Full Year Report
for the year ended 31 March 2008

Wednesday 14 May 2008

Preliminary results for the year ended 31 March 2008

“Whilst Land Securities has not been immune to the general market trends in property values, we have performed well in each of our three divisions and achieved significant relative out performance against IPD. Our moderate gearing levels, well timed development programme and active approach to asset management position the Company well for the current market."

Results Summary

	2008	2007	**change**
Valuation (deficit) / surplus	**(£1,279.6m)**	£1,396.1m	**n/a**
Basic NAV	**2067 pence**	2304 pence	**Down 10.3%**
Adjusted diluted NAV*	**1956 pence**	2181 pence	**Down 10.3%**
Pre-tax (loss) / profit**	**(£888.8m)**	£1,979.1m	**n/a**
Revenue profit	**£379.1m**	£392.2m	**Down 3.3%**
Basic EPS	**(188.80 pence)**	753.59 pence	**n/a**
Adjusted diluted EPS	**81.71 pence**	70.20 pence	**Up 16.4%**
Adjusted Gearing ***	**67.5%**	58.8%	**n/a**
Dividend	**64.0 pence**	53.0 pence	**Up 20.8%**

*Our key valuation measure ** Includes revaluation deficit, profits/loss on disposals and exceptional items *** Including notional share of joint ventures

Highlights

Performance

- All three businesses, London, Retail and Trillium performed well
- £58.5m p.a. of development lettings in year
- £1.56bn of investment property sales – 5.3% above March 2007 valuation (before disposal costs)
- £0.81bn of capital released from Trillium Investment Partners Fund
- Investment portfolio valuation down 8.8%
- IPD outperformance on investment properties

  - IPD All Property +6.5%
  - IPD London Office +4.3%
  - IPD Shopping Centre +4.6%
  - IPD Retail Warehouses +5.5%

London

- 1.6m sq ft of new developments completed and 94% let
- Total sales of £716.2m at 8.2% above March 2007 valuation
- Timing of development pipeline well matched to economic cycle

Retail

- Completed and launched three developments, Exeter 95% let, Cambridge 100% let and Corby 75% let
- Total sales of £834.8m at 3.1% above March 2007 valuation
- Launched and grew the Harvest Partnership joint venture with J Sainsbury

Trillium

- Successful launch of the £1.1bn Trillium Investment Partners fund
- Positive return on capital of 9.5%
- New business wins in key strategic areas including education and waste

Demerger

- Good progress on plans for the demerger. New Chairmen selected for each business
- Discussions with rating agencies indicate likely ratings of AA for separate London and Retail debt programmes, in line with current Group arrangements
- Timing on implementation to be guided by market conditions

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

"The market is demanding but we have performed well in relative terms this year and our results show considerable success in terms of value preservation in the face of a sharply falling market. As a result, we are well placed in our London and Retail investment businesses, with moderate gearing levels, a well-timed development programme and strong portfolios matched to occupiers' needs. Trillium is in excellent health with stable long-term cashflows and a robust pipeline of new opportunities across a number of growing sectors. I am confident our businesses have the strength and scale to thrive.

"How occupiers respond to current economic conditions will prove key over the next 12 months. We are alive to the challenges involved and we will concentrate on competing hard in this environment while preparing for the next set of opportunities.

In summary we are well placed in the short term and for the medium to longer term, we have a plan for sustained value creation through demerger on which we are steadily progressing our plans."

-Ends-

For further info, please contact:
www.landsecurities.com/prelims2008

Notes to editors
Land Securities Group PLC

- Land Securities is the UK's leading Real Estate Investment Trust with a national portfolio of commercial property worth almost £14bn. Our investment portfolio has around 60 retail parks and shopping centres including Birmingham's Bullring centre and Exeter's award-winning Princesshay site.

- Half our portfolio is in London, where we own many landmark buildings such as the Piccadilly Lights and Westminster City Hall and are developing some of the capital's most innovative mixed-use schemes, such as Cardinal Place, Victoria and New Street Square in Mid-town.

- Land Securities' multi billion pound development programme is transforming regional city centres including Bristol, Cardiff, Glasgow and Leeds, key sites in Central London and delivering long-term, large-scale regeneration projects in the South East.

- Land Securities is the principal name in property outsourcing and partnerships. We focus on understanding our customers' business and property requirements and meeting them through excellent service and innovation. We manage and provide services to numerous commercial properties nationwide, for a growing number of companies and government departments.

Land Securities will be holding a results presentation today at 9.00am (GMT) and a live web-cast will be available at www.landsecurities.com/prelims2008

An interview with Francis Salway and Martin Greenslade, Group Finance Director, is available at www.landsecurities.com/prelims2008

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Chairman's message

Land Securities is a well-managed company that thrived during an extended run of good market conditions. This year there was a market correction. Property values have reflected changes in interest rates and risk premia margins. Our sector does not operate in isolation from the credit market and the wider economy.

We anticipated these changing conditions and have been preparing the Company accordingly. We limited acquisitions, accelerated sales, reduced our exposure to development risk and planned our funding conservatively. We keep an old fashioned focus on costs, spending only when necessary and productive. Our three businesses are in good shape as a result.

Successful companies respond early to change. The actions we took this year demonstrate strength. We will continue to be decisive and to make the most of our skills and competitive advantages in the current demanding conditions.

Land Securities has a long and proud history of managing itself well through a range of market conditions. We always look to move forward, even when progress demands bold decisions.

Back in the 1950s, under the leadership of Harold Samuel, we entered into the property sector's first convertible debenture agreement. This was criticised by some at the time but soon became common practice.

In the early 1970s we went against the prevailing trend in the sector and limited our borrowing, a decision that enabled us to bounce back from the property crash of 1974.

Looking at the Company in the early 1990s, we can see parallels with today. Chairman Peter Hunt wrote at the time: "The fundamental principles on which Land Securities has been built are helping us through the most difficult period for the property industry that I can remember."

Those principles still hold true. Once again we are being bold with our plans for demerger. Our diversified business model has served us well but we believe specialisation will become increasingly appealing. Investors value specialisation – they want to be absolutely clear on the specific risks and opportunities ahead. We believe that by demerging our businesses we can provide greater clarity and greater value through a step change in focus and flexibility. To use the jargon of professional investors, we will be more ambitious in our pursuit of portfolio alpha.

Throughout the demerger process we will work hard to minimise costs and to communicate what we are doing and why. The Company strives to set high standards of disclosure. We will report key decisions quickly and clearly.

One principle will remain consistent throughout the process – we will only move to demerge when the conditions are right. We have no timetable to follow but our own.

During times of profound change you see the true calibre of a company's employees. I am impressed by what I have seen here this year. The demerger has not distracted anyone or anything. We recognise business conditions are placing great demands on our people at the moment and we thank them for their terrific response.

Win Bischoff left our Board recently after more than eight years of quite extraordinary service. He will be missed. We congratulate him on his appointment as Chairman of Citigroup. Christopher Bland, Rick Haythornthwaite and Kevin O'Byrne have been appointed to the Board as Non-executive Directors. They will be offering themselves for election by shareholders at our forthcoming Annual General Meeting. I encourage you to support their election.

Regardless of the demerger process and demanding market conditions, the Company continues to make corporate responsibility a priority. Rightly so. We want to be a provider and partner of choice, and our excellent track record across governance, sustainability and community affairs plays a vital role in this. It's quite simple – we want to be the sort of company people prefer to work with.

The Board thanks our colleagues, customers and suppliers for their tremendous support this year. With their help the Company remains in excellent shape and we look ahead with confidence to the next 12 months in Land Securities' remarkable history.

Paul Myners
Chairman

Chief Executive's Statement

After a long run of good market conditions the property sector experienced a set back this year, with less liquidity in the capital markets and some caution on likely demand from occupiers. Although we anticipated this inflection point some time ago, and started preparations for changed market dynamics, our portfolio and our performance have not been immune to the general market trends.

Our key challenge this year was to keep evolving our businesses so they were fit to compete and win in the current demanding conditions while laying the foundations for future growth. Our strategy delivered a strong relative performance, with our portfolio outperforming the IPD Quarterly Universe by 6.5% in relative terms. This outperformance represents some £800m of value preservation for our shareholders.

Timing and execution

I believe the key to our performance this year can be summed up in two words – timing and execution. Take our sales programme. We made our last major retail acquisition in February 2006, while this year we sold £835m of retail assets and achieved prices on average 3.1% above valuation.

As a result we have a high quality retail portfolio well suited to our customers' needs and we have the resources required to make acquisitions when the right opportunities appear. In London we have achieved similar success, with £716m of sales made at 8.2% above average valuation, providing resources to address future opportunities.

Our development programme was equally well timed and executed. This year we secured our highest ever level of development completions at 242,200m^2, and at year-end these were 94% let. In London we had expected employment growth in the financial services sector to be weaker so we will be completing just 25,500m^2 of office developments over the next two financial years, keeping our supply of high quality space in line with expected levels of demand.

Three market leaders within one company

Our three businesses performed well throughout the year and demonstrated their market leadership credentials.

In London we achieved the highest levels of office development lettings of any company or organisation this year. This included the leasing of Bankside 2&3 to Royal Bank of Scotland – the second largest letting of the year in the sector. In July we won planning consent from the Secretary of State for 20 Fenchurch Street. This followed a high profile media debate and public inquiry, and once again we showed that taking a project of this scale from vision to approval requires both imagination and determination – a rare blend.

Our Retail business capped a strong year with the completion and successful letting of Princesshay in Exeter. I think this is one of the finest developments in our history and deserved its British Council of Shopping Centres' Supreme Gold Award – the third year in a row a Land Securities development has won this accolade. I am also pleased by the launch and early progress of The Harvest Partnership, our joint venture with Sainsbury's.

Trillium produced another year of strong growth. Having integrated the Secondary Market Infrastructure Fund business acquired in February 2007, we launched our PPP fund, Trillium Investment Partners, this year and – despite less liquidity and increasing anxiety in the market – achieved a successful close of the fund in March 2008. Trillium Investment Partners has been established with an initial capital of £1.136bn, of which half is debt financed and half equity. The quality of the investors in the fund speaks volumes for Trillium's reputation, while our success in winning the Kent Building Schools for the Future contract confirms both the strength of our offer and the scale of the opportunities ahead.

Meeting changing needs and expectations

Our businesses are increasingly adept at understanding and responding to our customers' changing needs and expectations. This often requires us to make key decisions early, from adjusting the volume and type of space we are developing to incorporating innovative forms of public space into our projects.

Sustainability is of growing importance to many people and is one area where we have sought to anticipate change and act early. For a decade we have focused on environmental issues and this was recognised during the year when sustainablebusiness.com named us one of the World's Top 20 Sustainable Stocks, with Land Securities the only UK Company included. I am also pleased that the Dow Jones Sustainability Index named us a global leader in both the real estate and finance sectors.

Acting responsibly means addressing some big challenges, such as working to reuse or recycle at least 90% of the demolition waste created by a new development, or enabling customers to improve the energy performance of a building. But it's about smaller things too, like offering our employees up to two days paid leave so they can help local community organisations. In our experience, both big and small acts help to make us a better business.

The value of REIT status

We converted to REIT status on 1 January 2007 and so this year we enjoyed exemption from corporation tax on qualifying rental income and on gains from investment property sales.

Although the conversion has coincided with the more challenging market conditions I outlined earlier, our change in status has been and continues to be advantageous for shareholders. First, we now pay less tax, which has increased earnings per share. Second, the representation of international shareholders on our register has increased from 23% to 37% since March 2005 and this suggests REIT status has attracted more international capital and potentially wider demand for shares – a clear benefit.

Plans for demerger

Since 2004 we have structured the Company around three large and distinct business divisions. The Board believes there is now potential to create greater value for shareholders by separating these businesses. In our Interim Report in November 2007 we confirmed our intention to demerge the Group into three separately quoted entities and we set out our rationale for doing so.

This is not a reaction to short-term market trends. A demerger has been under careful consideration for some time and, as with our conversion to REIT status, the Board's proposal is made with long-term value creation in mind. In the past few years we have run our three businesses with a high degree of autonomy and the demerger process is a natural step in our Company's evolution.

I am delighted to report that our planning for the demerger did not impact the activity levels or performance of the Company nor did it affect the support we provide to customers. Indeed, our satisfaction rating with our largest customer, the Department for Work and Pensions, was the highest ever at 94%, up three percentage points on 2006.

Throughout the year the Non-executive Directors have provided invaluable guidance to the senior management team. I would like to take this opportunity to thank them for their support.

Outlook

The market is certainly demanding but we have performed well in relative terms this year. As a result, we are well placed in our London and Retail property investment businesses, with moderate gearing levels, a well-timed development programme and strong portfolios well matched to occupiers' needs. Trillium is in excellent health with stable long-term cashflows and a robust pipeline of new opportunities across a number of dynamic sectors. I am confident our businesses have the strength and scale to thrive.

How occupiers respond to current economic conditions will prove key over the next 12 months. We are alive to the challenges involved and we will concentrate on competing hard in this environment while preparing for the next set of opportunities. I have long believed the companies that thrive in our industry do so because they maintain a clear long-term view of their markets and have the confidence to evolve their businesses well ahead of changing conditions – this is the approach Land Securities will continue to take.

Benefits of demerger

In November 2007 we announced our intention to demerge into three separate companies. Since then we have made progress on the extensive preparatory work required to make this happen. The Board will make the final decision on the implementation of our plan when market conditions are favourable and when it receives the mandate to do so from shareholders. Here we discuss the rationale for demerger.

Why we are considering demerger now

As a property company we set out to take key investment decisions from a position of strength. We restructured to create Retail, London and Outsourcing (now Trillium) in 2004 because it was right for the Company. The three businesses have grown and now have the size and strength to stand alone.

The demerger plan recognises that these businesses have different financial characteristics, and that specialisation will help each business to raise capital. We also believe that greater recognition will be given to major successes achieved within a specialised business, rather than within a more broadly based Group.

The history of the demerger process

The potential benefits of demerger were first raised within the Company in autumn 2005 when Chief Executive Francis Salway identified this as a key issue for the Group in the second half of the decade. The review process started long before current market conditions were evident and we believe demerger will be delivering value for shareholders when the current market conditions are regarded as history.

The Board has a strong track record on bold decisions. In recent years we acquired Trillium, exited the industrial sector through the property swap with SEGRO and boosted our development pipeline ahead of the current cycle. These decisive actions have proved successful. Demerger is the latest bold decision in the ongoing evolution of the Company.

Businesses benefit from specialisation

Historic data shows that in the UK and US specialist companies have produced higher shareholder returns over the last 10 years. We believe a balance sheet tailored to the respective sector cycles has the potential to improve return on shareholders' equity by a material amount.

With a bespoke financial structure our London and Retail portfolios could be valued more easily and could raise capital more easily. We believe they will also be better positioned to access new flows of capital into the global listed property sector.

Our progress so far

Initial preparatory work for demerger is well advanced, and this includes the appointment of the leadership teams for each business.

In terms of Chief Executives, Francis Salway will run the Retail business, Mike Hussey will continue to run London and Ian Ellis will continue to run Trillium.

Sir Christopher Bland has been appointed Chairman of Trillium in the run up to its demerger and subsequently. His recent roles include Chairman of BT and Chairman of the Board of Governors at the BBC.

Rick Haythornthwaite has been appointed as Chairman of the Retail business following demerger. He is currently Chairman of Mastercard Inc, Chairman of the Risk and Regulation Advisory Council and partner at Star Capital Partners Ltd. His previous roles include Chief Executive of Blue Circle Industries and Invensys and Non-executive Director of ICI.

Paul Myners will assume the role of Chairman of the London business at demerger.

The cost of demerger

There will be the additional cost of running three corporate entities, including three boards, and our estimate is that this will be around £15m per annum, with the businesses able to manage overall costs down once separated.

In addition, the cost of finance for the three businesses is expected to increase slightly, but we believe the credit quality of the three individual portfolios will keep this increase to moderate levels. There will also be the one-off costs of undertaking the transaction – including legal, accountancy and adviser fees – and we expect these to be in line with similar transactions.

While we will keep costs under close scrutiny throughout the process, we believe the long-term benefits for shareholders will significantly outweigh the initial costs of demerger.

A clear step forward

Demerger represents a clear step forward for this Company and is in keeping with our heritage of taking key decisions early. In our view, the independent London and Retail businesses will – along with Trillium – continue to lead their markets, with their proven management teams supported by tailored financial structures.

Business Unit Review – Retail Portfolio

Key highlights:

- Completed and launched the Princesshay development, Exeter
- Sold £834.8m of assets achieving total sales at 3.1% above valuation
- Achieved the successful sale of Whitefriars, Canterbury, for £253m
- Launched and grew The Harvest Partnership, a joint venture with J Sainsbury

We are transforming shopping as a leisure activity for millions of people across the UK. Using our ability to unlock the potential within properties and places, we develop new and better ways for retailers to connect with customers – creating the environments they need to increase footfall, grow sales and provide a great leisure experience.

Our market

Current market conditions are certainly challenging. Absolute sales growth is the single most useful market indicator for our business as it includes the effect of retailers increasing floorspace to win greater market share. This year absolute retail sales showed positive growth of 5.4%.

This is not the whole story, however. Pressure on margins has reduced profitability for many retailers and there has been an increase in insolvencies across the market as a consequence. Our strong leasing performance in the portfolio and in the development programme has helped to mitigate the effects of a weaker occupational market.

2008 will see a peak of completions of new shopping centre developments across the UK. This has sharpened competition between providers, with many retailers being offered greater incentives to take leases. However, well-conceived developments are attracting good levels of demand as no retail business can afford to stand still. Retailers of all sizes know they can work with companies such as Land Securities to enhance their performance through range and format changes, new locations and greater efficiency. Our challenge is to be as dynamic as the most successful retailers and that means evolving our portfolio to ensure we provide good space at good rates in the right locations.

Looking long-term, there will always be winners and losers in the retail sector – and internet retailing is certainly a fierce competitor for some shops – but in our experience people are drawn by the immediacy and experience they get by going shopping. More and more, we work to create a great environment around our shops so people enjoy spending time there, as well as spending money. We see a growing appetite for shopping-as-leisure and expect continued demand for high quality shopping centres and retail parks from our customers and their customers.

Our strategy

Our aim is to be the provider and partner of choice for retailers and local authorities in the UK. We want to be recognised as a market leader in terms of customer focus, design and innovation. Our challenge is to spot, unlock and maximise the potential of places and properties throughout the UK.

We create value by:

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

Our performance

With the investment markets weakening our focus has been on asset disposals and on leasing.

Disposals of £834.8m at an average of 3.1% above March 2007 valuations has had a significant positive impact on our financial performance with our ungeared property return being 4.6% and 5.5% better than the IPD benchmarks for shopping centres and retail warehouses respectively.

Our leasing and asset management activity has helped us to perform well against key portfolio metrics. Rent review programmes, particularly at the White Rose centre in Leeds, drove our like-for-like rental income up by 5.5%. Asset management activity has helped to create rental value growth of 2.0% in a generally flat market, and our strong leasing performance on the investment properties with some £19m of rent secured has enabled us to keep voids at 4.0% across the like-for-like portfolio.

Future growth in rental income will come from our development programme as we complete schemes and also from the reversionary potential on our existing portfolio on which the rent passing currently stands 11.6% below today's rental values.

We remain in a strong financial position, with resources available to take advantage of opportunities created by changed conditions in the investment market. Our cashflow will continue to be helped by the UK's system of long leases and upward-only rent reviews. The quality and mix of our tenants is excellent, and this will help to diversify risk if demand from occupiers weakens over the next 12 months.

Sales

The timing of our sales was critical this year. We had anticipated more challenging conditions early and decided to make no major acquisitions during this financial year. Instead, we focused on disposals and achieved total sales of £834.8m at 3.1% above valuation.

Important sales this year included:
- Whitefriars, Canterbury

We sold our award-winning shopping centre to Henderson Global Investors and Canada Pension Plan Investment Board for £253m, achieving a good return on an investment we completed in 2005.
- East Kilbride Shopping Centre

The Scottish Retail Property Limited Partnership, our joint venture with British Land Plc, completed a £385m sale of this asset in June 2007.
- Victoria Place, SW1

In January 2008 the Metro Shopping Fund, our joint venture with Delancey, sold Victoria Place shopping centre, SW1, to Ewart Properties Ltd for £92.5m. The good price achieved reflects the value we have added to the asset and the surrounding environment.
- Coppergate, York

In March 2008 we completed the sale of this shopping centre for £42.5m.
- Retail warehouses

We completed the sale of eight retail warehouse assets for £130m and sold four supermarket assets for more than £125m.

Asset management

We maximise rental income from our portfolio through asset management. This involves us in making long-term improvements to the environment, to services and to the tenant mix. Rental growth is the reward for our investment in these improvements.

