Annual Results
for the year ended 31 March 2011

Wednesday 18 May 2011

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

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

Financial results for the year ended 31 March 2011

"The clear plan we put in place to manage the business as the sector emerged from the downturn is delivering results in the form of higher earnings and significant valuation surpluses on development projects."

Results summary

	31 March 2011	31 March 2010	Change
Valuation surplus [(1)]	£908.8m	£863.8m	9.7%
Basic NAV per share	885p	750p	Up 18.0%
Adjusted diluted NAV per share [(2)]	826p	691p	Up 19.5%
Group LTV ratio [(1)]	39.0%	43.5%	
Profit before tax	£1,227.3m	£1,069.3m	Up 14.8%
Revenue profit [(1)]	£274.7m	£251.8m	Up 9.1%
Basic EPS	162.33p	144.04p	Up 12.7%
Adjusted diluted EPS	36.31p	34.08p	Up 6.5%
Dividend	28.2p	28.0p	Up 0.7%

1. Including share of joint ventures
2. Our key valuation measure

Strong performance

- Total business return (dividends and adjusted NAV growth) of 23.6%
- Ungeared total property return 16.8%, outperforming IPD Quarterly Universe at 11.3%
- Completed disposals of £687m at an average of 12.7% above March 2010 valuations
- Rental values up 4.7% across total like-for-like portfolio since March 2010
- Voids in like-for-like portfolio reduced to 4.3% (5.3% at 31 March 2010)
- Group LTV ratio including share of joint ventures at 39.0% (43.5% at 31 March 2010)
- Recommended increase in final dividend to 7.2p (from 7.0p)

Developments driving returns with scope for continuing positive contribution

- Valuation surplus on properties in the development programme of 19.4%
- £26m of development lettings in the year and £2m in solicitors' hands
- Park House, W1, development site sold for total consideration of £296m
- One New Change, EC4 opened with retail element fully let and offices now 73% let
- 54 out of 59 residential apartments at Wellington House, SW1 pre-sold
- Trinity Leeds development started and already 58% pre-let or in solicitors' hands
- 185 - 221 Buchanan Street, Glasgow started on site and 69% pre-let
- On site at 123,580 sq m of development schemes in London:
    - 123 Victoria Street, SW1
    - 110 Cannon Street, EC4
    - 62 Buckingham Gate, SW1
    - 20 Fenchurch Street, EC3

- Wellington House, SW1 (trading property)

- 34,850 sq m of further London development planned to start in 2011/12 at:
  - 30 Old Bailey and 60 Ludgate Hill, EC4

- 331,650 sq m of opportunity in future developments with planning consents obtained or planning applications submitted:
  - 209,850 sq m in London
  - 121,800 sq m in Retail

Asset management initiatives creating growth

- £31m of investment lettings in the year, £10m of conditional lettings and £11m in solicitors' hands
- 40,100 sq m of space pre-let to Primark in five transactions at Livingston, Thanet, Leeds, Sunderland and, conditionally, at Oxford Street, W1
- John Lewis committed to 'at home' shops in Chester and Exeter
- Two new stores completed and opened for Sainsbury's
- Significant new leases completed on offices in London with News International, Bain & Co and, conditional on planning, Telecity

Earnings growth focus

- Voids in like-for-like portfolio reduced to 4.3% (5.3% at 31 March 2010), of which 0.9% is subject to temporary lettings
- Retail like-for-like voids down to 4.9% (6.1% at 31 March 2010)
- London office like-for-like voids down to 3.7% (4.9% at 31 March 2010)
- Units in administration reduced to 0.4% (1.8% at 31 March 2010)
- Positive yield differential between purchases and sales with an average yield on purchases of 5.2% and on sales of 3.0%

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

"This was a year of continued recovery in our market and strong progress by Land Securities. Our focus on development, our disciplined approach to acquisitions and disposals and our asset management activities have all delivered significant momentum across the business.

"In London, we are developing schemes to meet the anticipated under-supply of new office floor space, which may be even more acute than originally forecast. In Retail, our focus covers both a small number of development projects grounded on pre-lettings and the recycling of assets to ensure the portfolio is well matched to the emerging patterns of demand from retailers. We also benefit from a favourable portfolio mix with 43% of assets in central London offices and 61% in Greater London as a whole.

"We remain of the view that our markets are in recovery mode and we see particularly strong growth prospects in London over the next few years. We may continue to see ripples in prices, but we go into the new financial year confident in our plans and well positioned to address growth opportunities. By restarting development first, we signalled our intention to be proactive in driving returns as the market turned. Our strong balance sheet, access to capital, excellent occupier relationships and property skills equip us to create value in this market. Our focus is on turning these strengths into strong and tangible returns for shareholders."

Our Chairman's message

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

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

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

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

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

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

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

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

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

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

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

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

We believe that our executives should run the business in pursuit of a clear strategic plan set by the full Board. This year we have stuck to our plan and in March 2011 we refreshed our objectives for the current year and beyond. Land Securities is now firing on all cylinders. Good planning and top class execution at senior level is motivating for all of our employees, whose contribution this year has been magnificent. I thank our people for their exceptional work. The Company also continues to fulfil its commitments on Corporate Responsibility across community relations, employment, our marketplace and sustainability. For example, we are making important investments in innovative environmental engineering, helping to set new standards for the industry as we do so.

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

Alison Carnwath

Chief Executive's Statement

Overview

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

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

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

Allied to the improving market conditions, we created significant additional value from our asset management and development activities. As a result, our portfolio increased in value by 9.7% and, within this overall figure, developments delivered a valuation surplus of 19.4%. These valuation increases, together with balance sheet gearing, generated growth in adjusted diluted NAV per share of 19.5%. Pre-tax profit for the year, which includes the valuation surplus, was up 14.8% at £1,227.3m (2010: £1,069.3m). Revenue profit – our measure of recurring income profit – was up 9.1% at £274.7m (2010: £251.8m). With this increase in underlying earnings, we are recommending an increase in the fourth quarter's dividend from 7.0 pence to 7.2 pence per share, and we anticipate this increased level of dividend being maintained in the first three quarters of the 2011/12 financial year. Our portfolio also outperformed the IPD Quarterly Universe by a wide margin, delivering an ungeared total property return of 16.8% compared to 11.3% on the IPD benchmark.

London development

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

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

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

Retail development

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

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

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

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

Acquisitions and disposals

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

In addition to the sale of Park House in London, major disposals during the year included Christ’s Lane, a prime high street asset recently developed by us in Cambridge, and the Stratford shopping centre in London. In these cases, we saw limited opportunity for further growth and so crystallised the added value our development and asset management expertise had already delivered. We also sold some leasehold properties in Haymarket in London to the freeholder to crystallise marriage value between the freehold and leasehold interests.

Actions to drive earnings growth

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

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

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

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

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

Sustainability and community

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

We hold a strong belief that our assets should be a part of, not apart from, the local community, and this year we continued to encourage our people to contribute to local community activities. Their engagement in this is evidence of the strong culture within the company. Our annual employee survey underlines that morale is high, with 2010 seeing the highest employee satisfaction scores since we started the survey in 2005. This year our annual survey of occupiers in our buildings show that we have also achieved our highest ever customer satisfaction levels. In recognition of our customer service we were named the Property Manager's Association 'Landlord of the Year'.

Outlook

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

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

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

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

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

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

Francis Salway

London Portfolio

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

Robert Noel

Managing Director, London Portfolio

Highlights

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

Our market

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

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

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

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

Our strategy

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

Performance

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

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

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

Table 1: Net rental income

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

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

Sales and acquisitions

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

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

Key transactions during the year were:

- Park House, W1

The site was sold for a total consideration of £296.0m, of which the payment of £71.0m is deferred until the earlier of practical completion or February 2013, enabling us to realise virtually all of our anticipated development profit ahead of schedule. We are managing the project while the purchaser is responsible for all construction costs.

- 57/60, 62/66 and 69/71 Haymarket, SW1

We sold our leasehold interests in these properties to the freeholder, The Crown Estate, for £52.9m, realising a marriage value gain.

- 20 Fenchurch Street, EC3

We sold a 50% share in our site at 20 Fenchurch Street, EC3 for £45.1m. This is covered in more detail in the section on ‘Development and planning’.

Asset management

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

- Thomas More Square, E1 (owned with The Cadillac Fairview Corporation Limited)

We let a further 6,700 sq m of space to News International for a term of up to 10 years, generating a further £2m per annum in rent. This takes total occupancy of the estate to just under 99%.

- Oxford Street, W1

Our Oriana joint venture has entered into a conditional agreement to pre-let a new 13,100 sq m retail store to Primark. This will enhance the retail appeal of this area and have a positive effect on our nearby holdings.

- 40 Strand, WC2

We took a 4,720 sq m lease surrender from an occupier and pre-let 8,730 sq m of refurbished office space in a new 15 year lease to Bain & Co, doubling its presence in the building. Refurbishment works are underway and are due to complete March 2012.

- Harbour Exchange, E14

Telecity has entered into a new overriding lease for 24,270 sq m, up from 11,220 sq m, conditional on planning.

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

- Piccadilly Circus, W1

We have secured possession of one of the advertising panels at Piccadilly Lights, which has given us the opportunity to create an open market letting transaction for the first time in 17 years.

- Cardinal Place, SW1

We have also secured possession of 1,300 sq m of offices which will be offered to the open market in September 2011.

Development and planning

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

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

- One New Change, EC4

In October 2010 we opened our exciting retail and office development adjacent to St Paul's Cathedral on time and to budget. In line with the priorities we set out for this scheme, the retail component was fully let on opening, while the drive for office lettings has taken place after completion and into a rising rental market. At the end of March 2011 the offices were 73% let, as compared to 38% let at practical completion in October.

- 110 Cannon Street, EC4

Planning consent was obtained during the year and work started on site in May 2011 for delivery of 6,660 sq m of high quality refurbished office space by March 2012.

- 123 Victoria Street, SW1

This development will provide 21,110 sq m of repositioned office space and retail shops. Planning permission was applied for, and obtained, during the year and work has started on site and is scheduled to be completed in June 2012 at a time when there will be few office completions in the West End.

- Wellington House, SW1 (trading property)

Wellington House will provide 59 residential apartments set for delivery in July 2012. We have pre-sold 54 apartments for £71.1m, which more than covers our entire development cost including land. Strong interest in this scheme has reinforced our belief that residential development should continue to be an important part of our central London strategy.

- 62 Buckingham Gate, SW1

This development will provide 23,450 sq m of offices, together with street level shops and restaurants. Demolition work was completed during the year and construction is now well underway, with the scheme on time and to budget for delivery in spring 2013.

- 20 Fenchurch Street, EC3

During the year we formed a joint venture with Canary Wharf Group to take forward this world-class development in the City. Work on site has started, with completion to the ground floor level scheduled for February 2012. Construction of the superstructure will follow, with completion of the project anticipated in the spring of 2014. The property will deliver around 64,520 sq m of space and feature an extraordinary public space on the top three floors.

Other development projects in the course of design include:

- 20 Eastbourne Terrace, W2, where we are working on plans for the 7,700 sq m final phase of this regeneration project.

- 30 Old Bailey and 60 Ludgate Hill, EC4, which are neighbouring buildings where we have submitted a planning application for 34,850 sq m of new office space. The earliest we can start demolition on site is July this year for delivery of the completed buildings in December 2013.

- Arundel Great Court, WC2, where we have completed negotiations with existing occupiers and the freeholder and have started detailed design. The earliest we can start a phased demolition is early 2012 with completion of the new development of 61,870 sq m of prime offices, retail and residential space in 2015.

- Kingsgate House, SW1, where we submitted a planning application to Westminster City Council in April 2011 for 31,650 sq m of shops, offices and residential apartments.

- 1 New Street Square, EC4, where we submitted a planning application to the City Corporation in March 2011 to redevelop the existing IPC Tower to provide 24,080 sq m of new offices.

- Victoria Circle, SW1 (formerly Victoria Transport Interchange)

Victoria is in transition as a number of government offices are relocated and private sector businesses look to move in. This evolution started with our successful development at Cardinal Place, SW1, helping to attract strong interest in the area. Our 84,550 sq m plans for Victoria Circle include a vibrant mix of offices, shopping and residential apartments in the area bordered by Victoria Street, Bressenden Place and Buckingham Palace Road. The required compulsory purchase order has been confirmed by Westminster City Council and we have started detailed design. We aim to seek a joint venture partner for the scheme this year.

- Portland House, SW1, where we are working up plans for conversion and extension of this 29,490 sq m office tower into residential apartments.

Looking ahead

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

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

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

Key objectives for 2011/12

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

We outline our development pipeline in Table 2

Table 2: London development pipeline at 31 March 2011

Property	Description of use	Ownership interest %	Size sq m	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		73%	459	27.4	Oct 2010	542	542
	Retail		20,630		100%					
Developments approved or in progress										
110 Cannon Street, EC4	Office	100	6,660		-	32	3.9	Mar 2012	27	45
	Retail		150		-					
123 Victoria Street, SW1*	Office	100	18,490		-	109	13.4	Jun 2012	97	158
	Retail		2,620		100%					
62 Buckingham Gate, SW1	Office	100	23,450		-	97	17.2	Apr 2013	70	181
	Retail		1,540		-					
Proposed developments										
30 Old Bailey & 60 Ludgate Hill, EC4	Office	100	32,100	AS	-	n/a	n/a	2013	n/a	n/a
	Retail		2,750		-					
20 Fenchurch Street, EC3	Office	50	63,240	PR	-	n/a	n/a	2014	n/a	n/a
	Retail		1,280		-					

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

Developments let and transferred or sold

Dashwood House, EC2	Office	100	14,110		100%	116	6.6	Oct 2008	112	112
	Retail		710		100%					
30 Eastbourne Terrace, W2	Office	100	4,470		100%	28	1.8	May 2009	31	31
Park House, W1	Office	sold	15,140		n/a	n/a	n/a	n/a	n/a	n/a
	Retail		8,140							
	Residential		5,380							

Floor areas shown above represent the full scheme whereas the cost represents our share of costs. Letting % is measured by ERV and shows letting status at 31 March 2011. Trading property development schemes (e.g. Wellington House, SW1) are excluded from the development pipeline.

Planning status for proposed developments

AS – Application submitted
PR – Planning received

Total development cost

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

Net income/ERV

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

Retail Portfolio

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

Richard Akers

Managing Director, Retail Portfolio

Highlights

- Trinity Leeds development restarted and now 57.5% pre-let or in solicitors' hands. Delivery in spring 2013
- John Lewis to open 'at home' shops in Chester and Exeter
- Two new stores opened for Sainsbury's
- £329.8m of acquisitions at an average yield of 6.3%
- £264.1m of sales at 6.1% above March 2010 valuation at an average yield of 6.0%
- £27.2m of lettings with a further £9.4m in solicitors' hands
- Named Property Manager's Association Landlord of the Year and Estates Gazette's Property Company of the Year in Retail

Our market

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

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

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

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

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

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

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

Our strategy

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

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

Performance

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

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

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

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

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

Table 3: Net rental income

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

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

Sales and acquisitions

We continued to recycle our capital during the year, exiting four major assets and buying three. Asset sales generated £264.1m and acquisitions totalled £329.8m. The disposals made during the year achieved prices that, on average, were 6.1% above March 2010 valuation figures. Our asset sales were at a yield of 6.0% while our acquisitions, which performed ahead of IPD before acquisition costs in the first year of ownership, were at a yield of 6.3%.

Key transactions during the year included:

- The O2 Centre, Finchley Road, NW3

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

- Westgate Centre, Oxford

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

- Overgate, Dundee

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

- Metro Shopping Fund

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

- Stratford shopping centre

We sold the centre and associated office buildings for £91.6m. Our decision to sell reflects the competitive risks emerging in this location, together with the view that our asset management initiatives had already created value and that our capital could now be put to better use.

- Christ's Lane, Cambridge

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

Asset management

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

Key activity during the year included:

- Primark

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

- John Lewis Partnership

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

- The Harvest Limited Partnership

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

- Brand Empire

This concept for introducing overseas retailers to the UK is still at a relatively early stage but it has succeeded in adding to the mix in our shopping centres. The White Rose centre in Leeds hosted the first stores to trade under this initiative, with Grupo Cortefiel's women'secret brand opening in September 2010 and its Springfield brand a month later. Further stores have opened in Livingston, Cardiff and One New Change, EC4. Initial trading was affected by heavy discounting from established retailers, but the effect of this reduced as we moved further into 2011.

