4,113.4)	(1,158.4)
Impairment of trading properties	**(2.0)**	(1.4)	(10.6)	(92.3)	–
Operating profit/(loss)	**645.1**	1,299.5	1,143.8	(3,841.7)	(600.5)
Net interest expense	**(179.4)**	(216.1)	(212.1)	(332.5)	(286.4)
	465.7	1,083.4	931.7	(4,174.2)	(886.9)
Share of post tax profit/(loss) from joint ventures	**52.2**	143.9	137.6	(599.0)	(101.1)
Impairment of investment in joint ventures	**(2.2)**	–	–	–	–
Profit/(loss) before tax	**515.7**	1,227.3	1,069.3	(4,773.2)	(988.0)
Income tax	**8.0**	16.8	23.1	(0.5)	15.1
Profit/(loss) for the financial year from continuing activities	**523.7**	1,244.1	1,092.4	(4,773.7)	(972.9)
Discontinued operations	**–**	–	–	(420.9)	142.1
Profit/(loss) for the financial year	**523.7**	1,244.1	1,092.4	(5,194.6)	(830.8)
Revaluation surplus/(deficit) for the year:					
Group	**169.8**	794.1	746.0	(4,113.4)	(1,158.4)
Joint ventures	**21.1**	114.7	117.8	(630.3)	(134.2)
Total	**190.9**	908.8	863.8	(4,743.7)	(1,292.6)
Revenue profit	**299.4**	274.7	251.8	314.9	284.8

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.

Five year summary

	2012 £m	2011 £m	2010 £m	2009 £m	2008[1] £m
Balance sheet					
Investment properties	**8,453.2**	8,889.0	8,044.3	7,929.4	12,296.7
Operating properties	**–**	–	–	–	544.8
Other property, plant and equipment	**8.8**	11.3	12.8	14.3	73.6
Net investment in finance leases	**185.0**	116.8	115.4	116.3	333.7
Loan investments	**50.8**	72.2	84.3	50.0	–
Goodwill	**–**	–	–	–	148.6
Investment in joint ventures	**1,137.6**	939.6	787.8	930.8	1,410.6
Investment in associate undertakings	**–**	–	–	–	42.9
Investment in Public Private Partnerships	**–**	–	–	–	25.4
Other investments	**32.3**	1.8	–	–	–
Pension surplus	**–**	8.7	–	3.0	11.0
Deferred tax assets	**–**	–	–	1.9	0.9
Trade and other receivables	**–**	77.0	–	–	–
Total non-current assets	**9,867.7**	10,116.4	9,044.6	9,045.7	14,888.2
Trading properties and long-term development contracts	**133.1**	129.3	87.9	94.9	173.0
Derivative financial instruments	**–**	–	1.0	–	4.3
Trade and other receivables	**759.6**	352.5	334.4	392.1	838.0
Monies held in restricted accounts and deposits	**29.5**	35.1	95.6	29.9	–
Cash and cash equivalents	**29.7**	37.6	159.4	1,609.1	48.4
Non-current assets classified as held for sale	**–**	–	–	–	664.1
Total current assets	**951.9**	554.5	678.3	2,126.0	1,727.8
Borrowings	**(10.8)**	(33.0)	(308.6)	(1.1)	(794.0)
Derivative financial instruments	**–**	–	(1.1)	(112.0)	(10.7)
Trade and other payables	**(361.3)**	(423.2)	(395.5)	(625.8)	(927.2)
Provisions	**(8.6)**	(7.4)	(1.5)	–	(40.9)
Current tax liabilities	**(21.6)**	(35.5)	(111.0)	(161.5)	(161.0)
Liabilities directly associated with non-current assets classified as held for sale	**–**	–	–	–	(427.7)
Total current liabilities	**(402.3)**	(499.1)	(817.7)	(900.4)	(2,361.5)
Borrowings	**(3,225.1)**	(3,351.3)	(3,209.7)	(5,449.5)	(4,632.5)
Derivative financial instruments	**(6.5)**	(2.0)	–	–	–
Pension deficit	**(2.4)**	–	(6.5)	–	–
Provisions	**–**	–	–	–	(36.7)
Deferred tax liabilities	**–**	–	–	(1.6)	(2.4)
Trade and other payables	**(27.7)**	(6.2)	–	–	–
Total non-current liabilities	**(3,261.7)**	(3,359.5)	(3,216.2)	(5,451.1)	(4,671.6)
Net assets	**7,155.6**	6,812.3	5,689.0	4,820.2	9,582.9
Net debt	**(3,183.2)**	(3,313.6)	(3,263.4)	(3,923.6)	(5,384.5)
Results per share from continuing activities					
Total dividend payable in respect of the financial year (actual)	**29.0p**	28.2p	28.0p	56.5p	64.0p
Total dividend payable in respect of the financial year (restated)[2]	**n/a**	n/a	n/a	51.7p	57.7p
Basic earnings/(loss) per share[1]	**67.5p**	162.3p	144.0p	(918.0)p	(188.4)p
Diluted earnings/(loss) per share[1]	**67.4p**	162.2p	144.0p	(918.0)p	(188.4)p
Adjusted earnings per share[1,3]	**38.5p**	35.5p	33.1p	60.3p	60.0p
Adjusted diluted earnings per share[1,3]	**38.5p**	35.5p	33.1p	60.3p	59.9p
Net assets per share[1]	**921p**	885p	750p	639p	1862p
Diluted net assets per share[1]	**918p**	884p	750p	639p	1859p
Adjusted net assets per share[1]	**866p**	827p	691p	593p	1765p
Adjusted diluted net assets per share[1]	**863p**	826p	691p	593p	1763p