Our approach to our biggest asset – the White Rose Centre in Leeds – demonstrates the value of our expertise. Our successful rent review programme coincided with the opening of a new store for Marks & Spencer. This follows the development of new space for Next, Zara and River Island in 2006. This enabled us to settle the major round of rent reviews, at an average increase in rent of 40% over the five-year period since the previous reviews. We also achieved new lettings at even higher levels, further underpinning the success of the centre.

At Gunwharf Quays in Portsmouth we continued to achieve rental growth, we improved the mix of tenants with 11 new fascias introduced to the centre, and we won a British Council of Shopping Centres 2008 Achieving Customer Excellence award for customer service.

At Aintree Retail Park in Liverpool we have exchanged agreements to let units to Marks & Spencer, Next and Boots, which significantly changes the retail mix on the park, and we have increased rental values by 12%.

At Westwood Cross, Thanet, we have completed a new development that adds a cinema, restaurants and leisure facilities to the retail units, and introduced JD Sports to the shopping park. Our Thanet ownerships will be further enhanced with the integration of the adjacent Sainsbury's store and car park, which we now jointly own and manage through our Harvest venture with J Sainsbury.

At Lakeside Retail Park we have provided small pod units and Costa Coffee is one of the first occupiers. While the key attraction of retail parks for shoppers remains convenience, we have continued to introduce enhancements like this to improve the overall shopping experience.

Our approach to asset management keeps a clear focus on helping our customers thrive. For example, the running costs of shopping centres are borne by retailers through their service charge. This year we carried out an efficiency programme that has enabled us to achieve a zero increase on the average service charge across our shopping centre portfolio, helping to lessen cost pressures on retailers.

Development

We completed three new developments this year and these set new standards in terms of the positive impact regeneration schemes can have on town and city centres. Highlights included:

- Princesshay, Exeter

Our British Council of Shopping Centres Supreme Gold Award, the Retail Week Shopping Location of the Year award and International Council of Shopping Centres award for Best Medium Size Shopping Centre all underline the success of this development, which has been very well received by residents and retailers and was 92% let on full opening in September 2007. The scheme demonstrates our ability to integrate a new development into a historic city centre, drawing more shoppers from a wider catchment area into the city.

- Christ’s Lane, Cambridge

We achieved very strong pre-lettings for this distinctive retail-led scheme of eight shops, a restaurant and 15 apartments. The retail element opened in December 2007 and is now 100% let. The Christ’s Lane project sits in a sensitive location within a conservation area between two Cambridge colleges, Christ’s and Emmanuel. Our development re-established one of the city’s historic streets to create a new, busy retail thoroughfare.

- Corby

This year we completed the development of a new mall to complement our existing holdings within the town centre. The quality of new tenants – including Primark, River Island, Jane Norman and Dorothy Perkins - has exceeded our expectations and significantly improved the attractiveness of the town as a shopping destination. By floor area, the scheme is now 85% let.

Along with our successful completions we have made good progress with our ongoing development programme. For example, our Cabot Circus development in Bristol is on schedule for opening in autumn 2008, is 85% let or in solicitors’ hands and we have secured House of Fraser and Harvey Nichols as anchor tenants. In Cardiff we are on schedule for the autumn 2009 opening of the combined St David’s 1 and 2 shopping centres, with John Lewis as anchor tenant. And at Leeds Plaza we have entered into a partnership with Caddick Developments to link our existing centre to a new development. We opened discussions with potential anchor tenants this year, started demolition in April and the phased opening is scheduled between October 2010 and January 2011.

Joint ventures

This year we once again demonstrated our ability to form strong partnerships with other organisations. In November 2007 we launched the Harvest Limited Partnership, a 50-50 joint venture with J Sainsbury. This adds our expertise in development to Sainsbury’s desire to grow its property portfolio, with the two companies working together to unlock and realise the development potential of a number of sites. Initially, we contributed a Sainsbury’s supermarket in our ownership while Sainsbury’s contributed two freehold stores. In December we increased the portfolio with the purchase of the Maltings shopping centre in Salisbury for £27.5m. This 8,830m^2 property includes a Sainsbury’s, 27 retail units and a car park.

Outlook

Our experience is that UK retail sales growth is relatively resilient through the economic cycle, but we recognise that the current trading environment is proving challenging for retailers. The quality and mix of our tenants is excellent, and this will help to reduce and diversify risk if demand from occupiers weakens over the next 12 months. Our cashflow will continue to be helped by the UK's system of long leases with upward-only rent reviews and also by the reversionary nature of our portfolio.

In the meantime, strong relationships with retailers are enabling us to make sound progress on leasing our developments and we will continue to provide space that meets retailers' need for efficiency and quality. We have a range of upgrade and development opportunities within our own portfolio and we will focus on bringing a number of these projects forward for delivery over the coming years.

We outline our development pipeline in Table 1.

Table 1: Retail development pipeline at 31 March 2008

Property	Description of use	Ownership interest %	Size sq m	Planning status	Letting status	ERV £m	Estimated/ actual completion date	Total development costs to date £m	Forecast total development cost £m
SHOPPING CENTRES AND SHOPS									
Developments, let and transferred or sold									
Christ's Lane, Cambridge	Retail	100	5,800	-	100%	2	Nov 2007	33	33
	Residential		1,350	-					
Princesshay, Exeter	Retail	100	37,360	-	95%	13	Sept 2007	204	204
	Residential		7,200	-					
Developments completed									
Willow Place, Corby	Retail	100	16,260	-	75%	2	Oct 2007	43	43
Developments approved and those in progress									
Cabot Circus, Bristol - The Bristol Alliance - a limited partnership with Hammerson plc	Retail	50	83,610	-	75%	18	Sep 2008	198	243
	Leisure		9,000	-					
	Offices		28,000	-					
	Residential		18,740	-					
St David's, Cardiff – St David's Partnership - a limited partnership with Capital Shopping Centres	Retail/leisure	50	89,900	-	12%	18	Oct 2009	156	306
	Residential		16,500	-					
The Elements, Livingston	Retail	100	32,000	-	36%	8	Oct 2008	107	151
	Leisure		5,670	-					
Southside Shopping Centre, Phase I, Wandsworth – Metro Shopping Fund – a limited partnership with Delancey	Retail	50	1,960	-		1	Sep 2009	6	8
	Office		1,740	-					
	Residential		4,040	-					
Proposed developments									
Trinity Quarter, Leeds	Retail	75	94,890	PR	20%	n/a	2011	n/a	n/a
RETAIL WAREHOUSES									
Developments, let and transferred or sold									
Commerce Centre, Poole	Retail	100	19,100	-	100%	3	Aug 2006	50	50
Thanet Leisure, Thanet	Leisure	100	8,970	-	100%	1	Aug 2007	25	25
Maskew Avenue, Peterborough	Retail	100	13,380	-	100%	3	Sep 2007	36	36
Developments approved and those in progress									
Angel Road Retail Park, Edmonton	Retail	100	3,480	-	70%	1	Feb 2009	12	18
Proposed developments									
Almondvale South Phase II b, Livingston	Retail	100	4,180	PR		n/a	2009	n/a	n/a

Planning status for proposed developments
PR – Planning Received
Total development cost (£m)
Total development cost refers to the book value of the land at the commencement of the project, the estimated capital expenditure required to develop the scheme from the start of the financial year in which the property is added to our development programme, together with finance charges. 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 2008. Trading property development schemes are excluded from the development pipeline. Cost figures for proposed schemes are not given as these could still be subject to material change prior to final approval.

Business Unit Review – London Portfolio

Key highlights:

- 151,830m^2 of new developments completed and 94% let, including Bankside 2&3 to RBS
- No. 1 market share of London office development lettings
- Total sales of £716.2m at 8.2% above valuation
- Planning approval won for 20 Fenchurch Street, EC3
- Timing of development pipeline well matched to demand

We are helping to reshape one of the world's great cities. Using our knowledge, understanding and scale, we develop and invest to create high quality office and retail space for world-class businesses and brands. We believe the spaces we provide enable organisations to enhance performance and improve day-to-day life for employees, shoppers and local residents.

Our market

London is a world-class city with a growing population and excellent prospects for long-term business growth and employment. The capital's attraction as a place to live and work means households are set to increase by 15% (or 500,000) by 2021 and employment is expected to increase by 22% by 2026. [Source: London Draft Mayor's Housing Strategy September 2007, and GLA Economics].

In the short-term, our market has entered a period of slowdown after several years of very strong growth, and we now expect demand for new office space to reduce substantially. The credit crunch has accentuated these market dynamics. We did not anticipate the credit crunch but we did recognise the early signs of a slowdown some time ago and have adjusted our portfolio and development pipeline accordingly. The next two years will see our lowest completions for a decade, while our existing portfolio is focused on high quality properties in thriving central locations.

Looking further ahead, we see a return to strong and sustainable growth in the London property sector. Our confidence in the London market is based on London's proven ability to attract people, businesses and international capital.

Our strategy

We invest substantial amounts of capital to create substantial value, using our expertise and scale to maximise growth and minimise risk. We believe that, in the London market, businesses thrive by taking decisive action on the timing and scope of key portfolio decisions.

We create value by:

- Ensuring we understand our customers' changing needs and expectations
- Investing early in the cycle to maximise value
- Focusing on major development projects located in a number of key central locations across London
- Using a mixed-use approach to create high quality properties that exceed people's expectations, thereby generating demand and improved rental performance.

Our performance

We have carefully managed our strategy over the last few years in order to time our delivery of developments and our sales and acquisition programme to the cyclical nature of the London office and commercial property market.

We have demonstrated elsewhere in this Report the success of our development programme taking our overall schemes that completed this financial year from 78% to 94% let.

In addition, we sold £716.2m of assets at 8.2% average above March 2007 valuation. The majority of these sales reflected our belief that the assets had reached maturity in terms of their investment profile and could secure good prices in the strong investment market of 2007.

The combination of these two key areas of activity has resulted in a net out performance of the IPD sector benchmark for London offices of 4.3%. This is a significant achievement.

Our asset management team has also performed well in the year and put us in good shape for the year ahead. For London offices we saw our voids drop from 5.7% to 1.8% in the year and we continue to benefit from the strength of our rental value growth, a 18.1% increase in like-for-like rental values and an increase in the reversionary potential from 6.7% to 20.5%. These factors have driven our underlying rental performance and our redevelopment of older secondary assets over the last three years is leading us into more difficult market conditions with a strong cashflow of well-let, newly developed assets that will come into our like-for-like portfolio next year.

Sales and acquisitions

Our objective is to create a balanced portfolio containing a strong blend of both investment assets and buildings offering medium- and long-term development opportunities.

Our rationale for selling a particular asset is simple – we look to achieve the right price at the right time so we can recycle the capital into assets with greater growth potential. We have completed transactions valued at £1bn or more every year for the last four years and have now turned over more than 50% of our portfolio since 2004. This year we sold £716.2m of assets – an increase on previous years. A high level of turnover is not an end in itself, but our ability to achieve good liquidity from a very large portfolio shows that we have agility as well as scale.

Important sales this year included:

- Greater London House, NW1

We acquired this investment more than three years ago, achieved excellent rental growth, decided to crystallise the return on our investment in spring 2007 and completed its sale in August 2007.

- Blackfriars Road, SE1

Having recognised its development potential we acquired this site in 2003. The location is now outside our strategic areas of focus, so we opted to add substantial value by seeking planning permission for development and accepted a strong offer in June 2007.

- Lime Street Estate, EC3

This series of buildings sits within the City’s tall buildings zone and has medium-term development potential. It has performed well as an investment over many years and produced a good price on sale for us this year.

Important acquisitions this year included:

- Thomas More Square, E1

Located close to Tower Hill, this estate provides more than 52,000m^2 on a 1.7 hectare site, and we see excellent long-term development potential here. In November 2007 we entered into a 50% co-ownership agreement with Ontario Teachers' Pension Plan Board.

- Times Square, EC4

Here we completed the purchase of a further 50.5% interest in Times Square, EC4, taking our holding to 95%.

- Harbour Exchange, E13

We added 3 Harbour Exchange to our five neighbouring holdings.

Asset management

We have focused on two areas. First, maximising income from assets intended for redevelopment in the next cycle. Second, improving the performance of our Central London retail assets. We will continue to focus on our relationships with customers while driving efficiency in the portfolio, which will help to differentiate us in a period of reduced asset growth.

Joint ventures

Joint ventures enable us to pursue opportunities and diversify risk in the portfolio. In December we sold 50% of our holding at the corner of Oxford Street and Tottenham Court Road, W1, to Frogmore Real Estate Partners and entered into a joint venture through which we will define a long-term redevelopment strategy and Frogmore will manage the assets. This approach will combine the two companies' skills and experience and provide both parties with exposure to the investment and development markets.

Development programme

This year we completed 151,830m^2 of development space of which 94% is now fully let – an excellent performance that has put us in a strong position in a challenging market. Highlights included:

- Bankside 2&3, SE1

Completed in 2007, these two buildings are now fully let to Royal Bank of Scotland, providing them with 35,172m^2 of high quality space in an increasingly popular and vibrant location.

- New Street Square, EC4

Completed in April 2008 and now 87% let, our development has set record rents for the Mid-town market, helping to establish this location as a leading destination for the legal and professional community.

- One Wood Street, EC2

Completed in September 2007, this development has now been handed over to its occupier, Eversheds.

In addition the offices at Cardinal Place, SW1, are now fully let to occupiers, including 3i and Microsoft, and Victoria continues to establish its position as one of the most attractive commercial centres in London.

For some time we have managed our development pipeline with one eye on the possibility of lower levels of demand. While the industry as a whole was increasing supply for completion in 2008/9, we opted to hold back. Over the next two years we have just 25,230m^2 of office developments coming onto the market.

In the medium-term the picture looks somewhat different. We see a return to strong growth for high quality buildings and have invested in a major development pipeline of 235,720m^2. We believe these developments have the potential to deliver significant returns beyond 2010. Key developments include:

- One New Change, EC4

Our innovative development will bring excellent offices, retail and public space to a historic site opposite St Paul's Cathedral and is due for completion in late 2010. In October 2007 we exchanged contracts with K&L Gates on the pre-letting of 35% of the office space for a minimum term of 15.5 years.

- Park House, W1

Due for completion in 2011, this mixed use scheme will offer some of the largest office floor plates in the West End and add premium retail and residential units to an exceptional site

- 20 Fenchurch Street, EC3

We won planning permission this year following an arduous public enquiry and much debate. This stunning development could be delivered by 2012.

Outlook

Short-term, market conditions will be challenging with deteriorating employment levels in the financial services sector. However, we are well positioned to compete in a challenging market and can use our balance sheet strength to take advantage of opportunities. Over the medium-term, we see a return to strong demand for high quality space and we are timing our substantial and imaginative development programme in line with this view. Long-term, we believe continued strong economic and commercial growth within London will support our diverse mixed-use portfolio, enabling us to enhance our standing as a market leader in a world-class capital.

We outline our development pipeline in Table 2.

Table 2: London development pipeline at 31 March 2008

Property	Description of use	Ownership interest %	Size sq m	Planning status	Letting status	ERV £m	Estimated/ actual completion date	Total development costs to date £m	Forecast total development cost £m
Developments, let and transferred or sold									
Cardinal Place, SW1	Offices	100	51,130	-	100%	37	Jan 2006	389	389
	Retail		9,420	-	97%				
Bankside 2&3, SE1	Offices	100	35,550	-	100%	17	Aug 2007	163	163
	Retail/Leisure		3,170	-	72%				
One Wood Street, EC2	Offices	100	15,020	-	100%	10	Sept 2007	111	111
	Retail		1,500	-	100%				
Developments approved and those in progress									
New Street Square, EC4	Offices	100	62,340	-	87%	33	Apr 2008	347	383
	Retail		2,980	-	87%				
50 Queen Anne's Gate, SW1	Offices	100	30,140	-	100%	13	May 2008	137	142
10 Eastbourne Terrace, W2	Offices	100	6,150	-	73%	3	June 2008	37	43
Dashwood House, EC2	Offices	100	13,870	-		9	Nov 2008	90	113
	Retail		740	-					
30 Eastbourne Terrace, W2	Offices	100	4,470	-		2	May 2009	13	35
One New Change, EC4	Offices	100	31,660	-	34%	33	Sept 2010	220	537
	Retail		19,830	-	12%				
Park House, W1	Offices	100	15,550	-	11%	25	Feb 2011	218	347
	Retail		8,470	-					
	Residential		5,380	-					
Proposed developments									
Arundel Great Court & Howard Hotel, WC2	Offices	100	42,600	-	n/a	n/a	2012	n/a	n/a
	Retail		3,830	-					
	Residential		25,720	-					
Selborne House, SW1	Offices	100	23,340	-	n/a	n/a	2012	n/a	n/a
	Retail		3,970	-					
20 Fenchurch Street, EC3	Offices	100	54,810	PR	n/a	n/a	2012	n/a	n/a
	Retail		560	-					

Planning status for proposed developments
PR – Planning Received
Total development cost (£m)
Total development cost refers to the book value of the land at the commencement of the project, the estimated capital expenditure required to develop the scheme from the start of the financial year in which the property is added to our development programme, together with finance charges. 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 2008. Trading property development schemes are excluded from the development pipeline. Cost figures for proposed schemes are not given as these could still be subject to material change prior to final approval.

Business Unit Review – Urban Community Development

Urban Community Development creates value through the transformation of under-used land into thriving places and communities. Our work is both supporting and benefiting from London's long-term economic and population growth.

Kent Thameside

Our regeneration programme at Ebbsfleet Valley in Kent is a 20-25 year project that will transform 420 hectares of land into a vibrant mix of residential, business, retail, leisure and public space. We are working at two main development sites – Eastern Quarry and Ebbsfleet – within which are ten 'villages' or development areas. This year we achieved excellent progress on planning permission and made a good start on development and marketing. Highlights included:

- Planning

We gained planning permission for Eastern Quarry, enabling us to focus on developing the 870,000m^2 project. We have since gained approval for our site-wide and area masterplans together with 18 other submissions for infrastructure and landscaping. We have also completed the masterplan for the central core of Ebbsfleet, comprising some 506,000m^2, with a team from Arup Urban Design. We have submitted these plans to Dartford and Gravesham Borough Councils.

- Construction, marketing and sales

We started construction of phase one at Springhead Park with our partner, Countryside Properties. The marketing suite and first show homes were launched in March 2008 and more than 50% of the first phase was reserved within two weeks. First occupations will take place in September 2008. The final development will provide more than 600 homes together with a church and community centre, health centre and sports centre. We continue to achieve good sales at Waterstone Park, a further joint development with Countryside Properties next to Bluewater.

- Transport connections

In November 2007 Eurostar launched its services from Ebbsfleet International station to Paris, Brussels and Lille, with Paris just over 2 hours away. High-speed domestic services to London will be launched in late 2009 with a journey time of just 17 minutes to St Pancras International. Fastrack, the award winning Bus Rapid Transit network serving Kent Thameside, has flourished, carrying significantly more passengers than expected.

- Culture

In conjunction with London and Continental Railways and Eurostar, we launched the Ebbsfleet Landmark, a £2m project to create a major public artwork to help put Ebbsfleet Valley on the map. Artists Daniel Buren, Richard Deacon, Christopher Le Brun, Mark Wallinger and Rachel Whiteread have submitted models of their ideas and the final selection will be made in late summer.

Harrow and Wealdstone

In January 2008 we formed a partnership with Kodak Ltd to find new uses for 24 hectares of redundant land around its production plant in Harrow and Wealdstone. Our approach will enable Kodak to continue production while devising ways to maximise the land’s future potential.

Milton Keynes

Working with joint venture partner Gazeley Limited, we completed the development of a 60,400m^2 distribution centre. This was pre-let to John Lewis and we have now sold the asset, generating a profit of £8.1m.

Harlow

In April 2008 we formed a 50:50 joint venture with Places for People and set out our plan to acquire more than 970 hectares of land to the north of Harlow, to help meet much-needed housing and employment in the area. The purchase is subject to the site’s inclusion in the final East of England Plan.

Outlook

Ebbsfleet Valley is making the vital step from planning to implementation successfully, and we expect to make substantial further progress on construction of infrastructure, landscaping and buildings, residential sales and community facilities over the next year. Meanwhile, we are seeking out new opportunities to help the UK meet growing demand for housing and mixed-use space.

Business Unit Review – Land Securities Trillium

Key messages:

- Successful launch and close of the £1.136bn Trillium Investment Partners fund
- Strong financial performance on existing contracts
- New business success in key strategic areas, including education and waste
- Acquisition and integration of AMEC Private Finance Initiative (PFI) business

We are the clear market leader in property partnerships and Public Private Partnerships (PPP). We help transform the performance of businesses and public services through long-term partnerships that invest in, manage and service property and community infrastructure. Our work enables organisations to transform workspace, enhance employees' performance and create value for stakeholders.

Our market

Despite uncertainty in the economy, our markets are in good shape. As UK market leader in property partnerships we are in a very strong position to compete for major opportunities as they arise. Central and local government are committed to achieving more efficient use of assets and we believe this is likely to create further market opportunities for us.

