

Appendix II



Revenue profit

Year ended 2006 £m		Year ended 2007 £m	change %
2,359.2	Profit before tax	1,979.1	-16.1
	Adjustments:		
(1,685.0)	Revaluation gains on investment properties	(1,382.7)	-17.9
(228.5)	Exceptional (gains) / losses including goodwill impairment	-	
(21.7)	Trading property profits	(13.6)	-37.3
(21.9)	Long-term development contract profits	(14.3)	-34.7
(10.8)	Other items	(176.3)	-
391.3	Revenue profit	392.2	0.2

Revenue profit

	Year ended 31.03.07				
	Retail £m	London portfolio £m	Other inv. portfolio £m	Property outsourcing £m	Total £m
Net rental income	270.2	312.6	9.9	608.1	1,200.8
Net service cost	(20.9)	(13.5)	(0.5)	(467.8)	(502.7)
Indirect costs	(33.1)	(35.8)	(5.9)	(42.7)	(117.5)
Long-term contract profits	-	2.8	11.5	-	14.3
Trading property profits	(0.1)	4.4	8.1	1.2	13.6
Segment profit	216.1	270.5	23.1	98.8	608.5
Segment profit – joint ventures	55.7	-	-	(3.0)	52.7
Combined operating profit	271.8	270.5	23.1	95.8	661.2
Unallocated expenses					(13.6)
Net interest - Group					(200.9)
- joint ventures					(26.6)
Trading property sales - Group					(13.6)
Long-term development contract profits					(14.3)
Revenue profit					392.2

EPS reconciliation

	Year ended 31.03.07			
	Pre-tax profit measure £m	Taxation £m	Earnings measure £m	Diluted earnings per share (pence)
Reported results	1,979.1	1,549.2	3,528.3	750.54p
Revaluation surpluses net of deferred tax - Group	(1,307.6)	330.7	(976.9)	(207.81p)
- joint ventures	(75.1)	20.6	(54.5)	(11.59p)
Fixed asset property disposals	(118.4)	13.2	(105.2)	(22.38p)
Deferred tax arising from capital allowances on investment properties	-	11.7	11.7	2.49p
Mark-to market adjustment on interest rate swaps (net of deferred tax)	(17.4)	3.7	(13.7)	(2.91p)
Eliminate effect of bond exchange de-recognition (net of deferred tax)	17.1	(3.8)	13.3	2.83p
Refinancing charges	19.2	(5.8)	13.4	2.85p
Deferred tax arising from capitalised interest on investment properties	-	5.8	5.8	1.23p
Joint venture tax adjustment	(76.8)	76.8	-	-
REIT conversion charge	-	315.0	315.0	67.01p
Deferred tax released on conversion to a REIT	-	(2,407.2)	(2,407.2)	(512.06p)
	420.1	(90.1)	330.0	70.20p
Trading properties – profits on sale	(13.6)			
Long-term development contract income	(14.3)			
Revenue profit	392.2			

Adjusted net asset value

Year ended 2006 £m		Year ended 2007 £m
6,050.3	Net assets at start of period	7,493.9
1,675.9	Profit after tax	3,528.3
(238.9)	Dividends paid	(223.0)
6.6	Other	(7.9)
7,493.9	Basic net asset value per balance sheet	10,791.3
	Adjustments:	
1,884.7	deferred tax ⁽¹⁾	-
8.6	mark-to-market on interest rate hedges	(23.6)
(375.3)	bond exchange	(519.1)
9,011.9	Adjusted net asset value	10,248.6
1590p	Diluted NAV per share	2297p
1912p	Adjusted diluted NAV per share	2181p
	Change in period	14.1%

(1) Includes deferred tax on capitalised interest

Tax charge

Year ended 2006 £m		Year ended 2007 £m
2,359.2	Profit before tax	1,979.1
707.8	Taxation @ 30%	593.7
(11.7)	Net tax (credit) arising on property disposals	(12.8)
19.4	Goodwill impairment	-
(26.5)	Joint venture accounting	(44.2)
(13.9)	Prior year adjustments (current and deferred)	0.5
-	Real Estate Investment Trust conversion charge	315.0
-	Deferred tax released on conversion to REIT	(2,309.2)
-	Exempt profit	(100.1)
8.2	Other	7.9
683.3	Tax charge / (credits) for year	(1,549.2)