- Meteor Retail Park, Derby

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

Development and planning

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

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

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

Looking ahead

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

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

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

Key objectives for 2011/12

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

We outline our development pipeline in Table 4.

Table 4: Retail development pipeline at 31 March 2011

Property	Description of use	Ownership interest %	Size sq m	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										
St David's 2, Cardiff (1)	Retail	50	89,900		86	208	15.2	Oct 2009	344	365
Developments approved or in progress										
Trinity Leeds	Retail	100	75,900		52	143	28.8	Feb 2013	114	358
185-221 Buchanan Street, Glasgow (formerly the Atlas Site)	Retail Residential	100	10,800 3,700		69	35	4.7	Mar 2013	25	65
Proposed developments										
Garratt Lane, Wandsworth (2)	Food store	50	16,510	PR	83	n/a	n/a	n/a	n/a	n/a

Developments let and transferred or sold

The Elements, Livingston	Retail Leisure	100	32,000 5,670		91	96	7.0	Oct 2008	161	161
Almondvale South Retail Park, Livingston	Food store	100	8,360		100	30	1.6	Dec 2010	16	16
Lindis Retail Park, Lincoln	Food store	50	10,870		100	23	1.4	Nov 2010	16	16

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

Floor areas shown above represent the full scheme whereas the cost represents our share of costs. Letting % is measured by ERV and shows letting status at 31 March 2011. Trading property development schemes are excluded from the development pipeline.

Planning status for proposed developments

AS – Application submitted
PR – Planning received

Total development cost

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

Net income/ERV

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

Financial review

Overview and headline results

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

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

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

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

Revenue profit

Revenue profit is our measure of the underlying pre-tax profit of the Group, which we use internally to assess our income performance. It includes the pre-tax results of our joint ventures but excludes capital and other one-off items. A reconciliation of revenue profit to our IFRS profit before tax is given in note 3 to the financial statements.

Table 5 shows the composition of our revenue profit including the contributions from London and Retail.

Table 5: Revenue profit

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

* Includes finance lease interest, net of ground rents payable

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

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

Earnings per share

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

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

Total dividend

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

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

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

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

Net assets

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

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

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

Table 6: Net assets attributable to owners of the Parent

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

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

Cash flow

A summary of the cash flow for the year is set out in Table 7 below.

Table 7: Cash flow and net debt

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

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

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

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

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

Net debt and gearing

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

Table 8 below sets out various measures of our gearing.

Table 8: Gearing

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

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

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

Our interest cover, excluding our share of joint ventures, has increased from 1.92 times in 2010 to 2.22 times in 2011. Under the rules of the REIT regime, we need to maintain an interest cover in the exempt business of at least 1.25 times to avoid paying tax. As calculated under the REIT regulations, our interest cover of the exempt business for the year to 31 March 2011 was 1.92 times. There is further information on our approach to gearing in the next section on “Our principal risks and how we manage them”.

Financing structure and strategy

The total capital of the Group consists of shareholders' equity, non-controlling interests and net debt. Since IFRS requires us to state a large part our net debt at below its nominal value, we view our capital structure on a basis which adjusts for this. Table 9 below outlines our main sources of capital. Further details are given in notes 16 and 17 to the financial statements.

Table 9: Financing structure

			2011			2010
	Group	**Joint ventures**	**Combined**	Group	Joint ventures	Combined
	£m	**£m**	**£m**	£m	£m	£m
Bond debt	**3,395.4**	**-**	**3,395.4**	3,951.7	-	3,951.7
Bank borrowings	**428.0**	**438.0**	**866.0**	-	473.8	473.8
Amounts payable under finance leases	**28.4**	**4.6**	**33.0**	52.6	4.9	57.5
Less: cash and restricted deposits	**(72.7)**	**(35.8)**	**(108.5)**	(255.0)	(27.0)	(282.0)
Adjusted net debt	**3,779.1**	**406.8**	**4,185.9**	3,749.3	451.7	4,201.0
Non-controlling interests	**0.8**	**-**	**0.8**	(0.9)	-	(0.9)
Adjusted equity attributable to owners of the Parent	**6,346.0**	**20.7**	**6,366.7**	5,204.0	37.2	5,241.2
Total adjusted equity	**6,346.8**	**20.7**	**6,367.5**	5,203.1	37.2	5,240.3
Total capital	**10,125.9**	**427.5**	**10,553.4**	8,952.4	488.9	9,441.3

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

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

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

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

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

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

Hedging

We use derivative products to manage our interest-rate exposure, and have a hedging policy which requires at least 80% of our existing debt plus increases in debt associated with net committed capital expenditure to be at fixed interest rates for the coming five years. Specific interest-rate hedges are also used within our joint ventures to fix the interest exposure on limited-recourse debt. At 31 March 2011, Group debt (including joint ventures) was 92.1% fixed (2010: 98.2%). As all of our bond debt is issued at fixed rates, we only have a small amount of outstanding interest-rate swaps at 31 March 2011 (£427.9m notional amount including our share of joint ventures).

Taxation

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

Martin Greenslade

Group Finance Director

Our principal risks and how we manage them

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

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

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

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

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

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

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

The amount of property development we undertake is the second key financial risk area. Property development has the potential to deliver new buildings at attractive rental income yields and also to generate valuation surpluses materially ahead of general market movements. However, property development can also be associated with higher volatility of valuation movements and income shortfalls if projects do not let up to plan. We therefore manage our risk exposure to development through both income and capital risk control measures. The income-related risk measure is that, adopting conservative assumptions on leasing, the targeted rental income from the unlet element of our development programme should not exceed the Group's retained earnings. The purpose of this is to safeguard against unlet development projects resulting in the Group having an uncovered dividend. We also control the proportion of our capital deployed in development: the proportion of our capital in development will generally not exceed 20% of our total capital upon completion of those schemes – save that, where a material part of the development programme is pre-let, this proportion can rise to 25%. In addition, we monitor the level of committed future capital expenditure on our development programme relative to the level of our undrawn debt facilities.

In terms of risks relating to our debt facilities, we ensure that we have: a spread of maturity dates for debt facilities; a mix of fixed and flexible or repayable debt to ensure that we can manage liquidity around asset purchases and sales; and a high proportion of our debt at fixed interest rates or else hedged in order to manage our exposure to interest rate volatility. In addition, we monitor compliance and headroom around covenants in our debt facilities, the provisions of which are covered in more detail in the section of the Financial Review on financing strategy on page 25.

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

Our Board regularly reviews the appropriate risk appetite for the business through the cycle and uses its discretion as to when to increase or reduce risk exposure. We have recently demonstrated this with our decision to gain early mover advantage through restarting a large development programme in 2010-2011 for delivery in 2012-2014. Risk is not perceived by our Board to be negative as a matter of course; we are alive to the fact that taking on risk can be a source of financial outperformance at the appropriate stage in the cycle.

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

Financial

Risk and impact	Mitigation
Liability structure • Liability structure is unable to adapt to changing asset strategy or property values resulting in reduced financial and operational flexibility, missed business opportunities and higher finance costs.	• Asset and Liability Committee meets three times a year to monitor both sides of the balance sheet and recommend strategy; • Liquidity and gearing kept under regular review; • Assess balance sheet gearing levels in terms of both interest cover ratios (ICR) and loan-to-value ratios (LTV); • Seek to manage the business within an inner gearing range of 35% to 45% LTV in normal market conditions; • Assets available within the Security Group to sell/provide security for raising new debt.
• Limited debt market capacity and/or liability structure impacts ability to meet existing debt maturities and fund forward cash requirements.	• A mix of fixed term and repayable debt to ensure that we can manage liquidity around asset purchases and sales; • Long term facilities in place with a spread of maturity dates; • Ongoing monitoring and management of the forecast cash position; • Commitments are not taken on if funding is not available; • Monitor compliance and headroom around covenants in our debt facilities: - Our principal debt funding structure benefits from financial default only being triggered at 1.0 times ICR (currently 2.22 times) or 100% LTV (currently 40.1%); - 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.
• Movements in interest rates adversely affect Group profits.	• High proportion of our debt at fixed interest rates or else hedged in order to manage our exposure to interest rate volatility.

Property investment	
Risk and impact	**Mitigation**
Composition of our property portfolio	
• Asset concentration and lot size impacts on liquidity and relative property performance.	• Monitor asset concentration (our largest asset is only 6.2% of the total portfolio); • Average investment property lot size of £66.4m; • Bi annual portfolio liquidity review; • Generally favour full control and ownership of assets (we have only 13.0% of assets in joints ventures).
• Asset mix creates excessive volatility in income and valuation movements.	• Large multi asset portfolio; • Secure income flows under UK lease structure; • Monitor the spread of lease expiry dates (we have an average unexpired lease term of 8.9 years with a maximum of 8.6% of gross rental income expiring or subject to break clauses in any single year); • Monitor the proportion of our portfolio represented by pre-development properties.

Property investment	
Risk and impact	**Mitigation**
Customers	
• Change in trends causes shifts in customer demand for properties with impact on new lettings, renewal of existing leases and reduced rental growth. Also risk of tenant insolvencies.	• Bespoke research commissioned on the impact of structural change in the Retail sector, the results of which are factored into our Retail business plans; • Research into London's continuing status as a global financial centre; • Active development programme to maintain a modern portfolio well suited to occupier requirements; • Strong relationships with occupiers; • Variety of asset types and geographic spread; • Diversified tenant base, with monitoring of tenant concentration (our largest tenant, the Government, represents only 7.8% of rents); • Of our income 62% is derived from tenants who make less than a 1% contribution to rent roll; • Target for maximum percentage of leases subject to expiry in any one year; • Experienced and skilled in-house leasing teams; • Large portfolio allows portfolio leasing deals to reduce voids further.
Environment	
• Properties do not comply with government requirements and customer expectations on carbon reduction leading to an increased cost base and an inability to attract or retain tenants.	• Dedicated specialist environment personnel; • Established policy and procedures including ISO 14001 certified environmental system; • Active environmental programme addressing key areas of impact (energy and waste); • Active involvement in legislative working parties.

Property investment	
Risk and impact	**Mitigation**
Health & safety • A failure to manage the safety of our employees, contractors, tenants and visitors to our properties could lead to criminal/civil proceedings and resultant reputational damage.	• Annual cycle of health and safety audits; • Quarterly Board reporting; • Dedicated specialist personnel; • Established policies and procedures.

Development	
Risk and impact	**Mitigation**
Planning constraints and localism • Significant cuts in the planning departments within local authorities could lead to delays to the granting of planning permissions. • The Government's localism bill could increase the propensity within London for local residents to hinder development proposals. Outside London, it may lead to an easing of planning constraints as local authorities seek to take advantage of the potential to retain increased non domestic rate income, therefore it could see an increase in competitor schemes in close proximity to our existing sites.	• Close working relationships with key local, metropolitan and Government planning authorities; • Active membership in industry lobby groups; • Active community engagement; • Use of professional planning advisors

Development

Risk and impact	Mitigation
Development pipeline • Size of the speculative development pipeline and a failure to manage development activity in line with market cycle could result in a major impact on resources, in particular funding, income and potentially dividend cover. If development projects are not let up to plan there could be higher volatility of valuation movements and income shortfalls.	• Adopting conservative assumptions on leasing, 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. • 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.

People

Risk and impact	Mitigation
People skills • Failure to have the right people and skills in the business to execute business objectives.	• Succession planning and skill gaps reviewed by the Nominations Committee; • Implementation of talent management processes; • Remuneration review undertaken by the Board; • Monitoring of employee engagement through an annual survey; • Internal Communication programme; • Appropriate mix of in-sourcing and outsourcing.

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

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit and loss of the Company and Group for that period.

In preparing those financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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, that 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	Francis Salway, Chief Executive
David Rough*	Martin Greenslade
Bo Lerenius*	Richard Akers
Sir Stuart Rose*	Robert Noel
Sir Christopher Bland*	
Kevin O'Byrne*	
Chris Bartram*	
Simon Palley* (appointed 1 August 2010)	

* Non-executive Directors

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

Financial Statements

Income statement for the year ended 31 March 2011	Notes	Group 2011 £m	Group 2010 £m
Group revenue [1]	4	**701.9**	833.4
Costs		**(270.8)**	(392.5)
		431.1	440.9
Profit/(loss) on disposal of investment properties	3	**75.7**	(32.5)
Net surplus on revaluation of investment properties	3	**794.1**	746.0
Impairment charge on trading properties	3	**(1.4)**	(10.6)
Operating profit		**1,299.5**	1,143.8
Interest expense	5	**(240.2)**	(248.9)
Interest income	5	**26.0**	29.8
Fair value movement on interest-rate swaps	5	**(1.9)**	7.0
		1,083.4	931.7
Share of the profit of joint ventures (post-tax)	11	**143.9**	137.6
Profit before tax		**1,227.3**	1,069.3
Income tax		**16.8**	23.1
Profit for the financial year		**1,244.1**	1,092.4
Attributable to:			
Owners of the Parent		**1,241.6**	1,088.9
Non-controlling interests		**2.5**	3.5
Profit for the financial year		**1,244.1**	1,092.4
Earnings per share attributable to the owners of the Parent (pence)			
Basic earnings per share	7	**162.33**	144.04
Diluted earnings per share	7	**162.18**	143.96

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

Statement of comprehensive income for the year ended 31 March 2011	Notes	Group 2011 £m	Group 2010 £m
Profit for the financial year		**1,244.1**	1,092.4
Other comprehensive income consisting of:			
Actuarial gains/(losses) on defined benefit pension scheme		**11.0**	(15.2)
Deferred tax credit on actuarial losses on defined benefit pension scheme		**-**	1.9
Share of joint ventures' fair value movement on interest-rate swaps treated as cash flow hedges	11	**12.4**	2.6
Other comprehensive income/(expense) for the financial year		**23.4**	(10.7)
Total comprehensive income for the financial year		**1,267.5**	1,081.7
Attributable to:			
Owners of the Parent		**1,265.0**	1,078.2
Non-controlling interests		**2.5**	3.5
Total comprehensive income for the financial year		**1,267.5**	1,081.7

Balance sheets at 31 March 2011					
			Group		Company
		2011	2010	2011	2010
	Notes	£m	£m	£m	£m
Non-current assets					
Investment properties	9	**8,889.0**	8,044.3	**-**	-
Other property, plant and equipment		**11.3**	12.8	**-**	-
Net investment in finance leases	10	**116.8**	115.4	**-**	-
Loan investments		**72.2**	84.3	**-**	-
Investments in joint ventures	11	**939.6**	787.8	**-**	-
Investments in subsidiary undertakings		**-**	-	**6,173.0**	5,684.5
Trade and other receivables		**77.0**	-	**-**	-
Pension surplus		**8.7**	-	**-**	-
Total non-current assets		**10,114.6**	9,044.6	**6,173.0**	5,684.5
Current assets					
Trading properties and long-term development contracts	12	**129.3**	87.9	**-**	-
Derivative financial instruments	15	**-**	1.0	**-**	-
Trade and other receivables		**354.3**	334.4	**10.0**	19.2
Monies held in restricted accounts and deposits	13	**35.1**	95.6	**-**	-
Cash and cash equivalents	14	**37.6**	159.4	**0.2**	0.2
Total current assets		**556.3**	678.3	**10.2**	19.4
Total assets		**10,670.9**	9,722.9	**6,183.2**	5,703.9
Current liabilities					
Borrowings	16	**(33.0)**	(308.6)	**-**	-
Derivative financial instruments	15	**-**	(1.1)	**-**	-
Trade and other payables		**(423.2)**	(395.5)	**(403.1)**	(8.1)
Provisions		**(7.4)**	(1.5)	**-**	-
Current tax liabilities		**(35.5)**	(111.0)	**-**	-
Total current liabilities		**(499.1)**	(817.7)	**(403.1)**	(8.1)
Non-current liabilities					
Borrowings	16	**(3,351.3)**	(3,209.7)	**-**	-
Derivative financial instruments	15	**(2.0)**	-	**-**	-
Pension deficit		**-**	(6.5)	**-**	-
Trade and other payables		**(6.2)**	-	**-**	-
Total non-current liabilities		**(3,359.5)**	(3,216.2)	**-**	-
Total liabilities		**(3,858.6)**	(4,033.9)	**(403.1)**	(8.1)
Net assets		**6,812.3**	5,689.0	**5,780.1**	5,695.8
Equity					
Capital and reserves attributable to the owners of the Parent					
Ordinary shares		**77.6**	76.5	**77.6**	76.5
Share premium		**785.5**	785.3	**785.5**	785.3
Capital redemption reserve		**30.5**	30.5	**30.5**	30.5
Merger reserve		**-**	-	**373.6**	373.6
Share-based payments		**7.2**	6.0	**7.2**	6.0
Retained earnings		**5,914.3**	4,798.5	**4,505.7**	4,423.9
Own shares		**(3.6)**	(6.9)	**-**	-
Equity attributable to the owners of the Parent		**6,811.5**	5,689.9	**5,780.1**	5,695.8
Non-controlling interests		**0.8**	(0.9)	**-**	-
Total equity		**6,812.3**	5,689.0	**5,780.1**	5,695.8