The PPP market is also strong. Our focus here is on education, waste and local authority infrastructure, all of which offer a pipeline of major opportunities. Building Schools for the Future is a 15-year government programme with £45bn committed for the upgrading of every secondary school in the country. In waste, the government must address the UK's reliance on landfill by 2010 or face heavy penalties from the EU – £10bn is one estimate of the investment needed to address this. To date, £2bn has been committed to PFI in the waste sector and this has been matched by an equal amount from local authorities.

Meanwhile, the Government Efficiency Review is requiring some £30bn to be realised from the sale of assets by central government departments and local authorities, and many are looking to partner with the private sector to achieve this and to upgrade their estates.

We also see good potential revenue opportunities on the Continent. With EU money moving towards eastern Europe, more governments in the west are adopting PPP to procure and deliver social infrastructure investment. In Continental Europe our initial focus is on acquiring investments in secondary market assets already in operation.

Our strategy

We invest in and manage properties and facilities for a wide range of organisations across the public and private sectors. We don't just supply better buildings – we own, manage, develop and upgrade everything from individual properties to entire estates. Government departments, international businesses, individual schools and many other organisations use our expertise to maximise the potential of their infrastructure for their business and their people.

We create value by:

- Using our asset management skills and development expertise to improve performance and reduce risk for customers while growing our own business
- Increasing the scope, scale and value of our contracts with customers by forming excellent long-term relationships, earning trust and delivering major improvements
- Developing new and better ways to get the most from properties, workspaces and facilities
- Gaining access to new market areas and strengthening our leadership position by acquiring specialist businesses
- Supporting the growth of our pipeline of opportunities through Trillium Investment Partners acquiring mature assets.

Our performance

We delivered an underlying operating profit of £129.1m (2007: £98.8m), significantly higher than last year largely due to our new contracts with Accor and Royal Mail and around £43.0m of non-recurring items. On the DWP contract, which accounted for the majority of the non-recurring items, the anticipated decline in operating profits due to vacations did indeed materialise, but this was offset by us resolving a number of outstanding issues which allowed us to recognise additional profits of £31.3m.

Higher operating profit contributions from DVLA and Norwich Union reflect the completion of major refurbishment works, while the DVLA contract has also benefited from scope extensions.

Increased costs reflect the overhead associated with the former SMIF, IIC and AMEC teams. Bid costs increased due to the high level of new business activity associated with our appointment as preferred bidder on both DTR and Kent BSF, and our involvement in Workplace 2010.

The successful launch and close of Trillium Investment Partners and the sale of the Meterfit asset has given rise to a profit on disposal of £47.5m.

Trillium Investment Partners

This year we achieved a major success with the launch and close of Trillium Investment Partners, a £1.136bn fund that enables third party investors to gain exposure to our PPP contracts.

The launch of the fund attracted very strong interest, despite one of the weakest debt and equity markets for some time, and the calibre of the equity partners is a testament to the strength and quality of the assets and our business model. We have retained a 10% stake in the venture.

Trillium Investment Partners is now the largest investment vehicle of its kind focused on PPP contracts. We intend to grow the fund to around £2bn over five years through the acquisition of mature PPP assets, such as schools and hospitals already in operation. The fund will acquire these assets from Trillium, where our market leading New Business division has already secured £240m of new opportunities. The fund is aiming to invest £200m every year for the next four years.

A new division of Trillium, authorised by the FSA, will manage the fund and receive an annual management fee.

AMEC PFI acquisition

In November 2007 we completed the acquisitions of AMEC's Project Investments business, which included interests in seven signed PFI projects and one project at preferred bidder stage. We paid £158.5m for the business, which provides us with a top quality portfolio of assets and a specialist team experienced across the complete PFI/PPP process, from bidding to long-term management of investments. This acquisition is now fully integrated into Trillium, and reinforced our position as a leader in PFI, transport and health sectors.

New business

Property partnerships

- Defence Training Review

Having won preferred bidder status in January 2007, Metrix – our 50-50 joint venture with QintetiQ – continues to work with the Ministry of Defence to create a new defence training academy at St Athan, South Wales. This is one of the UK's largest PPP projects.

- Workplace 2010

This is a twenty year contract to provide a full range of property outsourcing services for the Northern Ireland Civil Service. Workplace 2010 includes a major five-to-seven year programme to transform the Northern Ireland Civil Service's office estate, improve working environments for staff and facilitate new ways of working, with the aim of delivering greater value for the taxpayer. We are one of two final short-listed bidders.

PPP

- Education

With Northgate Information Solutions, we were announced as Kent County Council's preferred bidder for the first phase of its £1.8bn Building Schools for the Future (BSF) programme. Through this, we will enter into a new £600m public private partnership with Kent County Council and Partnerships for Schools to refurbish or rebuild secondary schools and help transform education in the Gravesham, Swale and Thanet districts by 2014. Our success in Kent builds on our work across the UK, where we now own or manage 197 schools with 174,000 pupils. This year we were also named as one of the two final short-listed bidders for the Birmingham BSF programme, with a final decision expected in September 2008; and in April 2008 e4i (Education for Inverclyde) – a consortium comprising Trillium, Miller Construction, Cyril Sweett and FES – was named preferred bidder for the £80m Inverclyde Schools PPP project.

- Waste

This year we secured our first major success in the fast-growing waste sector. Working in partnership with Norfolk Environmental Waste Services and Cyril Sweett Investments, we became preferred bidder for Norfolk Waste Management Contract A, a 25 year project to build and operate an Advanced Mechanical Biological Treatment (AMBT) facility to treat and recycle solid waste. AMBT facilities are considered effective and environment-friendly, and we are now demonstrating to other local authorities that our solution in Norfolk can help them meet pressing EU environment and waste targets.

- Thornton Hall Prison

Working in partnership with Global Solutions Limited, in the Leargas consortium with McNamara and Barclays Private Equity, we have been named preferred bidder for Thornton Hall, a €500m PFI prison near Dublin.

Property partnerships

This was a very successful year for a number of our property partnership contracts with major long-term customers. Key highlights included:

- Department of Work and Pensions

We achieved a customer satisfaction rating of 94% this year – three percentage points better than last year's level. This is particularly impressive given the enormous scale of the portfolio, with some 1,300 properties under management. Notable successes also included the sale for development of the Hinchley Wood site.

- Norwich Union

We completed a major three-year refurbishment of Norwich Union's headquarters this year – three weeks ahead of schedule and on budget. Our work has helped to transform the working environment.

- DVLA

The major refurbishment of the Main Headquarters office and a number of other sites was completed successfully, with the main HQ works handed over eight weeks early and on budget. We also provided a new print facility building. Through scope extensions we have now trebled our initial investment from £25m in 2005 to £75m today.

- Royal Mail

Our contract with Royal Mail went live in March 2007, when we took over the risk and management of 296 vacant and sublet leaseholds. We have made good progress on the disposal of surplus space and have continued to evolve our relationship with Royal Mail.

- Accor

In May we completed the purchase of a further 7 Ibis and Novotel hotels, bringing the portfolio owned to 29 hotels in London and across the UK. The hotels are leased back to Accor on a turnover rent basis and we maintain the structural fabric of each hotel.

Outlook

We are market leader in two sectors – property partnerships and PPP – both of which offer stable long-term cashflows and good growth prospects. We have a well-rounded business with a strong supply of investment capital and a comprehensive range of services. We have robust contracts, a strong new business pipeline and operate in market sectors driven by government investment and blue chip corporate activity. We see excellent prospects for continued growth in the short, medium and long-term.

Trillium Financial Results

The results for the year are set out in the table below:

Table 3: Trillium financial results

	Year ended 31 March 2008 £m	Year ended 31 March 2007 £m
Contract level operating profit		
- DWP	**94.3**	81.0
- Norwich Union	**11.1**	9.2
- Barclays	**1.9**	3.3
- DVLA	**3.7**	1.7
- Telereal II	**15.5**	16.1
- Accor	**27.1**	1.5
- Royal Mail	**4.1**	-
- BBC	**9.2**	2.8
Bid costs	**(11.9)**	(2.8)
Central and other costs	**(25.9)**	(14.0)
Underlying operating profit	**129.1**	98.8
Net deficit on revaluation of investment properties	**(24.9)**	(13.6)
Profit on disposal of properties	**18.1**	7.5
Segment profit	**122.3**	92.7
Share of profit / (loss) from Investors in the Community (IIC) (joint venture)	**0.1**	(3.0)
Share of loss of Trillium Investment Partners (associate)	**(0.5)**	-
Profit on sale of interests in Trillium Investment Partners (discontinued operation)	**37.5**	-
Profit on sale of Meterfit (discontinued operation)	**10.0**	-

Headline results

The Group's loss before tax was £888.8m, compared to a profit of £1,979.1m a year ago. The loss before tax includes the revaluation deficit on our investment properties of £1,304.5m (2007: £1,382.7m surplus). Revenue profit, our measure of underlying profit before tax, decreased from £392.2m to £379.1m. Earnings per share decreased from 753.59p last year to a loss per share of (188.80p), with adjusted diluted earnings per share showing a 16.4% increase on last year to 81.71p (2007: 70.20p).

The combined investment portfolio decreased in value from £14.8bn to £13.6bn. This included a valuation deficit of £1,279.6m or 8.8%. Net assets per share decreased by 10.3% to 2067p from 2304p, with adjusted diluted net assets per share decreasing by 10.3% to 1956p (2007: 2181p).

(Loss) / profit before tax

The main drivers of our loss before tax are the change in value of our investment portfolio (including any profits or losses on disposal of properties), our net rental income, the performance of our Trillium business, and the amount of interest we paid. The degree to which movement on these and other items led to the reduction in our profit before tax from £1,979.1m last year to a loss of £888.8m this year, is explained in Table 4 below:

Table 4: Principal changes in profit before tax and revenue profit

	Profit / (loss) before tax £m	Revenue profit £m
Year ended 31 March 2007	1,979.1	392.2
Valuation deficit	(2,687.2)	-
Profit on disposal of non-current properties	(50.1)	-
Profit on sale of trading properties	(2.5)	-
Long-term development contract profits [(1)]	(12.3)	-
Amortisation of bond de-recognition [(2)]	9.5	-
Net rental and service charge income [(3)]	7.9	7.9
Indirect costs	1.5	1.5
Trillium operating profit (including joint ventures) [(4)]	34.6	34.6
Interest associated with PPP investments [(5)]	(42.0)	(42.0)
Other Trillium interest [(6)]	(18.9)	(18.9)
Other interest [(7)]	3.8	3.8
Demerger costs [(8)]	(9.8)	-
Debt restructuring charges	17.3	-
Joint venture tax adjustment	(79.9)	-
Interest rate swaps	(39.8)	-
Year ended 31 March 2008	(888.8)	379.1

1. 2007 benefited from the first time recognition of profits on the BBC Broadcasting House contract.
2. The debt instruments issued as part of the refinancing in November 2004 do not meet the requirements of IAS39 as they are not deemed to be substantially different from the debt they replaced. As a result, the book value of the new instruments is reduced to the book value of the debt it replaced and the difference is amortised over the life of the new instruments. The decrease in amortisation over the comparable period is a reflection of the maturity profile of debt replaced.
3. Increased as a result of completed developments and like-for-like rental income growth, partially offset by properties sold.
4. Increase is mainly due to DWP contract and Accor hotels. See Table 3 on page 31 for details.
5. Interest cost associated with acquiring PPP investments on which no revenue is recognised.
6. Increased costs due to higher average capital employed, principally associated with Royal Mail and Accor.
7. Relates to property investment business and Group. Lower interest costs due to net sales of investment properties, offset by interest on REIT entry charge and movement to quarterly dividends.
8. All costs related to the proposed demerger were expensed during the year but do not form part of the calculation of revenue profit.

Revenue profit

Revenue profit is our measure of the underlying pre-tax profit of the Group, which we use internally to assess our performance. It includes the pre-tax results of our joint ventures but excludes capital and other one-off items such as the valuation (deficit) / surplus, gains on disposals, trading profits and profits on long-term development contracts.

Revenue profit for the year decreased by 3.3% from £392.2m to £379.1m. An increase in revenue profit from London and Retail on the back of higher net rental income was offset by a decline in Trillium for the accounting reasons described below. Net rental income from our investment portfolio increased by £8.2m, despite almost £800m of net investment property sales. This growth in rental income was driven by £17.4m of like-for-like rental income increases and £31.7m of higher income from our completed developments, which included Princesshay in Exeter and, in London, Cardinal Place and Bankside 2&3. While net property sales reduced rental income by £36.6m, this was more than offset by the associated interest savings.

While Trillium's operating profit is higher than last year (see Table 3 on page 31), at the revenue profit level there has been a decline of £26.3m, due to the accounting treatment of its PPP assets. Through the acquisition of Secondary Market Infrastructure Fund in February 2007 and subsequent transactions, Trillium has purchased a number of PPP assets. These assets were purchased with the intention from the outset that they would be transferred to a fund, Trillium Investment Partners, in which Trillium would subsequently reduce its ownership. As a result, we have accounted for all PPP investments which we are intending to transfer to Trillium Investment Partners or sell to third parties, as a disposal group. The implications of this are that we do not consolidate the individual assets and liabilities of the PPP investments. Instead, they are held at fair value less costs to sell in the balance sheet and we do not recognise our share of the underlying net income of the PPP projects, nor do we recognise in revenue profit any profits on disposal of these PPP investments. During the course of the year, we made £47.5m from the sale of Meterfit and equity interests in Trillium Investment Partners, the owner of the majority of Trillium's PPP investments. We do, however, include in revenue profit the interest cost associated with acquiring and owning these PPP investments, which amounted to £42m for the year. This imbalance in accounting for revenue profit, whereby we recognise interest cost but not revenues, has resulted in the decline in Trillium's contribution to revenue profit.

The net divestment of almost £800m of investment property sales reduced interest costs related to London and Retail. This benefit was largely offset by higher interest costs at Group level of £14.7m following the payment in July 2007 of £316.2m as our REIT entry charge and our move to paying quarterly dividends.

An explanation of the year on year changes in revenue profit is given in Table 4 and a reconciliation between the (loss) / profit before tax and revenue profit is shown in Table 5.

Table 5: Reconciliation of (loss) / profit before tax to revenue profit

	Year ended 31 March 2008 £m	Year ended 31 March 2007 £m
(Loss) / profit before tax	(888.8)	1,979.1
Valuation deficit / (surplus) – Group	1,170.3	(1,307.6)
– joint ventures	134.2	(75.1)
(Profits) / losses on non-current property disposals – Group	(75.4)	(118.4)
– joint ventures	7.1	-
Mark-to-market adjustment on interest rate swaps	22.4	(17.4)
Eliminate effect of bond exchange de-recognition	7.6	17.1
Debt restructuring charges	1.9	19.2
Joint venture tax adjustment	3.1	(76.8)
Demerger costs	9.8	-
Profit on sale of trading properties – Group	(2.8)	(13.6)
– joint ventures	(8.3)	-
Long-term development contract profits	(2.0)	(14.3)
Revenue profit	379.1	392.2

(Loss) / earnings per share

The basic loss per share was (188.80p), compared to earnings per share of 753.59p in the prior year, the change being predominantly due to the revaluation deficit on the investment property portfolio (576.28p per share).

In the same way that we adjust profit before tax to remove capital and one-off items to give revenue profit, we also report an adjusted earnings per share figure, although this includes some additional adjustments to revenue profit. The adjustments to earnings per share are set out in note 7 to the financial statements. They are based on the guidance given by European Public Real Estate Association (EPRA) with a limited number of further adjustments to reflect better our underlying earnings. Adjusted diluted earnings per share increased from 70.20p per share in 2007 to 81.71p per share in 2008, a 16.4% increase. The increase in adjusted earnings per share is largely attributable to a significantly lower tax charge following REIT conversion (last year only benefited for three months), partially offset by the interest costs associated with the PPP investments in Trillium.

Total dividend

We are recommending a final dividend payment of 16.0p per share. Taken together with the three quarterly dividends of 16.0p our full year dividend will be 64.0p per share (2007: 53.0p), a 20.8% increase over last year. A large part of this substantial increase is attributable to the tax we have saved by being a REIT for the full financial year.

REIT conversion also impacts on the make-up of the Group's dividend, which now consists of two components: a property income distribution (PID) from the REIT qualifying activities and a dividend distribution from the non-qualifying activities (non-PID). The aggregate of these two components will continue to be referred to as our total dividend. We are obliged for certain shareholders to withhold tax, currently at a rate of 20% (22% prior to 6 April 2008), from the PID element of the dividend. Our total dividend is therefore a gross dividend. Table 6 sets out our quarterly dividends, the date on which they were paid, and how much of each dividend was a PID, together with similar details for out proposed final dividend. A note on the tax consequences for shareholders and forms to enable certain classes of shareholder to claim exemption from withholding tax are available on our website at www.landsecurities.com.

The total dividend for the year is covered 1.3 times by adjusted earnings (2007: 1.3 times). Subject to approval by shareholders at the Annual General Meeting to be held on 17 July 2008, our final dividend, which is 100% PID, will be paid on 28 July 2008 to shareholders on the Register at 20 June 2008.

For the next financial year, our first quarterly dividend will be 16.5p of which 90% will be a PID.

Table 6: Dividends

	Property income distribution (PID) pence	Non-property income distribution pence	Total pence
First quarterly dividend (paid on 26 October 2007)	12.8	3.2	16.0
Second quarterly dividend (paid on 7 January 2008)	12.8	3.2	16.0
Third quarterly dividend (paid on 25 April 2008)	12.8	3.2	16.0
Final dividend (payable on 28 July 2008)	16.0	-	16.0
Total	54.4	9.6	64.0

Balance of business tests

REIT legislation specifies conditions in relation to the type of business a REIT may conduct, which the Group is required to meet in order to retain its REIT status. In summary, at least 75% of the Group's profits must be derived from REIT qualifying activities (the 75% profits test) and 75% of the Group's assets must be employed in REIT qualifying activities (the 75% assets test). Qualifying activities means a property rental business. The result of these tests for the Group for the financial year, and at the balance sheet date is as follows:

Table 7: REIT balance of business tests

	For the year ended / as at 31 March 2008			For the year ended / as at 31 March 2007		
	Tax-Exempt Business	Residual Business	Adjusted Results	Tax-Exempt Business	Residual Business	Adjusted Results
Adjusted profit before tax (£m)	351.1	9.7	360.8	358.3	42.9	401.2
Balance of business – 75% profits test	97.3%	2.7%		89.3%	10.7%	
Adjusted total assets (£m)	14,766.8	1,962.9	16,729.7	15,695.8	2,111.6	17,807.4
Balance of business – 75% assets test	88.3%	11.7%		88.1%	11.9%	

Net assets

At the financial year end, net assets per share were 2067p, a decrease of 237p or 10.3% over the year. The fall in value of our investment property portfolio was responsible for the decline in net assets.

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. Adjusted net assets are lower than our reported net assets primarily due to the debt adjustment we make. Under current accounting standards, we do not show our debt at its nominal value, although we believe it would be more appropriate to do so and we therefore adjust our net assets accordingly. At the year end, adjusted diluted net assets per share were 1956p per share, a decrease of 10.3% from last year end.

Table 8: Net assets

	Year ended 31 March 2008 £m	Year ended 31 March 2007 £m
Net assets at the beginning of the year	10,791.3	7,493.9
Adjusted earnings	381.0	330.0
Demerger costs *	(6.9)	-
Revaluation (deficits) / surpluses on ongoing and completed development properties *	(126.6)	130.9
Revaluation (deficits) / surpluses on investment properties (excluding Trillium) *	(1,153.0)	910.6
Revaluation deficits on Trillium investment properties *	(24.9)	(10.1)
Profits on non-current asset disposal *	67.8	105.2
Interest charges not included in adjusted earnings *	(31.9)	(13.0)
Prior year non-revenue tax adjustments	16.2	-
Tax (charges) / credits not included in adjusted earnings	-	2,074.7
(Loss) / profit after tax	(878.3)	3,528.3
Profit on discontinued operations	47.5	-
Dividends paid	(308.4)	(223.0)
Other reserve movements	(69.2)	(7.9)
Net assets at the end of the year	9,582.9	10,791.3
Mark-to-market on interest rate hedges	12.7	(23.6)
Debt adjusted to nominal value	(511.5)	(519.1)
Adjusted net assets at the end of the year	9,084.1	10,248.6

* These amounts are post-tax

Cash flow and net debt

Cash receipts during the year totalled £1,080.7m from investment portfolio property disposals, which included Whitefriars, Canterbury and Greater London House, NW1. In total, we invested £1,667.2m in our properties including £722.6m on investment property acquisitions, £158.5m by Trillium (primarily Accor hotels) and £530.3m on development. The development expenditure, which includes land acquisitions but excludes capitalised interest and our share of joint ventures, was spent principally on New Street Square, EC4, Queen Anne's Gate, SW1, and One New Change, EC4, in London and shopping centre developments in Livingston and Exeter.