1. 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.
2. 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.
3. In the current year adjusted earnings and adjusted earnings per share have been restated to exclude profits on disposals of trading properties and long-term development contracts. The comparatives have been adjusted accordingly.

Retail asset disclosures

At 31 March 2012

Asset	Type/Location	Ownership	Freehold/Leasehold	Office Floorspace (m^2)	Retail Floorspace (m^2)
>£200m					
Hotels - Ibis & Accor	Other	100%	Freehold/Leasehold	–	–
Cabot Circus, Bristol	Shopping Centre	50%	Leasehold	–	114,200
Gunwharf Quays, Portsmouth	Shopping Centre	100%	Freehold	2,800	31,300
St David's, Cardiff	Shopping Centre	50%	Leasehold	–	130,100
Trinity Leeds	Shopping Centre	100%	Freehold	–	75,900
White Rose, Leeds	Shopping Centre	100%	Leasehold	–	65,000
£100m-£200m					
Bon Accord & St Nicholas Centre, Aberdeen	Shopping Centre	50%	Leasehold	–	39,900
Buchanan Galleries, Glasgow	Shopping Centre	50%	Leasehold	–	55,800
Lewisham Shopping Centre, London	Shopping Centre	100%	Freehold	–	21,800
Overgate, Dundee	Shopping Centre	100%	Leasehold	–	39,000
Princesshay, Exeter	Shopping Centre	50%	Leasehold	–	33,700
The Bridges, Sunderland	Shopping Centre	100%	Leasehold	–	51,100
The Centre, Livingston	Shopping Centre	100%	Freehold	–	93,400
The O2 Centre, Finchley, London	Shopping Centre	100%	Leasehold	–	23,500
£50-£100m					
185-221 Buchanan Street, Glasgow	Shopping Centre	100%	Freehold	–	10,700
Southside Centre, Wandsworth, London	Shopping Centre	50%	Freehold	100	45,400
The Galleria, Hatfield	Shopping Centre	100%	Freehold	–	25,400
West 12 Shopping Centre, Shepherds Bush, London	Shopping Centre	100%	Freehold	1,900	17,700
£25-£50m					
Cathedral Plaza, Worcester	Shopping Centre	100%	Freehold	–	20,400
Designer Outlet Mall, Livingston	Shopping Centre	50%	Freehold	–	29,800
StopShop, Clapham, London	Shopping Centre	50%	Freehold	1,600	3,800
Westgate Shopping Centre, Oxford	Shopping Centre	50%	Leasehold	–	29,300