The financial statements on pages 36 to 62 were approved by the Board of Directors on 17 May 2011 and were signed on its behalf by:

F W Salway **M F Greenslade**

Directors

Statement of changes in equity Group

	Attributable to owners of the Parent								
	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
At 1 April 2009	76.2	785.2	30.5	8.1	3,935.9	(12.4)	4,823.5	(3.3)	4,820.2
Profit for the year ended 31 March 2010	-	-	-	-	1,088.9	-	1,088.9	3.5	1,092.4
Other comprehensive income:									
Actuarial loss on pension scheme	-	-	-	-	(13.3)	-	(13.3)	-	(13.3)
Fair value movement on interest-rate swaps treated as cash flow hedges	-	-	-	-	2.6	-	2.6	-	2.6
Total comprehensive income for the year ended 31 March 2010	-	-	-	-	1,078.2	-	1,078.2	3.5	1,081.7
Transactions with owners:									
Exercise of options	-	0.1	-	-	-	-	0.1	-	0.1
New share capital subscribed	0.3	17.3	-	-	-	-	17.6	-	17.6
Transfer to retained earnings in respect of shares issued in lieu of cash dividends	-	(17.3)	-	-	17.3	-	-	-	-
Fair value of share-based payments	-	-	-	6.0	-	-	6.0	-	6.0
Transfer of shares to employees on exercise of share schemes	-	-	-	-	(5.5)	5.5	-	-	-
Release on exercise/forfeiture of share options	-	-	-	(8.1)	8.1	-	-	-	-
Dividends to owners of the Parent	-	-	-	-	(235.5)	-	(235.5)	-	(235.5)
Distribution paid to non-controlling interests	-	-	-	-	-	-	-	(1.1)	(1.1)
Total transactions with owners of the Parent	0.3	0.1	-	(2.1)	(215.6)	5.5	(211.8)	(1.1)	(212.9)
At 31 March 2010	76.5	785.3	30.5	6.0	4,798.5	(6.9)	5,689.9	(0.9)	5,689.0
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 dividend	-	(69.7)	-	-	69.7	-	-	-	-
Fair value of share-based payments	-	-	-	3.8	-	-	3.8	-	3.8
Settlement and transfer of shares to employees on exercise of share schemes	-	-	-	-	(7.9)	3.5	(4.4)	-	(4.4)
Release on exercise/forfeiture of share options	-	-	-	(2.6)	2.6	-	-	-	-
Dividends to owners of the Parent	-	-	-	-	(213.6)	-	(213.6)	-	(213.6)
Distributions paid to non-controlling interests	-	-	-	-	-	-	-	(0.8)	(0.8)
Acquisition of own shares	-	-	-	-	-	(0.2)	(0.2)	-	(0.2)
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**

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

Statement of changes in equity							Company
	Ordinary shares £m	Share premium £m	Capital redemption reserve £m	Merger reserve [(1)] £m	Share-based payments £m	Retained earnings £m	Total £m
At 1 April 2009	76.2	785.2	30.5	373.6	8.1	3,549.9	4,823.5
Profit for the year ended 31 March 2010	-	-	-	-	-	1,084.1	1,084.1
Exercise of options	-	0.1	-	-	-	-	0.1
New share capital subscribed	0.3	17.3	-	-	-	-	17.6
Transfer to retained earnings in respect of shares issued in lieu of cash dividend	-	(17.3)	-	-	-	17.3	-
Fair value of share-based payments	-	-	-	-	6.0	-	6.0
Release on exercise/forfeiture of share options	-	-	-	-	(8.1)	8.1	-
Dividends (note 6)	-	-	-	-	-	(235.5)	(235.5)
At 31 March 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 (note 6)	-	-	-	-	-	(213.6)	(213.6)
At 31 March 2011	**77.6**	**785.5**	**30.5**	**373.6**	**7.2**	**4,505.7**	**5,780.1**

1. The merger reserve arose on 6 September 2002 when the Company acquired 100% of the issued share capital of Land Securities PLC. The merger reserve represents the excess of the cost of acquisition over the nominal value of the shares issued by the Company to acquire Land Securities PLC. The merger reserve does not represent a realised or distributable profit.

Statement of cash flows for the year ended 31 March 2011			Group		Company
		2011	2010	**2011**	2010
	Notes	**£m**	£m	**£m**	£m
Net cash generated from operations					
Cash generated from operations	19	**420.0**	427.0	**391.0**	121.4
Interest paid		**(218.7)**	(243.1)	**(3.9)**	(11.1)
Interest received		**18.0**	16.2	**-**	0.1
Employer contributions to defined benefit pension scheme		**(5.1)**	(7.3)	**-**	-
Corporation tax (paid)/received		**(60.7)**	(13.5)	**5.9**	2.6
Net cash inflow from operations		**153.5**	179.3	**393.0**	113.0
Cash flows from investing activities					
Investment property development expenditure		**(139.7)**	(166.4)	**-**	-
Acquisition of investment properties		**(371.3)**	(46.8)	**-**	-
Other investment property related expenditure		**(81.9)**	(50.7)	**-**	-
Capital expenditure on properties		**(592.9)**	(263.9)	**-**	-
Disposal of non-current investment properties		**535.0**	847.8	**-**	-
Net proceeds on properties		**(57.9)**	583.9	**-**	-
Expenditure on non-property related non-current assets		**(4.5)**	(2.5)	**-**	-
Net cash (outflow)/inflow from capital expenditure		**(62.4)**	581.4	**-**	-
Receipts in respect of receivable finance leases		**1.0**	6.9	**-**	-
Loans repaid by/(advanced to) third parties		**16.2**	(33.3)	**-**	-
Investment in joint ventures		**(81.7)**	(8.2)	**-**	-
Divestment of joint ventures		**0.3**	209.8	**-**	-
Loans to joint ventures and cash contributed		**(17.3)**	(232.9)	**-**	-
Repayment of loans to joint ventures		**77.9**	169.0	**-**	-
Distributions from joint ventures		**25.6**	6.9	**-**	-
Cash proceeds from disposal of Trillium (net of cash divested)		**-**	25.0	**-**	-
Investment in subsidiaries		**-**	-	**(250.0)**	-
Net cash (outflow)/inflow from investing activities		**(40.4)**	724.6	**(250.0)**	-
Cash flows from financing activities					
Proceeds from new loans (net of finance fees)		**427.3**	351.6	**-**	-
Repayment of loans	16	**(556.0)**	(2,306.2)	**-**	-
Termination of interest-rate swaps		**-**	(104.9)	**-**	-
Premium on repurchase of bonds		**(22.5)**	-	**-**	-
Decrease/(increase) in monies held in restricted accounts and deposits	13	**60.5**	(65.7)	**-**	-
Decrease in finance leases payable		**(0.4)**	(9.1)	**-**	-
Dividends paid to owners of the Parent	6	**(143.0)**	(217.9)	**(143.0)**	(217.9)
Distributions paid to non-controlling interests		**(0.8)**	(1.1)	**-**	-
Net cash outflow from financing activities		**(234.9)**	(2,353.3)	**(143.0)**	(217.9)
Decrease in cash and cash equivalents for the year		**(121.8)**	(1,449.4)	**-**	(104.9)
Cash and cash equivalents at the beginning of the year		**159.4**	1,608.8	**0.2**	105.1
Cash and cash equivalents at the end of the year	14	**37.6**	159.4	**0.2**	0.2

Notes to the Financial Statements

1. Basis of preparation

These financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared in Sterling (rounded to the nearest hundred thousand), which is the presentation currency of the Group, and under the historical cost convention as modified by the revaluation of land and buildings, available-for-sale investments, derivative financial instruments and financial assets and liabilities held for trading. A summary of the more important Group accounting policies, which have been applied consistently across the Group, is set out in note 2 below.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Land Securities Group PLC has not presented its own statement of comprehensive income (and separate income statement), as permitted by Section 408 of Companies Act 2006. The profit for the year of the Company, dealt with in its financial statements, was £223.1m (2010: £1,084.1m).

The results shown for the year ended 31 March 2011 are unaudited. The financial information contained in this announcement does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. Statutory accounts of the Company in respect of the year ended 31 March 2010, upon which the Company's auditors have given a report which was unqualified and did not contain a statement under either Section 498(2) or Section 498(3) of the Companies Act 2006, have been delivered to the Registrar of Companies.

2. Significant accounting policies

The accounting policies are consistent with those applied in the year ended 31 March 2010, as amended to reflect the adoption of the new Standards, Amendments to Standards and Interpretations which are mandatory for the year ended 31 March 2011.

There are no new accounting standards or interpretations that are effective for the financial year beginning 1 April 2010 that have a material impact on the Group's financial statements.

The following accounting standards or interpretations were effective for the financial year beginning 1 April 2010 but have not had a material impact on the Group:

IFRS 1 (revised) 'First time adoption'
IFRS 1 (amendment) 'First time adoption'
IFRS 2 (amendment) 'Share-based Payment – Group cash-settled share-based payment transactions'
IFRS 3 (revised) 'Business combinations'
IAS 27 (revised) 'Consolidated and separate financial statements'
IAS 32 (amendment) 'Financial instruments: Presentation'
IAS 39 (amendment) 'Financial instruments: Recognition and measurement'
IFRIC 17 'Distributions of non-cash assets to owners'
IFRIC 18 'Transfer of assets from customers'

The following accounting standards or interpretations are not yet effective and are not expected to have a material impact on the Group. None of these accounting standards or interpretations has been early adopted by the Group.

IAS 24 (revised) 'Related party disclosures'
IFRIC 14 (amendment) 'Prepayments of a Minimum Funding Requirement'
IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'

In addition, there are a number of changes to standards as a result of the IASB's 2009 and 2010 Annual Improvements programme. None of these are expected to have a material impact on the Group.

3. Segmental information

Management has determined the Group's operating segments based on the reports reviewed by the Senior Management Board ("SMB"), which consists of the four executive directors, to make strategic decisions.

All the Group's operations are in the UK and are organised into two business segments against which the Group reports its segmental information, being Retail Portfolio and London Portfolio. The London Portfolio includes all our London offices and Central London retail (excluding assets held in the Metro Shopping Fund Limited Partnership joint venture) and the Retail Portfolio includes all our shopping centres, shops, retail warehouse properties, Brand Empire, the Accor hotel portfolio and assets held in retail joint ventures, excluding Central London retail.

The information and reports reviewed by the SMB are prepared on a combined portfolio basis, which includes the Group's share of joint ventures on a proportionately consolidated basis and, as such, the following segmental information has been prepared and presented on a proportionately consolidated basis.

The Group's primary measure of underlying profit before tax is Revenue profit. This measure seeks to show the profit arising from ongoing operations and as such removes all items of a capital nature (e.g. valuation movements and profit/(loss) on disposal of investment properties) and one-off or exceptional items. Segment profit is the lowest level to which the profit arising from the 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.

3. Segmental information

The segmental information provided to senior management for the reportable segments for the year ended 31 March 2011 is as follows:

									Year ended 31 March 2011
	Retail Portfolio			London Portfolio			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	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 and other interest items							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** (2010: £2.3m) and **£1.2m** (2010: £1.5m) respectively for Retail Portfolio and London Portfolio.
2. Service charge income includes a management fee of **£6.3m** (2010: £6.4m) in relation to administration costs which are included in indirect property expenditure. Other property related income includes a management fee from joint ventures of **£2.5m** (2010: £1.3m) in relation to administration costs which are included in indirect property expenditure.

									Year ended 31 March 2011
	Retail Portfolio			London Portfolio			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
Costs of sales of trading properties	(1.4)	(12.2)	(13.6)	0.4	(6.3)	(5.9)	(1.0)	(18.5)	(19.5)
Profit/(loss) on disposal of trading properties	-	1.3	1.3	1.9	(2.0)	(0.1)	1.9	(0.7)	1.2
Long-term development contract income	-	-	-	39.4	-	39.4	39.4	-	39.4
Long-term development contract expenditure	-	-	-	(34.0)	-	(34.0)	(34.0)	-	(34.0)
Profit on long-term development contracts	-	-	-	5.4	-	5.4	5.4	-	5.4
	198.9	50.5	249.4	260.8	8.1	268.9	459.7	58.6	518.3
Investment property disposal proceeds	137.6	126.5	264.1	468.7	-	468.7	606.3	126.5	732.8
Carrying value of investment property disposals (including lease incentives)	(124.4)	(122.9)	(247.3)	(406.2)	-	(406.2)	(530.6)	(122.9)	(653.5)
Profit on disposal of investment properties	13.2	3.6	16.8	62.5	-	62.5	75.7	3.6	79.3
Net surplus on revaluation of investment properties	307.5	60.6	368.1	486.6	54.1	540.7	794.1	114.7	908.8
Impairment release/(charge) on trading properties	-	1.7	1.7	(1.4)	0.4	(1.0)	(1.4)	2.1	0.7
	519.6	116.4	636.0	808.5	62.6	871.1	1,328.1	179.0	1,507.1
Group services – income							4.3	-	4.3
– expense							(32.9)	-	(32.9)
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

3. Segmental information continued									Year ended 31 March 2010
	Retail Portfolio			London Portfolio			Total		
Revenue profit	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m
Rental income	255.6	68.1	323.7	304.7	10.4	315.1	560.3	78.5	638.8
Finance lease interest	2.3	0.5	2.8	3.6	-	3.6	5.9	0.5	6.4
Gross rental income (before rents payable)	257.9	68.6	326.5	308.3	10.4	318.7	566.2	79.0	645.2
Rents payable (1)	(12.3)	(1.3)	(13.6)	(6.4)	-	(6.4)	(18.7)	(1.3)	(20.0)
Gross rental income (after rents payable)	245.6	67.3	312.9	301.9	10.4	312.3	547.5	77.7	625.2
Service charge income (2)	32.3	9.2	41.5	45.3	0.2	45.5	77.6	9.4	87.0
Service charge expense	(34.3)	(10.7)	(45.0)	(49.7)	(0.2)	(49.9)	(84.0)	(10.9)	(94.9)
Net service charge expense	(2.0)	(1.5)	(3.5)	(4.4)	-	(4.4)	(6.4)	(1.5)	(7.9)
Other property related income	9.2	1.0	10.2	12.8	-	12.8	22.0	1.0	23.0
Direct property expenditure	(28.6)	(11.8)	(40.4)	(32.0)	(0.4)	(32.4)	(60.6)	(12.2)	(72.8)
Net rental income	224.2	55.0	279.2	278.3	10.0	288.3	502.5	65.0	567.5
Indirect property expenditure (2)	(20.8)	(3.7)	(24.5)	(19.1)	(0.1)	(19.2)	(39.9)	(3.8)	(43.7)
Depreciation	(0.4)	-	(0.4)	(1.6)	-	(1.6)	(2.0)	-	(2.0)
Segment profit before interest	203.0	51.3	254.3	257.6	9.9	267.5	460.6	61.2	521.8
Joint venture net interest expense	-	(22.4)	(22.4)	-	(10.2)	(10.2)	-	(32.6)	(32.6)
Segment profit	203.0	28.9	231.9	257.6	(0.3)	257.3	460.6	28.6	489.2
Group services – income							13.4	-	13.4
– expense							(39.4)	-	(39.4)
– eliminate non-revenue profit income							(9.7)	-	(9.7)
Interest expense							(248.9)	-	(248.9)
Interest income							29.8	-	29.8
Eliminate effect of bond exchange de-recognition							13.8	-	13.8
Eliminate debt restructuring charges							3.6	-	3.6
Revenue profit							223.2	28.6	251.8

1. Included within rents payable is finance lease interest payable of £2.3m and £1.5m respectively for Retail Portfolio and London Portfolio.
2. Service charge income includes a management fee of £6.4m in relation to administration costs which are included in indirect property expenditure. Other property related income includes a management fee from joint ventures of £1.3m in relation to administration costs which are included in indirect property expenditure.