As part of our strategy to continue to expand Trillium in the PPP market, we spent £158.5m acquiring PPP assets from AMEC. We also received £814.4m from our Trillium Investment Partners fund; first through raising debt against the assets (£414.8m in "Receipts from the disposal group" in Table 9) followed by £399.6m from the sale of equity interests in the fund (included in "Receipts from discontinued activities"). Further details are given in the Land Securities Trillium section.

We invested a net £0.2m in our joint ventures, including, £56.2m received on disposals, the largest of which was East Kilbride Shopping Centre, offset by £131.5m spent on shopping centre developments in Bristol and Cardiff.

At 31 March 2008, the Group's net debt was £5,384.5m, some £296.6m higher than 2007 (£5,087.9m). While this increase can be attributed to the REIT conversion charge of £316.2m, there were significant capital inflows and outflows which are summarised in Table 9.

Table 9: Cash flow and net debt

	Year ended 31 March 2008 £m	Year ended 31 March 2007 £m
Operating cash inflow after interest and tax (excluding REIT conversion charge)	315.4	361.5
REIT conversion charge	(316.2)	-
Dividends paid	(308.4)	(223.0)
Investment property acquisitions	(722.6)	(523.7)
Trillium property acquisitions	(158.3)	(416.5)
Development and refurbishment capital expenditure	(530.3)	(532.6)
Investment in finance lease receivables (Norwich Union and DVLA)	(82.1)	(43.3)
Investment in properties	(1,493.3)	(1,516.1)
Acquisition of AMEC (2007: SMIF and IIC)	(158.5)	(919.0)
Acquisition of PPP contracts	(152.7)	-
Other capital expenditure	(15.4)	(18.8)
Total capital expenditure	(1,819.9)	(2,428.9)
Disposals	1,080.7	869.8
Receipts from discontinued activities	424.9	-
Receipts from the disposal group	441.0	25.0
Joint ventures	(0.2)	50.0
Purchase of share capital	(87.6)	(36.2)
Other movements	(26.3)	4.8
Increase in net debt	(296.6)	(1,402.0)
Opening net debt	(5,087.9)	(3,685.9)
Closing net debt	(5,384.5)	(5,087.9)

Details of the Group's gearing are set out in Table 8, which includes the effects of our share of joint venture debt, although the lenders to our joint ventures have no recourse to the wider Group for repayment.

Table 10: Gearing

£m	31 March 2008 %	31 March 2007 %
Gearing – on book value of balance sheet debt	56.2	47.1
Adjusted gearing *	64.9	54.7
Adjusted gearing * – as above plus notional share of joint venture debt	67.6	58.8

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

Financing strategy and financial structure

Our financing strategy is to maintain an appropriate net debt to equity ratio (gearing) to ensure that asset level performance is translated into enhanced returns for shareholders while maintaining an appropriate risk reward balance to accommodate changing financial and operating market cycles.

The last twelve months has seen a major upheaval in the international debt markets, beginning with defaults on sub prime mortgages in the US. As a result of international banking business, the contagion quickly spread around the world impacting the ability of domestic banks to make advances as their capital ratios came under pressure. The implications for borrowers like Land Securities continue to unfold. Initially the UK bond markets were effectively closed, and whilst this has historically been an important source of funding for the Group, our demerger plans have meant that the Group would not have accessed such long term financing at this time. In the UK market, we have seen the following effects - an increase in the cost of debt, the imposition of more onerous covenants, increased execution time and increased execution risk.

Despite these conditions, Land Securities has executed eight different financing arrangements, either directly or through joint ventures. We have been able to continue to access the debt markets as a result of our ongoing debt investor relations programme, a responsible creditor track record and a high quality portfolio and debt structure from which to raise funding. Under this structure, we benefited from a lower cost of finance by utilising the credit strength of our investment portfolio without the more onerous restrictions of individually collateralised obligations. Operational flexibility is maintained through provisions which allow us to buy and sell assets, without restriction, and to undertake developments. At 31 March 2008, our debt investors had security over £11.0bn of investment properties in this structure.

As previously stated, net debt increased by 5.8% from £5.1bn to £5.4bn as a result of our REIT conversion charge. Despite only a moderate rise in net debt, gearing has increased from 47.1% to 56.2% principally due to the impact of the revaluation deficit of our equity.

Our interest cover ratio, excluding our share of joint ventures, has fallen from 2.43 times in 2007 to 1.93 times in 2008. A large part of this reduction can be attributed to the accounting treatment of Land Securities Trillium's PPP assets. While we recognise the interest cost associated with acquiring these assets, we do not include or share of the underlying income they generate. If we adjust the interest cost related to these assets, interest cover would be 2.23 times. Under the rules of the REIT regime, we need to maintain an interest cover ratio in the exempt business of at least 1.25 times to avoid paying tax. As calculated under the REIT regulations, our interest cover ratio of the exempt business for the year to 31 March 2008 was 2.26 times.

During the year, the Group entered into three committed bilateral facilities all of which are secured on the assets of the Security Group. In June 2007, the Group entered into a £150m facility, which has been extended in December 2007, as a £175m facility with an expiry in February 2010. In July 2007, the Group entered into a £500m facility which was due to expire in July 2008, but a commitment has been obtained to replace it in July 2008 with a £350m facility with an expiry in July 2009. In December 2007, the £1.0bn SMIF acquisition facility was repaid. Another £350m facility was established in December 2007 which expires in October 2008. The Group has an option to extend each of these facilities by a further year. In December 2007, the Group acquired a share of Leeds Trinity Quarter which included a facility which has been refinanced post year end with a five year £352m committed facility secured on these assets.

Also during the year, we bought back in the market 4.7m of our own shares for a total cost of £77.8m, equating to an average price of 1666p.

At 31 March 2008, Land Securities' net borrowings (including joint ventures) amounted to £6,133.0m of which £865.0m was drawn under our £1.5bn secured bank facility and £67.3m related to finance leases. Committed but undrawn facilities amounted to £611.0m. The majority of debt due in one year relates to drawings under the committed bank facilities which have a one year extension option.

Hedging

We use derivative products to manage our interest rate exposure and have a hedging policy which requires at least 80% of our existing debt plus our net committed capital expenditure to be at fixed interest rates for the coming five years. Specific hedges are also used in geared joint ventures to fix the interest exposure on limited recourse debt. At the year end we had £2.3bn of hedges in place, and our debt was 80% fixed. Consequently, based on year end debt levels, a 1% rise in interest rates would increase full year interest charges by only £12.4m.

Taxation

As a consequence of the Group's conversion to REIT status, income and capital gains from our qualifying property rental business are now exempt from UK corporation tax. The tax credit for the year of £10.5m (2007: £1,549.2m) includes a current year tax charge of £10.3m on non-qualifying activities offset by a £20.8m release in respect of prior years.

Pension schemes

The Group operates a number of defined benefit pension schemes which are closed to new members. At 31 March 2008 the schemes had a combined surplus, net of deferred tax, of £10.2m (2007: deficit £5.2m). The surplus has arisen due to an increase in the prescribed discount rate used to value scheme liabilities from 5.4% to 6.9%.

Business Analysis

Investment Portfolio

The investment properties in our Retail Portfolio and London Portfolio business units make up the majority of our Investment Portfolio. The Investment Portfolio includes a pro-rata share of our property joint ventures, but excludes investment properties within our property outsourcing business, Trillium.

The market value of the investment property interests in the Investment Portfolio totalled £13,586.7m at 31 March 2008 (31 March 2007: £14,752.5m). The aggregate of the market values of those investment properties held by the Group, excluding joint ventures and Trillium, as at 31 March 2008 was £11,996.8m (31 March 2007: £13,114.8m).

The valuation of the freehold and leasehold investment properties in the Investment Portfolio at 31 March 2008 was undertaken by Knight Frank LLP as External Valuer. The valuations were in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards and the International Valuation Standards. The valuation of each property was on the basis of market value, subject to the assumptions that investment properties would be sold subject to any existing leases and that properties held for development would be sold with vacant possession in existing condition. The External Valuer's opinion of market value was primarily derived using recent comparable market transactions on arm's length terms.

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

Table 11: Top 12 property holdings

Total value £4.4bn (32.7% of combined portfolio) Values in excess of £240.0m
Cardinal Place, SW1
New Street Square, EC4
50 Queen Anne's Gate, SW1
White Rose Centre, Leeds
Almondvale Shopping Centre, Livingston
Cabot Circus Shopping Centre, Bristol
Bullring, Birmingham
Princesshay, Exeter
Portland House, SW1
Bankside 2&3, SE1
Gunwharf Quays, Portsmouth
Times Square, EC4

Table 12: Income statement – gross rental income reconciliation

	Retail Portfolio £m	London Portfolio £m	Other Investment Portfolio £m	Year ended 31 March 2008 £m	Retail £m	London Portfolio £m	Other Investment Portfolio £m	Year ended 31 March 2007 £m
Combined portfolio	373.7	284.5	29.3	687.5	388.4	261.8	29.5	679.7
Central London shops (excluding Metro Shopping Fund LP)	(45.4)	45.4	-	-	(50.9)	50.9	-	-
Inner London offices in Metro Shopping Fund LP	0.8	(0.8)	-	-	0.8	(0.8)	-	-
Rest of UK offices	2.3	-	(2.3)	-	2.7	-	(2.7)	-
Allocation of other	7.9	9.5	(17.4)	-	10.3	7.8	(18.1)	-
	339.3	338.6	9.6	687.5	351.3	319.7	8.7	679.7
Less finance lease adjustment	(3.4)	(8.1)	-	(11.5)	(4.5)	(8.1)	-	(12.6)
Per business unit	335.9	330.5	9.6	676.0	346.8	311.6	8.7	667.1

Table 13: Open market value reconciliation

	Retail Portfolio £m	London Portfolio £m	Other Investment Portfolio £m	31 March 2008 £m	Retail £m	London Portfolio £m	Other Investment Portfolio £m	31 March 2007 £m
Combined portfolio	6,851.9	6,124.0	610.8	13,586.7	8,060.7	6,102.9	588.9	14,752.5
Central London shops (excluding Metro Shopping Fund LP)	(1,009.8)	1,009.8	-	-	(1,182.6)	1,182.6	-	-
Inner London offices in Metro Shopping Fund LP	20.0	(20.0)	-	-	21.0	(21.0)	-	-
Rest of UK offices	79.6	-	(79.6)	-	90.1	-	(90.1)	-
Allocation of other	244.9	237.3	(482.2)	-	237.0	196.8	(433.8)	-
Per business unit	6,186.6	7,351.1	49.0	13,586.7	7,226.2	7,461.3	65.0	14,752.5

Table 14: Gross estimated rental value reconciliation

	Retail Portfolio £m	London Portfolio £m	Other Investment Portfolio £m	Year ended 31 March 2008 £m	Retail £m	London Portfolio £m	Other Investment Portfolio £m	Year ended 31 March 2007 £m
Combined portfolio	480.1	431.2	26.7	938.0	511.9	394.5	28.4	934.8
Central London shops (excluding Metro Shopping Fund LP)	(70.9)	70.9	-	-	(70.8)	70.8	-	-
Inner London offices in Metro Shopping Fund LP	1.0	(1.0)	-	-	1.0	(1.0)	-	-
Rest of UK offices	2.4	-	(2.4)	-	4.2	-	(4.2)	-
Allocation of other	9.4	11.2	(20.6)	-	9.6	10.4	(20.0)	-
Per business unit	422.0	512.3	3.7	938.0	455.9	474.7	4.2	934.8

Table 15: Top 12 occupiers

	Current gross rent roll %
Central Government	9.7
Deloitte	4.1
Royal Bank of Scotland	3.1
Metropolitan Police Authority	2.9
Arcadia Group	1.8
J Sainsbury	1.6
DSG	1.5
Boots	1.5
Mellon Bank	1.4
Marks & Spencer	1.3
Argos and Homebase	1.2
Eversheds	1.2
Total	31.3

Includes share of joint venture properties

Table 16: % Portfolio by value and number of property holdings at 31 March 2008

£m	Value %	Number of properties
0 – 9.99	1.5	56
10 – 24.99	2.7	24
25 – 49.99	9.3	34
50 – 99.99	17.8	34
100 – 149.99	11.8	13
150 – 199.99	11.2	9
200 +	45.7	20
Total	100.0	190

Includes share of joint venture properties

Table 17: Combined portfolio value by location

	Shopping centres and shops %	Retail warehouses %	Offices %	Other %	Total %
Central inner and outer London	9.0	0.8	48.0	1.6	59.4
South East and Eastern	4.6	2.9	-	0.7	8.2
Midlands	3.5	1.4	-	-	4.9
Wales and South West	6.3	1.4	0.1	-	7.8
North, North West, Yorkshire and Humberside	7.8	5.4	0.2	0.3	13.7
Scotland and Northern Ireland	3.9	1.5	-	0.6	6.0
Total	35.1	13.4	48.3	3.2	100.0

% figures calculated by reference to the combined portfolio value of £13.6bn.

Table 18: Average rents as at 31 March 2008

	Average rent £/m^2	Average ERV £/m^2
Retail		
Shopping centres and shops	n/a	n/a
Retail warehouses (including supermarkets)	193	212
Offices		
London office portfolio	338	405

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 19: Like-for-like reversionary potential as at 31 March 2008

	31 March 2008	31 March 2007
Reversionary potential	% of rent roll	% of rent roll
Gross reversions	16.2	11.6
Over-rented	(1.2)	(1.5)
Net reversionary potential	15.0	10.1

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, £4.5m is subject to a lease expiry or break clause in the next five years.

Table 20: One year performance relative to IPD

Ungeared total returns – period to 31 March 2008

	Land Securities % pa	IPD % pa
Retail – Shopping centres	(3.7)	(8.0)
Retail warehouses	(10.6)	(15.3)
Central London offices*	(1.4)	(5.4)
Total portfolio	(3.2)	(9.1)

IPD Quarterly Universe to March 2008

* Central London defined as West End, City, Mid-town and Inner London regions.

Table 21: Combined portfolio analysis

The like for like portfolio

	Open market value[1]		Valuation surplus[7]		Gross rental income		Annual net rent[8]		Annual net estimated rental value[9]	
	31 March 2008	31 March 2007	Surplus / (deficit)	Surplus / (deficit)	31 March 2008	31 March 2007	31 March 2008	31 March 2007	31 March 2008	31 March 2007
	£m	£m	£m	%	£m	£m	£m	£m	£m	£m
Shopping centres and shops										
Shopping centres	2,793.6	3,096.1	(335.2)	(10.8)	183.6	174.5	171.8	170.0	193.2	191.7
Central London shops	694.1	673.8	10.0	1.5	31.5	32.2	30.1	29.1	37.9	33.0
Other in-town shops	225.6	249.2	(24.3)	(9.7)	13.2	12.6	12.0	11.9	14.3	14.2
	3,713.3	4,019.1	(349.5)	(8.7)	228.3	219.3	213.9	211.0	245.4	238.9
Retail Warehouses										
Retail parks	1,415.7	1,686.3	(265.6)	(15.9)	69.9	66.7	71.3	69.0	80.4	79.1
Other	188.6	214.5	(30.1)	(15.3)	13.3	11.7	12.7	11.0	14.8	14.3
	1,604.3	1,900.8	(295.7)	(15.9)	83.2	78.4	84.0	80.0	95.2	93.4
Total retail	5,317.6	5,919.9	(645.2)	(11.0)	311.5	297.7	297.9	291.0	340.6	332.3
London Offices										
West End	1,730.3	1,799.2	(99.4)	(5.4)	95.5	92.6	92.6	87.1	117.8	99.3
City	600.6	695.9	(148.3)	(19.8)	32.8	33.9	31.4	29.4	35.1	37.4
Mid-town	491.4	530.2	(33.6)	(7.4)	26.6	26.2	27.3	25.5	33.7	28.9
Inner London	480.1	487.5	(13.9)	(3.0)	25.9	25.2	27.5	15.1	32.7	26.7
Total London offices	3,302.4	3,512.8	(295.2)	(8.5)	180.8	177.9	178.8	157.1	219.3	192.3
Rest of UK	68.6	74.9	(2.5)	(3.5)	1.9	1.9	1.8	1.8	2.3	2.4
Total offices	3,371.0	3,587.7	(297.7)	(8.4)	182.7	179.8	180.6	158.9	221.6	194.7
Other	360.6	368.1	(14.9)	(4.0)	14.7	14.0	15.2	14.4	16.8	16.2
Like-for-like portfolio[2]	9,049.2	9,875.7	(957.8)	(9.8)	508.9	491.5	493.7	464.3	579.0	543.2
Completed developments[3]	1,580.9	1,463.4	(49.0)	(3.1)	61.5	29.8	60.9	16.7	97.8	87.5
Total	10,630.1	11,339.1	(1,006.8)	(8.8)	570.4	521.3	554.6	481.0	676.8	630.7
Acquisitions[4]	1,164.8	636.8	(195.2)	(14.4)	51.1	19.1	61.0	28.5	79.7	35.6
Sales and restructured interests[5]	-	1,445.0	-	-	44.1	112.7	-	68.3	-	85.1
Total development programme[6]	1,791.8	1,331.6	(77.6)	(4.2)	21.9	26.6	9.4	6.7	163.8	164.5
Combined portfolio	13,586.7	14,752.5	(1,279.6)	(8.8)	687.5	679.7	625.0	584.5	920.3	915.9
Properties treated as finance leases					(11.5)	(12.6)				
Combined portfolio					676.0	667.1				

Total portfolio analysis

	Open market value[1]		Valuation surplus[7]		Gross rental income		Annual net rent[8]		Annual net estimated rental value[9]	
	31 March 2008	31 March 2007	Surplus / (deficit)	Surplus / (deficit)	31 March 2008	31 March 2007	31 March 2008	31 March 2007	31 March 2008	31 March 2007
	£m	£m	£m	%	£m	£m	£m	£m	£m	£m
Shopping centres and shops										
Shopping centres	3,702.4	4,157.9	(415.9)	(10.2)	211.4	217.7	190.1	200.9	263.6	288.1
Central London shops	1,060.8	1,236.0	(25.2)	(2.3)	48.1	53.3	41.5	48.0	73.8	71.2
Other in-town shops	284.9	359.9	(28.8)	(9.2)	18.0	18.0	15.1	16.5	20.7	22.6
	5,048.1	5,753.8	(469.9)	(8.6)	277.5	289.0	246.7	265.4	358.1	381.9
Retail Warehouses										
Retail parks	1,554.9	1,872.7	(285.5)	(15.7)	72.6	78.2	73.5	74.8	84.2	86.1
Other	248.9	434.2	(40.2)	(15.1)	23.6	21.2	20.8	21.4	24.4	29.2
	1,803.8	2,306.9	(325.7)	(15.6)	96.2	99.4	94.3	96.2	108.6	115.3
Total retail	6,851.9	8,060.7	(795.6)	(10.5)	373.7	388.4	341.0	361.6	466.7	497.2
London Offices										
West End	2,745.6	2,721.3	(93.2)	(3.3)	128.2	128.7	124.1	97.8	186.4	168.8
City	1,155.5	1,200.4	(239.5)	(17.3)	52.5	60.4	50.9	38.1	86.2	87.0
Mid-town	1,272.0	1,253.3	(76.7)	(6.1)	52.8	37.2	50.4	40.0	88.9	77.4
Inner London	950.9	927.9	(27.1)	(2.9)	51.0	35.5	35.1	24.0	65.5	57.2
Total London offices	6,124.0	6,102.9	(436.5)	(6.9)	284.5	261.8	260.5	199.9	427.0	390.4
Rest of UK	79.6	90.1	(2.0)	(2.3)	2.3	2.7	1.8	3.0	2.3	4.1
Total offices	6,203.6	6,193.0	(438.5)	(6.8)	286.8	264.5	262.3	202.9	429.3	394.5
Other	531.2	498.8	(45.5)	(8.1)	27.0	26.8	21.7	20.0	24.3	24.2
Combined portfolio	13,586.7	14,752.5	(1,279.6)	(8.8)	687.5	679.7	625.0	584.5	920.3	915.9
Properties treated as finance leases					(11.5)	(12.6)				
Combined portfolio					676.0	667.1				
Represented by:										
Investment portfolio	11,996.8	13,114.8	(1,145.4)	(8.9)	621.4	612.1	541.7	509.2	781.3	791.0
Share of joint ventures	1,589.9	1,637.7	(134.2)	(7.8)	66.1	67.6	83.3	75.3	139.0	124.9
Combined portfolio	13,586.7	14,752.5	(1,279.6)	(8.8)	687.5	679.7	625.0	584.5	920.3	915.9