Asset	Type/Location	Retail Park open A1 planning consent?	Ownership	Freehold/Leasehold	Office Floorspace (m^2)	Retail Floorspace (m^2)
£100m-£200m						
Lakeside Retail Park, West Thurrock	Retail Park	Yes	100%	Freehold	–	35,300
Retail World Team Valley, Gateshead	Retail Park	Yes	100%	Leasehold	–	35,300
Westwood Cross, Thanet	Retail Park	Yes	100%	Freehold	–	50,600
£50-£100m						
Bexhill Retail Park, Bexhill-on-Sea	Retail Park	Partial	100%	Freehold	–	24,100
Greyhound Retail Park, Chester	Retail Park	Yes	100%	Freehold	–	18,900
Kingsway West Retail Park, Dundee	Retail Park	No	100%	Freehold	–	27,300
Poole Retail Park, Poole	Retail Park	Partial	100%	Freehold	–	19,300
The Peel Centre, Bracknell	Retail Park	Yes	100%	Leasehold	–	15,700
£25-£50m						
Almondvale South Retail Park, Livingston	Retail Park	Yes	100%	Freehold	–	15,100
Blackpool Retail Park, Blackpool	Retail Park	No	100%	Freehold	–	12,800
Derwent & Derwent Howe Retail Park, Workington	Retail Park	Yes	100%	Freehold	–	13,900
Lindis Retail Park, Lincoln	Retail Park	Partial	50%	Freehold	–	14,300
Meteor Centre, Derby	Retail Park	Partial	100%	Freehold	–	17,300
Nene Valley Retail Park, Northampton	Retail Park	Yes	100%	Freehold	–	13,600
Ravenside Retail Park, Chesterfield	Retail Park	Partial	100%	Freehold	–	9,600

Notes:
All data as at 31 March 2012. Floor areas represent the full property areas whereas the annualised net rent and asset value represent Land Securities' share. Floor areas are rounded to the nearest 100 m^2 for areas over 500 m^2 and rounded to nearest 10 m^2 for areas under 500 m^2. Annualised net rent is annual cash rent, after the deduction of ground rents, as at the balance sheet date. (e) extended

Other Floorspace (m^2)	Principal occupiers	Annualised net rent (£m)	Year of construction	Year of last refurbishment
229,600	Accor	29.1	Various	–
8,800	House of Fraser, Harvey Nichols, H&M	19.8	2008	–
24,300	Vue Cinema, M&S, Nike, Gap	20.5	2001	–
–	John Lewis, New Look, H&M, BHS, Debenhams	16.2	SD1 – 1982 SD2 – 2009	SD1 – 1991 & 2009
–	M&S, H&M, Arcadia, Next, Primark	6.1	Current development	–
–	Sainsbury's, Debenhams, Primark, M&S, H&M.	21.5	1997	–
–	Next, Boots, New Look, River Island, H&M, Topshop	7.9	St Nicholas Centre – 1985 Bon Accord - 1990	St Nicholas Centre – 2009 Bon Accord – 2012
–	John Lewis, Hollister, H&M, Boots, Next	9.3	1999	–
–	M&S, TK Maxx, Boots, BHS, H&M	6.8	1975	1991 & 2007
–	Debenhams, Next, Arcadia, Gap, Primark	11.2	2000	–
–	Debenhams, Arcadia, New Look, Next, River Island	8.2	2007	–
–	Debenhams, Tesco, Next, H&M, New Look	12.6	Phase 1 – 1969 Phase 2 – 2000 Market Sq – 2001	On site 2012 (e)
–	BHS, Debenhams, M&S, H&M, Next, Boots, Primark	16.3	Phase 1 – 1976 Phase 2 – 1996 Phase 3 – 2008	Phase 1 – 1996, 2008 & 2011(e) Phase 2 – 2008
3,900	Sainsbury's, Vue Cinema, Homebase, Virgin Active	7.4	1998	–
4,200	Forever21, Gap, Paperchase	0.0	Current development	–
5,700	Waitrose, Virgin Active, Primark, Cineworld	5.5	1971	2012 (e)
3,800	M&S, TK Maxx, HMV, Gap, Sports Direct	6.4	1990	–
4,400	Morrisons, Poundland, JJB, Boots, Argos	4.2	1970	2001
2,300	Monsoon, H&M, Next, White Stuff, Arcadia	2.3	1968	2002
–	M&S, Gap, Ted Baker, Pizza Express, Mamas & Papas	2.4	2001	–
–	Sainsbury's, Monsoon, Moss Bros, Superdrug, M&S	1.5	1985	–
–	Sainsbury's, Primark, Sports Direct, Poundland	1.9	1972	1986