									Year ended 31 March 2010
	Retail Portfolio			London Portfolio			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	203.0	51.3	254.3	257.6	9.9	267.5	460.6	61.2	521.8
Trading properties sale proceeds	10.0	6.7	16.7	3.5	5.6	9.1	13.5	12.3	25.8
Costs of sales of trading properties	(8.1)	(5.8)	(13.9)	(5.8)	(5.3)	(11.1)	(13.9)	(11.1)	(25.0)
Profit/(loss) on disposal of trading properties	1.9	0.9	2.8	(2.3)	0.3	(2.0)	(0.4)	1.2	0.8
Long-term development contract income	-	-	-	140.7	-	140.7	140.7	-	140.7
Long-term development contract expenditure	-	-	-	(134.0)	-	(134.0)	(134.0)	-	(134.0)
Profit on long-term development contracts	-	-	-	6.7	-	6.7	6.7	-	6.7
	204.9	52.2	257.1	262.0	10.2	272.2	466.9	62.4	529.3
Investment property disposal proceeds	410.8	213.6	624.4	408.7	-	408.7	819.5	213.6	1,033.1
Carrying value of investment property disposals (including lease incentives)	(434.1)	(205.6)	(639.7)	(417.9)	-	(417.9)	(852.0)	(205.6)	(1,057.6)
(Loss)/profit on disposal of investment properties	(23.3)	8.0	(15.3)	(9.2)	-	(9.2)	(32.5)	8.0	(24.5)
Net surplus on revaluation of investment properties	341.5	100.3	441.8	404.5	17.5	422.0	746.0	117.8	863.8
Impairment (charge)/release on trading properties	-	(4.0)	(4.0)	(10.6)	1.1	(9.5)	(10.6)	(2.9)	(13.5)
	523.1	156.5	679.6	646.7	28.8	675.5	1,169.8	185.3	1,355.1
Group services – income							13.4	-	13.4
– expense							(39.4)	-	(39.4)
Operating profit							1,143.8	185.3	1,329.1
Interest expense							(248.9)	(32.6)	(281.5)
Interest income							29.8	-	29.8
Fair value movement on interest-rate swaps							7.0	(1.4)	5.6
Joint venture tax adjustment							-	2.0	2.0
Joint venture net liabilities adjustment							-	(15.7)	(15.7)
Profit before tax							931.7	137.6	1,069.3

3. Segmental information continued									Year ended 31 March 2011
	Retail Portfolio			London Portfolio			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**
Loan investments							**72.2**	**-**	**72.2**
Pension surplus							**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**

									Year ended 31 March 2010
	Retail Portfolio			London Portfolio			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	3,167.9	1,035.2	4,203.1	4,876.4	191.9	5,068.3	8,044.3	1,227.1	9,271.4
Other property, plant and equipment	4.5	-	4.5	8.3	-	8.3	12.8	-	12.8
Net investment in finance leases	48.3	8.6	56.9	67.1	-	67.1	115.4	8.6	124.0
Trading properties and long-term development contracts	2.0	15.0	17.0	85.9	17.8	103.7	87.9	32.8	120.7
Trade and other receivables	163.2	91.1	254.3	171.2	2.1	173.3	334.4	93.2	427.6
Share of joint venture cash	-	18.6	18.6	-	8.4	8.4	-	27.0	27.0
Joint venture net liabilities adjustment	-	2.0	2.0	-	-	-	-	2.0	2.0
Segment assets	3,385.9	1,170.5	4,556.4	5,208.9	220.2	5,429.1	8,594.8	1,390.7	9,985.5
Unallocated:									
Cash and cash equivalents							159.4	-	159.4
Monies held in restricted accounts							95.6	-	95.6
Derivative financial instruments							1.0	-	1.0
Loan investments							84.3	-	84.3
Joint venture liabilities							-	(602.9)	(602.9)
Total assets							8,935.1	787.8	9,722.9
Trade and other payables	(106.3)	(70.1)	(176.4)	(160.0)	(13.7)	(173.7)	(266.3)	(83.8)	(350.1)
Share of joint venture borrowings	-	(354.8)	(354.8)	-	(164.3)	(164.3)	-	(519.1)	(519.1)
Segment liabilities	(106.3)	(424.9)	(531.2)	(160.0)	(178.0)	(338.0)	(266.3)	(602.9)	(869.2)
Unallocated:									
Borrowings							(3,518.3)	-	(3,518.3)
Derivative financial instruments							(1.1)	-	(1.1)
Current tax liabilities							(111.0)	-	(111.0)
Trade and other payables							(129.2)	-	(129.2)
Pension deficit							(6.5)	-	(6.5)
Provisions							(1.5)	-	(1.5)
Joint venture liabilities to assets							-	602.9	602.9
Total liabilities							(4,033.9)	-	(4,033.9)
Other segment items									
Capital expenditure	40.4	93.2	133.6	133.2	1.4	134.6	173.6	94.6	268.2

4. Group revenue		Group
	2011	2010
	£m	£m
Rental income (excluding adjustment for lease incentives)	**525.3**	544.9
Adjustment for lease incentives	**18.6**	15.4
Rental income	**543.9**	560.3
Service charge income	**77.0**	77.6
Other property related income	**28.3**	22.0
Trading property sales proceeds	**2.9**	13.5
Long-term development contract income	**39.4**	140.7
Finance lease interest	**6.1**	5.9
Other income	**4.3**	13.4
	701.9	833.4

5. Net interest expense		Group		Company
	2011	2010	**2011**	2010
	£m	£m	**£m**	£m
Interest expense				
Bond and debenture debt	**(218.0)**	(200.9)	**-**	-
Bank borrowings	**(10.5)**	(42.7)	**-**	-
Other interest payable	**(1.8)**	(2.1)	**(3.9)**	(11.1)
Amortisation of bond exchange de-recognition	**(18.5)**	(13.8)	**-**	-
Interest on pension scheme liabilities	**(8.2)**	(7.2)	**-**	-
	(257.0)	(266.7)	**(3.9)**	(11.1)
Interest capitalised in relation to properties under development	**16.8**	17.8	**-**	-
Total interest expense	**(240.2)**	(248.9)	**(3.9)**	(11.1)
Interest income				
Short-term deposits	**0.5**	8.5	**-**	-
Interest received on loan investments	**6.8**	3.7	**-**	-
Other interest receivable	**5.6**	0.9	**-**	-
Interest receivable from joint ventures	**4.5**	10.1	**-**	-
Expected return on pension scheme assets	**8.6**	6.6	**-**	-
Total interest income	**26.0**	29.8	**-**	-
Fair value movement on interest-rate swaps	**(1.9)**	7.0	**-**	-
Net interest expense	**(216.1)**	(212.1)	**(3.9)**	(11.1)

Included within rents payable (note 3) is finance lease interest payable of **£3.2m** (2010: £3.8m).

6. Dividends

Ordinary dividends paid	Payment date	Restated [1] Per share pence	Actual Per share pence	Group and Company 2011 £m	2010 £m
For the year ended 31 March 2009:					
Third interim	24 April 2009	14.9	16.5	-	76.8
Final	24 July 2009	7.0	7.0	-	52.9
For the year ended 31 March 2010:					
First interim	23 October 2009	7.0	7.0	-	52.9
Second interim	15 January 2010	7.0	7.0	-	52.9
Third interim	1 April 2010	7.0	7.0	**53.1**	-
Final	30 July 2010	7.0	7.0	**53.3**	-
For the year ended 31 March 2011:					
First interim	25 October 2010	7.0	7.0	**53.5**	-
Second interim	10 January 2011	7.0	7.0	**53.7**	
Gross dividend				**213.6**	235.5

1. The restated dividend per share represents the theoretical dividend per share that would have been paid had the bonus shares inherent in the 2009 rights issue been in existence at the relevant dividend dates.

The Board has proposed a final quarterly dividend for the year ended 31 March 2011 of **7.2p** per share (2010: 7.0p), which will be 100% PID, to the extent it is paid in cash, and result in a further distribution of **£55.4m** (2010: £53.3m). It will be paid on 28 July 2011 to shareholders who are on the Register of Members on 24 June 2011. The final dividend is in addition to the third quarterly dividend of 7.0p or **£53.9m** paid on 26 April 2011 (2010: 7.0p or £53.1m). The total dividend paid and proposed in respect of the year ended 31 March 2011 is **28.2p** (2010: 28.0p).

The Company operates a scrip dividend scheme which provides shareholders with the option to receive their dividend in shares as opposed to cash. Shares issued in lieu of dividends during the year totalled **£70.8m** (2010: £17.6m). The difference between the gross dividend of £213.6m and the amount reported in the consolidated cash flow for the year of £143.0m is the shares issued in lieu of dividends (£70.8m) and the timing of the payment of the related withholding tax payments (£0.2m).

All of the dividends paid and payable comprise PIDs to the extent that these dividends are paid in cash. Scrip dividends may not currently be treated as qualifying towards the Group PID requirement.

7. Earnings per share

	Group 2011 £m	2010 £m
Profit for the financial year attributable to the owners of the Parent	**1,241.6**	1,088.9
Net surplus on revaluation of investment properties – Group	**(794.1)**	(746.0)
– Joint ventures	**(114.7)**	(117.8)
(Profit)/loss on investment property disposals after current and deferred tax – Group	**(75.7)**	32.5
– Joint ventures	**(3.6)**	(8.0)
Net impairment charge/(release) on trading properties [1] – Group (note 12)	**1.4**	10.6
[1] – Joint ventures	**(2.1)**	2.9
Fair value movement on interest-rate swaps – Group	**1.9**	(7.0)
– Joint ventures	**0.3**	1.4
Adjustment due to net liabilities on joint ventures [2]	**1.6**	15.7
Eliminate effect of one-off gains	**-**	(9.7)
Tax adjustments related to prior periods [3]	**(16.8)**	(23.1)
Eliminate effect of non-recurring revenue items [3]	**(2.3)**	-
Eliminate effect of debt restructuring charges and other interest items [3]	**22.0**	3.6
Eliminate effect of bond exchange de-recognition [3]	**18.5**	13.8
Adjusted earnings attributable to the owners of the Parent	**278.0**	257.8

1. The impairment of trading properties has been removed from our adjusted earnings due to the long-term nature of these programmes.
2. The adjustment to net liabilities on joint ventures is the result of valuation deficits in previous years, partially reversed by surpluses in the current year.
3. The calculation of EPRA adjusted earnings does not adjust for these items but it does adjust for any profits/losses on the disposal of trading properties.

7. Earnings per share continued	2011 Number million	Group 2010 Number million
Weighted average number of ordinary shares	**771.1**	762.5
Effect of weighted average number of treasury shares	**(5.9)**	(5.9)
Effect of weighted average number of own shares	**(0.3)**	(0.6)
Weighted average number of ordinary shares for calculating basic earnings per share	**764.9**	756.0
Dilutive effect of share options for diluted earnings per share	**0.7**	0.4
Weighted average number of ordinary shares for calculating diluted earnings per share	**765.6**	756.4

	2011 Pence	2010 Pence
Basic earnings per share	**162.33**	144.04
Diluted earnings per share	**162.18**	143.96
Adjusted earnings per share	**36.35**	34.10
Adjusted diluted earnings per share	**36.31**	34.08

Management has chosen to disclose adjusted earnings per share in order to provide an indication of the Group's underlying business performance. Accordingly, it excludes the effect of debt and other restructuring charges, non-recurring items and other items of a capital nature. EPRA adjusted earnings per share is **33.39p** (2010: 34.75p). The EPRA measure has been disclosed here and in table 10 to assist comparison between European property companies. We believe our measure of adjusted diluted earnings per share is more appropriate than the EPRA measure in the context of our business.

8. Net assets per share	2011 £m	Group 2010 £m
Net assets attributable to the owners of the Parent	**6,811.5**	5,689.9
Cumulative fair value movements on interest-rate swaps – Group	**2.0**	0.1
– Joint ventures	**20.7**	37.2
EPRA adjusted net assets	**6,834.2**	5,727.2
Reverse bond exchange de-recognition adjustment	**(467.5)**	(486.0)
Adjusted net assets attributable to the owners of the Parent	**6,366.7**	5,241.2
Reinstate bond exchange de-recognition adjustment	**467.5**	486.0
Cumulative fair value movements on interest-rate swaps – Group	**(2.0)**	(0.1)
– Joint ventures	**(20.7)**	(37.2)
Excess of fair value of debt over book value (note 16)	**(558.7)**	(476.5)
EPRA triple net assets	**6,252.8**	5,213.4

	2011 Number million	2010 Number million
Number of ordinary shares in issue	**775.9**	764.6
Number of treasury shares	**(5.9)**	(5.9)
Number of own shares	**(0.3)**	(0.5)
Number of ordinary shares used for calculating basic net assets per share	**769.7**	758.2
Dilutive effect of share options	**0.9**	0.6
Number of ordinary shares used for calculating diluted net assets per share	**770.6**	758.8

	2011 Pence	2010 Pence
Net assets per share	**885**	750
Diluted net assets per share	**884**	750
Adjusted net assets per share	**827**	691
Adjusted diluted net assets per share	**826**	691
EPRA measure – adjusted diluted net assets per share	**887**	755
– diluted triple net assets per share	**812**	687

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

9. Investment properties

	Portfolio management £m	Development programme £m	Group Total £m
Net book value at 1 April 2009	7,215.4	714.0	7,929.4
Developments transferred from the development programme into portfolio management	498.1	(498.1)	-
Properties transferred from portfolio management into the development programme	(237.9)	237.9	-
Property acquisitions	13.3	-	13.3
Capital expenditure	50.7	122.9	173.6
Capitalised interest	0.7	15.5	16.2
Disposals	(824.5)	-	(824.5)
Surrender premiums received	(10.0)	-	(10.0)
Depreciation	(0.8)	-	(0.8)
Transfer from trading properties	1.1	-	1.1
Valuation surplus	549.0	197.0	746.0
Net book value at 31 March 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 to 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**

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 2010	7,255.1	789.2	8,044.3
Plus: tenant lease incentives	167.4	4.5	171.9
Less: head leases capitalised (note 18)	(50.6)	(2.0)	(52.6)
Plus: properties treated as finance leases	121.8	-	121.8
Market value at 31 March 2010 – Group	7,493.7	791.7	8,285.4
– Joint ventures (note 11)	1,063.8	191.2	1,255.0
– Group and share of joint ventures	8,557.5	982.9	9,540.4
Net book value at 31 March 2011	**8,028.0**	**861.0**	**8,889.0**
Plus: tenant lease incentives	**183.9**	**10.3**	**194.2**
Less: head leases capitalised (note 18)	**(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 11)	**1,160.2**	**207.8**	**1,368.0**
– Group and share of joint ventures	**9,475.9**	**1,083.0**	**10,558.9**

The net book value of leasehold properties where head leases have been capitalised is **£942.4m** (2010: 1,044.0m).

The fair value of the Group's investment properties at 31 March 2011 has been arrived at on the basis of a valuation carried out at that date by Knight Frank LLP, external valuers. The valuation by Knight Frank LLP, which conforms to Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors and with IVA 1 of the International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties. Fixed asset properties include capitalised interest of **£176.4m** (2010: £160.5m). The average rate of interest capitalisation for the year is **5.2%** (2010: 4.6%). The historical cost of investment properties is **£6,767.6m** (2010: £6,877.8m).

The current value of investment properties, including joint ventures, in respect of proposed developments is **£170.5m** (2010: £336.2m). Developments are transferred out of the development programme when physically complete and 95% let, or two years after practical completion, whichever is earlier. The schemes transferred out of the development programme during the year were 30 Eastbourne Terrace, W2; Dashwood House, EC2; The Elements, Livingston and Almondvale South Retail Park, Livingston.

The Group has outstanding capital commitments of **£157.8m** at 31 March 2011 (2010: £75.4m).