Table 21: Combined portfolio analysis continued

The like for like portfolio

	Gross income yield[10]		Equivalent yield[11]		Annual gross estimated rental value[12]		Voids (by ERV)[13]		Lease length at 31 March 2008[14]	
	31 March 2008	31 March 2007	31 March 2008	31 March 2007	31 March 2008	31 March 2007	31 March 2008	31 March 2007	Median years (i)	Mean years (ii)
	%	%	%	%	£m	£m	%	%		
Shopping centres and shops										
Shopping centres	6.2	5.5	5.7	5.1	204.0	199.7	4.6	4.5	7.2	8.5
Central London shops	4.3	4.3	5.0	4.8	38.2	35.6	8.3	3.3	4.4	5.7
Other in-town shops	5.3	4.8	5.6	4.9	15.0	14.9	6.9	3.6	5.7	8.2
	5.8	5.3	5.6	5.0	257.2	250.2	5.3	4.3	6.5	8.0
Retail Warehouses										
Retail parks	5.0	4.1	5.5	4.6	81.2	79.8	1.6	1.8	12.5	11.9
Other	6.8	5.1	5.3	4.5	14.8	14.3	5.8	5.7	14.1	18.2
	5.2	4.2	5.5	4.6	96.0	94.1	2.3	2.4	13.0	12.8
Total retail	5.6	4.9	5.5	4.9	353.2	344.3	4.4	3.8	8.2	9.5
London Offices										
West End	5.4	4.8	5.9	5.0	118.2	99.8	1.3	2.4	4.0	7.1
City	5.2	4.2	6.4	4.9	37.2	39.3	3.0	20.3	2.8	5.0
Mid-town	5.6	4.8	6.0	5.0	34.2	29.4	3.0	2.6	4.4	7.8
Inner London	5.7	3.1	6.3	5.1	32.7	26.7	0.8	0.4	8.0	8.6
Total London offices	5.4	4.5	6.1	5.0	222.3	195.2	1.8	5.7	4.5	7.0
Rest of UK	2.6	2.4	7.0	6.7	2.4	2.5	19.9	14.7	1.7	3.3
Total offices	5.4	4.4	6.1	5.0	224.7	197.7	2.0	5.9	4.5	7.0
Other	4.2	3.9	5.9	5.7	16.8	16.2	2.2	2.2	11.6	15.4
Like-for-like portfolio[2]	5.5	4.7	5.8	5.0	594.7	558.2	3.4	4.5	6.6	8.6
Completed developments[3]	3.9	1.1	5.6	4.6	98.8	87.9	2.3	30.9	12.9	13.2
Total	5.2	4.2	5.7	4.9	693.5	646.1	3.3	8.1	7.8	9.3
Acquisitions[4]	5.2	4.5	6.0	4.9	80.1	35.7	9.3	9.1	8.9	13.0
Sales and restructured interests[5]	-	-	-	-	n/a	n/a	n/a	n/a	n/a	n/a
Total development programme[6]	0.5	0.5	5.5	-	n/a	n/a	n/a	n/a	n/a	n/a
Combined portfolio	4.6	4.0	5.7	5.0	n/a	n/a	n/a	n/a	n/a	n/a

Total portfolio analysis

Shopping centres and shops				
Shopping centres	5.1	4.8	5.6	5.0
Central London shops	3.9	3.9	5.0	4.8
Other in-town shops	5.3	4.6	5.5	5.0
	4.9	4.6	5.5	5.0
Retail Warehouses				
Retail parks	4.7	4.0	5.6	4.6
Other	8.4	4.9	5.4	4.5
	5.2	4.2	5.5	4.6
Total retail	5.0	4.5	5.5	4.9
London Offices				
West End	4.5	3.6	5.9	4.9
City	4.4	3.2	6.2	5.0
Mid-town	4.0	3.2	5.8	5.0
Inner London	3.7	2.6	6.0	5.2
Total London offices	4.3	3.3	5.9	5.0
Rest of UK	2.3	3.3	7.0	6.9
Total offices	4.2	3.3	6.0	5.0
Other	4.1	4.0	6.0	5.6
Combined portfolio	4.6	4.0	5.7	5.0
Represented by:				
Investment portfolio	4.5	3.9	5.8	5.0
Share of joint ventures	5.2	4.6	5.4	4.8
Combined portfolio	4.6	4.0	5.7	5.0

Notes

1. The open market value figures include the Group's share of the various joint ventures but exclude properties owned by Trillium.
2. The like-for-like portfolio includes all properties which have been in the portfolio since 1 April 2006 but excluding those which were acquired, sold or included in the development programme at any time during that period. Capital expenditure on refurbishments, acquisitions of headleases and similar capital expenditure has been allocated to the like-for-like portfolio in preparing this table. Changes in valuation from period-to-period reflect this capital expenditure as well as the disclosed valuation surpluses.
3. Completed developments represent those properties previously included in the development programme, which have been completed, let and removed from the development programme since 1 April 2006.
4. Includes all properties acquired in the period since 1 April 2006.
5. Includes all properties sold (other than directly out of the development programme), or where the ownership interest has been restructured, in the period since 1 April 2006.
6. Ongoing developments are properties in the development programme and Kent Thameside. They exclude completed developments as defined in note 3 above.
7. The valuation surplus and rental income are stated after adjusting for the effect of SIC 15 under IFRS, but before restating for finance leases.
8. Annual net rent is annual cash rents in payment at 31 March 2008 after deduction of ground rents. It excludes the value of voids and current rent free periods.
9. Annual net estimated rental value includes vacant space, rent-frees and future estimated rental values for properties in the development programme and is calculated after deducting expected ground rents.
10. The gross income yield represents the annual cash net rent expressed as a percentage of the market value ignoring costs of purchase or sale.
11. The net nominal equivalent yield has been calculated on the gross outlays for a purchase of the property (including purchase costs) and assuming that rent is received annually in arrears.
12. Annual gross estimated rental value is calculated in the same way as net estimated rental value before the deduction of ground rents.
13. Voids represent all unlet space in the properties, including voids where refurbishment work is being carried out and voids in respect of pre-development properties. Voids are calculated based on their gross estimated rental value as defined in 12 above.
14. The definition for the figures in each column is:
    I. Median is the number of years until half of income is subject to lease expiry/break clauses.
    II. Mean is the rent-weighted average remaining term on leases subject to lease expiry/break clauses.

Table 22: Development pipeline financial summary

	Cumulative movements on the development programme to 31 March 2008						Total scheme details				
	Market value at start of scheme £m	Capital expenditure incurred to date £m	Capitalised interest to date £m	Revaluation surplus/ (deficit) to date (1) £m	Disposals, SIC15 rent and other adjustments £m	Market value at 31 March 2008 £m	Estimated total capital expenditure (4) £m	Estimated total capitalised interest £m	Estimated total cost less proceeds (2) £m	Net income/ ERV (3) £m	Valuation surplus / (deficit) for year ended 31 March 2008 (1) £m
Development programme let, transferred or sold											
Shopping centres and shops	58	186	18	37	(20)	279	190	18	237	15	14
Retail warehouses	31	77	3	(3)	5	113	77	3	111	7	(9)
London Portfolio	137	479	43	437	65	1,161	481	43	661	63	(48)
	226	742	64	471	50	1,553	748	64	1,009	85	(43)
Development programme completed, approved or in progress											
Shopping centres and shops	57	431	22	(29)	1	482	702	48	751	47	(54)
Retail warehouses	12	-	-	(2)	-	10	6	-	18	1	(2)
London Portfolio	458	562	44	213	22	1,299	1,155	117	1,600	123	(22)
	527	993	66	182	23	1,791	1,863	165	2,369	171	(78)
	Movement on proposed developments for the year ended 31 March 2008										
Proposed developments											
Shopping centres and shops	157	88	1	(52)	13	207	250	35	492	30	(52)
Retail warehouses	6	-	-	-	-	6	4	-	10	1	-
London Portfolio	471	51	-	(97)	2	427	976	134	1,075	84	(97)
	634	139	1	(149)	15	640	1,230	169	1,577	115	(149)

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 2008 is included in the estimated total cost. Estimated total cost is stated net of residential proceeds for Shopping Centres and shops of £29m on the "let, transferred or sold" schemes and £56m for developments in progress. The London Portfolio developments in progress and proposed developments are stated net of residential proceeds of £130m and £468m respectively. Allowances for rent free periods are excluded from cost.
3. Net headline annual rental payable on let units plus net ERV at 31 March 2008 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 2008 together with pre-development costs incurred prior to that date if the benefit of that expenditure has been excluded from the valuation as at 31 March 2008. Such pre-development costs are included in the accounts as prepayments and are not included in the property additions.

Table 23: Trillium contract analysis

Year ended 31 March 2008									
Contract	DWP	Norwich Union	DVLA	Barclays [1]	Telereal II	Accor [2]	Royal Mail [3]	Other [4]	Total
Contract length term (years)	20.0	25.0	20.0	20.0	4.5	84.0	15.0		
Expiry date	Mar 2018	Jun 2029	Mar 2025	Dec 2024	Mar 2010	Mar 2091	Mar 2022		
Income statement	£m	£m	£m	£m	£m	£m	£m	£m	£m
Unitary charge	532.5	14.0	8.8	0.6	-	28.2	3.8	9.4	597.3
Third party (sublet) income	10.4	0.9	-	1.6	-	-	2.6	2.0	17.5
Capital projects	65.7	0.2	6.9	-	-	-	-	1.8	74.6
Other revenue	19.5	0.8	1.7	-	44.0	-	-	5.6	71.6
Finance lease income	-	7.5	2.9	-	-	-	-	-	10.4
Gross property income	628.1	23.4	20.3	2.2	44.0	28.2	6.4	18.8	771.4
Rents payable	(169.1)	(4.0)	(2.0)	-	-	-	-	-	(175.1)
Service partners (maintenance, facilities, etc)	(164.7)	(3.8)	(4.7)	-	-	-	(0.1)	1.7	(171.6)
Life cycle maintenance costs	(22.3)	(1.7)	(0.3)	-	-	(0.4)	-	-	(24.7)
Capital projects	(63.2)	(0.2)	(6.2)	-	-	-	-	(0.8)	(70.4)
Other costs, including overheads	(79.2)	(1.8)	(3.4)	(0.3)	(28.5)	(0.7)	(2.2)	(34.5)	(150.6)
Bid costs	-	-	-	-	-	-	-	(11.9)	(11.9)
Depreciation	(35.3)	(0.8)	-	-	-	-	-	(1.9)	(38.0)
Underlying operating profit / (loss)	94.3	11.1	3.7	1.9	15.5	27.1	4.1	(28.6)	129.1
Profit on sale of non-current assets	16.0	-	-	-	-	-	0.1	2.0	18.1
Net (deficit) / surplus on revaluation of investment properties	-	-	-	(5.9)	-	(13.0)	(7.8)	1.8	(24.9)
Segment profit / (loss)	110.3	11.1	3.7	(4.0)	15.5	14.1	(3.6)	(24.8)	122.3
Capital expenditure									
Life cycle maintenance costs capitalised	(17.0)	(0.8)	-	-	-	-	-	-	(17.8)
Estates costs capitalised	(10.3)	-	-	-	-	-	-	(0.2)	(10.5)
Book value of assets at 31 March 2008									
Investment in associate	-	-	-	-	-	-	-	73.5	73.5
Investment properties	-	-	-	22.0	-	435.9	89.8	14.7	562.4
Net investment in finance leases	-	100.0	54.1	-	-	-	-	21.6	175.7
Operating properties	500.6	43.7	-	-	-	-	-	0.5	544.8

Notes:
1. Barclays sale and leaseback terms include a tenant break clause in December 2014, with annual breaks until expiry
2. Accor sale and leaseback terms include a tenant break clause every 12 years with the first in 2019
3. Royal Mail sale and leaseback terms include 12 tenancies which have a break clause in March 2012 and a further 164 tenancies with a break clause in March 2017
4. Other includes new business and corporate overheads, bid costs, SPVs, management income, and release of provisions on the BBC contract.

Table 24: Trillium contract analysis at 31 March 2008

Floor space (000m²)	DWP	Norwich Union	DVLA	Barclays	Telereal II	Accor	Royal Mail	Other	**Total**
Client occupied	1,885.1	107.0	16.2	11.4	-	230.0	92.7	-	2,342.4
Third party (sublet)	119.2	5.2	-	17.8	-	-	91.9	-	234.1
Vacant	228.0	1.7	-	6.7	-	-	56.8	-	293.2
Total	2,232.3	113.9	16.2	35.9	-	230.0	241.4	-	2,869.7
Freeholds / valuable leaseholds	805.0	38.9	-	11.3	-	-	128.1	-	983.3
Leaseholds	1,427.3	75.0	16.2	24.6	-	230.0	113.3	-	1,886.4
Total	2,232.3	113.9	16.2	35.9	-	230.0	241.4	-	2,869.7
Estate managed but not transferred	64.5	8.7	85.9	-	150.0	-	-	-	309.1

Table 25: Trillium vacation allowance and portfolio activity – DWP

Floor space (000m²)	31 March 2007	Acquisitions	Vacations*	Lettings	Disposals	31 March 2008
Client occupied	1,996.0	51.4	(153.4)	-	(8.9)	1,885.1
Third party (sublet)	81.0	-	(1.8)	48.7	(8.7)	119.2
Vacant	244.2	-	155.2	(48.7)	(122.7)	228.0
Total	2,321.2	51.4	-	-	(140.3)	2,232.3
Freeholds / valuable leaseholds	840.0	12.3	-	-	(47.3)	805.0
Leaseholds	1,481.2	39.1	-	-	(93.0)	1,427.3
Total	2,321.2	51.4	-	-	(140.3)	2,232.3
Estate managed but not transferred	78.7	-	(14.2)	-	-	64.5

* Includes core vacations

					31 March 2007	31 March 2008
Vacation allowance used to date	392.7	-	-	-	392.7	491.9
Available allowance	130.5	-	-	-	130.5	64.9
Future allowance *	164.4	-	-	-	164.4	131.6

* The future allowance relates to the period commencing from 1 April following the year end.

Table 26: Trillium portfolio activity – Barclays

Floor space (000m²)	31 March 2007	Acquisitions	Vacations*	Lettings	Disposals	31 March 2008
Client occupied	11.4	-	-	-	-	11.4
Third party (sublet)	18.1	-	(1.4)	1.6	(0.5)	17.8
Vacant	7.5	-	1.4	(1.6)	(0.6)	6.7
Total	37.0	-	-	-	(1.1)	35.9
Freeholds / valuable leaseholds	11.3	-	-	-	-	11.3
Leaseholds	25.7	-	-	-	(1.1)	24.6
Total	37.0	-	-	-	(1.1)	35.9

* Includes lease surrenders, lease expiries and disposals

Table 27: Trillium portfolio activity – Royal Mail

Floor space (000m²)	31 March 2007	Acquisitions	Vacations	Lettings	Disposals	31 March 2008
Client occupied	92.7	-	-	-	-	92.7
Third party (sublet)	94.1	-	(11.9)	9.7	-	91.9
Vacant	68.5	-	11.9	(9.7)	(13.9)	56.8
Total	255.3	-	-	-	(13.9)	241.4
Freeholds / valuable leaseholds	128.5	-	-	-	(0.4)	128.1
Leaseholds	126.8	-	-	-	(13.5)	113.3
Total	255.3	-	-	-	(13.9)	241.4

Table 28: Trillium number of people by occupation

As at 31 March 2008	Total
Asset management	105
Call centre	68
Capital projects	139
Quality assurance	30
Facilities management	377
Human resources / Finance	115
Business development and commercial	95
Total	929

Financial Statements

Consolidated income statement

	Notes	Before exceptional items £m	Exceptional items £m	2008 Total £m	Before exceptional items £m	Exceptional items £m	2007 Total £m
Group revenue*	2	**1,561.2**	-	**1,561.2**	1,641.1	-	1,641.1
Costs	2	**(958.6)**	-	**(958.6)**	(1,046.2)	-	(1,046.2)
		602.6	-	**602.6**	594.9	-	594.9
Profit on disposal of non-current properties	2	**75.4**	-	**75.4**	118.2	-	118.2
Net (deficit) / surplus on revaluation of investment properties	2	**(1,170.3)**	**-**	**(1,170.3)**	1,307.6	-	1,307.6
Operating (loss) / profit		**(492.3)**	**-**	**(492.3)**	2,020.7	-	2,020.7
Interest expense	3	**(324.4)**	-	**(324.4)**	(257.3)	-	(257.3)
Interest income	3	**29.4**	-	**29.4**	36.4	-	36.4
		(787.3)	**-**	**(787.3)**	1,799.8	-	1,799.8
Share of the loss of an associate undertaking (post-tax)		**(0.5)**	**-**	**(0.5)**	-	-	-
Share of the (loss) / profit of joint ventures (post-tax)	11	**(101.0)**	**-**	**(101.0)**	81.3	98.0	179.3
(Loss) / profit before tax	2	**(888.8)**	**-**	**(888.8)**	1,881.1	98.0	1,979.1
Income tax credit / (expense)	5	**10.5**	**-**	**10.5**	(445.0)	1,994.2	1,549.2
(Loss) / profit for the financial year from continuing activities		**(878.3)**	-	**(878.3)**	1,436.1	2,092.2	3,528.3
Discontinued operations	12	**47.5**	-	**47.5**	-	-	-
(Loss) / profit for the financial year attributable to equity shareholders	16	**(830.8)**	-	**(830.8)**	1,436.1	2,092.2	3,528.3
(Loss) / earnings per share							
Basic (loss) / earnings per share #	7			**(188.80p)**			753.59p
Diluted (loss) / earnings per share #	7			**(188.80p)**			750.54p

* Group revenue excludes the share of joint ventures' income of £111.6m (2007: £81.6m) (see note 11)

adjusted (loss) / earnings per share is given in note 7

Consolidated statement of recognised income and expense

	2008 £m	2007 £m
Actuarial gains / (losses) on defined benefit pension schemes	**15.8**	(1.3)
Deferred tax (charge) / credit on actuarial (gains) / losses on defined benefit pension schemes	**(0.9)**	1.0
Fair value movement on cash flow hedges taken to equity – Group	**(3.2)**	6.7
– joint ventures	**(3.5)**	11.8
Deferred tax on fair value movement on cash flow hedges taken to equity – Group	**-**	(1.6)
– joint ventures	**-**	(2.3)
Net income recognised directly in equity	**8.2**	14.3
(Loss) / profit for the financial year	**(830.8)**	3,528.3
Total recognised income and expense attributable to equity shareholders	**(822.6)**	3,542.6

Consolidated balance sheet

	Notes	2008 £m	2007 £m
Non-current assets			
Investment properties	9	**12,296.7**	13,319.3
Operating properties	9	**544.8**	551.5
Other property, plant and equipment	9	**73.6**	78.2
	9	**12,915.1**	13,949.0
Net investment in finance leases	10	**333.7**	262.4
Investments in Public Private Partnerships		**25.4**	-
Goodwill		**148.6**	129.6
Investment in an associate undertaking		**42.9**	-
Investments in joint ventures	11	**1,410.6**	1,338.8
Net pension benefit assets	14	**11.0**	-
Total non-current assets		**14,887.3**	15,679.8
Current assets			
Trading properties and long-term development contracts		**173.0**	148.3
Derivative financial instruments	13	**4.3**	14.6
Trade and other receivables		**838.0**	641.8
Cash and cash equivalents		**48.4**	52.7
Total current assets (excluding non-current assets classified as held for sale)		**1,063.7**	857.4
Non-current assets classified as held for sale	12	**664.1**	2,420.3
Total current assets		**1,727.8**	3,277.7
Total assets		**16,615.1**	18,957.5
Current liabilities			
Short-term borrowings and overdrafts		**(794.0)**	(1,683.2)
Derivative financial instruments	13	**(10.7)**	-
Trade and other payables		**(927.2)**	(783.9)
Provisions		**(40.9)**	(19.5)
Current tax liabilities		**(161.0)**	(535.8)
Total current liabilities (excluding liabilities directly associated with non-current assets classified as held for sale)		**(1,933.8)**	(3,022.4)
Liabilities directly associated with non-current assets classified as held for sale	12	**(427.7)**	(1,601.0)
Total current liabilities		**(2,361.5)**	(4,623.4)
Non-current liabilities			
Provisions		**(36.7)**	(61.2)
Borrowings	13	**(4,632.5)**	(3,472.0)
Net pension benefit obligations	14	**-**	(5.6)
Deferred tax liabilities	15	**(1.5)**	(4.0)
Total non-current liabilities		**(4,670.7)**	(3,542.8)
Total liabilities		**(7,032.2)**	(8,166.2)
Net assets		**9,582.9**	10,791.3
Equity			
Ordinary shares	16	**47.1**	47.0
Own shares	16	**(22.3)**	(14.5)
Share-based payments	16	**11.3**	7.9
Share premium	16	**56.6**	51.5
Capital redemption reserve	16	**30.5**	30.5
Retained earnings	16	**9,459.7**	10,668.9
Total shareholders' equity		**9,582.9**	10,791.3

Consolidated cash flow statement

	Notes	2008 £m	2008 £m	2007 £m	2007 £m
Net cash generated from operations					
Cash generated from operations	17		**696.5**		682.4
Interest paid			**(338.3)**		(237.5)
Interest received			**10.7**		12.4
Employer contributions to pension scheme			**(2.0)**		(3.9)
Taxation (corporation tax paid)			**(367.7)**		(91.9)
Net cash (outflow) / inflow from operations			**(0.8)**		361.5
Cash flows from investing activities					
Investment property development expenditure		**(415.3)**		(429.4)	
Acquisition of investment properties		**(722.6)**		(523.7)	
Other investment property related expenditure		**(80.0)**		(77.2)	
Acquisition of properties by Trillium		**(158.3)**		(416.5)	
Capital expenditure by Trillium		**(35.0)**		(26.0)	
Capital expenditure on properties		**(1,411.2)**		(1,472.8)	
Disposal of non-current investment properties		**1,047.0**		841.0	
Disposal of non-current operating properties		**33.7**		28.8	
Net expenditure on properties		**(330.5)**		(603.0)	
Net expenditure on non-property related non-current assets		**(15.4)**		(18.8)	
Net cash outflow from capital expenditure		**(345.9)**		(621.8)	
Receivable finance leases acquired		**(82.1)**		(43.3)	
Receipts in respect of receivable finance leases		**0.8**		3.8	
Receipts from the disposal of discontinued activities		**424.9**		-	
Net loans (to) / from joint ventures and cash contributed		**(75.3)**		10.8	
Distributions from joint ventures		**75.1**		39.2	
Investment in PPPs		**(8.2)**		-	
Net cash received from / (advanced to) disposal group		**296.5**		(372.6)	
Acquisitions of Group undertakings (net of cash acquired)	18	**(158.5)**		(521.4)	
Net cash received from / (used in) investing activities			**127.3**		(1,505.3)
Cash flows from financing activities					
Issue of shares		**5.2**		8.4	
Purchase of own share capital		**(87.6)**		(36.2)	
Increase in debt		**260.6**		1,433.9	
Decrease in finance leases payable		**(2.0)**		(2.2)	
Dividends paid to ordinary shareholders	6	**(308.4)**		(223.0)	
Net cash (outflow) / inflow from financing activities			**(132.2)**		1,180.9
(Decrease) / increase in cash and cash equivalents for the year			**(5.7)**		37.1

Notes to the Financial Statements

1. Basis of preparation

The financial information is abridged and does not constitute the Group's full Financial Statements for the years ended 31 March 2008 and 31 March 2007, and has been prepared under with International Financial Reporting Standards (IFRS).