Other Floorspace (m^2)	Principal occupiers	Annualised net rent (£m)	Year of construction	Year of last refurbishment
–	Currys, Next, Toys R Us, Argos, Mothercare	8.1	1987	2012 (e)
–	TK Maxx, Next, Boots, Mothercare, Arcadia, Asda Living	10.4	1986	2003
–	M&S, Debenhams, H&M, Next, Primark	8.9	2005	2012 (e)
–	Tesco, Next, B&Q, Boots	5.0	1989	2004
–	DFS, Dunelm, Pets at Home, John Lewis at Home	3.8	1990	–
–	Next Home, Currys, Dunelm, Homebase, Toys R Us, Boots	4.9	Phase 1 – 1987 Phase 2 – 2004	–
–	John Lewis at Home, Boots, Next Home, Mothercare	3.9	1987	2006
–	Morrisons,Tesco Home Plus, Next, Sports Direct, JD Sports, New Look	4.0	1988	Rolling – latest 2012
–	Sainsbury's, Toys R Us	2.5	2002	2010
–	Currys, Pets at Home, Staples, Harveys, Halfords	2.1	1993	1996 (e)
–	Morrisons, Currys, Halfords, Pets at Home, B&Q	2.0	1988	–
–	Sainsbury's, Matalan	1.3	1993	2010
–	DFS, Staples, Lidl, Pets at Home, Carpetright	2.3	1987	On site 2012 (e)
–	Currys, PC World, Carpetright, Staples	2.8	1988	2003
–	Currys, Next, Pets at Home, Debenhams	1.3	1985	2012

London asset disclosures

At 31 March 2012

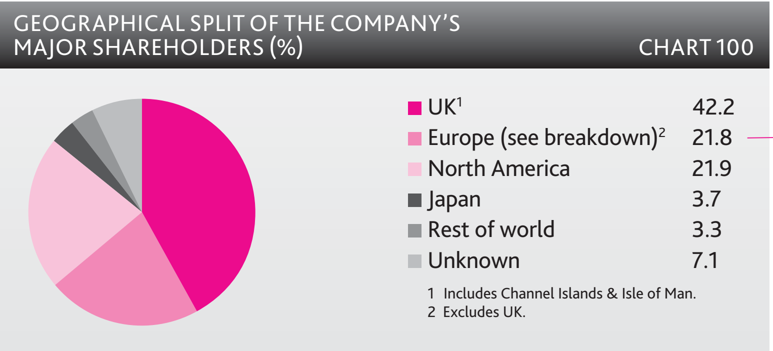
Asset	Type/Location	Ownership	Freehold/Leasehold	Office Floorspace (m^2)	Retail Floorspace (m^2)
>£200m					
Bankside 2 & 3, Southwark Street, SE1	Inner London	100%	Leasehold	35,200	3,500
Cardinal Place, Victoria Street, SW1	West End	100%	Freehold	52,300	7,700
New Street Square, New Fetter Lane, EC4	Mid-town	100%	Leasehold	62,600	2,100
One New Change, Cheapside, EC4	City	100%	Leasehold	31,700	20,600
Piccadilly Circus, W1	West End	100%	Freehold	1,500	5,200
Queen Anne's Gate, Petty France, SW1	West End	100%	Freehold	32,800	–
Times Square, Queen Victoria Street, EC4	City	95%	Freehold	34,300	3,400
£100m-£200m					
123 Victoria Street, SW1	West End	100%	Freehold	16,500	3,000
20 Fenchurch Street, EC3	City	50%	Freehold	1,700	400
32-50 Strand, WC2	Mid–town	100%	Freehold	8,600	3,300
62 Buckingham Gate, SW1	West End	100%	Freehold	–	–
Dashwood House, Old Broad Street, EC2	City	100%	Leasehold	13,900	700
Empress State Building, Lillie Road, SW6	Inner London	50%	Freehold	41,900	–
Harbour Exchange, E14	Inner London	100%	Leasehold	41,800	–
Oriana, Oxford Street, W1	West End	50%	Freehold/Leasehold	8,300	11,400
Portland House, Bressenden Place, SW1	West End	100%	Freehold	28,300	–
£50-£100m					
1 & 2 New Ludgate	City	100%	Freehold	–	–
10, 20 & 30 Eastbourne Terrace, W2	West End	100%	Freehold	18,100	–
Haymarket House, Haymarket, SW1	West End	100%	Freehold	7,500	3,400
Hill House, Little New Street, EC4	Mid–town	100%	Freehold	15,800	–
Holborn Gate, High Holborn, WC1	Mid–town	100%	Freehold	12,800	1,000
Kingsgate House, Victoria Street, SW1	West End	100%	Freehold	15,000	2,800
Moorgate Hall, Moorgate, EC2	City	100%	Leasehold	6,400	1,600
Oxford House, Oxford Street, W1	West End	100%	Freehold	5,700	1,700
Red Lion Court, Park Street, SE1	Inner London	100%	Freehold	12,000	–
Thomas More Square, Thomas More Street, E1	Inner London	50%	Freehold	50,100	1,200
Victoria Circle, SW1	West End	50%	Freehold	18,700	2,600
Westminster City Hall, Victoria Street, SW1	West End	100%	Freehold	16,600	440
£25-£50m					
130 Wood Street, EC2	City	100%	Freehold	5,000	700
140 Aldersgate, EC1	City	100%	Leasehold	8,000	600
38/48 Southwark Bridge Road, SE1	Inner London	100%	Freehold	9,000	–
47 Mark Lane, EC3	City	100%	Freehold	7,800	1,600
7 Soho Square, W1	West End	100%	Freehold	4,100	1,500
City Gate, 14/22 & 24 Southwark Bridge Road, SE1	Inner London	100%	Freehold/Leasehold	7,800	–
IPC Tower, 76 Shoe Lane, EC4	Mid–town	100%	Leasehold	10,600	700