10. Net investment in finance leases		Group
	2011	2010
	£m	£m
Non-current		
Finance leases – gross receivables	**275.9**	270.8
Unearned finance income	**(184.8)**	(181.1)
Unguaranteed residual value	**25.7**	25.7
	116.8	115.4
Current		
Finance leases – gross receivables	**7.2**	7.0
Unearned finance income	**(6.3)**	(6.1)
	0.9	0.9
Total net investment in finance leases	**117.7**	116.3
Gross receivables from finance leases:		
Not later than one year	**7.2**	7.0
Later than one year but not more than five years	**29.1**	28.0
More than five years	**246.8**	242.8
	283.1	277.8
Unearned future finance income	**(191.1)**	(187.2)
Unguaranteed residual value	**25.7**	25.7
Net investment in finance leases	**117.7**	116.3

The Group has leased out a number of investment properties under finance leases, which ranged from 35 to 100 years in duration from the inception of the lease. These are accounted for as finance lease receivables rather than investment properties.

The fair value of the Group's finance lease receivables approximates to the carrying amount.

11. Investments in joint ventures

Financial information of Group's share of joint ventures
Year ended and as at 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	Westgate Oxford Alliance Limited Partnership £m	20 Fenchurch Street Limited Partnership £m	Other £m	Total £m
Rental income	7.7	9.8	8.8	14.7	18.9	4.9	3.2	1.8	-	8.9	78.7
Finance lease interest	-	-	0.2	-	0.3	-	-	-	-	-	0.5
Rents payable	(0.1)	-	-	(2.6)	(0.5)	-	-	(0.2)	-	(0.1)	(3.5)
	7.6	9.8	9.0	12.1	18.7	4.9	3.2	1.6	-	8.8	75.7
Service charge income	1.3	2.2	0.6	2.1	2.3	0.1	0.2	0.4	-	0.2	9.4
Service charge expense	(1.3)	(2.3)	(0.6)	(3.0)	(2.5)	(0.1)	(0.2)	(0.4)	-	(0.3)	(10.7)
Net service charge income/(expense)	-	(0.1)	-	(0.9)	(0.2)	-	-	-	-	(0.1)	(1.3)
Other property related income	0.3	0.1	-	0.4	0.2	-	0.1	-	-	-	1.1
Direct property expenditure	(1.9)	(1.4)	(1.8)	(3.7)	(2.6)	(0.2)	(0.2)	(0.3)	-	(0.3)	(12.4)
Net rental income	6.0	8.4	7.2	7.9	16.1	4.7	3.1	1.3	-	8.4	63.1
Trading properties sale proceeds	-	-	-	11.2	-	-	-	-	-	6.6	17.8
Cost of sales of trading properties	-	-	-	(10.2)	-	-	-	-	-	(8.3)	(18.5)
Profit/(loss) on disposal of trading properties	-	-	-	1.0	-	-	-	-	-	(1.7)	(0.7)
Indirect property expenditure	(0.3)	(0.6)	(0.1)	(1.2)	(0.8)	(0.2)	-	(0.2)	(0.1)	(0.3)	(3.8)
	5.7	7.8	7.1	7.7	15.3	4.5	3.1	1.1	(0.1)	6.4	58.6
Investment property disposal proceeds	-	119.9	-	1.7	4.9	-	-	-	-	-	126.5
Carrying value of investment property disposals	-	(117.7)	-	(1.6)	(3.6)	-	-	-	-	-	(122.9)
Profit on disposal of investment properties	-	2.2	-	0.1	1.3	-	-	-	-	-	3.6
Net surplus on revaluation of investment properties	1.1	6.9	13.1	14.9	12.7	9.9	32.5	1.4	15.0	7.2	114.7
Impairment release on trading properties	-	-	-	-	-	-	-	-	-	2.1	2.1
Operating profit	6.8	16.9	20.2	22.7	29.3	14.4	35.6	2.5	14.9	15.7	179.0
Net interest expense	(3.3)	(12.0)	(4.1)	(4.1)	0.1	(2.9)	(2.8)	-	(0.1)	(3.5)	(32.7)
Profit before tax	3.5	4.9	16.1	18.6	29.4	11.5	32.8	2.5	14.8	12.2	146.3
Income tax	-	(0.7)	-	-	-	-	-	-	-	(0.1)	(0.8)
	3.5	4.2	16.1	18.6	29.4	11.5	32.8	2.5	14.8	12.1	145.5
Net liabilities adjustment (2)	-	-	-	-	-	-	-	-	-	(1.6)	(1.6)
Share of profits after tax	3.5	4.2	16.1	18.6	29.4	11.5	32.8	2.5	14.8	10.5	143.9
Segment profit/(loss)	2.4	0.3	3.0	2.5	15.4	1.6	(1.8)	1.1	(0.2)	2.6	26.9

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	Westgate Oxford Alliance Limited Partnership £m	20 Fenchurch Street 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	-	29.1	46.2	-	81.3
Other contributions	-	-	-	-	-	-	-	-	0.4	-	0.4
Distributions	-	(21.0)	(3.6)	-	-	-	-	(1.0)	-	-	(25.6)
Fair value movement on cashflow hedges taken to comprehensive income	2.2	9.2	-	-	-	0.9	-	-	-	0.1	12.4
Loan advances	-	-	-	8.2	-	-	-	-	9.1	-	17.3
Loan repayments	-	-	-	(56.2)	(19.8)	-	-	-	-	(1.9)	(77.9)
Share of profits of joint ventures post tax	3.5	4.2	16.1	18.6	29.4	11.5	32.8	2.5	14.8	10.5	143.9
At 31 March 2011	36.4	25.6	135.9	144.2	296.8	95.1	47.6	30.6	70.5	56.9	939.6

Balance sheet	The Scottish Retail Property Limited Partnership £m	Metro Shopping Fund Limited Partnership £m	Buchanan Partnership £m	St. David's Limited Partnership £m	Bristol Alliance Limited Partnership £m	The Harvest Limited Partnership £m	The Oriana Limited Partnership £m	Westgate Oxford Alliance Limited Partnership £m	20 Fenchurch Street Limited Partnership £m	Other £m	Total £m
Investment properties (1)	98.9	109.3	132.2	255.5	281.5	96.7	129.8	29.7	69.8	124.6	1,328.0
Current assets	7.3	6.2	7.5	39.4	25.8	45.6	3.6	2.0	1.5	55.8	194.7
	106.2	115.5	139.7	294.9	307.3	142.3	133.4	31.7	71.3	180.4	1,522.7
Current liabilities	(5.3)	(4.4)	(3.8)	(57.3)	(7.9)	(0.8)	(8.6)	(1.1)	(0.8)	(30.1)	(120.1)
Non-current liabilities	(64.5)	(85.5)	-	(93.4)	(2.6)	(46.4)	(77.2)	-	-	(93.8)	(463.4)
	(69.8)	(89.9)	(3.8)	(150.7)	(10.5)	(47.2)	(85.8)	(1.1)	(0.8)	(123.9)	(583.5)
Net liabilities adjustment (2)	-	-	-	-	-	-	-	-	-	0.4	0.4
Net assets	36.4	25.6	135.9	144.2	296.8	95.1	47.6	30.6	70.5	56.9	939.6
Capital commitments	3.2	0.4	0.1	4.4	2.1	-	1.9	0.1	0.6	0.3	13.1
Market value of investment properties (1)	101.0	110.0	138.0	268.1	297.9	97.7	129.8	30.0	69.8	125.7	1,368.0
Net (debt)/cash	(62.5)	(83.1)	2.1	(79.9)	1.5	(45.3)	(73.7)	1.5	1.5	(89.6)	(427.5)

1. The difference between the book value and the market value is the amount included in prepayments in respect of lease incentives, head leases capitalised and properties treated as finance leases.
2. Joint ventures with net liabilities are carried at zero value in the balance sheet where there is no commitment to fund the deficit and any distributions are included in the consolidated income statement for the year.

11. Investments in joint ventures continued

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

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	Westgate Oxford Alliance Limited Partnership £m	20 Fenchurch Street Limited Partnership £m	Other £m	Total £m
Rental income	7.5	11.8	8.6	8.6	17.9	4.8	3.4	-	-	15.9	78.5
Finance lease interest	-	0.1	0.1	-	0.3	-	-	-	-	-	0.5
Rents payable	(0.1)	-	-	(0.6)	(0.5)	-	-	-	-	(0.1)	(1.3)
	7.4	11.9	8.7	8.0	17.7	4.8	3.4	-	-	15.8	77.7
Service charge income	1.2	2.4	0.5	1.2	2.1	0.2	0.2	-	-	1.6	9.4
Service charge expense	(1.1)	(2.8)	(0.6)	(1.7)	(2.5)	(0.1)	(0.2)	-	-	(1.9)	(10.9)
Net service charge income/(expense)	0.1	(0.4)	(0.1)	(0.5)	(0.4)	0.1	-	-	-	(0.3)	(1.5)
Other property related income	0.3	0.2	-	-	0.5	-	-	-	-	-	1.0
Direct property expenditure	(2.3)	(1.1)	(1.2)	(1.9)	(3.8)	(0.2)	(0.4)	-	-	(1.3)	(12.2)
Net rental income	5.5	10.6	7.4	5.6	14.0	4.7	3.0	-	-	14.2	65.0
Trading properties sale proceeds	-	-	-	-	-	-	-	-	-	12.3	12.3
Cost of sales of trading properties	-	-	-	-	-	-	-	-	-	(11.1)	(11.1)
Profit on disposal of trading properties	-	-	-	-	-	-	-	-	-	1.2	1.2
Indirect property expenditure	(0.4)	(0.8)	(0.1)	(1.6)	(0.3)	-	(0.1)	-	-	(0.5)	(3.8)
	5.1	9.8	7.3	4.0	13.7	4.7	2.9	-	-	14.9	62.4
Investment property disposal proceeds	-	-	-	-	0.8	-	-	-	-	212.8	213.6
Carrying value of investment property disposals	-	-	-	-	(0.5)	-	-	-	-	(205.1)	(205.6)
Profit on disposal of investment properties	-	-	-	-	0.3	-	-	-	-	7.7	8.0
Net surplus on revaluation of investment properties	9.5	45.1	5.7	2.5	27.0	11.1	9.6	-	-	7.3	117.8
Impairment of trading properties	-	-	-	-	-	-	-	-	-	(2.9)	(2.9)
Operating profit	14.6	54.9	13.0	6.5	41.0	15.8	12.5	-	-	27.0	185.3
Net interest expense	(3.3)	(10.6)	(3.9)	(3.3)	-	(3.1)	(4.8)	-	-	(5.0)	(34.0)
Profit before tax	11.3	44.3	9.1	3.2	41.0	12.7	7.7	-	-	22.0	151.3
Income tax	-	(0.6)	-	-	-	-	-	-	-	2.6	2.0
	11.3	43.7	9.1	3.2	41.0	12.7	7.7	-	-	24.6	153.3
Net liabilities adjustment [2]	-	(16.5)	-	-	-	-	-	-	-	0.8	(15.7)
Share of profits after tax	11.3	27.2	9.1	3.2	41.0	12.7	7.7	-	-	25.4	137.6
Segment profit/(loss)	1.8	(0.8)	3.4	2.0	13.7	1.6	(2.0)	-	-	8.9	28.6
Net investment											
At 1 April 2009	17.5	-	114.4	240.6	244.2	65.9	7.1	-	-	241.1	930.8
Cash contributed	1.2	2.5	2.0	-	-	2.1	-	-	-	0.4	8.2
Distributions	-	(1.1)	(3.4)	-	-	-	-	-	-	(2.4)	(6.9)
Fair value movement on cashflow hedges taken to comprehensive income	0.2	2.4	-	-	-	-	-	-	-	-	2.6
Disposals	-	-	-	-	-	-	-	-	-	(208.6)	(208.6)
Capital advances	-	-	-	75.3	12.1	-	-	-	-	-	87.4
Capital repayments	-	-	-	(145.5)	(10.1)	-	-	-	-	(7.7)	(163.3)
Share of profits of joint ventures post tax	11.3	27.2	9.1	3.2	41.0	12.7	7.7	-	-	25.4	137.6
At 31 March 2010	30.2	31.0	122.1	173.6	287.2	80.7	14.8	-	-	48.2	787.8
Balance sheet											
Investment properties [1]	96.3	217.0	118.6	230.7	268.9	83.3	94.9	-	-	117.4	1,227.1
Current assets	6.4	7.6	6.9	6.8	29.5	45.7	2.9	-	-	55.8	161.6
	102.7	224.6	125.5	237.5	298.4	129.0	97.8	-	-	173.2	1,388.7
Current liabilities	(4.9)	(5.9)	(3.4)	(26.5)	(8.3)	(1.2)	(6.1)	-	-	(27.5)	(83.8)
Non-current liabilities	(67.6)	(187.7)	-	(37.4)	(2.9)	(47.1)	(76.9)	-	-	(99.5)	(519.1)
	(72.5)	(193.6)	(3.4)	(63.9)	(11.2)	(48.3)	(83.0)	-	-	(127.0)	(602.9)
Net liabilities adjustment [2]	-	-	-	-	-	-	-	-	-	2.0	2.0
Net assets	30.2	31.0	122.1	173.6	287.2	80.7	14.8	-	-	48.2	787.8
								-	-	-	
Capital commitments	0.1	0.4	-	12.8	3.9	0.1	-	-	-	0.3	17.6
								-	-	-	
Market value of investment properties [1]	97.6	218.3	122.5	233.0	286.5	84.1	95.0	-	-	118.0	1,255.0
								-	-	-	
Net (debt)/cash	(64.2)	(183.0)	0.8	(34.4)	3.2	(45.8)	(74.1)	-	-	(91.4)	(488.9)

12. Trading properties and long-term development contracts						Group
			2011			2010
	Cost	**Impairment provision**	**Realisable value**	Cost	Impairment provision	Realisable value
	£m	**£m**	**£m**	£m	£m	£m
Trading properties:						
Development land and infrastructure	**211.6**	**(104.0)**	**107.6**	170.1	(102.6)	67.5
Other trading properties	**15.8**	**(0.3)**	**15.5**	16.8	(0.3)	16.5
Long-term development contracts	**6.2**	**-**	**6.2**	3.9	-	3.9
	233.6	**(104.3)**	**129.3**	190.8	(102.9)	87.9

The realisable value of the Group's trading properties at 31 March 2011 has been based on a valuation carried out at that date by Knight Frank LLP, external valuers.

Long-term development contracts		Group
	2011	2010
	£m	£m
Income statement:		
Contract revenue recognised as revenue in the year	**39.4**	140.7
Contract expenditure recognised as costs in the year	**(34.0)**	(134.0)
	5.4	6.7
Balance sheet:		
Contract costs incurred and recognised profits (less recognised losses) to date	**483.7**	526.3
Advances received from customers	**(478.3)**	(527.8)
	5.4	(1.5)
Plus: gross amount due from customers for contract work (included in prepayments and deferred income)	**0.8**	5.4
Balance at the end of the year	**6.2**	3.9

13. Monies held in restricted accounts and deposits		Group
	2011	2010
	£m	£m
Cash at bank and in hand	**11.9**	87.5
Short-term deposits	**6.0**	6.0
Liquidity funds	**17.2**	2.1
	35.1	95.6

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.

		Group
	2011	2010
	£m	£m
Counterparties with external credit ratings		
AAA	**17.2**	2.1
AA	**-**	76.7
A+	**11.9**	10.8
A	**6.0**	6.0
	35.1	95.6

14. Cash and cash equivalents

	Group		Company	
	2011	2010	**2011**	2010
	£m	£m	**£m**	£m
Cash at bank and in hand	**13.6**	17.7	**0.2**	0.2
Short-term deposits	**24.0**	11.8	**-**	-
Liquidity funds	**-**	129.9	**-**	-
	37.6	159.4	**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 0.4% in the year ended 31 March 2011 (2010: between 0.3% and 0.6%).

Short-term deposits

The effective interest rate on short-term deposits was 0.3% at 31 March 2011 (2010: 0.3%) and had an average maturity of 1 day (2010: 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	
	2011	2010
	£m	£m
Counterparties with external credit ratings		
AAA	**-**	129.9
AA	**5.1**	7.1
A+	**32.5**	22.4
	37.6	159.4

15. Derivative financial instruments

	Group			
	2011		2010	
	Assets	**Liabilities**	Assets	Liabilities
	£m	**£m**	£m	£m
Interest-rate swaps (non-designated)	**-**	**(2.0)**	1.0	(1.1)
Total	**-**	**(2.0)**	1.0	(1.1)

Interest-rate swaps

The Group uses interest-rate swaps to manage its exposure to interest-rate movements on its interest-bearing loans and investments. The fair value of these contracts is recorded in the balance sheet and is determined by discounting future cash flows at the prevailing market rates at the balance sheet date.