Full Financial Statements for the year ended 31 March 2007, which were prepared under IFRS, received an unqualified auditors' report and did not contain a statement under Section 237 (2) or (3) of the Companies Act 1985, have been filed with the Registrar of Companies.

Financial Statements for the year ended 31 March 2008 will be presented to the Members at the forthcoming Annual General Meeting; the auditors' report on these Financial Statements is unqualified.

2. Segmental information

Income statements	Retail Portfolio £m	London Portfolio £m	Other investment portfolio £m	Trillium £m	2008 Total £m	Retail Portfolio £m	London Portfolio £m	Other investment portfolio £m	Trillium £m	2007 Total £m
Rental income	**271.2**	**329.1**	**9.6**	**-**	**609.9**	279.2	311.6	8.7	-	599.5
Service charge income	**47.3**	**53.3**	**0.6**	**-**	**101.2**	46.8	48.6	0.3	-	95.7
Property services income	**-**	**-**	**-**	**761.0**	**761.0**	-	-	-	785.9	785.9
Trading property sale proceeds	**1.3**	**40.0**	**2.3**	**-**	**43.6**	-	33.1	29.0	1.7	63.8
Long-term development contract income	**-**	**-**	**26.3**	**-**	**26.3**	-	28.9	51.8	-	80.7
Finance lease interest	**2.9**	**5.9**	**-**	**10.4**	**19.2**	3.5	5.9	-	6.1	15.5
Revenue	**322.7**	**428.3**	**38.8**	**771.4**	**1,561.2**	329.5	428.1	89.8	793.7	1,641.1
Rents payable	**(11.0)**	**(5.3)**	**-**	**(175.1)**	**(191.4)**	(11.3)	(4.9)	-	(179.9)	(196.1)
Other direct property or contract expenditure	**(64.7)**	**(72.6)**	**(1.0)**	**(403.6)**	**(541.9)**	(67.7)	(62.1)	(0.8)	(469.0)	(599.6)
Indirect property or contract expenditure	**(32.6)**	**(29.4)**	**(4.0)**	**(13.7)**	**(79.7)**	(31.6)	(30.9)	(5.8)	(16.3)	(84.6)
Long-term development contract expenditure	**-**	**-**	**(24.3)**	**-**	**(24.3)**	-	(26.1)	(40.3)	-	(66.4)
Bid costs	**-**	**-**	**-**	**(11.9)**	**(11.9)**	-	-	-	(2.8)	(2.8)
Cost of sales of trading properties	**(0.9)**	**(38.9)**	**(1.0)**	**-**	**(40.8)**	(0.1)	(28.7)	(20.9)	(0.5)	(50.2)
Depreciation	**(2.2)**	**(5.2)**	**(0.4)**	**(38.0)**	**(45.8)**	(1.5)	(4.9)	(0.1)	(26.4)	(32.9)
Underlying operating profit	**211.3**	**276.9**	**8.1**	**129.1**	**625.4**	217.3	270.5	21.9	98.8	608.5
Profit on disposal of non-current properties	**16.4**	**40.9**	**-**	**18.1**	**75.4**	28.5	81.7	0.5	7.5	118.2
Net (deficit) / surplus on revaluation of investment properties	**(671.2)**	**(464.7)**	**(9.5)**	**(24.9)**	**(1,170.3)**	293.6	1,022.0	5.6	(13.6)	1,307.6
Segment result	**(443.5)**	**(146.9)**	**(1.4)**	**122.3**	**(469.5)**	539.4	1,374.2	28.0	92.7	2,034.3
Demerger costs					**(9.8)**					-
Unallocated expenses					**(13.0)**					(13.6)
Operating (loss) / profit					**(492.3)**					2,020.7
Net interest expense (note 3)					**(295.0)**					(220.9)
					(787.3)					1,799.8
Share of the (loss) / profit of joint ventures (post-tax)										
- Retail Portfolio					**(92.6)**					182.5
- London Portfolio					**(14.4)**					-
- Other investment portfolio					**5.9**					-
- Trillium					**0.1**					(3.2)
					(101.0)					179.3
Share of the loss of an associate undertaking (post-tax)					**(0.5)**					-
(Loss) / profit before tax from continuing activities					**(888.8)**					1,979.1

Included within rents payable is finance lease interest payable of **£2.0m** (2007: £1.9m) and **£2.8m** (2007: £3.1m) respectively for Retail Portfolio and London Portfolio.

All of the share of the loss of an associate undertaking is attributable to Trillium.

2. Segmental information continued

Balance sheets	Retail Portfolio £m	London Portfolio £m	Other investment portfolio £m	Trillium £m	2008 Total £m	Retail Portfolio £m	London Portfolio £m	Other investment portfolio £m	Trillium £m	2007 Total £m
Investment properties	**4,615.9**	**7,069.6**	**48.8**	**562.4**	**12,296.7**	5,497.7	7,329.4	64.6	427.6	13,319.3
Operating properties	**-**	**-**	**-**	**544.8**	**544.8**	-	-	-	551.5	551.5
Other property, plant and equipment	**8.0**	**7.0**	**4.7**	**53.9**	**73.6**	9.3	8.3	5.0	55.6	78.2
Net investment in finance leases	**53.2**	**104.8**	**-**	**175.7**	**333.7**	63.0	104.0	-	95.4	262.4
Investments in Public Private Partnerships	**-**	**-**	**-**	**25.4**	**25.4**	-	-	-	-	-
Goodwill	**-**	**-**	**-**	**148.6**	**148.6**	-	-	-	129.6	129.6
Investments in equity accounted joint ventures	**1,370.2**	**9.0**	**26.3**	**5.1**	**1,410.6**	1,315.9	-	17.9	5.0	1,338.8
Investment in an equity accounted associate	**-**	**-**	**-**	**42.9**	**42.9**	-	-	-	-	-
Trading properties and long-term development contracts	**16.5**	**24.5**	**128.0**	**4.0**	**173.0**	-	41.4	106.2	0.7	148.3
Trade and other receivables	**203.1**	**390.0**	**23.3**	**221.3**	**837.7**	185.9	220.3	27.7	207.5	641.4
Non-current assets classified as held for sale	**-**	**-**	**-**	**664.1**	**664.1**	-	-	-	2,420.3	2,420.3
Segment assets	**6,266.9**	**7,604.9**	**231.1**	**2,448.2**	**16,551.1**	7,071.8	7,703.4	221.4	3,893.2	18,889.8
Unallocated assets					**53.0**					53.1
Total assets					**16,604.1**					18,942.9
Trade and other payables	**(249.2)**	**(253.2)**	**(24.1)**	**(338.2)**	**(864.7)**	(286.7)	(160.8)	(20.0)	(281.8)	(749.3)
Non-current payables	**-**	**-**	**-**	**(77.6)**	**(77.6)**	-	-	-	(80.7)	(80.7)
Liabilities directly associated with non-current assets classified as held for sale	**-**	**-**	**-**	**(427.7)**	**(427.7)**	-	-	-	(1,601.0)	(1,601.0)
Segment liabilities	**(249.2)**	**(253.2)**	**(24.1)**	**(843.5)**	**(1,370.0)**	(286.7)	(160.8)	(20.0)	(1,963.5)	(2,431.0)
Unallocated liabilities					**(5,651.2)**					(5,720.6)
Total liabilities					**(7,021.2)**					(8,151.6)
Other segment items										
Capital expenditure	**220.1**	**368.3**	**0.2**	**51.7**	**640.3**	148.5	357.1	0.3	39.6	545.5

All the Group's operations are in the UK and are organised into four main business segments against which the Group reports its primary segment information. These are Retail Portfolio, London Portfolio, Other investment portfolio and Trillium.

3. Net interest expense

	2008 £m	2007 £m
Interest expense		
Bond and debenture debt	**(195.1)**	(173.1)
Bank borrowings	**(136.4)**	(89.6)
Other interest payable	**(2.2)**	(1.2)
Fair value losses on interest rate swaps	**(21.9)**	-
Provision discounting	**(1.6)**	(1.0)
Amortisation of bond exchange de-recognition (note 13)	**(7.6)**	(17.1)
Interest on pension scheme liabilities	**(8.1)**	(7.6)
	(372.9)	(289.6)
Interest capitalised in relation to properties under development	**48.5**	32.3
Total interest expense	**(324.4)**	(257.3)
Interest income		
Short-term deposits	**4.1**	1.5
Other interest receivable	**1.3**	2.4
Interest receivable from joint ventures	**15.0**	8.5
Expected return on pension scheme assets	**9.0**	8.6
Fair value profits on interest rate swaps	**-**	15.4
Total interest income	**29.4**	**36.4**
Net interest expense	**(295.0)**	(220.9)

Included within rents payable (note 2) is finance lease interest payable of **£4.8m** (2007: £5.0m).

4. Exceptional items	2008 £m	2007 £m
Deferred taxation released within joint ventures on conversion to a Real Estate Investment Trust	-	98.0
Exceptional items before tax	-	98.0
Deferred taxation released on conversion to a Real Estate Investment Trust	-	2,309.2
Real Estate Investment Trust conversion charge	-	(315.0)
	-	2,092.2

The exceptional items arising from the Group's conversion to a Real Estate Investment Trust are explained in note 5 below.

5. Income tax credit	2008 £m	2007 £m
Current tax		
Corporation tax expense for the year	**10.3**	68.8
Adjustment in respect of prior years	**(17.9)**	(0.6)
Corporation tax in respect of property disposals	**0.5**	32.0
Real Estate Investment Trust conversion charge	-	315.0
Total current tax (credit) / expense	**(7.1)**	415.2
Deferred tax		
Origination and reversal of timing differences	**(3.4)**	32.9
Released in respect of property disposals	-	(18.8)
On valuation surplus	-	330.7
Released on conversion to a Real Estate Investment Trust	-	(2,309.2)
Total deferred tax credit	**(3.4)**	(1,964.4)
Total income tax credit in the income statement	**(10.5)**	(1,549.2)

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

(Loss) / profit on activities before taxation	**(888.8)**	1,979.1
(Loss) / profit on activities multiplied by the rate of corporation tax in the UK of 30%	**(266.7)**	593.7
Effects of:		
Deferred tax released in respect of property disposals	-	(18.8)
Corporation tax on disposal of non-current assets	**6.3**	6.0
Joint venture accounting adjustments	**0.9**	(44.2)
Prior year corporation tax adjustments	**(17.9)**	(0.6)
Prior year deferred tax adjustments	**(2.9)**	1.1
Non-allowable expenses and non-taxable items	**19.8**	7.9
Real Estate Investment Trust conversion charge	-	315.0
Deferred tax released on conversion to a Real Estate Investment Trust	-	(2,309.2)
Exempt property rental profits in the year ended 31 March 2008	**278.9**	-
Exempt property gains in the year ended 31 March 2008	**(28.9)**	-
Exempt property rental profits in the three months ended 31 March 2007	-	(89.8)
Exempt property gains in the three months ended 31 March 2007	-	(10.3)
Total income tax credit in the income statement (as above)	**(10.5)**	(1,549.2)

Land Securities Group PLC elected for group Real Estate Investment Trust (REIT) status with effect from 1 January 2007. As a result the Group no longer pays UK corporation tax on the profits and gains from qualifying rental business in the UK provided it meets certain conditions. Non-qualifying profits and gains of the Group continue to be subject to corporation tax as normal. On entering the REIT regime an entry charge equal to 2% of the aggregate market value of the properties associated with the qualifying rental business was payable. Deferred tax accrued at the date of conversion in respect of the assets and liabilities of the qualifying rental business was released to the income statement, as the relevant temporary differences are no longer taxable on reversal. An equivalent release of deferred taxation was also made by the joint ventures, of which the Group's share was £98.0m.

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

6. Dividends	2008 £m	2007 £m
Ordinary dividends paid		
Final dividend for the year ended 31 March 2007 (34.00p per share)	**159.5**	-
Final dividend for the year ended 31 March 2006 (28.55p per share)	**-**	133.8
First quarterly dividend for the year ended 31 March 2008 (16.00p per share)	**74.5**	-
Second quarterly dividend for the year ended 31 March 2008 (16.00p per share)	**74.4**	-
Interim dividend for the year ended 31 March 2007 (19.00p per share)	**-**	89.2
	308.4	223.0

The Board has proposed a final dividend of **16.00p** per share (final dividend for the year ended 31 March 2007: 34.00p) which will result in a further distribution of **£74.4m** (2007: £159.5m). It will be paid on 28 July 2008 to shareholders who are on the Register of Members on 20 June 2008. The final dividend is in addition to the third quarterly dividend of 16.00p paid on 25 April 2008. The total dividend paid and proposed in respect of the year ended 31 March 2008 is **64.00p** (2007: 53.00p).

7. (Loss) / earnings per share	2008 £m	2007 £m
(Loss) / profit for the financial year	**(878.3)**	3,528.3
Revaluation deficits / (surpluses) net of deferred taxation – Group	**1,170.3**	(976.9)
– joint ventures	**134.2**	(54.5)
Profit on non-current property disposals after current and deferred tax	**(67.8)**	(105.2)
Mark-to-market adjustment on interest rate swaps (net of deferred tax)	**22.4**	(13.7)
Demerger costs (net of taxation)	**6.9**	-
Prior year non-revenue tax adjustments	**(16.2)**	-
Deferred tax arising from capital allowances on investment properties	**-**	11.7
Deferred tax arising from capitalised interest on investment properties	**-**	5.8
Real Estate Investment Trust conversion charge	**-**	315.0
Deferred tax released on conversion to a Real Estate Investment Trust – Group	**-**	(2,309.2)
– joint ventures	**-**	(98.0)
EPRA adjusted earnings	**371.5**	303.3
Eliminate effect of debt restructuring charges (net of taxation)	**1.9**	13.4
Eliminate effect of bond exchange de-recognition (net of deferred tax)	**7.6**	13.3
Adjusted earnings	**381.0**	330.0

	Number million	Number million
Weighted average number of ordinary shares	**470.6**	469.8
Effect of own shares and treasury shares	**(5.4)**	(1.6)
Weighted average number of ordinary shares after adjusting for own shares	**465.2**	468.2
Effect of dilutive share options	**1.1**	1.9
Weighted average number of ordinary shares adjusted for dilutive instruments	**466.3**	470.1

	Pence	Pence
Basic (loss) / earnings per share	**(188.80)**	753.59
Diluted (loss) / earnings per share	**(188.80)**	750.54
Adjusted earnings per share	**81.90**	70.48
Adjusted diluted earnings per share	**81.71**	70.20
EPRA adjusted earnings	**79.67**	64.52

Management have 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 all exceptional items, debt and other restructuring charges, and other items of a capital nature (other than trading properties and long-term contract profits) as indicated above. In addition, the corporation tax charge arising from the conversion to a REIT, and the deferred tax released following the conversion to a REIT, have also been excluded due to their size and incidence. Further, prior to the conversion to a REIT, the deferred tax arising on capital allowances in respect of investment properties was eliminated as experience had shown that these allowances are not in practice repayable, and deferred tax on capitalised interest was also added back as this was effectively a permanent difference. An EPRA measure has been included to assist comparison between European property companies. We believe our measure of adjusted diluted earnings per share is more appropriate than the EPRA measure in the context of our business.

8. Net assets per share	2008 £m	2007 £m
Net assets attributable to equity shareholders	**9,582.9**	10,791.3
Cumulative mark-to-market adjustment on interest rate swaps (net of deferred tax) – Group	**10.7**	(14.4)
– joint ventures	**1.5**	(9.2)
– an associate undertaking	**0.5**	-
EPRA adjusted net assets	**9,595.6**	10,767.7
Reverse bond exchange de-recognition adjustment	**(511.5)**	(519.1)
Adjusted net assets attributable to equity shareholders	**9,084.1**	10,248.6
Reinstate bond exchange de-recognition adjustment	**511.5**	519.1
Cumulative mark-to-market adjustment on interest rate swaps (net of deferred tax) – Group	**(10.7)**	14.4
– joint ventures	**(1.5)**	9.2
– an associate undertaking	**(0.5)**	-
Excess of fair value of debt over book value (note 13)	**(208.7)**	(511.5)
EPRA triple net assets value	**9,374.2**	10,279.8

	Number million	Number. million
Number of ordinary shares	**470.9**	470.4
Effect of own shares and treasury shares	**(7.2)**	(2.1)
Number of ordinary shares after adjusting for own shares	**463.7**	468.3
Effect of dilutive share options	**0.7**	1.6
Number of ordinary shares adjusted for dilutive instruments	**464.4**	469.9

	Pence	Pence
Net assets per share	**2067**	2304
Diluted net assets per share	**2064**	2297
Adjusted net assets per share	**1959**	2188
Adjusted diluted net assets per share	**1956**	2181
EPRA measure – adjusted diluted net assets per share	**2066**	2291
– triple net assets per share	**2019**	2188

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

9. Non-current assets

	Portfolio management £m	Development programme £m	Trillium £m	Total investment properties £m	Operating properties £m	Other property, plant and equipment £m	Total £m
Net book value at 31 March 2006	10,211.2	1,229.3	27.1	11,467.6	536.1	73.6	12,077.3
Properties transferred from portfolio management into the development programme during the year (at 1 April 2006 valuation)	(219.0)	219.0	-	-	-	-	-
Developments completed, let and transferred from the development programme into portfolio management during the year	60.8	(60.8)	-	-	-	-	-
Property acquisitions	510.0	13.7	414.1	937.8	26.6	-	964.4
Capital expenditure	77.2	422.1	-	499.3	27.2	19.0	545.5
Capitalised interest	-	29.8	-	29.8	-	-	29.8
Disposals	(643.5)	(5.6)	-	(649.1)	(23.0)	(0.2)	(672.3)
Transfer to joint ventures	(266.5)	-	-	(266.5)	-	-	(266.5)
Surrender premiums received	(3.9)	-	-	(3.9)	-	-	(3.9)
Depreciation	(3.3)	-	-	(3.3)	(15.4)	(14.2)	(32.9)
Surplus / (deficit) on revaluation	884.4	436.8	(13.6)	1,307.6	-	-	1,307.6
Net book value at 31 March 2007	**10,607.4**	**2,284.3**	**427.6**	**13,319.3**	**551.5**	**78.2**	**13,949.0**
Properties transferred from portfolio management into the development programme during the year (at 1 April 2007 valuation)	(218.7)	218.7	-	-	-	-	-
Developments completed, let and transferred from the development programme into portfolio management during the year	1,491.5	(1,491.5)	-	-	-	-	-
Property acquisitions	714.2	0.2	149.4	863.8	8.9	-	872.7
Capital expenditure	117.5	467.3	6.8	591.6	32.4	16.1	640.1
Capitalised interest	1.4	43.7	-	45.1	-	-	45.1
Disposals	(1,099.4)	(2.2)	(0.6)	(1,102.2)	(16.9)	(0.7)	(1,119.8)
Transfers to joint ventures	(228.2)	-	-	(228.2)	-	-	(228.2)
Transfers to trading properties	-	(17.4)	-	(17.4)	(4.1)	-	(21.5)
Reclassifications	-	-	4.1	4.1	(4.1)	-	-
Surrender premiums received	(6.2)	-	-	(6.2)	-	-	(6.2)
Depreciation	(2.9)	-	-	(2.9)	(22.9)	(20.0)	(45.8)
Deficit on revaluation	(1,038.3)	(107.1)	(24.9)	(1,170.3)	-	-	(1,170.3)
Net book value at 31 March 2008	**10,338.3**	**1,396.0**	**562.4**	**12,296.7**	**544.8**	**73.6**	**12,915.1**

9. Non-current assets continued

The following table reconciles the net book value of the investment properties (excluding those within Trillium) to the market value. Trillium has been excluded from this reconciliation as the net book value and the market value are not materially different. The components of the reconciliation are included within their relevant balance sheet headings.