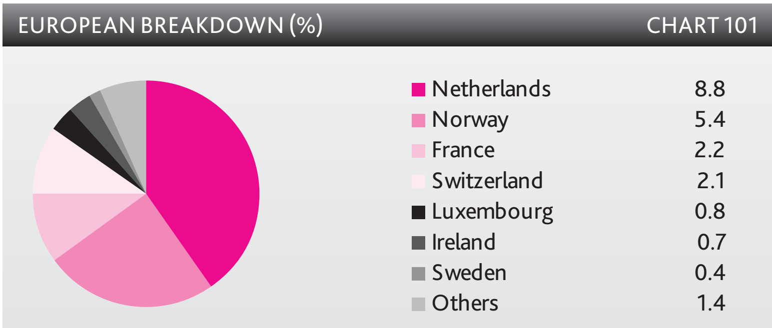
Notes:
All data as at 31 March 2012. Floor areas represent the full property areas whereas the annualised net rent and asset value represent Land Securities' share. Floor areas are rounded to the nearest 100 m^2 for areas over 500 m^2 and rounded to nearest 10 m^2 for areas under 500 m^2. Annualised net rent is annual cash rent, after the deduction of ground rents, as at the balance sheet date. (e) extended

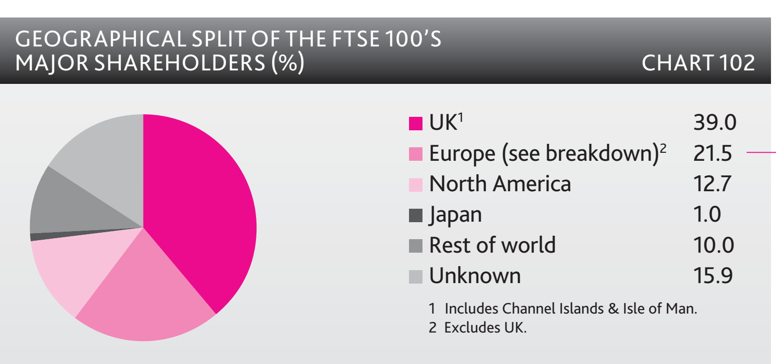
Other Floorspace (m^2)	Principal occupiers	Annualised net rent (£m)	Year of construction	Year of last refurbishment
–	The Royal Bank of Scotland	16.3	2007	–
280	Microsoft, Experian, EDF, Wellington Management, M&S	37.2	2006	–
20	Deloitte, Taylor Wessing , Speechly Bircham	31.2	2008	–
–	K&L Gates, Friends Life, CME, H&M, M&S, Topshop, Next	16.9	2010	–
440	Hyundai, Coca-Cola, Samsung, Barclays, Boots, Gap	13.5	Various	2001
–	Central Government	28.0	1977	2007
190	World Fuel Services, Development Securities, Akzo Nobel, Regus, Bank of New York Mellon	13.5	2003	–
450	Boots, Pret a Manger, The Royal Bank of Scotland, Santander	2.5	1977	Current refurbishment
170	–	0.1	Current development	–
640	Bain & Company, Superdrug, Natwest Bank, Lloyds, McDonald's	1.5	1957	2012
–	–	0.0	Current development	–
–	Edwards, Angell Palmer & Dodge, Cadwalader Wickersham & Taft, Mitsubishi Pharma	4.4	1976	2008
1,500	Metropolitan Police Authority	6.9	1961	2003
–	Telecity UK Ltd., HSBC, Nomura International, British American Tobacco	9.0	1988/1989	–
