

# Press Release

14 November 2007

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For immediate release

## **Land Securities Group PLC (“Land Securities”/ “Group”) Interim results for the six months ended 30 September 2007**

### **Highlights**

- Strong performance in growing net assets
  - Basic NAV at 2356p up 52p
  - Adjusted diluted NAV up 55p to 2236p, an increase of 2.5%
  - Out-performance vs IPD Quarterly Universe benchmark by 2.3%
- Valuation surplus of £130.8m or 0.9% on the investment portfolio
  - Valuation uplifts from London offices of 4.2%, and Central London shops of 0.7%, with valuation deficits of 1.5% for shopping centres and 3.9% for retail warehouses
- Excellent progress on the development programme
  - Valuation surplus on development of £174.2m
  - Development lettings totalling 850,000 sq ft
- Investment portfolio property sales of £929m at 7.8% above March 2007 valuations (before disposal costs)
- Investment portfolio valuation of £15.0bn
- Pre-tax profit of £375.2m (2006:£1,178.2m), down as a result of smaller valuation surplus
- Revenue profit down 10.5% at £172.8m
- Earnings per share
  - Basic EPS at 78.57p down 57.1%
  - Adjusted diluted EPS up by 11.0% at 36.46p
- First two quarterly dividends for 2007/08 of 16.0p each, as announced

### **Retail Portfolio**

- Princesshay shopping centre development in Exeter opened, now 92% let
- £0.6bn assets sold in H1, 4.1% above valuation (pre-disposal costs)
- Joint venture entered into with J Sainsbury on three supermarket assets since period end

### **London Portfolio**

- 1.1 million sq ft of developments completed in H1 and now 95% let
- Record rents for Mid-town in the range of £71psf - £76psf achieved in the tower building at New Street Square
- The entire office element of 372,000 sq ft at Bankside 2&3 let to Royal Bank of Scotland
- £0.3bn assets sold in H1, 15.3% above valuation (pre-disposal costs)

### **Property Partnerships**

- Land Securities Trillium new business - £65m invested and £209m committed in acquiring PFI contracts
- Disposals of £83.0m generating a profit of £25.1m
- Good progress on establishing the PFI fund: new £568m debt facility signed since period end.

Commenting on the results, Francis Salway, Chief Executive of Land Securities said: “We have benefited from a well timed development programme and a well timed sales programme. The profits from our developments have ensured that we delivered a positive increase in shareholders’ net assets. And the combination of the development profits and our selling assets at above valuation have ensured that our property portfolio has out-performed the general UK commercial property market.”

## **Review of Business Structure**

The Land Securities Board has completed its review of the structure of the business and has concluded that over the long-term the Group’s component businesses, and shareholders, will benefit from separation, and proposes to demerge the Group into three specialist separately quoted entities.

This change will represent a continued evolution of the company’s business model. In 2004, the Group demonstrated its preference for a focused, sector-based approach by exiting industrial property and moving the group structure to one built around the Retail, London and Outsourcing sectors rather than the functions of asset management, development and outsourcing. Since this time, the Group has developed three specialised business divisions, which have enjoyed strong growth and each of which has considerable scale and leadership positions within their respective peer groups.

These three divisions have performed well under the current diversified structure, but the business models are distinctive and have different financial characteristics:

- **RETAIL:** The Retail division seeks to create and enhance long-term dominant assets through development and active management. It focuses on creating attractive, retail environments to generate sustainable earnings growth.
- **LONDON:** The London portfolio has a greater emphasis on development activity and capital recycling to manage effectively the cyclical nature of its office market. The portfolio also offers a broader investment in London as one of the world’s major financial centres. It has material retail assets and also major retail and residential elements in its development programme. In addition, it offers shareholders significant value creation potential from its Kent Thameside development, which will be material relative to the size of this business.
- **PROPERTY OUTSOURCING:** The historic value creation from Trillium, with a return on capital since acquisition of 28% per annum, has been outstanding. It now has market leading positions in both property outsourcing and PFI. However, with the growing role of PFI and PPP contracts, Trillium’s business and operations have increasingly different characteristics from property investment, and as such the key valuation metrics are also different.

Trillium has grown by 57% in the last year in terms of floorspace under management, and it now manages more floor space than the London and Retail divisions combined. Land Securities’ brand and

balance sheet have been important to the development of Trillium to date. However, Trillium now has the size and track record to operate independently of Land Securities. Having regard to the different characteristics of Trillium's business and the different valuation metrics, the Board considers that the creation of long-term shareholder value is best achieved by demerger.