REIT balance of business

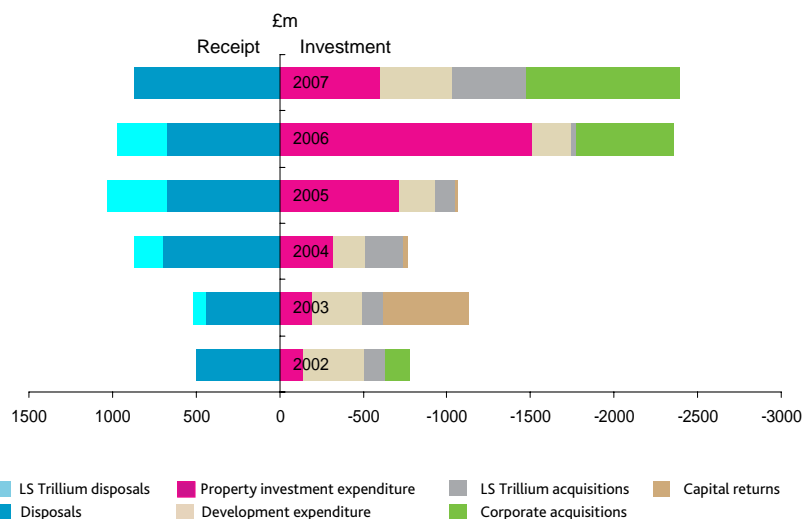
	Year ended 31.03.06			Year ended 31.03.07		
	exempt £m	residual £m	adjusted results £m	exempt £m	residual £m	adjusted results £m
Group revenue	1,478.7	423.2	1,901.9	1,292.9	428.6	1,721.5
Cost	(910.1)	(380.4)	(1,290.5)	(684.3)	(389.6)	(1,073.9)
Operating profit	568.6	42.8	611.4	608.6	39.0	647.6
Interest expense	(222.5)	-	(222.5)	(250.3)	-	(250.3)
Interest income	-	3.7	3.7	-	3.9	3.9
Profit before tax	346.1	46.5	392.6	358.3	42.9	401.2
Balance of business	88.1%	11.9%		89.3%	10.7%	

Cashflow and debt

	Year ended:	
	31.03.07 £m	31.03.06 £m
Opening net debt	(3,685.9)	(2,438.1)
Operating cash inflow after interest and tax	361.5	375.9
Dividends paid	(223.0)	(238.9)
Property acquisitions	(523.7)	(2,008.3)
Property Partnerships property acquisitions	(416.5)	(6.8)
Development/refurbishment capital expenditure	(532.6)	(338.3)
Acquisition of SMIF and IIC	(919.0)	-
Other capital expenditure	(18.8)	(26.9)
Total capital expenditure	(2,410.6)	(2,380.3)
Property sales	869.8	972.6
Joint ventures	50.0	133.8
Other cash movements and non-cash movements	(49.7)	(110.9)
Closing net debt	(5,087.9)	(3,685.9)
Gearing – on book value of balance sheet debt	47.1%	49.2%
Adjusted gearing ⁽¹⁾	54.7%	46.9%
Adjusted gearing ⁽¹⁾ – including notional share of joint ventures	58.8%	51.1%
Interest cover (excluding joint ventures)	2.43x	2.65x

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

Capital management



£3.3bn of capital turnover in 2006/07 and £10.3bn over last 4 years

Investment portfolio valuation movements

Excluding share of joint ventures

	Investment portfolio £m	Development programme £m	Total £m
Open market value at 1 April 2006	10,393.6	1,225.4	11,619.0
Lease related adjustments	(182.4)	3.9	(178.5)
Book value at 1 April 2006	10,211.2	1,229.3	11,440.5
Transfers into development	(219.0)	219.0	-
Transfers from development	60.8	(60.8)	-
Acquisitions	510.0	13.7	523.7
Capitalised interest	-	29.8	29.8
Capital expenditure	77.2	422.1	499.3
Disposals	(913.9)	(5.6)	(919.5)
Depreciation	(3.3)	-	(3.3)
Valuation surplus	884.4	436.8	1,321.2
Book value at 31 March 2007	10,607.4	2,284.3	12,891.7
Lease related adjustments			223.1
Open market value at 31 March 2007			13,114.8