	Portfolio management £m	Development programme £m	Total investment properties £m
Net book value at 31 March 2007	10,607.4	2,284.3	12,891.7
Plus: amount included in prepayments in respect of lease incentives	93.6	37.4	131.0
Less: head leases capitalised	(61.6)	(9.4)	(71.0)
Plus: properties treated as finance leases	163.1	-	163.1
Market value at 31 March 2007 – Group	10,802.5	2,312.3	13,114.8
– plus: share of joint ventures (note 11)			1,637.7
Market value at 31 March 2007 – Group and share of joint ventures			**14,752.5**

	Portfolio management £m	Development programme £m	Total investment properties £m
Net book value at 31 March 2008	10,338.3	1,396.0	11,734.3
Plus: amount included in prepayments in respect of lease incentives	156.3	24.3	180.6
Less: head leases capitalised	(65.3)	(2.0)	(67.3)
Plus: properties treated as finance leases	149.2	-	149.2
Market value at 31 March 2008 – Group	10,578.5	1,418.3	11,996.8
– plus: share of joint ventures (note 11)			1,589.9
Market value at 31 March 2008 – Group and share of joint ventures			**13,586.7**

Included in investment properties are leasehold properties with a net book value of **£1,368.1m** (2007: £1,485.5m).

In accordance with IFRS 1 'First time adoption of International Reporting Standards' and IAS 17 'Leases', the Group has reviewed the classification of all leases at the opening balance sheet date of 1 April 2004. In reviewing leases of land and buildings in accordance with IAS 17 the land and buildings elements of the lease need to be considered separately. On this basis, leases on 43 properties entered into between 1923 and 2003 were reclassified as finance leases in these accounts. This resulted in an increase in fixed assets of £77.2m and a finance lease creditor of the same amount at first time adoption on 1 April 2004. At 31 March 2008 leases on **25** properties (2007: 28) entered into between 1960 and 2007 were classified as finance leases. The corresponding increase in fixed assets and finance lease creditor was **£67.3m** (2007: £71.0m). Operating lease expense has reduced by **£6.7m** (2007: £7.2m).

The fair value of the Group's investment properties at 31 March 2008 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 **£211.7m** (2007: £145.6m). The average rate of capitalisation is **5.5%** (2007: 5.5%). The historical cost of investment properties is **£7,813.2m** (2007: £7,210.6m).

The current value of investment properties in respect of proposed developments is **£639.6m** (2007: £329.3m). Developments are transferred out of the development programme when physically complete and 95% let. The schemes completed during the year were Christ's Lane, Cambridge, 1 Wood Street, EC2, Princesshay, Exeter, Maskew Avenue, Peterborough, Poole Road, Poole, Bankside 2&3, SE1, Thanet Leisure, Westwood Cross and Cardinal Place, SW1. The property rental income earned by the Group from its investment properties amounted to **£603.8m** (2007: £594.6m).

10. Net investment in finance leases

	2008 £m	2007 £m
Non-current		
Finance leases – gross receivables	**692.8**	603.9
Unearned finance income	**(385.6)**	(368.0)
Unguaranteed residual value	**26.5**	26.5
	333.7	262.4
Current		
Finance leases – gross receivables	**27.4**	14.6
Unearned finance income	**(20.3)**	(10.9)
	7.1	3.7
Total net investment in finance leases	**340.8**	266.1

11. Investments in joint ventures

Year ended 31/03/08 and at 31/03/08

Summary financial information of Group's share of joint ventures	Scottish Retail Property Limited Partnership £m	Metro Shopping Fund Limited Partnership £m	Buchanan Galleries Partnership £m	St. David's Limited Partnership £m	The Bull Ring Limited Partnership £m	Bristol Alliance £m	The Harvest Limited Partnership £m	Oriana Limited Partnership £m	Other (1) £m	Total £m
Income statement										
Rental income	12.5	14.0	9.9	5.4	14.7	3.4	1.4	1.4	3.4	66.1
Service charge income	2.5	3.0	0.7	0.7	2.7	-	-	-	0.7	10.3
Property services income	-	-	-	-	-	-	-	-	0.1	0.1
Trading property sale proceeds	-	-	-	-	-	-	-	-	35.1	35.1
Revenue	15.0	17.0	10.6	6.1	17.4	3.4	1.4	1.4	39.3	111.6
Rents payable	(0.2)	-	-	-	-	-	-	-	(0.1)	(0.3)
Other direct property expenditure	(4.6)	(3.8)	(1.9)	(1.2)	(4.1)	(0.2)	-	-	(1.4)	(17.2)
Indirect property expenditure	(0.6)	(1.1)	(0.1)	(0.3)	(0.2)	(0.2)	(0.1)	(0.2)	(0.1)	(2.9)
Cost of sales of trading properties	-	-	-	-	-	-	-	-	(26.8)	(26.8)
	9.6	12.1	8.6	4.6	13.1	3.0	1.3	1.2	10.9	64.4
(Loss) / profit on disposal of non-current properties	(7.6)	0.6	-	-	-	-	-	-	(0.1)	(7.1)
Net (deficit) / surplus on revaluation of investment properties	(28.4)	(12.1)	(11.5)	(21.8)	(31.5)	6.3	(9.7)	(15.6)	(9.9)	(134.2)
Operating (loss) / profit	(26.4)	0.6	(2.9)	(17.2)	(18.4)	9.3	(8.4)	(14.4)	0.9	(76.9)
Net interest (expense) / income	(5.6)	(12.5)	(3.5)	0.4	0.1	0.4	-	-	(0.3)	(21.0)
(Loss) / profit before tax	(32.0)	(11.9)	(6.4)	(16.8)	(18.3)	9.7	(8.4)	(14.4)	0.6	(97.9)
Income tax expense										
- ordinary	(0.1)	(0.6)	-	-	-	-	-	-	(2.4)	(3.1)
Share of (losses) / profits of joint ventures after tax	**(32.1)**	**(12.5)**	**(6.4)**	**(16.8)**	**(18.3)**	**9.7**	**(8.4)**	**(14.4)**	**(1.8)**	**(101.0)**
Balance sheet										
Investment properties (2)	126.7	246.4	176.0	244.1	288.4	291.5	62.7	87.3	55.9	1,579.0
Current assets	11.2	38.3	6.1	118.7	9.1	12.4	2.3	1.5	73.7	273.3
	137.9	284.7	182.1	362.8	297.5	303.9	65.0	88.8	129.6	1,852.3
Current liabilities	(2.9)	(4.9)	(2.5)	(15.7)	(8.2)	(17.2)	(0.5)	(79.7)	(10.7)	(142.3)
Non-current liabilities	(62.0)	(209.9)	-	(0.4)	-	(2.3)	-	(0.1)	(24.7)	(299.4)
	(64.9)	(214.8)	(2.5)	(16.1)	(8.2)	(19.5)	(0.5)	(79.8)	(35.4)	(441.7)
Net assets	**73.0**	**69.9**	**179.6**	**346.7**	**289.3**	**284.4**	**64.5**	**9.0**	**94.2**	**1,410.6**
Capital commitments	**2.9**	**0.6**	**2.9**	**127.4**	**-**	**27.7**	**-**	**-**	**8.3**	**169.8**
Market value of investment properties (2)	**125.9**	**246.6**	**180.0**	**244.0**	**293.3**	**294.5**	**62.8**	**87.3**	**55.5**	**1,589.9**
Net investment										
At 1 April 2007	145.8	95.3	188.6	308.1	321.1	198.6	-	-	81.3	1,338.8
Properties contributed	-	-	-	-	-	-	39.7	205.8	-	245.5
Cash contributed	-	6.6	3.4	-	-	-	33.2	-	26.3	69.5
Share of post-tax results	(32.1)	(12.5)	(6.4)	(16.8)	(18.3)	9.7	(8.4)	(14.4)	(1.8)	(101.0)
Distributions	(42.5)	(14.2)	(6.0)	-	-	-	-	(0.8)	(11.6)	(75.1)
Fair value movement on cash flow hedges taken to equity	1.8	(5.3)	-	-	-	-	-	-	-	(3.5)
Loan advances	-	-	-	55.4	-	79.5	-	-	-	134.9
Loan repayments	-	-	-	-	(13.5)	(3.4)	-	(181.6)	-	(198.5)
At 31 March 2008	**73.0**	**69.9**	**179.6**	**346.7**	**289.3**	**284.4**	**64.5**	**9.0**	**94.2**	**1,410.6**

(1) Other principally includes the Martineau Galleries Limited Partnership, Fen Farm Developments Limited, the Ebbsfleet Limited Partnership, the A2 Limited Partnership and Investors in the Community (IIC).
(2) The difference between the book value and the market value is the amount included in prepayments in respect of lease incentives, head leases capitalised and properties treated as finance leases.

11. Investments in joint ventures continued

Year ended 31/03/07 and at 31/03/07

Summary financial information of Group's share of joint ventures	Scottish Retail Property Limited Partnership £m	Metro Shopping Fund Limited Partnership £m	Buchanan Galleries Partnership £m	St. David's Limited Partnership £m	The Bull Ring Limited Partnership £m	Bristol Alliance £m	The Harvest Limited Partnership £m	Oriana Limited Partnership £m	Other [1] £m	Total £m
Income statement										
Rental income	20.6	13.3	10.2	2.0	15.1	3.3	-	-	3.1	67.6
Service charge income	4.5	3.2	1.4	0.2	2.6	-	-	-	0.5	12.4
Property services income	-	-	-	-	-	-	-	-	1.6	1.6
Revenue	25.1	16.5	11.6	2.2	17.7	3.3	-	-	5.2	81.6
Rents payable	(0.2)	-	-	-	-	-	-	-	(0.1)	(0.3)
Other direct property expenditure	(8.4)	(4.3)	(2.4)	(0.4)	(4.5)	(0.2)	-	-	(4.6)	(24.8)
Indirect property expenditure	(1.4)	(1.0)	(0.1)	-	(0.2)	(0.1)	-	-	(0.9)	(3.7)
Depreciation	-	-	-	-	-	-	-	-	(0.1)	(0.1)
	15.1	11.2	9.1	1.8	13.0	3.0	-	-	(0.5)	52.7
Profit on disposal of non-current properties	-	-	-	-	-	-	-	-	0.2	0.2
Net surplus on revaluation of investment properties	6.3	23.0	10.2	2.6	23.8	6.9	-	-	2.3	75.1
Operating profit	21.4	34.2	19.3	4.4	36.8	9.9	-	-	2.0	128.0
Net interest (expense) / income	(11.7)	(10.9)	(3.4)	0.2	0.1	0.4	-	-	(0.2)	(25.5)
Profit before tax	9.7	23.3	15.9	4.6	36.9	10.3	-	-	1.8	102.5
Income tax (expense) / credit										
- ordinary	(2.7)	(6.2)	(3.5)	(1.2)	(5.6)	(1.1)	-	-	(0.9)	(21.2)
- exceptional	17.7	16.9	6.9	1.2	44.9	8.1	-	-	2.3	98.0
Share of profits of joint ventures after tax	**24.7**	**34.0**	**19.3**	**4.6**	**76.2**	**17.3**	**-**	**-**	**3.2**	**179.3**
Balance sheet										
Investment properties [2]	357.2	301.0	185.1	213.2	319.6	197.3	-	-	57.9	1,631.3
Current assets	15.2	9.8	7.5	116.3	10.7	15.5	-	-	30.1	205.1
	372.4	310.8	192.6	329.5	330.3	212.8	-	-	88.0	1,836.4
Current liabilities	(4.5)	(5.2)	(4.0)	(21.2)	(9.2)	(11.8)	-	-	(5.9)	(61.8)
Non-current liabilities	(222.1)	(210.3)	-	(0.2)	-	(2.4)	-	-	(0.8)	(435.8)
	(226.6)	(215.5)	(4.0)	(21.4)	(9.2)	(14.2)	-	-	(6.7)	(497.6)
Net assets	**145.8**	**95.3**	**188.6**	**308.1**	**321.1**	**198.6**	**-**	**-**	**81.3**	**1,338.8**
Capital commitments	**0.6**	**1.1**	**1.3**	**1.9**	**-**	**129.3**	**-**	**-**	**-**	**134.2**
Market value of investment properties [2]	**351.4**	**299.3**	**189.3**	**213.3**	**325.0**	**200.5**	**-**	**-**	**58.9**	**1,637.7**
Net investment										
At 1 April 2006	105.2	81.0	173.0	0.8	259.3	118.5	-	-	91.7	829.5
Properties contributed	-	-	-	267.6	-	-	-	-	-	267.6
Cash contributed	9.5	6.8	1.4	35.1	0.3	-	-	-	2.5	55.6
Cost of acquisition	-	-	-	-	-	-	-	-	0.5	0.5
Share of post-tax results	24.7	34.0	19.3	4.6	76.2	17.3	-	-	3.2	179.3
Distributions	-	(29.6)	(5.1)	-	-	-	-	-	(4.5)	(39.2)
Fair value movement on cash flow hedges taken to equity	6.4	3.1	-	-	-	-	-	-	-	9.5
Transferred to goodwill	-	-	-	-	-	-	-	-	(12.1)	(12.1)
Loan advances	-	-	-	-	-	67.0	-	-	-	67.0
Loan repayments	-	-	-	-	(14.7)	(4.2)	-	-	-	(18.9)
At 31 March 2007	**145.8**	**95.3**	**188.6**	**308.1**	**321.1**	**198.6**	**-**	**-**	**81.3**	**1,338.8**

(1) Other principally includes the Martineau Galleries Limited Partnership, the Ebbsfleet Limited Partnership, the A2 Limited Partnership and Investors in the Community (IIC).
(2) The difference between the book value and the market value is the amount included in prepayments in respect of lease incentives, head leases capitalised and properties treated as finance leases.

12. Non-current assets classified as held for sale	2008 £m	2007 £m
Non-current assets classified as held for sale	**664.1**	2,420.3
Liabilities directly associated with non-current assets classified as held for sale	**(427.7)**	(1,601.0)
	236.4	819.3

Non-current assets and liabilities held for sale at 31 March 2007 represents PPP investments acquired as part of the SMIF acquisition. SMIF was acquired on 5 February 2007 for £517.0m. SMIF included a number of PPP investments which the Group acquired exclusively with a view to being resold to third party investors, while maintaining a minority share. The Group transferred the majority of the PPPs acquired with SMIF, together with a number of projects subsequently acquired, into a specifically created vehicle, the Trillium Investment Partners LP, for the purpose of introducing third party investors. During the year the Trillium Investment Partners LP was refinanced resulting in a repayment of £414.8m of debt. On 14 March 2008, 90% of the equity of Trillium Investment Partners LP was sold to third party investors and the remaining 10%, which is to be retained, was transferred to an investment in an associate undertaking. On disposal £23.9m was recognised as the income of the Trillium Investment Partners LP as a discontinued operation, being the operational profits of the business from acquisition to 14 March.

The remaining balance represents a number of PPP investments which will be sold to Trillium Investment Partners LP or to third parties. The net carrying value of the disposal group is based on its fair value less costs to sell at the date of acquisition, as adjusted to reflect cash advanced and cash returned from the disposal group. The disposal group represents a discontinued operation, and the Group has not recognised any profits or losses in respect of this discontinued operation (other than disclosed above) for the period from acquisition to 31 March 2008. The disposal group is held in the Trillium segment.

Set out below is an analysis of the movements within the disposal group for the year ended 31 March 2008:

	Trillium Investment Partners LP £m	Other £m	Total £m
Book value at 1 April 2007	761.2	58.1	819.3
Projects acquired from AMEC (note 18)	-	134.4	134.4
Other projects acquired	67.0	77.5	144.5
Cash received on refinancing of Trillium Investment Partners LP	(414.8)	-	(414.8)
Cash received from the disposal group	(7.9)	(18.3)	(26.2)
Cash received on disposal of Meterfit	-	(25.3)	(25.3)
Trillium Investment Partners LP transferred to an associate undertaking	(43.4)	-	(43.4)
Cash received on disposal of Trillium Investment Partners LP	(399.6)	-	(399.6)
Profit within the Trillium Investment Partners LP from acquisition to 14 March 2008	23.9	-	23.9
Profit on disposal of the Trillium Investment Partners LP	13.6	-	13.6
Profit on disposal of Meterfit	-	10.0	10.0
Profit from discontinued operations	37.5	10.0	47.5
	-	**236.4**	**236.4**

13. Borrowings

2008

	Nominal / notional value [7] £m	Book value			Fixed / floating [9]	Effective interest rate %	Weighted average time for which interest rate is fixed Years	Fair value[10] £m	Excess of fair value over book value £m
		Secured £m	Unsecured £m	Total £m					
Sterling									
4.625 per cent Notes due 2013 [1]	300.0	299.7	-	299.7	Fixed	4.7	2.8	292.9	(6.8)
5.292 per cent Notes due 2015 [1]	391.5	390.9	-	390.9	Fixed	5.3	5.7	384.0	(6.9)
4.875 per cent Notes due 2019 [1]	400.0	396.1	-	396.1	Fixed	5.0	9.6	369.9	(26.2)
5.425 per cent Notes due 2022 [1]	255.3	254.5	-	254.5	Fixed	5.5	12.0	240.0	(14.5)
4.875 per cent Notes due 2025 [1]	300.0	297.0	-	297.0	Fixed	4.9	15.5	257.2	(39.8)
5.391 per cent Notes due 2026 [1]	210.7	209.8	-	209.8	Fixed	5.4	15.9	190.5	(19.3)
5.391 per cent Notes due 2027 [1]	611.2	608.5	-	608.5	Fixed	5.4	17.0	547.6	(60.9)
5.376 per cent Notes due 2029 [1]	317.9	316.3	-	316.3	Fixed	5.4	19.5	283.4	(32.9)
5.396 per cent Notes due 2032 [1]	322.9	321.0	-	321.0	Fixed	5.4	22.3	285.2	(35.8)
5.125 per cent Notes due 2036 [1]	500.0	498.5	-	498.5	Fixed	5.1	25.9	426.6	(71.9)
Bank facility due 2010	15.5	15.5	-	15.5	Floating	6.4	0.1	15.5	-
Euro Commercial Paper [2]	19.8	-	19.8	19.8	Floating	5.8	0.1	19.8	-
DWP term loan [3]	124.4	124.4	-	124.4	Floating	6.4	0.3	124.4	-
Syndicated bank debt [4]	865.0	865.0	-	865.0	Floating	5.8	-	865.0	-
Bi-lateral facilities [5]	1,065.4	1,065.4	-	1,065.4	Floating	5.9	-	1,065.4	-
Acquisition loan notes [6]	106.4	-	106.4	106.4	Floating	5.4	0.5	106.4	-
Bank overdraft	1.4	-	1.4	1.4	Floating	-	-	1.4	-
Money market borrowings	45.0	-	45.0	45.0	Floating	5.7	0.1	45.0	-
	5,852.4	5,662.6	172.6	5,835.2				5,520.2	(315.0)
Euro									
Euro Commercial Paper [2]	35.5	-	35.5	35.5	Floating	4.7	0.1	35.5	-
Amounts payable under finance leases	67.3	67.3	-	67.3	Fixed	5.5	88.5	79.5	12.2
	5,955.2	5,729.9	208.1	5,938.0				5,635.2	(302.8)
Fair value of derivative instruments									
Interest rate swaps – qualifying hedges	145.7	-	0.8	0.8		5.1	6.3	0.8	-
– non-qualifying hedges	1,880.0	-	9.9	9.9		5.2	1.7	9.9	-
Foreign currency swaps – qualifying hedges	35.5	-	(4.3)	(4.3)		4.7	0.1	(4.3)	-
	2,061.2	-	6.4	6.4				6.4	-
Bond exchange de-recognition adjustment[8]		(511.5)	-	(511.5)				-	511.5
Total borrowings		5,218.4	214.5	5,432.9				5,641.6	208.7
Less: bank overdraft				(1.4)					
Less: borrowings falling due within one year				(802.1)					
Less: derivative financial instruments - liabilities				(10.7)					
Plus: derivative financial instruments - assets				4.3					
Plus: bond exchange de-recognition falling due within one year				11.7					
Less: amounts payable under finance leases falling due within one year				(2.2)					
				4,632.5					