The change in fair value of the contracts that are not designated as hedging instruments is taken to the income statement. For contracts that are designated as cash flow hedges the change in the fair value of the contracts is recognised in the statement of comprehensive income. There was no ineffectiveness to be recognised from the designated cash flow hedges in either the current or prior year. The deferred asset or liability assumed is released to the income statement during the term of each relevant swap.

At the balance sheet date, the notional amount of outstanding derivative financial instruments was as follows:

	2011	2010
	£m	£m
Interest-rate swaps	**220.0**	570.0
	220.0	570.0

Valuation hierarchy

Interest-rate swaps are the only financial instruments which are carried at fair value. The table below shows the interest-rate swaps carried at fair value by valuation method.

	Group							
				2011				2010
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Assets	**-**	**-**	**-**	**-**	-	1.0	-	1.0
Liabilities	**-**	**(2.0)**	**-**	**(2.0)**	-	(1.1)	-	(1.1)

Note:
Level 1: valued using unadjusted quoted prices in active markets for identical financial instruments.
Level 2: valued using techniques based on information that can be obtained from observable market data.
Level 3: valued using techniques incorporating information other than observable market data as at least one input to the valuation cannot be based on observable market data.

15. Derivative financial instruments continued

Group

Credit quality

The credit quality of interest-rate swap assets can be assessed by reference to external credit ratings of the counterparty.

	Group 2011 £m	2010 £m
Counterparties with external credit ratings		
AA	-	0.6
A+	-	0.4
	-	1.0

16. Borrowings

Group 2011

	Secured/ unsecured	Fixed/floating	Effective interest rate %	Nominal/ notional value £m	Fair value £m	Book value £m
Short-term 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 18)		Fixed	7.4	0.2	0.2	0.2
Total short-term 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 18)		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**

Medium term notes (MTN)

The MTN are secured on the fixed and floating pool of assets of the Security Group. Debt investors benefit from security over a pool of investment properties, and the Group's investment in the Bristol Alliance Limited Partnership, which totals **£8.7bn** at 31 March 2011 (2010: £7.8bn). The secured debt structure has a tiered operating covenant regime which gives the Group substantial flexibility when the loan to value and interest cover in the Security Group are less than 65% and more than 1.45 times respectively. If these limits are exceeded the operating environment becomes more restrictive with provisions to encourage the reduction in gearing (see note 17). The interest rate is fixed until the expected maturity, being two years before the legal maturity date for each MTN, whereupon the interest rate for the last two years is LIBOR plus a step-up margin. The effective interest rate includes the amortisation of issue costs. The MTN are listed on the Irish Stock Exchange and their fair values are based on their respective market prices.

The 4.625 per cent MTN due 2013 has been classed as a short-term borrowing as it was fully repaid on 3 May 2011.

Syndicated bank debt

At 31 March 2011 the Group had a **£1.5bn** (2010: £1.5bn) authorised credit facility with a maturity of August 2013, which was £428.0m drawn. This facility is committed and is secured on the assets of the Security Group.

Bilateral facilities

Committed Bilateral facilities totalling **£700.0m** (2010: £650.0m) are available to the Group and are secured on the assets of the Security Group. These facilities mature between April and November 2014. No drawings were made under these facilities at 31 March 2011 or 2010.

16. Borrowings continued — Group

QAG Bond

On 29 July 2009, the Group issued a **£360.3m** (2010: £360.3m) bond secured on the rental cash flows from the commercial lease with the UK Government over Queen Anne's Gate, London, SW1. The QAG Bond is a fully amortising bond with a final maturity in February 2027 and a fixed interest rate of 5.253%. At 31 March 2011, the bond had an amortised book value of **£348.7m** (2010: £356.9m).

Fair values

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

	Secured/ unsecured	Fixed/floating	Effective interest rate %	Nominal/ notional value £m	Fair value £m	Group 2010 Book value £m
Current borrowings						
Sterling						
4.625 per cent MTN due 2013	Secured	Fixed	4.7	300.0	305.2	299.9
5.253 per cent QAG Bond	Secured	Fixed	5.3	8.2	8.6	8.2
Amounts payable under finance leases (note 18)		Fixed	6.9	0.5	0.5	0.5
Total current borrowings				**308.7**	**314.3**	**308.6**
Non-current borrowings						
Sterling						
5.292 per cent MTN due 2015	Secured	Fixed	5.3	391.5	412.6	391.1
4.875 per cent MTN due 2019	Secured	Fixed	5.0	400.0	409.8	397.0
5.425 per cent MTN due 2022	Secured	Fixed	5.5	255.3	256.9	254.7
4.875 per cent MTN due 2025	Secured	Fixed	4.9	300.0	280.5	297.4
5.391 per cent MTN due 2026	Secured	Fixed	5.4	210.7	206.2	209.9
5.391 per cent MTN due 2027	Secured	Fixed	5.4	611.0	596.6	608.6
5.376 per cent MTN due 2029	Secured	Fixed	5.4	317.9	307.8	316.5
5.396 per cent MTN due 2032	Secured	Fixed	5.4	322.8	312.0	321.1
5.125 per cent MTN due 2036	Secured	Fixed	5.1	500.0	464.4	498.6
Bond exchange de-recognition adjustment	Secured	Fixed		-	-	(486.0)
				3,309.2	3,246.8	2,808.9
5.253 per cent QAG Bond	Secured	Fixed	5.3	348.9	366.0	348.7
Syndicated bank debt	Secured	Floating	LIBOR + margin	-	-	-
Bilateral facilities	Secured	Floating	LIBOR + margin	-	-	-
Amounts payable under finance leases (note 18)		Fixed	6.9	52.1	67.7	52.1
Total non-current borrowings				**3,710.2**	**3,680.5**	**3,209.7**
Total borrowings				**4,018.9**	**3,994.8**	**3,518.3**

Reconciliation of the movement in borrowings	Group 2011 £m	2010 £m
At the beginning of the year	**3,518.3**	5,450.6
Decrease in overdrafts	**-**	(0.3)
Repayment of loans	**(556.0)**	(2,306.2)
Proceeds from new loans	**428.0**	360.2
Capitalisation of finance fees	**-**	(0.2)
Amortisation of finance fees	**(0.3)**	5.7
Amortisation of bond exchange de-recognition adjustment	**18.5**	13.8
Net movement in finance lease obligations	**(24.2)**	(5.3)
At the end of the year	**3,384.3**	3,518.3

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 IAS39 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.

17. 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" (pages 21 to 26) and "Our risks and how we manage them" (pages 27 to 33). This note provides further detail on financial risk management and includes quantitative information on specific financial risks.

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

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

Capital structure

The capital structure of the Group consists of shareholders' equity and net borrowings, including cash held on deposit. The type and maturity of the Group's borrowings are analysed further in note 16 and the Group's equity is analysed into its various components in the Statement of changes in equity. Capital is managed so as to promote the long-term success of the business and to maintain sustainable returns for shareholders.

Whilst the Group is maintaining a strong focus on the business actions which are within its influence, a number of factors affecting the market in which the Group operates are beyond the Group's control. After a period of rapid valuation decline, values began to stabilise in mid-2009, and have since experienced a strong rebound. As a result of this and other actions taken, the Board believes the Group now has an appropriate gearing level for this phase of the property cycle.

The Group's strategy is to maintain an appropriate net debt to total equity ratio (gearing) and loan-to-value ratio (LTV) to ensure that asset level performance is translated into enhanced returns for shareholders whilst maintaining an appropriate risk reward balance to accommodate changing financial and operating market cycles. The following table details a number of the Group's key metrics in relation to managing its capital structure.

						Group
			2011			2010
	Group	Joint ventures	Combined	Group	Joint ventures	Combined
	£m	£m	£m	£m	£m	£m
Property portfolio						
Market value of investment properties	**9,190.9**	**1,368.0**	**10,558.9**	8,285.4	1,255.0	9,540.4
Trading properties and long-term contracts	**129.3**	**46.2**	**175.5**	87.9	32.8	120.7
	9,320.2	**1,414.2**	**10,734.4**	8,373.3	1,287.8	9,661.1
Net debt						
Borrowings	**3,384.3**	**442.6**	**3,826.9**	3,518.3	478.7	3,997.0
Cash and cash equivalents	**(37.6)**	**(33.2)**	**(70.8)**	(159.4)	(25.0)	(184.4)
Monies held in restricted accounts and deposits	**(35.1)**	**(2.6)**	**(37.7)**	(95.6)	(2.0)	(97.6)
Cumulative fair value movement on interest-rate swaps	**2.0**	**20.7**	**22.7**	0.1	37.2	37.3
Net debt	**3,313.6**	**427.5**	**3,741.1**	3,263.4	488.9	3,752.3
Less: Cumulative fair value movement on interest-rate swaps	**(2.0)**	**(20.7)**	**(22.7)**	(0.1)	(37.2)	(37.3)
Reverse bond exchange de-recognition (note 16)	**467.5**	**-**	**467.5**	486.0	-	486.0
Adjusted net debt	**3,779.1**	**406.8**	**4,185.9**	3,749.3	451.7	4,201.0
Adjusted total equity						
Total equity	**6,812.3**		**6,812.3**	5,689.0		5,689.0
Cumulative fair value movement on interest-rate swaps	**2.0**	**20.7**	**22.7**	0.1	37.2	37.3
Reverse bond exchange de-recognition (note 16)	**(467.5)**		**(467.5)**	(486.0)		(486.0)
Adjusted total equity	**6,346.8**	**20.7**	**6,367.5**	5,203.1	37.2	5,240.3
Gearing	**48.6%**		**54.9%**	57.4%		66.0%
Adjusted gearing	**59.5%**		**65.7%**	72.1%		80.2%
Loan to value - Group	**40.5%**		**39.0%**	44.8%		43.5%
Loan to value - Security Group	**40.1%**			45.5%		
Weighted average cost of debt	**4.7%**		**4.9%**	5.2%		5.3%

17. 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
	2011	2010
	£m	£m
Loans and receivables	**503.5**	418.7
Financial liabilities at amortised cost	**(3,813.7)**	(3,913.8)
Net financial liabilities at fair value through profit and loss	**(2.0)**	(0.1)
	(3,312.2)	(3,495.2)

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, only independently-rated banks and financial institutions with a minimum rating of A are accepted. Group Treasury currently performs a weekly review of the credit ratings of all its financial institution counterparties. Furthermore, Group Treasury ensures that funds deposited with a single financial institution remain within the Group's policy limits.

Trade receivables

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

Property sales

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

Finance lease receivables

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

Loans to third parties

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

Commercial property backed loan notes

The Group has acquired investments in commercial property backed loan notes which have been independently rated with a rating of AAA.

(ii) Liquidity risk

The Group actively maintains a mixture of Notes with final maturities between 2013 and 2036, and medium-term committed bank facilities that are designed to ensure that the Group has sufficient available funds for its operations and its committed capital expenditure programme.

Management monitors the Group's available funds as follows:

					Group
	March 2011	December 2010	September 2010	June 2010	March 2010
	£m	£m	£m	£m	£m
Cash and cash equivalents	**37.6**	35.5	28.7	15.0	159.4
Undrawn committed credit lines (1)	**1,772.0**	1,795.0	2,170.0	1,090.0	1,400.0
Available funds	**1,809.6**	1,830.5	2,198.7	1,105.0	1,559.4
As a proportion of drawn debt	**47.1%**	47.0%	58.0%	27.5%	39.3%

1. Undrawn committed credit lines represent total undrawn committed facilities adjusted for amounts that would be restricted as a result of LTV covenants.

17. 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 2011, the reported LTV for the Security Group was **40.1%** (2010: 45.5%), meaning that the Group was operating in Tier 1 and benefited from maximum operational flexibility.

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

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.

2011	Carrying amount £m	Contractual cash flow £m	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) [(1)]	3,355.9	6,294.9	212.9	190.1	1,102.0	4,789.9
Finance lease liabilities [(1)]	28.4	253.4	2.2	2.1	5.9	243.2
Derivative financial instruments	2.0	2.0	-	-	2.0	-
Trade payables	12.2	12.2	12.2	-	-	-
Capital payables	74.6	74.6	74.6	-	-	-
	3,473.1	6,637.1	301.9	192.2	1,109.9	5,033.1

1. Contractual cash flows include the payment of future finance charges arising on liabilities in existence at the balance sheet date. 2011 and 2010 are presented on a consistent basis.

2010	Carrying amount £m	Contractual cash flow £m	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) [(1)]	3,465.7	6,658.5	511.7	200.6	969.8	4,976.4
Finance lease liabilities [(1)]	52.6	410.2	4.1	3.9	10.8	391.4
Derivative financial instruments	1.1	1.1	-	-	1.1	-
Trade payables	9.9	9.9	9.9	-	-	-
Capital payables	47.8	47.8	47.8	-	-	-
	3,577.1	7,127.5	573.5	204.5	981.7	5,367.8

(iii) Market risk

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

Interest rates

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

At 31 March 2011, the Group (including joint ventures) had **£0.7bn** (2010: £1.1bn) of interest rate swaps in place, and its net debt was **92.1%** fixed (2010: 98.2%). Based on year end Group debt balances, a 1% increase in interest rates would increase the net interest payable in the income statement by £4.3m. At 31 March 2010, all Group debt was fixed and accordingly interest payable in the income statement was not sensitive to movements in interest rates. The sensitivity has been calculated by applying the interest rate change to the variable rate borrowings, net of interest-rate swaps and cash and cash equivalents.

17. 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 committed expenditure in foreign currencies is identified, it is the Group's policy to hedge 100% of that exposure by entering into forward purchases of foreign currency to fix the Sterling value. Therefore, the Group's foreign-exchange risk is low.

The Group had no foreign-currency exposure at 31 March 2011 or at 31 March 2010.

Financial maturity analysis

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

						Group
			2011			2010
	Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total
	£m	£m	£m	£m	£m	£m
One year or less, or on demand	**9.5**	**23.5**	**33.0**	308.7	-	308.7
More than one year but not more than two years	**10.6**	**-**	**10.6**	9.7	-	9.7
More than two years but not more than five years	**162.1**	**428.0**	**590.1**	427.4	-	427.4
More than five years	**3,233.0**	**-**	**3,233.0**	3,273.1	-	3,273.1
	3,415.2	**451.5**	**3,866.7**	4,018.9	-	4,018.9

All of the Group's borrowings are denominated in Sterling.

18. Obligations under finance leases

		Group
	2011	2010
	£m	£m
The minimum lease payments under finance leases fall due as follows:		
Not later than one year	**2.2**	4.1
Later than one year but not more than five years	**8.0**	14.7
More than five years	**243.2**	391.4
	253.4	410.2
Future finance charges on finance leases	**(225.0)**	(357.6)
Present value of finance lease liabilities	**28.4**	52.6
The present value of finance lease liabilities is as follows:		
Not later than one year	**0.2**	0.5
Later than one year but not more than five years	**(0.1)**	0.8
More than five years	**28.3**	51.3
	28.4	52.6

The fair value of the Group's lease obligations, using a discount rate of **4.9%** (2010: 5.2%), is **£40.3m** (2010: £68.2m).

19. Cash flow from operating activities	Group		Company	
	2011	2010	2011	2010
Reconciliation of operating profit to net cash inflow from operating activities:	£m	£m	£m	£m
Cash generated from operations				
Operating profit/(loss)	**1,299.5**	1,143.8	**222.9**	1,089.9
Adjustments for:				
Depreciation	**6.5**	4.8	**-**	-
(Profit)/loss on disposal of non-current properties	**(75.7)**	32.5	**-**	-
Net valuation surplus on investment properties	**(794.1)**	(746.0)	**-**	-
Impairment of trading properties	**1.4**	10.6	**-**	-
Share-based payment charge	**3.8**	6.0	**-**	-
Dividends from subsidiary undertaking [1]	**-**		**-**	(1,100.0)
Reversal of previous impairment	**-**		**(234.7)**	
Pension scheme charge	**1.3**	1.0	**-**	-
	442.7	452.7	**(11.8)**	(10.1)
Changes in working capital:				
(Increase)/decrease in trading properties and long-term development contracts	**1.2**	10.1	**-**	-
(Increase)/decrease in receivables	**(41.9)**	(30.0)	**7.8**	242.3
Increase/(decrease) in payables and provisions	**18.0**	(5.8)	**395.0**	(110.8)
Net cash generated from operations	**420.0**	427.0	**391.0**	121.4

1. Dividends received from subsidiary undertakings have been satisfied through the inter-company account and have no cash impact.