For the Retail and London divisions, the Board also believes that, over the longer term, the development of each business and the needs of investors will be better served by a separation of the two. Specifically,

- They operate in market segments with different characteristics and they will be able to adopt a capital structure best suited to their respective sectors' outlook;
- They will, in future, each have an acquisition currency that should be valued in line with the assets or businesses they may wish to acquire at any point in their respective cycles. As a combined group, the market rating of London and Retail will tend to reflect an average of the less favoured sector and the more favoured sector, reducing its effectiveness as a potential acquisition currency;
- The full benefit of successful investment decisions will be more visible and have greater financial impact in separate focused entities.

As separate companies:

- The management teams of London and Retail will have a clear investment mandate and be able to allocate capital without competing demands driven by the cyclical dynamics of a different property segment;
- Shareholders will be given the choice of making sector allocations in line with their individual investment preferences. Shareholders benefit from greater liquidity and lower transaction costs in dealing through shares to change sector allocations, than can be achieved by a diversified property company transacting in property assets;
- The businesses will be better placed to take advantage of significant inflows of capital into global real estate funds which typically favour investment in specialist companies. Over time, the ability to access this expanding pool of capital is expected to help drive the valuation of specialised property groups.

Both businesses will retain:

- The strength of their customer relationships through an unchanged presence in their customers' markets;
- Stability of cash flows and stable income growth, which result from the five year, upward only rent review structure in the UK.

Extensive and detailed work needs to take place before the company is in a position to seek shareholder approval and effect the demergers. The demergers will be executed when the preparatory work has been completed and only when market conditions are favourable.

Commenting on the review of business structure, Francis Salway, Chief Executive of Land Securities said: "We have three strong businesses, all performing extremely well. However, our Board is committed to remaining at the forefront of an evolving property sector and recognised the need to test our current business structure. We have considered the issues carefully with a focus on the long-term. We have concluded that the development of these businesses and the interests of shareholders are best served by demerger into three separate, specialised businesses, each of which will be of a scale to be at the forefront of their sectors."

**-Ends-**

Land Securities will be holding a results presentation today at 9.30am (GMT) and a live web-cast will be available at <http://pres.landsecurities.com/landsecurities035/default.asp>

An interview with Francis Salway and Martin Greenslade, Group Finance Director, is available at <http://pres.landsecurities.com/landsecurities035/default.asp>

Francis Salway / Donal McCabe  
Land Securities Group PLC  
T +44 (0)20 7413 9000

John Sunnucks / David Allchurch  
Tulchan Communications  
T +44 (0)20 7353 4200

#### **Notes to editors**

Land Securities is the UK's leading Real Estate Investment Trust. Our national portfolio of commercial property, worth many billions of pounds, includes some of Britain's best-known shopping centres, such as the Birmingham Bullring and Gunwharf Quays in Portsmouth, as well as London landmarks such as the Piccadilly Lights and Westminster City Hall. We are leading urban renaissance through our billion pound development programme, transforming Exeter, Bristol and Cardiff city centres as well as key sites in Central London. We are also one of the leading names in property outsourcing and through urban community development are involved in long-term, large-scale regeneration projects in the south-east.

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## Highlights

- Strong performance in growing net assets
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  - Valuation uplifts from London offices of 4.2%, and Central London shops of 0.7%, with valuation deficits of 1.5% for shopping centres and 3.9% for retail warehouses
- Excellent progress on the development programme
  - Valuation surplus on development of £174.2m
  - Development lettings totalling 78,900m<sup>2</sup>
- Investment portfolio property sales of £929m at 7.8% above March 2007 valuations (before disposal costs)
- Investment portfolio valuation of £15.0bn
- Pre-tax profit of £375.2m (2006: £1,178.2m), down as a result of smaller valuation surplus
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### Retail Portfolio

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- £0.6bn assets sold in H1, 4.1% above valuation (pre-disposal costs)
- Joint venture entered into with J Sainsbury on three supermarket assets since period end

### London Portfolio

- 97,700m<sup>2</sup> of developments completed in H1 and now 95% let
- Record rents for Mid-town in the range of £71psf - £76psf achieved in the tower building at New Street Square
- The entire office element of 34,600m<sup>2</sup> at Bankside 2&3 let to Royal Bank of Scotland
- £0.3bn assets sold in H1, 15.3% above valuation (pre-disposal costs)