–	Primark, Boots, Sainsbury's	3.3	Various	Rolling – latest 2012
1,200	Tradedoubler, Bill & Melinda Gates Foundation, Regus	12.4	1962	Rolling – latest 2010
–	–	0.0	Demolished	–
70	Marks and Spencer PLC, Chapman Taylor, Davy Process Technology	3.9	1955/57	Rolling – latest 2009
700	Incisive Media, Curtis Brown Group, Whitbread Group, A3D2	4.6	1955	Rolling – latest 2012
–	Deloitte	5.3	1973	2002
470	Good Relations, FTI, Regus	5.1	1974	Rolling – latest 2010
–	–	0.0	In demolition	–
50	Mace Ltd	2.8	1990	Rolling – latest 2012
–	Dixons, Independent Talent Group	4.0	1964	2006
–	Lloyds Banking Group	4.3	1990	–
1,400	News International, Virgin Media, Easynet	7.4	1990	2008/2009
14,200	Sainsbury's, Thistle Hotel, NHS Confederation, Hyder Consulting, IIR Limited	3.8	Various	–
–	Westminster City Council	2.5	1963	–
–	RWE Supply & Trading, Buzzacott	1.1	1981	2006
170	Kaye Scholer LLP, City & Guilds of London Institute	2.0	2004	–
–	Schroder Investment Services	2.7	1972	–
80	AXA Insurance, PBS Management Services	2.5	1964	Rolling – latest 2010
110	Barton Wilmore, Tripadvisor, Tesco	1.9	1949	2003
1,300	Motability Finance, Net Communications, Sedex Information Exchange	0.4	1986	24 Southwark Bridge Road – 2010
100	Itochu Europe, Voluntary Sector Centres	3.2	1972	1996

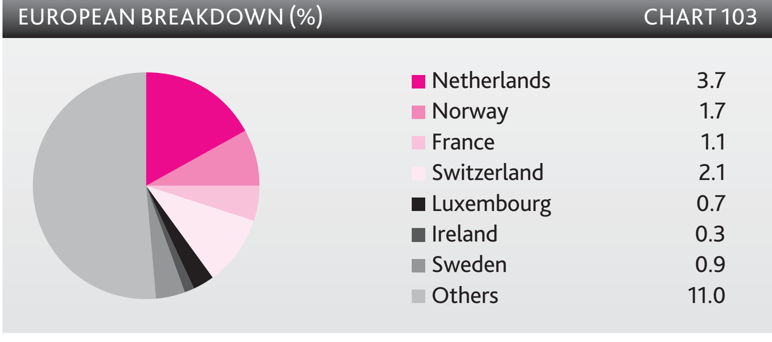
Our investors

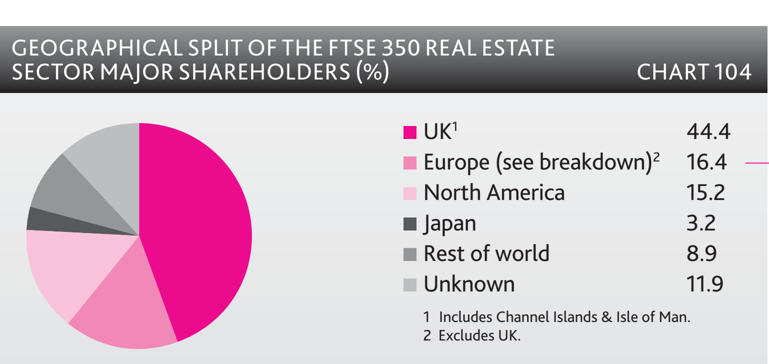
Analysis of our shareholder community, including breakdown by geography and size of holdings. We show how our investors compare to those of other organisations within our industry, the FTSE100 and FTSE350 Real Estate sector.