Key drivers of valuation change

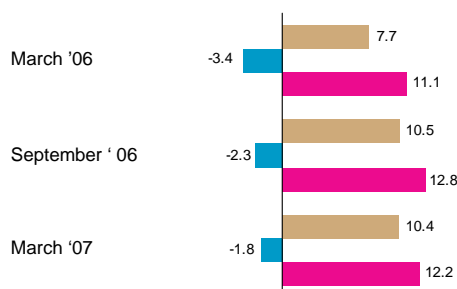
Top 10 properties over £50m – by % revaluation increase

Dashwood House, EC2	+	64.7%	Development
Bankside 2&3, SE1	+	61.3%	Development
New Street Square, EC4	+	41.9%	Development
Selborne House, SW1	+	27.7%	Potential development opportunity
New London House, EC3	+	26.9%	Potential refurbishment opportunity
Cardinal Place, SW1	+	26.8%	Development
1 Wood Street, EC2	+	26.4%	Development
Portland House, SW1	+	26.2%	Rental value growth and yield compression
1 Theobald's Court, WC1	+	25.4%	Rental value growth and yield compression
Cannon Street House, EC4	+	23.8%	Rental value growth and yield compression

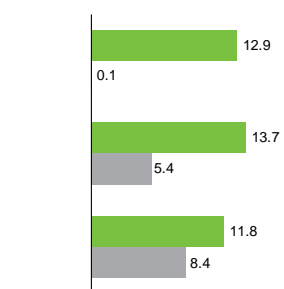
Reversionary potential

Like-for-like investment portfolio – ignoring reversions on voids

Total portfolio



By sector



Net reversionary potential Over-renting
Gross reversionary potential

Retail - net reversionary potential
London offices - net reversionary potential

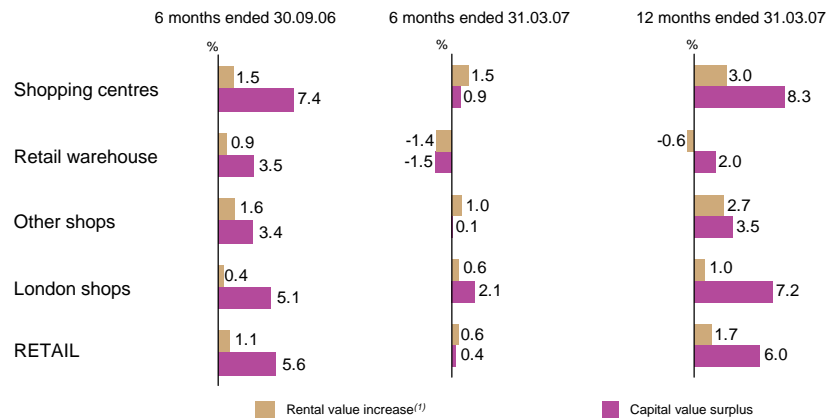
Over-rented income subject to a lease expiry or break clause over the next five years is £5.8m

Net reversions*: Retail: 12.9% to 11.8%, London offices: 0.1% to 8.4%

* Year on Year

Retail like-for-like portfolio

Like-for-like portfolio value at 31.03.07: £5,236.8m



(1) Rental value growth figures exclude units materially altered during the year

London office like-for-like portfolio

Like-for-like portfolio value at 31.03.07: £3,202.2m



(1) Rental value growth figures exclude units materially altered during the year

Rent reviews and lease expiries and breaks

Retail portfolio

	Outstanding £m	2007/08 £m	2008/09 £m	2009/10 £m	2010/11 £m	Total 2007-11 £m
Rents passing from leases subject to review	52.5	41.0	56.0	50.8	36.9	184.7
Projected rent after review at current ERV	64.0	48.3	61.3	55.9	38.9	204.4
Potential rent increases	11.5	7.3	5.3	5.1	2.0	19.7

	2007/08 £m	2008/09 £m	2009/10 £m	2010/11 £m	Total 2007-11 £m
Rents passing from leases subject to expiries or breaks	29.2	12.2	13.1	16.8	71.3
Current ERV	32.9	13.2	13.7	17.0	76.8
Potential rent increases	3.7	1.0	0.6	0.2	5.5

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

Rent reviews and lease expiries and breaks

London portfolio

	Outstanding £m	2007/08 £m	2008/09 £m	2009/10 £m	2010/11 £m	Total 2007-11 £m
Rents passing from leases subject to review	13.9	41.1	49.4	23.5	35.6	149.6
Projected rent after review at current ERV	13.7	43.1	50.7	26.3	37.9	158.0
Potential rent increases	(0.2)	2.0	1.3	2.8	2.3	8.4