### Property Partnerships

- Land Securities Trillium new business - £65m invested and £209m committed in acquiring PFI contracts
- Disposals of £83.0m generating a profit of £25.1m
- Good progress on establishing the PFI fund: £568m of debt raised since period end

## Chief Executive's Statement

In our first full reporting period since becoming a Real Estate Investment Trust (REIT), we have delivered a set of results which belie the current negative sentiment towards the UK commercial property market. Our success has been founded upon our ability to judge the timing of both our development programme and our execution of a programme of property sales. During the period, our Board has also demonstrated its commitment to long-term value creation for shareholders by undertaking a comprehensive review of our current business structure.

Our achievements have resulted in a 2.5% increase in adjusted diluted net assets per share over the six months, founded on a 0.9% valuation surplus from our £15.0bn investment portfolio. Pre-tax profit was £375.2m, down 68.2% on the comparable period as a result of a smaller valuation surplus than in the prior period. As expected, revenue profit, our measure of underlying pre-tax profit, was down by 10.5% to £172.8m due to the accounting treatment which requires us to recognise the interest cost of the loan associated with acquiring Secondary Market Infrastructure Fund (SMIF) but not the income from the underlying contracts. However, our adjusted diluted earnings per share were up by 11.0% to 36.46 pence per share, largely as a result of no longer paying tax on the majority of our activities following conversion to REIT status on 1 January. For the current financial year commencing 1 April 2007, we have moved to quarterly dividend payments and, as previously announced, the second quarterly dividend will be 16.00 pence per share payable on 7 January 2008.

Over a 12 month period we benchmark our performance against three key indicators, providing shareholders with a clear indication of the value we are creating. Over a six month period, however, the most relevant indicator of our performance is a comparison to the Investment Property Databank (IPD), the industry standard for commercial property performance in the UK. During the period under review, our ungeared investment portfolio total return was 3.6% as compared to 1.3% for the IPD Quarterly benchmark. Our outperformance is largely attributable to the timing and execution of our development programme; this has delivered substantial valuation surpluses, which accounted for more than the whole of our overall revaluation surplus. Our financial performance also benefited from the timing of our sales of £929.1m of investment properties, where the sale prices were on average 7.8% above valuation (pre-disposal costs).

The defensive income characteristics of our investment portfolio have strengthened over the period. As a result of major development lettings, the average unexpired duration of leases has increased by half a year to approximately 10 years; and the net reversionary potential of the portfolio (the extent to which today's rental values exceed rents currently payable) has increased from 10.6% to 14.6%.

## Performance Highlights

We have achieved notable success over the half year in the areas of leasing up our developments, securing planning consents for the future, selling investment properties and progressing the establishment of a fund for investment in Private Finance Initiatives (PFI) contracts.

In our London Portfolio, our development projects delivered a valuation surplus of 7.5% with the strongest contributions being from New Street Square, EC4 and Bankside 2&3, SE1, at both of which we achieved significant lettings. At New Street Square we achieved record rents for Mid-town in the range of £71.00psf - £76.00psf in the tower building as compared to £42.50psf on our initial pre-letting within the scheme two and a half years ago. At Bankside 2&3, we were delighted to conclude a letting of the whole of the office element totalling 34,600m<sup>2</sup> to Royal Bank of Scotland. Within the Retail Portfolio, we opened our Princesshay shopping centre development in Exeter with the scheme 90% let on the date of opening. The scheme makes a strong civic contribution to Exeter, and this has been widely recognised in the press with accolades such as the headline 'A Jewel in the Crown'.

We have sold £333.3m of property from our London Portfolio at an average of 15.3% above the 31 March 2007 valuation figures (pre-disposal costs). The premium pricing reflected, in a number of instances, specific actions we took to create additional value. An example was at Blackfriars Road in Southwark, SE1 where we established the likelihood of getting planning consent for a new building over 2.5 times the size of the existing buildings. Sales from our Retail Portfolio totalled £589.1m and, despite negative sentiment towards retail investment property over the whole period, averaged 4.1% above March valuation figures (pre-disposal costs).

Whilst 2007 represents the high point in terms of the level of our development completions, we continue to create future opportunities for development in the medium-term. We obtained planning consent following a Public Inquiry for a 55,700m<sup>2</sup> tower building at 20 Fenchurch Street in the City of London; and we received a resolution to grant outline planning consent for Eastern Quarry, the largest of our landholdings at Ebbsfleet Valley in Kent.