20. Related party transactions

Subsidiaries

During the year, the Company entered into transactions, in the normal course of business, with other related parties as follows:

	2011 £m	2010 £m
Transactions with subsidiary undertakings:		
Recharge of costs	**(147.1)**	117.4
Dividends received	**-**	1,100.0
Interest paid	**(3.9)**	(11.1)
Investment in subsidiary	**(250.0)**	(850.0)

At 31 March 2011, **£387.8m** was due to subsidiary undertakings (2010: £13.3m due from subsidiary undertakings).

Joint ventures

As disclosed in note 11, the Group has investments in a number of joint ventures. Details of transactions and balances between the Group and its joint ventures are disclosed as follows:

	Year ended 31 March 2011 and at 31 March 2011				Year ended 31 March 2010 and at 31 March 2010			
	Revenues	**Net investments into joint ventures**	**Loans to joint ventures**	**Amounts owed to joint ventures**	Revenues	Net investments into joint ventures	Loans to joint ventures	Amounts owed to joint ventures
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
The Scottish Retail Property Limited Partnership	**0.5**	**0.5**	**3.4**	**(3.1)**	0.7	1.2	1.2	-
Metro Shopping Fund Limited Partnership	**0.3**	**(18.8)**	**1.5**	**-**	0.4	1.4	0.5	(0.8)
Buchanan Partnership	**4.2**	**(2.3)**	**0.5**	**-**	4.3	(1.4)	0.8	-
St. David's Limited Partnership	**1.7**	**(48.0)**	**17.5**	**-**	8.2	(70.2)	17.7	(0.4)
The Martineau Galleries Limited Partnership	**0.2**	**-**	**-**	**-**	0.2	(2.3)	0.3	-
The Bull Ring Limited Partnership	**-**	**-**	**-**	**-**	-	(7.7)	-	-
Bristol Alliance Limited Partnership	**1.2**	**(19.8)**	**6.0**	**-**	1.1	2.0	5.4	-
The Martineau Limited Partnership	**-**	**-**	**-**	**-**	-	-	-	-
A2 Limited Partnership	**-**	**-**	**-**	**-**	-	(0.1)	-	-
Westgate Oxford Alliance Limited Partnership	**0.5**	**28.1**	**0.6**	**-**	-	-	-	-
20 Fenchurch Street Limited Partnership	**0.4**	**55.3**	**0.1**	**-**	-	-	-	-
Countryside Land Securities (Springhead) Limited	**-**	**(1.9)**	**1.0**	**-**	-	0.4	0.8	-
The Ebbsfleet Limited Partnership	**-**	**-**	**0.2**	**-**	-	-	0.2	-
The Harvest Limited Partnership	**0.5**	**2.0**	**0.8**	**(43.6)**	0.3	2.1	0.7	(43.2)
The Oriana Limited Partnership	**0.1**	**-**	**6.9**	**-**	0.2	-	4.0	-
Millshaw Property Co. Limited	**-**	**-**	**-**	**(11.8)**	-	-	-	(11.4)
Fen Farm Developments Limited	**0.1**	**-**	**16.6**	**-**	0.1	-	12.7	-
The Empress State Limited Partnership	**-**	**-**	**0.1**	**-**	-	-	0.1	-
HNJV Limited	**-**	**-**	**2.5**	**-**	-	-	2.1	-
	9.7	**(4.9)**	**57.7**	**(58.5)**	15.5	(74.6)	46.5	(55.8)

Further detail of the above transactions and balances can be seen in note 11.

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'.

	2011 £m	2010 £m
Short-term employee benefits	**5.1**	5.6
Post-employment benefits	**0.3**	0.4
Share-based payments	**2.0**	3.2
	7.4	9.2

Short-term employee benefits for 2010 have been re-presented to include related social security costs of £0.6m.

Business analysis

Table 10: EPRA performance measures

	Definition for EPRA measure	Notes	31 March 2011 Land Securities Measure	31 March 2011 EPRA Measure	31 March 2010 Land Securities Measure	31 March 2010 EPRA Measure
Adjusted earnings	Recurring earnings from core operational activity	7	**£278.0m**	**£255.4m**[(1)]	£257.8m	£262.7m[(1)]
Adjusted earnings per share	Adjusted diluted earnings per weighted number of ordinary shares	7	**36.31p**	**33.36p**[(1)]	34.08p	34.73p[(1)]
Adjusted net assets	Net asset value adjusted to exclude fair value movements on interest rate swaps	8	**£6,366.7m**	**£6,834.2m**[(2)]	£5,241.2m	£5,727.2m[(2)]
Adjusted net assets per share	Adjusted diluted net assets per share	8	**826p**	**887p**[(2)]	691p	755p[(2)]
Triple net assets	Adjusted net assets amended to include the fair value of financial instruments and debt	8	**£6,252.8m**	**£6,252.8m**	£5,213.4m	£5,213.4m
Triple net assets per share	Diluted triple net assets per share	8	**812p**	**812p**	687p	687p
Net Initial Yield (NIY)	Annualised rental income less non-recoverable costs as a % of market value plus assumed purchasers' costs [(3)]		**5.3%**	**5.3%**	5.7%	5.7%
Topped-up NIY	NIY adjusted for rent free periods [(3)]		**5.8%**	**5.8%**	6.3%	6.3%
Voids/Vacancy Rate	ERV of vacant space as a % of ERV of combined portfolio [(4)]		**5.2%**	**5.2%**	9.7%	9.7%

1. EPRA adjusted earnings and EPRA adjusted earnings per share include the effect of debt restructuring charges (net of taxation) of £22.0m (2010: £3.6m), the effect of bond exchange de-recognition charges of £18.5m (2010: £13.8m), the effect of non-recurring revenue items of £2.3m (2010: £nil) and non-revenue tax adjustments of £16.8m (2010 : £23.1m) but exclude the profit on the sale of trading properties of £1.2m (2010: £0.8m).
2. EPRA adjusted net assets and adjusted diluted net assets per share include the effect of bond exchange de-recognition of £467.5m (2010: £486.0m).
3. Our NIY and Topped-up NIY are calculated by our external valuers and are consistent with EPRA NIY and Topped-up NIY. Further analysis on NIY is given in Table 19.
4. Based on our combined portfolio excluding the development programme. Further analysis is given in Table 19.

Table 11: Reconciliation of net book value of the investment properties to the market value

	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	As at 31 March 2010 Group (excl. Joint ventures) £m	As at 31 March 2010 Joint ventures £m	As at 31 March 2010 Total £m
Net book value	**8,889.0**	**1,328.0**	**10,217.0**	8,044.3	1,227.1	9,271.4
Plus: amount included in prepayments in respect of lease incentives	**194.2**	**36.1**	**230.3**	171.9	24.5	196.4
Less: head leases capitalised	**(28.4)**	**(4.6)**	**(33.0)**	(52.6)	(4.9)	(57.5)
Plus: properties treated as finance leases	**136.1**	**8.5**	**144.6**	121.8	8.3	130.1
Market value	**9,190.9**	**1,368.0**	**10,558.9**	8,285.4	1,255.0	9,540.4

Table 12: Top 10 property holdings

Total value £3.9bn
(37% of combined portfolio)

Name	Principal occupiers	Ownership interest (%)		Floor area (sq m)	Annualised net rent[1] (£m)	Let by income (%)	Weighted average unexpired lease term (yrs)
Cardinal Place, SW1	Microsoft Wellington Management	100	Retail Office	7,700 52,300	37.5	97	7.0
New Street Square, EC4	Deloitte Taylor Wessing	100	Retail Office	1,800 62,600	31.8	100	12.3
One New Change, EC4	K&L Gates CME H&M M&S Topshop	100	Retail Office	20,600 31,700	2.4	81	12.8
Queen Anne's Gate, SW1	Government	100	Office	32,800	27.3	100	15.5
White Rose Centre, Leeds	Sainsbury's Debenhams M&S Primark	100	Retail	65,000	21.0	98	8.1
Gunwharf Quays, Portsmouth	Vue Cinema M&S Nike Gap	100	Retail Office Other	31,300 2,800 24,300	19.2	99	7.3
Cabot Circus, Bristol	House of Fraser Harvey Nichols H&M	50	Retail Other	114,200 8,800	19.4	97	10.4
Bankside 2&3, SE1	Royal Bank of Scotland	100	Retail Office	3,500 35,200	16.1	100	16.2
Piccadilly Circus, W1	Boots Barclays	100	Retail Office Other	5,200 1,500 440	12.2	95	3.7
St David's, Cardiff	John Lewis New Look H&M	50	Retail	130,100	14.8	84	9.0

1. Group share

Table 13: Top 12 occupiers

	% of rent[1]
Central Government[2]	7.8
Accor Hotels	4.5
Royal Bank of Scotland	2.9
Deloitte	2.6
Sainsbury's	2.2
Arcadia Group	1.7
K&L Gates	1.6
Dixons Retail	1.5
Bank of New York Mellon	1.5
Next	1.4
Boots	1.4
Taylor Wessing	1.3
	30.4

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

Table 14: % Portfolio by value and number of property holdings at 31 March 2011

£m	Value %	Number of properties
0 – 9.99	1.9	53
10 – 24.99	2.9	20
25 – 49.99	9.1	29
50 – 99.99	17.3	24
100 – 149.99	17.8	15
150 – 199.99	9.9	6
200 +	41.1	12
Total	100.0	159

Includes share of joint venture properties.

Table 15: Combined portfolio value by location at 31 March 2011

	Shopping centres and shops %	Retail warehouses %	Offices %	Other %	Total %
Central inner and outer London	12.8	0.7	42.9	4.7	61.1
South East and Eastern	3.0	4.5	0.1	1.5	9.1
Midlands	0.9	1.2	0.1	0.5	2.7
Wales and South West	6.6	0.9	-	0.1	7.6
North, North West, Yorkshire and Humberside	7.1	3.2	0.2	0.7	11.2
Scotland and Northern Ireland	6.1	1.8	-	0.4	8.3
Total	36.5	12.3	43.3	7.9	100.0

% figures calculated by reference to the combined portfolio value of £10.6bn.

Table 16: Average rents at 31 March 2011

	Average rent £/sq m	Average ERV £/sq m
Retail		
Shopping centres and shops	n/a	n/a
Retail warehouses and food stores	212	206
Offices		
London office portfolio	396	384

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

Table 17: Like-for-like reversionary potential

Reversionary potential	31 March 2011 % of rent	31 March 2010 % of rent
Gross reversions	8.2	6.5
Over-rented	(7.2)	(9.7)
Net reversionary potential	1.0	(3.2)

The reversion is calculated with reference to the gross secure rent roll after the expiry of rent free periods on those properties which fall under the like-for-like definition as set out in the notes to the combined portfolio analysis. Reversionary potential excludes additional income from the letting of voids. Of the over-rented income, £16.6m is subject to a lease expiry or break clause in the next five years.

Table 18: One year performance relative to IPD
Ungeared total returns – year to 31 March 2011

	Land Securities %	IPD %
Retail – Shopping centres	14.7	12.9
– Retail warehouses	16.9 (1)	11.3
Central London retail	32.3	20.0
Central London offices	16.0 (2)	18.1
Total portfolio	16.8	11.3

IPD Quarterly Universe

1. Including supermarkets
2. Including Inner London offices

Table 19: Combined portfolio analysis

Like-for-like segmental analysis

	Market value [1]		Valuation surplus [2]		Rental income [3]		Annualised rental income [4]	Annualised net rent [5]		Net estimated rental value [6]	
	31 March 2011	31 March 2010	Surplus/ (deficit)	Surplus/ (deficit)	31 March 2011	31 March 2010	31 March 2011	31 March 2011	31 March 2010	31 March 2011	31 March 2010
	£m	£m	£m	%	£m	£m	£m	£m	£m	£m	£m
Shopping centres and shops											
Shopping centres and shops	**1,833.4**	1,692.6	**118.6**	**7.0**	**145.5**	145.0	**141.4**	**132.4**	133.3	**140.5**	140.8
Central London shops	**787.7**	683.9	**98.0**	**14.3**	**33.9**	34.6	**35.4**	**36.0**	34.8	**49.8**	40.3
	2,621.1	2,376.5	**216.6**	**9.1**	**179.4**	179.6	**176.8**	**168.4**	168.1	**190.3**	181.1
Retail warehouses											
Retail warehouses and food stores	**1,202.7**	1,079.0	**114.5**	**10.9**	**69.6**	64.2	**70.1**	**69.7**	69.7	**73.0**	71.9
Total retail	**3,823.8**	3,455.5	**331.1**	**9.7**	**249.0**	243.8	**246.9**	**238.1**	237.8	**263.3**	253.0
London offices											
West End	**1,678.2**	1,586.0	**88.0**	**5.7**	**109.5**	109.1	**107.9**	**106.2**	110.1	**96.8**	91.4
City	**422.8**	369.8	**51.3**	**13.9**	**27.4**	28.5	**27.9**	**26.7**	28.5	**29.2**	26.7
Mid-town	**311.6**	279.1	**9.0**	**4.0**	**19.6**	20.4	**14.7**	**14.0**	19.6	**25.4**	24.0
Inner London	**726.2**	668.6	**55.9**	**8.8**	**49.5**	47.9	**48.1**	**48.8**	48.5	**45.4**	42.7
Total London offices	**3,138.8**	2,903.5	**204.2**	**7.4**	**206.0**	205.9	**198.6**	**195.7**	206.7	**196.8**	184.8
Rest of UK	**41.9**	44.9	**(6.5)**	**(13.6)**	**3.7**	3.5	**3.6**	**3.6**	3.6	**4.2**	4.4
Total offices	**3,180.7**	2,948.4	**197.7**	**7.0**	**209.7**	209.4	**202.2**	**199.3**	210.3	**201.0**	189.2
Other	**744.4**	676.2	**53.8**	**7.8**	**46.7**	46.0	**47.8**	**48.2**	47.6	**49.6**	47.2
Like-for-like portfolio [11]	**7,748.9**	7,080.1	**582.6**	**8.4**	**505.4**	499.2	**496.9**	**485.6**	495.7	**513.9**	489.4
Proposed developments [12]	**170.5**	71.0	**27.7**	**19.4**	**4.2**	10.3	**2.3**	**2.2**	8.9	**9.6**	9.6
Completed developments [13]	**1,153.4**	1,028.8	**112.1**	**11.6**	**61.7**	51.6	**62.5**	**60.1**	46.8	**70.5**	69.2
Acquisitions [14]	**403.1**	5.7	**5.7**	**1.5**	**12.1**	-	**23.2**	**22.3**	0.1	**23.6**	0.3
Sales and restructured interests [15]	**-**	670.1	**-**	**-**	**16.5**	60.5	**-**	**-**	21.9	**-**	52.9
Development programme [16]	**1,083.0**	684.7	**171.9**	**19.4**	**29.3**	23.6	**38.4**	**25.4**	25.2	**103.4**	82.2
Combined portfolio	**10,558.9**	9,540.4	**900.0**	**9.7**	**629.2**	645.2	**623.3**	**595.6**	598.6	**721.0**	703.6
Surplus on investment property reclassified as trading			**8.8**	**31.2**	**-**	-					
Properties treated as finance leases			**-**	**-**	**(6.6)**	(6.4)					
Combined portfolio			**908.8**	**9.7**	**622.6**	638.8					