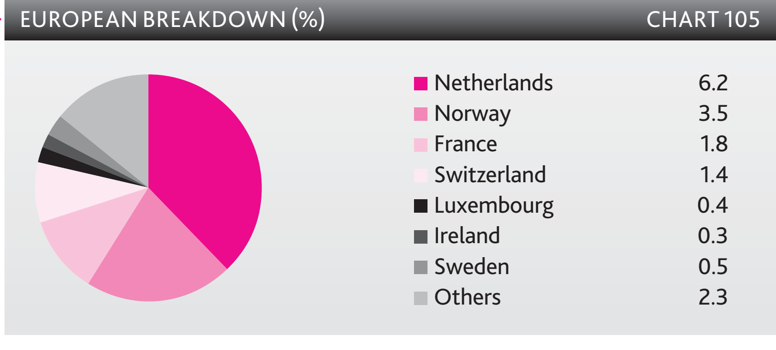












ANALYSIS OF EQUITY SHAREHOLDINGS BY SIZE OF HOLDING TABLE 106

Range	Number of holdings	%	Balance as at 31 March 2012	%
1–500	9,018	41.88	2,271,152	0.29
501–1,000	5,053	23.47	3,716,175	0.48
1,001–5,000	5,716	26.55	11,576,378	1.47
5,001–10,000	617	2.87	4,411,131	0.56
10,001–50,000	567	2.63	12,579,234	1.6
50,001–100,000	138	0.64	10,000,673	1.27
100,001–500,000	247	1.15	59,604,343	7.59
500,001–1,000,000	71	0.33	51,347,924	6.54
1,000,001–Highest	106	0.48	629,634,148	80.20
Totals	**21,533**	**100%**	**785,141,158**	**100%**

Investor information

FINANCIAL CALENDAR — TABLE 107

Ex-dividend date – 2011/12 final dividend	20 June 2012
Record date – 2011/12 final dividend	22 June 2012
First Quarter Interim Management Statement announcement	18 July 2012
AGM – London	19 July 2012
Payment date – 2011/12 final dividend	26 July 2012
Ex-dividend date – 1st interim dividend*	12 September 2012
Payment date – 1st interim dividend*	12 October 2012
2012/13 Half-yearly results announcement	November 2012
Ex-dividend date – 2nd interim dividend*	5 December 2012
Payment date – 2nd interim dividend*	10 January 2013
Third Quarter Interim Management Statement announcement	January 2013
Ex-dividend date – 3rd interim dividend*	13 March 2013
Payment date – 3rd interim dividend*	17 April 2013
2012/13 Annual results announcement	May 2013

*Provisional dates

REIT BALANCE OF BUSINESS TESTS — TABLE 108

	12 months ended 31 March 2012			12 months ended 31 March 2011		
	Tax-exempt business	**Residual business**	**Adjusted results**	Tax-exempt business	Residual business	Adjusted results
Profit before tax (£m)	**261.9**	**18.3**	**280.2**	218.8	22.4	241.2
Balance of business – 75% profits test	**93.5%**	**6.5%**		90.7%	9.3%	
Adjusted total assets (£m)	**10,302.2**	**1,008.9**	**11,311.1**	10,295.1	958.9	11,254.0
Balance of business – 75% assets test	**91.1%**	**8.9%**		91.5%	8.5%	

Scrip dividends
Following the approval by shareholders of the Scrip Dividend scheme at the Annual General Meeting on 21 July 2011, the Company offers shareholders the option to receive a Scrip dividend – an issue of shares available to shareholders at no dealing or stamp duty reserve tax costs. Shareholders have the option to forgo their cash dividend for the share alternative. Details of the scheme, including the rules, and the required mandate forms for participation are available at www.landsecurities.com/investors/shareholder-investor-information/scrip-dividend or, alternatively, please contact:
The Share Dividend Team,
Equiniti,
Aspect House, Spencer Road,
Lancing, West Sussex BN99 6DA
Telephone: 0871 384 2268*
International dialling: +44 (0)121 415 7049

REIT dividend payments
As a UK REIT, the Company is exempted from corporation tax on rental income and gains on its property rental business but is required to pay Property Income Distributions (PIDs). UK shareholders will generally be taxed on PIDs received at their full marginal tax rates. However, should a shareholder opt to receive their dividend as shares (under the Scrip Dividend scheme) instead of cash then this form of dividend would be treated as a non-PID (unless notified by the Company that it was paid 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 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 at www.landsecurities.com/investors/shareholder-investor-information/.

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 108 above.

Our website
Our corporate website gives you access to share price and dividend information as well as sections on managing your shares electronically and corporate governance; and other debt and equity investor information on the Group. To access the website please go to www.landsecurities.com/investors.