	2007/08 £m	2008/09 £m	2009/10 £m	2010/11 £m	Total 2007-11 £m
Rents passing from leases subject to expiries or breaks	17.6	20.7	22.4	26.6	87.3
Current ERV	20.1	24.1	21.7	25.6	91.5
Potential rent increases	2.5	3.4	(0.7)	(1.0)	4.2

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

Unexpired lease term

Like-for-investment portfolio

	Median years	Mean years
Shopping centres and shops		
Shopping centres	8.0	9.4
Central London shops	5.0	7.0
Other in town shops	8.3	12.8
Retail warehouse		
Parks	12.3	11.9
Other (including food superstores)	14.3	12.5
Offices		
West End	4.8	7.9
City	3.0	3.3
Midtown	2.3	10.1
Inner London	6.0	5.5
Rest of UK	1.8	5.3
Other	5.3	13.9
TOTAL LIKE-FOR-LIKE PORTFOLIO	6.5	9.0

Analysis of voids

	Gross ERV of voids £m	Cumulative total portfolio ERV £m	Voids as proportion of cumulative total gross ERV %
Like-for-like:			
Available to let	17.0		3.4%
Unavailable to let (being refurbished)	0.5		0.1%
Pre-development voids	7.6		1.4%
	<u>25.1</u>	507.1	<u>4.9%</u>
Non like-for-like items:			
Acquisitions	9.8	679.5	1.4%
Completed and 95% let developments	0.2	697.8	0.0%
Completed developments not yet 95% let	3.3	788.4	0.4%
Developments to complete in 2007/08	37.9	831.1	4.6%
Developments to complete in 2008/09 or later	89.5	934.8	9.6%
	<u>165.8</u>		<u>17.7%</u>

Lettings

	Development ft ²	Non-development ft ²	Total ft ²
Retail portfolio	890,000	1,030,000	1,920,000
London Portfolio	650,000	500,000	1,150,000
Land Securities Trillium	-	720,000 ⁽¹⁾	720,000
	<u>1,540,000</u>	<u>2,250,000</u>	<u>3,790,000</u>

Notes:

(1) Includes surrenders

DWP floor space and vacation allowance

	000m ²
Freehold/valuable leasehold	840.0
Leasehold	<u>1,481.2</u>
Total floor space	<u>2,321.2</u>
Vacation allowance:	
allowance used to date (vacated)	392.7
available allowance (1 April 2007)	130.5
notice received for use (not vacated)	<u>(80.4)</u>
	<u>50.1</u>
future allowance (not yet accrued)	164.4

Development pipeline

	Total development cost (TDC)	Capital expenditure outstanding	TDC outstanding ⁽¹⁾	Prospective cash net rental income ⁽²⁾	Prospective SIC 15 adj. net rental income	% let ⁽³⁾	Cumulative valuation surplus to 31.03.07
	£m	£m	£m	£m	£m	%	£m
London Portfolio							
Dev. programme	1,871	606	677	148	133	63%	719
Proposed dev.	827	593	522	58	52	-	n/a
Retail Portfolio							
Dev. programme	1,075	556	538	70	64	39%	59
Proposed dev.	10	4	4	1	1	-	n/a
TOTAL							
Dev. programme	2,946	1,162	1,215	218	197	55%	778
Proposed dev.	837	597	526	59	53	-	n/a

(1) Total Development Cost outstanding comprises capital expenditure, capitalised interest less future residential proceeds

(2) Rents secured on lettings and ERV of vacant space – net of ground rents

(3) % let based on cash net rental income

Retail portfolio (excluding London retail)

As at 31 March 2007

	Total development cost ⁽¹⁾			
	Investment properties ⁽²⁾ £m	Development programme ⁽³⁾ £m	Proposed developments ⁽⁴⁾ £m	Possible developments ⁽⁵⁾ £m
Regional shopping centres	3,632	890	-	432
Other in-town shops	316	73	-	-
Retail warehousing	2,217	112	10	-
	6,165	1,075	10	432

(1) Land, capital expenditure and capitalised interest

(2) Excludes development programme as well as proposed and possible developments

(3) Cabot Circus Bristol, Christ Lane Cambridge, St David's Cardiff, Willow Place Corby, Princesshay Exeter, The Elements Livingston, Maskew Avenue Peterborough, Poole Road Poole, and Westwood Cross Thanet

(4) Livingston Retail Park Phase IIb

(5) Aberdeen, Glasgow, Corby and Liverpool

London portfolio (including London retail)