Total portfolio analysis

	31 March 2011	31 March 2010	Surplus/ (deficit)	Surplus/ (deficit)	31 March 2011	31 March 2010	31 March 2011	31 March 2011	31 March 2010	31 March 2011	31 March 2010
	£m	£m	£m	%	£m	£m	£m	£m	£m	£m	£m
Shopping centres and shops											
Shopping centres and shops	**2,852.9**	2,460.8	**195.5**	**7.5**	**198.3**	206.6	**202.4**	**192.5**	180.3	**233.4**	204.2
Central London shops	**1,015.4**	993.2	**179.1**	**21.5**	**44.1**	44.2	**46.0**	**42.7**	42.3	**63.3**	69.8
	3,868.3	3,454.0	**374.6**	**10.9**	**242.4**	250.8	**248.4**	**235.2**	222.6	**296.7**	274.0
Retail warehouses											
Retail warehouses and food stores	**1,298.3**	1,150.6	**127.2**	**11.2**	**74.4**	72.9	**75.2**	**73.1**	73.7	**78.2**	76.4
Total retail	**5,166.6**	4,604.6	**501.8**	**11.0**	**316.8**	323.7	**323.6**	**308.3**	296.3	**374.9**	350.4
London offices											
West End	**1,874.6**	1,883.8	**115.9**	**6.8**	**116.7**	123.7	**109.1**	**106.9**	119.4	**121.0**	135.6
City	**1,017.5**	788.0	**107.0**	**12.0**	**40.3**	47.9	**43.7**	**31.6**	40.0	**64.9**	64.7
Mid-town	**909.5**	794.5	**69.7**	**9.8**	**51.1**	48.8	**43.8**	**45.1**	41.0	**57.2**	54.9
Inner London	**726.2**	678.1	**55.9**	**8.8**	**50.0**	48.8	**48.1**	**48.8**	49.1	**45.4**	43.5
Total London offices	**4,527.8**	4,144.4	**348.5**	**8.8**	**258.1**	269.2	**244.7**	**232.4**	249.5	**288.5**	298.7
Rest of UK	**42.2**	50.9	**(6.2)**	**(13.0)**	**3.7**	4.0	**3.6**	**3.7**	3.6	**4.3**	5.7
Total offices	**4,570.0**	4,195.3	**342.3**	**8.6**	**261.8**	273.2	**248.3**	**236.1**	253.1	**292.8**	304.4
Other	**822.3**	740.5	**55.9**	**7.3**	**50.6**	48.3	**51.4**	**51.2**	49.2	**53.3**	48.8
Combined portfolio	**10,558.9**	9,540.4	**900.0**	**9.7**	**629.2**	645.2	**623.3**	**595.6**	598.6	**721.0**	703.6
Surplus on investment property reclassified as trading			**8.8**	**31.2**	**-**	-					
Properties treated as finance leases			**-**	**-**	**(6.6)**	(6.4)					
Combined portfolio			**908.8**	**9.7**	**622.6**	638.8					
Represented by:											
Investment portfolio	**9,190.9**	8,285.4	**794.1**	**9.8**	**550.0**	566.2	**545.8**	**519.7**	525.6	**637.0**	612.8
Share of joint ventures	**1,368.0**	1,255.0	**114.7**	**9.5**	**79.2**	79.0	**77.5**	**75.9**	73.0	**84.0**	90.8
Combined portfolio	**10,558.9**	9,540.4	**908.8**	**9.7**	**629.2**	645.2	**623.3**	**595.6**	598.6	**721.0**	703.6

Table 19: 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 2011	31 March 2010	**31 March 2011**	31 March 2010	**31 March 2011**	31 March 2010	**31 March 2011**	31 March 2010
	£m	£m	**%**	%	**%**	%	**%**	%
Shopping centres and shops								
Shopping centres and shops	**150.1**	150.5	**6.2**	6.5	**6.5**	7.0	**5.9**	8.1
Central London shops	**50.1**	41.0	**4.2**	4.8	**5.2**	5.4	**4.4**	6.3
	200.2	191.5	**5.6**	6.0	**6.1**	6.5	**5.5**	7.7
Retail warehouses								
Retail warehouses and food stores	**73.5**	72.4	**5.2**	5.8	**5.7**	6.3	**3.3**	1.9
Total retail	**273.7**	263.9	**5.4**	5.9	**6.0**	6.5	**4.9**	6.1
London offices								
West End	**96.8**	91.4	**6.0**	6.2	**5.9**	6.1	**3.3**	4.2
City	**30.0**	27.6	**5.3**	6.6	**6.0**	6.6	**7.7**	12.3
Mid-town	**26.2**	24.7	**3.8**	6.3	**6.0**	7.0	**4.2**	2.4
Inner London	**46.2**	43.0	**6.3**	6.7	**5.8**	6.2	**1.7**	3.0
Total London offices	**199.2**	186.7	**5.8**	6.4	**5.9**	6.3	**3.7**	4.9
Rest of UK	**4.3**	4.4	**8.0**	7.8	**9.1**	9.0	**7.0**	15.9
Total offices	**203.5**	191.1	**5.8**	6.4	**6.0**	6.3	**3.8**	5.1
Other	**49.4**	47.4	**6.3**	6.8	**6.4**	6.9	**2.8**	1.3
Like-for-like portfolio [11]	**526.6**	502.4	**5.7**	6.2	**6.0**	6.4	**4.3**	5.3
Proposed developments [12]	**9.6**	9.6	**4.4**	4.8	**4.5**	5.2	**n/a**	n/a
Completed developments [13]	**71.9**	70.5	**4.7**	4.0	**5.6**	6.1	**n/a**	n/a
Acquisitions [14]	**24.4**	0.3	**5.0**	2.1	**5.6**	6.4	**n/a**	n/a
Sales and restructured interests [15]	**-**	55.0	**-**	5.5	**-**	6.3	**n/a**	n/a
Development programme [16]	**104.9**	84.5	**1.9**	1.4	**5.4**	6.1	**n/a**	n/a
Combined portfolio	**737.4**	722.3	**5.3**	5.7	**5.9**	6.4	**n/a**	n/a

Total portfolio analysis

	Gross estimated rental value [7]		Net initial yield [8]		Equivalent yield [9]	
	31 March 2011	31 March 2010	**31 March 2011**	31 March 2010	**31 March 2011**	31 March 2010
	£m	£m	**%**	%	**%**	%
Shopping centres and shops						
Shopping centres and shops	**244.9**	217.4	**5.8**	5.8	**6.4**	6.8
Central London shops	**64.2**	70.8	**3.9**	4.4	**5.2**	5.4
	309.1	288.2	**5.3**	5.5	**6.1**	6.5
Retail warehouses						
Retail warehouses and food stores	**78.8**	76.8	**5.1**	5.8	**5.7**	6.2
Total retail	**387.9**	365.0	**5.2**	5.5	**6.0**	6.4
London offices						
West End	**121.0**	136.3	**6.0**	6.1	**5.9**	6.1
City	**65.7**	65.8	**2.8**	3.9	**5.6**	6.4
Mid-town	**58.8**	56.3	**4.5**	4.8	**5.4**	6.1
Inner London	**46.2**	43.8	**6.3**	6.7	**5.8**	6.2
Total London offices	**291.7**	302.2	**4.7**	5.4	**5.6**	6.3
Rest of UK	**4.4**	5.8	**8.0**	6.9	**9.1**	9.1
Total offices	**296.1**	308.0	**5.1**	5.6	**5.7**	6.2
Other	**53.4**	49.3	**6.3**	6.8	**6.4**	6.9
Combined portfolio	**737.4**	722.3	**5.3**	5.7	**5.9**	6.4
Represented by:						
Investment portfolio	**651.6**	628.4	**5.3**	5.8	**6.0**	6.4
Share of joint ventures	**85.8**	93.9	**4.9**	4.8	**5.5**	6.3
Combined portfolio	**737.4**	722.3	**5.3**	5.7	**5.9**	6.4

Notes:

1. The market value figures include the Group's share of joint ventures, and is determined by the Group's valuers, in accordance with the RICS Valuation Standards.
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.
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.
9. Calculated by the Group's valuers, equivalent yield is the internal rate of return from an investment property, based on the gross outlays for the purchase of a property (including purchase costs), reflecting reversions to current market rent, and such items as voids and non-recoverable expenditure but disregarding potential changes in market rents. The calculation assumes rent is received annually in arrears.
10. Voids - refer to glossary.
11. The like for like portfolio includes all properties which have been in the portfolio since 1 April 2009 but excluding those which were acquired, sold or included in the development programme at any time during the period. Capital expenditure on refurbishments, acquisitions of 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 2009.
14. Includes all properties acquired in the period since 1 April 2009.
15. Includes all properties sold in the period since 1 April 2009.
16. The development programme consists of authorised and committed developments, projects under construction and developments which have reached practical completion within the last 2 years but are not yet 95% let.
    Yield figures are only calculated for properties in the development programme that have reached practical completion.

Table 20: Income statement – rental income reconciliation

	Retail Portfolio £m	London Portfolio £m	Other £m	31 March 2011 £m	Retail Portfolio £m	London Portfolio £m	Other £m	31 March 2010 £m
Combined portfolio	316.8	258.1	54.3	629.2	323.7	269.2	52.3	645.2
Central London shops (excluding Metro Shopping Fund LP)	(42.4)	42.4	-	-	(41.6)	41.6	-	-
Inner London offices including Metro Shopping Fund LP	0.5	(0.5)	-	-	0.6	(0.6)	-	-
Rest of UK offices	3.6	0.1	(3.7)	-	4.0	-	(4.0)	-
Other	43.9	6.7	(50.6)	-	39.8	8.5	(48.3)	-
	322.4	306.8	-	629.2	326.5	318.7	-	645.2
Less finance lease adjustment	(2.9)	(3.7)	-	(6.6)	(2.8)	(3.6)	-	(6.4)
Total rental income for combined portfolio	319.5	303.1	-	622.6	323.7	315.1	-	638.8

Table 21: Market value reconciliation

	Retail Portfolio £m	London Portfolio £m	Other £m	31 March 2011 £m	Retail Portfolio £m	London Portfolio £m	Other £m	31 March 2010 £m
Combined portfolio	5,166.6	4,527.8	864.5	10,558.9	4,604.6	4,144.4	791.4	9,540.4
Central London shops (excluding Metro Shopping Fund LP)	(1,015.4)	1,015.4	-	-	(941.1)	941.1	-	-
Inner London offices including Metro Shopping Fund LP	-	-	-	-	9.5	(9.5)	-	-
Rest of UK offices	42.2	-	(42.2)	-	50.9	-	(50.9)	-
Other	630.5	191.8	(822.3)	-	541.7	198.8	(740.5)	-
Per business unit	4,823.9	5,735.0	-	10,558.9	4,265.6	5,274.8	-	9,540.4

Table 22: Gross estimated rental value reconciliation

	Retail Portfolio £m	London Portfolio £m	Other £m	31 March 2011 £m	Retail Portfolio £m	London Portfolio £m	Other £m	31 March 2010 £m
Combined portfolio	387.9	291.7	57.8	737.4	365.0	302.2	55.1	722.3
Central London shops (excluding Metro Shopping Fund LP)	(64.2)	64.2	-	-	(67.5)	67.5	-	-
Inner London offices including Metro Shopping Fund LP	-	-	-	-	0.8	(0.8)	-	-
Rest of UK offices	4.4	-	(4.4)	-	5.8	-	(5.8)	-
Other	44.2	9.2	(53.4)	-	40.6	8.7	(49.3)	-
Per business unit	372.3	365.1	-	737.4	344.7	377.6	-	722.3

Table 23: Lease lengths

	Unexpired lease term at 31 March 2011			
	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	5.9	7.4	6.5	8.0
Central London shops	4.4	8.8	4.4	6.4
	5.6	7.8	6.1	7.7
Retail warehouses				
Retail warehouses and food stores	9.2	10.4	9.6	10.8
Total retail	6.8	8.1	7.1	8.5
London offices				
West End	5.7	9.0	5.6	8.9
City	3.9	6.0	4.0	5.9
Mid-town	4.0	11.1	12.3	11.9
Inner London	8.1	8.8	8.1	8.8
Total London offices	6.2	8.7	5.6	8.6
Rest of UK	2.2	2.9	2.2	2.9
Total offices	5.6	8.6	6.0	8.5
Other	7.5	10.2	7.6	10.2
Total	**6.9**	**8.5**	**7.2**	**8.9**

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.

Table 24: Development pipeline financial summary

	Cumulative movements on the development programme to 31 March 2011						Total scheme details[6]				
	Market value at start of scheme	Capital expenditure incurred to date	Capitalised interest to date	Valuation surplus / (deficit) to date [1]	Disposals, SIC15 rent and other adjustments	Market value at 31 March 2011	Estimated total capital expenditure [4]	Estimated total capitalised interest	Estimated total development cost [2]	Net Income / ERV [3]	Valuation surplus / (deficit) for year ended 31 March 2011 [1]
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Developments let and transferred or sold											
Shopping centres and shops	12.7	140.0	8.4	(67.2)	1.6	95.5	140.0	8.4	161.1	7.0	7.3
Retail warehouses and food stores	24.1	6.9	0.6	20.4	0.9	52.9	6.9	0.6	31.6	3.0	9.8
London Portfolio	271.1	87.2	3.2	62.0	(278.8)	144.7	82.1	3.2	142.4	8.4	66.8
	307.9	234.1	12.2	15.2	(276.3)	293.1	229.0	12.2	335.1	18.4	83.9
Developments after practical completion, approved or in progress											
Shopping centres and shops	92.8	369.8	19.3	(94.4)	(1.7)	385.8	654.2	41.8	788.8	48.7	52.6
Retail warehouses and food stores	-	-	-	-	-	-	-	-	-	-	-
London Portfolio	294.5	388.8	53.6	(50.8)	11.1	697.2	567.2	64.6	926.3	61.9	119.3
	387.3	758.6	72.9	(145.2)	9.4	1,083.0	1,221.4	106.4	1,715.1	110.6	171.9
	Movement on proposed developments for the year ended 31 March 2011[5]										
Proposed developments											
Shopping centres and shops	-	-	-	-	-	-	-	-	-	-	-
Retail warehouses and food stores	23.0	0.2	-	2.2	0.1	25.5	11.6	-	37.1	2.0	2.2
London Portfolio	94.0	25.5	-	25.5	-	145.0	369.5	24.5	539.0	42.0	25.5
	117.0	25.7	-	27.7	0.1	170.5	381.1	24.5	576.1	44.0	27.7

Notes:

1. Includes profit realised on the disposal of property.
2. Includes the property at the market valuation at the start of the financial year in which the property was added to the development programme together with estimated capitalised interest. For proposed development properties, the market value of the property at 31 March 2011 is included in the estimated total cost. Estimated total development cost includes the cost of residential properties for shopping centres and shops of £10.6m in the development programme.
3. Net headline annual rent on let units plus net ERV at 31 March 2011 on unlet units.
4. For proposed development properties the estimated total capital expenditure represents the outstanding costs required to complete the scheme as at 31 March 2011.
5. Opening market value for proposed developments includes our share of 20 Fenchurch Street, EC3.
6. Total scheme details exclude properties sold in the period.

Glossary

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

Adjusted net asset value (NAV) per share
NAV per share adjusted to add back the adjustment arising from the de-recognition of the bond exchange, together with cumulative 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.

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

BREEAM
Building Research Establishment's Environmental Assessment Method.

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

Completed developments
Completed developments consist of those properties previously included in the development programme, which have been transferred from the development programme since 1 April 2009.

Development pipeline
The Group's development programme together with proposed developments.

Development programme
The development programme consists of committed developments (being projects which are approved and the building contract let), authorised developments (those projects approved by the Board for which the building contract has not yet been let), projects under construction and developments which have reached practical completion within the last two years but are not yet 95% let.

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

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

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

EPRA
European Public Real Estate Association.

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 but disregarding potential changes in market rents. The calculation assumes rent is received annually in arrears.

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

Gross estimated rental value (ERV)
The estimated market rental value of lettable space as determined biannually by the Group's valuers.

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 17 in the financial statements.

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

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

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

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

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

Like-for-like portfolio
The like-for-like portfolio includes all properties which have been in the portfolio since 1 April 2009, but excluding those which are acquired, sold or included in the development pipeline at any time during the period.

Loan-to-value (LTV)
Group LTV is the ratio of adjusted net debt, including joint ventures, to the sum of investment properties, net investment in finance leases and 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 and central London shops.

Market value
Market value is determined by the Group's valuers, in accordance with the RICS Valuation Standards, as an opinion of the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing.

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 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. 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 full planning consent, including detailed design, external appearance and landscaping before a project can proceed. An outline planning permission will lapse if full planning permission is not granted within three years.

Over-rented
Space where the passing rent is above the ERV.

Passing cash rent
The estimated annual rent receivable as at the reporting date which includes estimates of turnover rent and estimates of rent to be agreed in respect of outstanding rent review or lease renewal negotiations. Passing cash rent may be more or less than the ERV (see over-rented, reversionary and ERV). Passing cash rent excludes annual rent receivable from units in administration save to the extent that rents 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.

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 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 and assets held in retail joint ventures but not central London shops.

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 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 increase in adjusted diluted net asset value per share, divided by the adjusted diluted net asset value per share at the beginning of the year.

Total development cost (TDC)
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
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.