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 www.landsecurities.com/investors/shareholder-investor-information/dividend-information or www.shareview.co.uk/myportfolio.

e-communication
We encourage shareholders to consider receiving their communications electronically. Choosing to receive shareholder communications electronically means you receive information quickly and securely and allows Land Securities to communicate in a more environmentally friendly and cost-effective way. To register for this service, shareholders should visit www.landsecurities.com/investors/shareholders-investor-information/manage-your-shares or www.shareview.co.uk/myportfolio.

Payment of dividends
Shareholders whose dividends are not currently paid to mandated accounts may wish to consider having their dividends paid directly into their bank or building society account. This has a number of advantages, including the crediting of cleared funds into the nominated account on the dividend payment date. If shareholders would like their future dividends to be paid in this way, they should contact the registrars or complete a mandate instruction available from www.landsecurities.com/investors/shareholder-investor-information/dividend-information and return it to the registrars. Under this arrangement tax vouchers are sent to the shareholder's registered address.

Dividends for shareholders resident outside the UK
Instead of waiting for a sterling cheque to arrive by mail, you can ask us to send your dividends direct to your bank account. This is a service our registrar can arrange in over 30 different countries worldwide and it normally costs less than paying in a sterling cheque. For more information contact the Company's registrar, Equiniti, on +44 (0)121 415 7047 or download an application form online at www.shareview.co.uk/myportfolio or by writing to our registrars at the address given.

Low-cost share dealing facilities
Equiniti provides both existing and prospective UK shareholders with simple ways of buying and selling Land Securities Group PLC ordinary shares by telephone, internet or post.

For telephone dealing, call 0845 603 7037 between 8.00am and 4.30pm Monday to Friday. For internet dealing, log on to www.shareview.co.uk/dealing. For postal dealing, call 0871 384 2248* for full details and a form.

Existing shareholders will need to provide the account/shareholder reference number, shown on the share certificate.

Other brokers and banks or building societies also offer share dealing facilities.

ShareGift
Shareholders with a small number of shares, the value of which makes it uneconomic to sell them, may wish to consider donating them to the charity ShareGift (registered charity 1052686), which specialises in using such holdings for charitable benefit. A ShareGift Donation form can be obtained from the registrar and further information about ShareGift is available at www.sharegift.org
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 and shareholder fraud
Shareholders are advised to be wary of unsolicited mail or telephone calls offering free advice, to buy shares at a discount or offering free company reports. To find more detailed information on how shareholders can be protected from investment scams visit www.fsa.gov.uk/consumerinformation/scamsandswindles/investment_scams/boiler_room.

Registered office
5 Strand, London WC2N 5AF
Registered in England and Wales
No. 4369054

Offices
5 Strand, London WC2N 5AF
and at:
City Exchange, 11 Albion Street, Leeds LS1 5ES
120 Bath Street, Glasgow G2 2EN

*Calls to 0871 telephone numbers are charged at 8p per minute from a BT landline. Other telephone providers' costs may vary. Lines open 8.30am to 5.30pm, Monday to Friday, excluding bank holidays.

Glossary

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

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

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

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

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

BREEAM
Building Research Establishment's Environmental Assessment Method.

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

Completed developments
Completed developments consist of those properties previously included in the development programme, which have been transferred from the development programme since 1 April 2010.

Development pipeline
The development programme together with proposed developments.

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

Diluted figures
Reported results adjusted to include the effects of 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.

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

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

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

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

Gearing
Total borrowings, including bank overdrafts, less short-term deposits, corporate bonds and cash, at book value, plus cumulative fair value movements on financial derivatives as a percentage of total equity. For adjusted gearing, see note 29 in the financial statements.

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

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

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

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

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

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

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

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

Like-for-like portfolio
The like-for-like portfolio includes all properties which have been in the portfolio since 1 April 2010, but excluding those which are acquired, sold or included in the development pipeline at any time during the period.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Retail warehouse park
A scheme of three or more retail warehouse units aggregating over 5,000m² with shared parking.

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

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

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

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

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

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

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

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

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

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

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

Total property return
Valuation 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 combined property portfolio.

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

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

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

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

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

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

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

Forward-looking statements

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

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

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

Design by saslondon.com
Words by Tim Rich
Photography by Luke Hayes
Board portrait by Philip Gatward
Illustrations by Tom Jennings
Hand lettering by Charles Stewart

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