As at 31 March 2007

	Total development cost ⁽¹⁾			
	Investment properties ⁽²⁾ £m	Development programme ⁽³⁾ £m	Proposed developments ⁽⁴⁾	Possible developments £m
West End and Victoria	1,901	517	175	-
City	772	536	531	-
Midtown	822	377	-	-
Inner London	711	159	-	-
Central London shops	856	282	121	-
	5,062	1,871	827	-

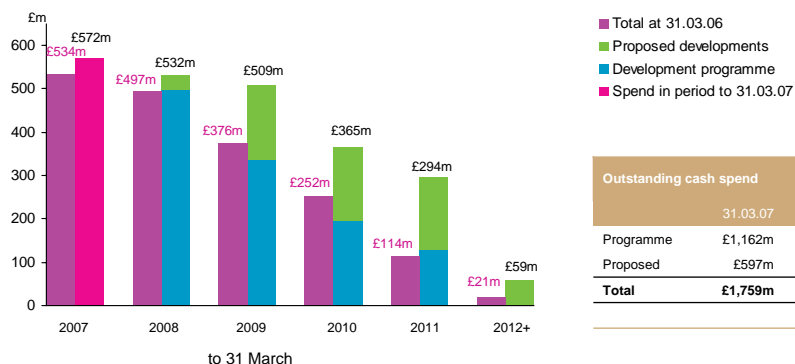
(1) Land, capital expenditure and capitalised interest

(2) Excludes development programme as well as proposed and possible developments

(3) Cardinal Place, 1 Wood Street, New Street Square, Bankside 2/3, Queen Anne's Gate, One New Change (offices and retail), Dashwood House and 10 Eastbourne Terrace

(4) Park House and 20 Fenchurch Street

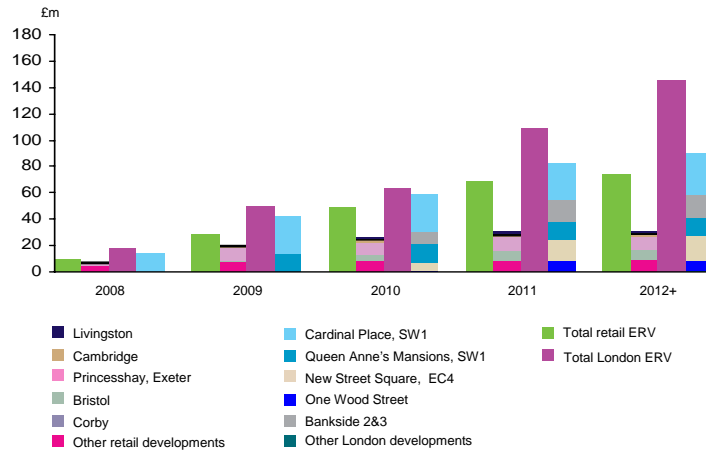
Development estimated future spend



Outstanding cash spend		
	31.03.07	31.03.06
Programme	£1,162m	£821m
Proposed	£597m	£973m
Total	£1,759m	£1,794m

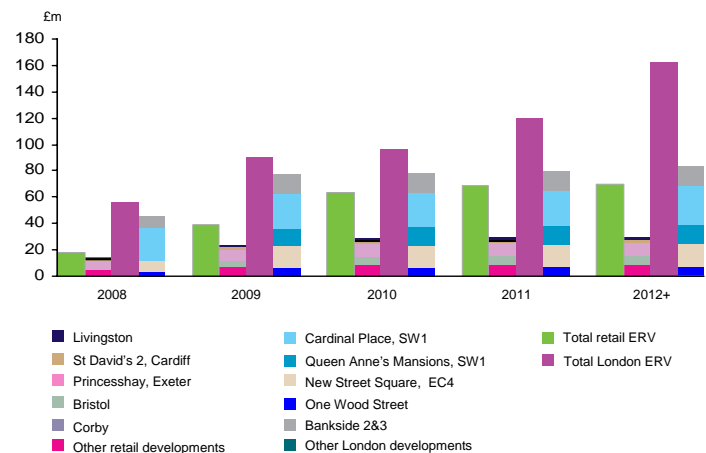
Excludes Kent Thameside and interest

Development – contracted rental income cash income



The figures show prospective cash income and ignore income smoothing under SIC15

Development – new contracted rental income SIC15 income



The figures show prospective rental income under SIC15