13. Borrowings continued

									2007
		Book value							
	Nominal / notional value (7) £m	Secured £m	Unsecured £m	Total £m	Fixed / floating (9)	Effective interest rate %	Weighted average time for which interest rate is fixed Years	Fair value(10) £m	Excess of fair value over book value £m
Sterling									
5.016 per cent Notes due 2007 (1)	181.7	181.7	-	181.7	Fixed	5.0	0.1	181.6	(0.1)
4.625 per cent Notes due 2013 (1)	300.0	299.6	-	299.6	Fixed	4.7	3.8	288.5	(11.1)
5.292 per cent Notes due 2015 (1)	391.5	390.7	-	390.7	Fixed	5.3	6.7	384.3	(6.4)
4.875 per cent Notes due 2019 (1)	400.0	395.7	-	395.7	Fixed	5.0	10.6	379.1	(16.6)
5.425 per cent Notes due 2022 (1)	255.3	254.4	-	254.4	Fixed	5.5	13.0	255.4	1.0
4.875 per cent Notes due 2025 (1)	300.0	296.9	-	296.9	Fixed	4.9	16.5	286.2	(10.7)
5.391 per cent Notes due 2026 (1)	210.7	209.8	-	209.8	Fixed	5.4	16.9	213.2	3.4
5.391 per cent Notes due 2027 (1)	611.3	608.3	-	608.3	Fixed	5.4	18.0	614.8	6.5
5.376 per cent Notes due 2029 (1)	317.9	316.2	-	316.2	Fixed	5.4	20.5	324.5	8.3
5.396 per cent Notes due 2032 (1)	322.9	321.0	-	321.0	Fixed	5.4	23.3	331.3	10.3
5.125 per cent Notes due 2036 (1)	500.0	498.4	-	498.4	Fixed	5.1	26.9	498.0	(0.4)
Bank facility due 2010	15.5	15.5	-	15.5	Floating	5.7	0.1	15.5	-
Euro Commercial Paper (2)	139.2	-	139.2	139.2	Floating	5.4	-	139.2	-
DWP term loan (3)	173.1	173.1	-	173.1	Floating	5.7	0.5	173.1	-
Syndicated bank debt (4)	183.0	183.0	-	183.0	Floating	5.5	-	183.0	-
Bi-lateral facility (5)	885.6	885.6	-	885.6	Floating	5.9	0.4	885.6	-
Acquisition loan notes (6)	114.4	-	114.4	114.4	Floating	4.4	0.5	114.4	-
Money market borrowings	192.0	-	192.0	192.0	Floating	5.5	0.1	192.0	-
	5,494.1	5,029.9	445.6	5,475.5				5,459.7	(15.8)
Euro									
Bi-lateral facility	26.9	26.9	-	26.9	Floating	4.0	0.2	26.9	-
Euro Commercial Paper (2)	41.1	-	41.1	41.1	Floating	5.6	0.3	41.1	-
	68.0	26.9	41.1	68.0				68.0	-
Swiss Francs									
Euro Commercial Paper (2)	21.0	-	21.0	21.0	Floating	5.5	-	21.0	-
Yen									
Euro Commercial Paper (2)	38.8	-	38.8	38.8	Floating	5.4	-	38.8	-
Amounts payable under finance leases	71.0	71.0	-	71.0	Fixed	5.5	86.9	79.2	8.2
	5,692.9	5,127.8	546.5	5,674.3				5,666.7	(7.6)
Fair value of derivative instruments									
Interest rate swaps – qualifying hedges	195.6	-	(2.4)	(2.4)		5.1	5.7	(2.4)	-
– non-qualifying hedges	1,205.0	-	(12.0)	(12.0)		4.9	2.0	(12.0)	-
Foreign currency swaps – qualifying hedges	100.9	-	(0.2)	(0.2)		5.5	0.1	(0.2)	-
	1,501.5	-	(14.6)	(14.6)				(14.6)	-
Bond exchange de-recognition adjustment(8)		(519.1)	-	(519.1)				-	519.1
Total borrowings		4,608.7	531.9	5,140.6				5,652.1	511.5
Less: borrowings falling due within one year				(1,687.4)					
Plus: bond exchange de-recognition falling due within one year				6.3					
Plus: derivative financial instruments - assets				14.6					
Less: amounts payable under finance leases falling due within one year				(2.1)					
				3,472.0					

13. Borrowings continued

(1) The Notes and the committed bank facilities are secured on a fixed and floating pool of assets (The Security Group). The debt investors benefit from security over a pool of investment properties valued at **£11.0bn** at 31 March 2008 (2007: £11.6bn). The amount borrowed against these assets was **£5,595.2m** (2007: £5,126.9m). The secured debt structure has a tiered covenant regime which gives the Group substantial operational flexibility when the loan to value and interest rate cover in The Security Group are less than 65% and more than 1.45 times respectively. If these limits are exceeded, operational restrictions increase significantly and could act as an incentive to reduce gearing.
(2) Euro Commercial Paper is unsecured. However, the amount drawn is required to be supported by an unutilised committed bank facility, which is a secured facility.
(3) The DWP term loan was refinanced in December 2006 and expires in December 2017. It is secured on the freehold and long leasehold properties acquired from the Department for Work and Pensions. The carrying amount of the properties concerned was **£364.0m** at 31 March 2008 (2007: £380.4m).
(4) At 31 March 2008, the Group had a £1.5bn syndicated bank facility with a maturity of August 2013. The facility is committed and secured on the assets of The Security Group. The maturity profile is calculated on the basis that it is the Group's intention to retain the existing loans or that the existing loans will be refinanced or rescheduled with the same financial institutions under the terms of the facility.
(5) During the year, the Group entered into three committed bilateral facilities all of which are secured on the assets of the Security Group. In June 2007 the Group entered into a £150.0m facility, which has been extended in December 2007, as a £175.0m facility with an expiry in February 2010. In July 2007 the Group entered into a £500.0m facility which was due to expire in July 2008, but a commitment has been obtained to replace it in July 2008 with a £350.0m facility with an expiry in July 2009. In December 2007, the £1.0bn SMIF acquisition facility was repaid. Another £350m facility was established in December 2007 which expires in October 2008. The Group has an option to extend each of these bilateral facilities by a further year. In December 2007, the Group acquired a share of Leeds Trinity Quarter which included a facility which has been refinanced post year-end with a five year £352m committed facility secured on these assets.
The maturity profile is calculated on the basis that it is the Group's intention to retain the existing loans or that the loans will be refinanced or rescheduled with the same financial institutions under the terms of the facility.
(6) The acquisition loan notes were issued by Retail Property Holdings Trust Limited, a subsidiary of the Group, as partial consideration for the purchase of Tops Estates PLC and the LxB portfolio. The notes are unsecured, however, they have the benefit of a commercial bank guarantee. Interest is calculated with reference to six month LIBOR. The notes are due to be redeemed in 2015, however the holders of the notes can request redemption in full at the next interest payment date with at least 30 days notice.
(7) For foreign currency amounts, the nominal/notional value is the Sterling equivalent of the principal amount at 31 March.
(8) On 3 November 2004, a debt refinancing was completed resulting in the Group exchanging all of its outstanding bond and debenture debt for new Notes. The new Notes did not meet the IAS 39 requirement to be substantially different from the debt that it replaced. Consequently the book value of the new Notes is reduced to the book value of the original debt (the bond exchange de-recognition adjustment). The adjustment is amortised to zero over the life of the new Notes.
(9) Before the effect of derivative instruments.
(10) The Group's Notes are listed on the Irish Stock Exchange and their fair values are based on their respective market prices. The fair value of interest rate swaps is based on the market price of comparable instruments at the balance sheet date. The fair values of short-term deposits, loans and overdrafts are assumed to approximate to their book values, as are the values of longer-term, floating rate bank loans.

Financial risk management

Financial risk factors
The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

The Group's operations and debt financing expose it to a variety of financial risks. The main risks arising include credit risk, liquidity risk and market risk, the latter in respect of both interest rates and foreign exchange.

The exposure to each risk, how it arises and policies for managing each risk for the year is summarised below:

Credit risk
The Group's principal financial assets are bank balances and cash, trade and other receivables, finance lease receivables and short-term investments. The Group's credit risk is primarily attributable to its trade and finance lease receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for 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 therefore the credit risk of trade receivables is considered to be low.

Property sales receivables primarily relate to the sale of six properties, for which all payments to date have been received when due, and as the purchasers are of reputable financial standing the credit risk is considered low.

Finance lease receivables relate 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.

The credit risk on liquid funds and derivative financial instruments is limited due to the Group's policy of monitoring counterparty exposures. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties.

13. Borrowings continued

Liquidity risk

The Group actively maintains a mixture of long-term and short-term committed facilities that are designed to ensure that the Group has sufficient available funds for operations and committed investments. The Group's undrawn committed borrowing facilities are monitored against projected cash flows. The expiry periods of the Group's undrawn committed borrowing facilities are:

	2008 £m	2007 £m
More than one year but not more than two years	**25.0**	-
More than two years but not more than five years	**2.0**	2.0
More than five years	**584.0**	1,077.1
	611.0	1,079.1

The undrawn committed borrowing facilities are net of amounts drawn under both the syndicated bank facility and the Euro Commercial Paper.

Market risk

The Group is exposed to market risk through interest rates and currency fluctuations.

Interest rates

The Group uses interest rate swaps and similar instruments (forward rate agreements, forward starting swaps, and gilt locks) 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 and a maximum of 20% floating over this timeframe. Due to a combination of factors, principally the high level of certainty required under IAS 39 'Financial Instruments: Recognition and Measurement', hedging instruments used in this context do not qualify for hedge accounting. Specific hedges are also used in geared joint ventures to fix the interest exposure on limited recourse debt.

At 31 March 2008 the Group (including joint ventures) had £2.3bn of hedges in place, and its debt was 80% fixed. Consequently, based on year end debt levels, a 1% change in interest rates would decrease or increase the Group's annual profit before tax by £12.4m. The sensitivity has been calculated by applying the interest rate change to the variable rate borrowings, net of interest rate swaps, at the year end.

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, the Group is able to raise debt in currencies other than Sterling, and where this occurs it is the Group's policy to hedge 100% of the exposure by entering into currency swaps to fix the sterling value of debt. Therefore the Group's foreign exchange risk is low.

Financial maturity analysis

The interest rate and currency profiles of the Group's undiscounted borrowings, after taking into account the effect of the foreign currency swaps and interest rate swaps, are set out below:

			2008			2007
	Fixed rate £m	Floating rate £m	Total £m	Fixed rate £m	Floating rate £m	Total £m
Sterling	**4,402.5**	**1,552.7**	**5,955.2**	5,458.4	207.6	5,666.0
Euro	**-**	**-**	**-**	-	26.9	26.9
	4,402.5	**1,552.7**	**5,955.2**	5,458.4	234.5	5,692.9

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

			2008			2007
	Fixed rate £m	Floating rate £m	Total £m	Fixed rate £m	Floating rate £m	Total £m
One year or less, or on demand	**172.2**	**633.5**	**805.7**	1,457.2	234.5	1,691.7
More than one year but not more than two years	**464.4**	**38.0**	**502.4**	2.3	-	2.3
More than two years but not more than five years	**321.9**	**-**	**321.9**	22.0	-	22.0
More than five years	**3,444.0**	**881.2**	**4,325.2**	3,976.9	-	3,976.9
	4,402.5	**1,552.7**	**5,955.2**	5,458.4	234.5	5,692.9

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

			2008			2007
	Interest rate swaps £m	Foreign currency swaps £m	Total £m	Interest rate swaps £m	Foreign currency swaps £m	Total £m
One year or less, or on demand	**178.9**	**35.5**	**214.4**	274.9	100.9	375.8
More than one year but not more than two years	**46.7**	**-**	**46.7**	178.9	-	178.9
More than two years but not more than five years	**1,721.9**	**-**	**1,721.9**	867.3	-	867.3
More than five years	**78.2**	**-**	**78.2**	79.5	-	79.5
	2,025.7	**35.5**	**2,061.2**	1,400.6	100.9	1,501.5

14. Net pension benefit obligations	2008 £m	2007 £m
At the beginning of the year	**5.6**	6.5
Charge to operating profit	**2.1**	2.7
Expected return on plan assets	**(9.0)**	(8.6)
Interest on schemes' liabilities	**8.1**	7.6
Employer contributions	**(2.0)**	(3.9)
Actuarial (gains) / losses	**(15.8)**	1.3
At the end of the year	**(11.0)**	5.6

15. Deferred taxation	2008 £m	2007 £m
Deferred tax is provided as follows:		
Excess of capital allowances over depreciation – operating properties	**0.7**	4.4
Capitalised interest – operating properties	**0.9**	0.9
Other temporary differences	**(0.1)**	(1.3)
Total deferred tax	**1.5**	4.0

16. Total shareholders' equity	Ordinary shares £m	Own shares £m	Share-based payments £m	Share premium £m	Capital redemption reserve £m	Retained earnings * £m	Total £m
At 1 April 2006	46.9	(3.4)	6.3	43.2	30.5	7,370.4	7,493.9
Exercise of options	0.1	-	-	8.3	-	-	8.4
Fair value movement on cash flow hedges – Group	-	-	-	-	-	5.1	5.1
– joint ventures	-	-	-	-	-	9.5	9.5
Fair value of share-based payments	-	-	5.6	-	-	-	5.6
Own shares acquired	-	(15.1)	-	-	-	(21.1)	(36.2)
Cost of shares awarded to employees	-	4.0	(4.0)	-	-	-	-
Actuarial losses on defined benefit pension schemes	-	-	-	-	-	(0.3)	(0.3)
Dividends paid (note 6)	-	-	-	-	-	(223.0)	(223.0)
Profit for the financial year	-	-	-	-	-	3,528.3	3,528.3
At 31 March 2007	**47.0**	**(14.5)**	**7.9**	**51.5**	**30.5**	**10,668.9**	**10,791.3**
Exercise of options	0.1	-	-	5.1	-	-	5.2
Fair value movement on cash flow hedges – Group	-	-	-	-	-	(3.2)	(3.2)
– joint ventures	-	-	-	-	-	(3.5)	(3.5)
Fair value of share-based payments	-	-	5.0	-	-	-	5.0
Own shares acquired	-	(9.4)	-	-	-	(78.2)	(87.6)
Cost of shares awarded to employees	-	1.6	(1.6)	-	-	-	-
Actuarial gains on defined benefit pension schemes	-	-	-	-	-	14.9	14.9
Dividends paid (note 6)	-	-	-	-	-	(308.4)	(308.4)
Loss for the financial year	-	-	-	-	-	(830.8)	(830.8)
At 31 March 2008	**47.1**	**(22.3)**	**11.3**	**56.6**	**30.5**	**9,459.7**	**9,582.9**

* Included within retained earnings are cumulative gains in respect of cash flow hedges of **£4.4m** (2007: £11.1m).

Own shares represent the cost of shares purchased in Land Securities Group PLC by the Employee Share Ownership Plan (ESOP) which is operated by the Group in respect of its commitment to the Deferred Bonus Shares Scheme. The number of shares held by the ESOP at 31 March 2008 was **1,336,275** (2007: 895,771).

In July 2006 and 2007 the shareholders at the Annual General Meeting authorised the acquisition of shares issued by the Company representing up to 10% of its share capital to be held as treasury shares. At 31 March 2008 the Group owned **5,896,000** (2007: 1,225,000) shares with a market value of **£87.6m** (2007: £25.9m).

17. Cash flow from operating activities

Reconciliation of operating profit to net cash inflow from operating activities:

	2008 £m	2007 £m
Cash generated from operations		
(Loss) / profit for the financial year	**(878.3)**	3,528.3
Income tax (credit) / expense	**(10.5)**	(1,549.2)
(Loss) / profit before tax	**(888.8)**	1,979.1
Share of losses / (profits) of joint ventures (post-tax)	**101.0**	(179.3)
Share of losses of an associate undertaking (post-tax)	**0.5**	-
	(787.3)	1,799.8
Interest income	**(29.4)**	(12.4)
Interest expense	**324.4**	233.3
Operating (loss) / profit	**(492.3)**	2,020.7
Adjustments for:		
Depreciation	**45.8**	32.9
Profit on disposal of non-current properties	**(75.4)**	(118.2)
Net deficit / (surplus) on revaluation of investment properties	**1,170.3**	(1,307.6)
Share-based payment charge	**5.0**	5.6
Pension scheme charge	**2.1**	2.7
Changes in working capital:		
Decrease in trading properties and long-term development contracts	**0.2**	110.1
(Increase) / decrease in receivables	**(26.3)**	(127.2)
Increase in payables and provisions	**67.1**	63.4
Net cash generated from operations	**696.5**	682.4

18. Business combinations

AMEC's Project Investment business

The Group acquired 100% of the voting rights of AMEC's Project Investment business (AMEC) on 12 November 2007 for a consideration of £203.8m, including costs. This has been accounted for as a business combination.

	£m
Provisional fair value of net assets acquired	
Assets of the disposal group	138.2
Liabilities directly associated with the assets of the disposal group	(3.8)
Disposal group (note 12)	134.4
PPP investments	17.2
Cash and cash equivalents	45.3
Current liabilities	(6.6)
Net assets acquired	**190.3**
Fair value of consideration	
Cash	202.1
Costs	1.7
	203.8
Goodwill	(13.5)
	190.3

18. Business combinations continued

The disposal group comprises a number of PPP investments which were acquired exclusively with a view to being resold to Trillium Investment Partners LP. The net amount attributed to the disposal group at the date of acquisition represents fair value less costs to sell. The separate PPP investments represent investments in associates which are currently constructing PPP assets. These assets are not treated as assets held for sale. The remaining assets and liabilities relate to the management companies within AMEC that are being retained. The fair values reported above in respect of these assets and liabilities equate to their book values. The goodwill acquired is attributable to the knowledge and market expertise of the management team of the retained portion of the business.

Set out below are the results of AMEC Project Investment business excluding the disposal group, from the date of acquisition 12 November 2007 to 31 March 2008 and for the period from 1 April 2007 to the date of acquisition:

	Results for AMEC from 12 November 2007 to 31 March 2008 £m	Results for the Group excluding AMEC for the year ended 31 March 2008 £m	Results for the Group for the year ended 31 March 2008 £m	Results for AMEC from 1 April 2007 to 12 November 2007 £m	Results for the Group as if AMEC had been acquired on 1 April 2007 £m
Revenue	-	1,561.2	1,561.2	13.4	1,574.6
(Loss) / profit before tax	(5.5)	(883.3)	(888.8)	9.1	(879.7)
Taxation credit / (charge)	1.5	9.0	10.5	(2.5)	8.0
(Loss) / profit after tax	(4.0)	(874.3)	(878.3)	6.6	(871.7)

There were no recognised gains or losses in the year other than the profit attributable to shareholders.

Glossary

Adjusted earnings per share (EPS)
Earnings per share based on revenue profit plus profits 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 deferred tax associated with investment properties and capitalised interest, the adjustment arising from the de-recognition of the bond exchange, together with cumulative mark-to-market adjustment arising on interest swaps and similar instruments used for hedging purposes. After REIT conversion, the adding back of deferred tax is no longer relevant.

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

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

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

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

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

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

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

EPRA
European Public Real Estate Association.

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

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

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

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

Gearing (net)
Total borrowings, including bank overdrafts, less short-term deposits, corporate bonds and cash, at book value, plus non-equity shareholders' funds as a percentage of equity shareholders' funds.

Gross income yield
The annual net rent on investment properties expressed as a percentage of the valuation ignoring costs of purchase or sale.

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

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

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

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

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

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

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

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

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

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

Net asset value (NAV) per share
Total equity divided by the number of ordinary shares in issue at the period end.

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

Operating properties
Properties acquired and managed by Trillium as part of its property outsourcing contracts with third parties and which do not meet the accounting definition of investment property.

Other investment portfolio
This comprises all other investment properties not included in Retail or London Portfolio.

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.

Private Finance Initiative (PFI)
A particular form of PPP, that is a government or public authority initiative to acquire private financing for public sector infrastructure.

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.

Public Private Partnership (PPP)
A partnership that brings together, for mutual benefit, a public body and a private company in a long-term joint venture for the purpose of delivering public projects or services.

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

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

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

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

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

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

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

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

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

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

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 period, on the investment 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.

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

Unitary charge
The basic payment received by Trillium under a property outsourcing contract.

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

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

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

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