Our Property Partnerships division, Land Securities Trillium (Trillium), has successfully widened the base for its new business opportunities by moving into the PFI sector. We made our principal acquisition in this area, SMIF, in early 2007 and we stated at the time that we would establish a fund for the PFI contracts acquired and introduce third party co-investors. We have made good progress in establishing the fund: we have successfully raised £568m of debt for the fund; and we are at an advanced stage of discussions with a number of prospective investors. We expect to move to a first closing for the fund before the end of this calendar year.

Whilst delivering financial returns for our shareholders continues to be our first priority, it is increasingly important to us to meet the expectations of our customers and other stakeholders on environmental issues. We were therefore delighted to be placed within SustainableBusiness.com's 'Top 20 Sustainable Stocks in the World'. We were both the only UK company and the only property company within this list. We have also been adjudged the Global Sector Leader in the Financial Services sector in the 2007 Dow Jones Sustainability Index.

## Outlook

We had anticipated a weakening in the pricing of property investments and so accelerated our programme of property sales in the first half of the calendar year. We expect the current weak trend in property investment pricing to continue, but we believe that the greatest impact will be experienced on secondary properties where, in recent years, yield pricing has not fully reflected the risks associated with lower quality properties. We therefore expect our shareholders to benefit, in relative terms, as a result of the high quality of our portfolio.

Our London development programme completions are concentrated in the current financial year ending 31 March 2008 reflecting our decision to start a substantial development programme early in the cycle. We will be completing 148,600m<sup>2</sup> of developments in London in the current financial year, and these projects are now 93% let. Over the next two financial years, when employment growth in the financial services sector may be weaker, we will be completing just 25,400m<sup>2</sup> of office developments in London.

The leasing environment for our Retail Portfolio has been broadly consistent over the last 18 months. Our Princesshay project in Exeter once again demonstrated that high quality schemes which enhance the shopping experience for consumers will continue to be attractive to retailers. We expect to be able to sustain the good progress we have made in leasing up our other retail development projects.

New business acquisitions for Trillium continue to be one of our priorities. Since 1 April 2007 we have agreed terms to acquire over £274m of additional PFI contracts, and we are encouraged by recent comments from Government which reaffirm its commitment to future PFI projects.



## Review of Business Structure

The Land Securities Board has completed its review of the structure of the business and has concluded that, over the long-term, the Group's component businesses, and shareholders, will benefit from separation, and proposes to demerge the Group into three specialist separately quoted entities.

This change will represent a continued evolution of the Land Securities business model. In 2004, the Group demonstrated its preference for a focused, sector-based approach by exiting industrial property and moving the group structure to one built around the Retail, London and Outsourcing sectors rather than the functions of asset management, development and outsourcing. Since this time, the Group has developed three specialised business divisions, which have enjoyed strong growth and each of which has considerable scale and leadership positions within their respective peer groups.

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- **RETAIL:** The Retail division seeks to create and enhance long-term dominant assets through development and active management. It focuses on creating attractive, retail environments to generate sustainable earnings growth.
- **LONDON:** The London Portfolio has a greater emphasis on development activity and capital recycling to manage effectively the cyclical nature of its office market. The portfolio also offers a broader investment in London as one of the world's major financial centres. It has material retail assets and also major retail and residential elements in its development programme. In addition, it offers shareholders significant value creation potential from its Kent Thameside development, which will be material relative to the size of this business.
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Trillium has grown by 57% in the last year in terms of floorspace under management, and it now manages more floor space than the London and Retail divisions combined. Land Securities' brand and balance sheet have been important to the development of Trillium to date. However, Trillium now has the size and track record to operate independently of Land Securities. Having regard to the different characteristics of Trillium's business and its valuation metrics, the Board considers that the creation of long-term shareholder value is best achieved by demerger.

For the Retail and London divisions, the Board also believes that, over the longer term, the development of each business and the needs of investors will be better served by a separation of the two. Specifically,

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- The full benefit of successful investment decisions will be more visible and have greater financial impact in separate focused entities.

As separate companies:

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- Shareholders will be given the choice of making sector allocations in line with their individual investment preferences. Shareholders benefit from greater liquidity and lower transaction costs in dealing through shares to change sector allocations, than can be achieved by a diversified property company transacting in property assets; and
- The businesses will be better placed to take advantage of significant inflows of capital into global real estate funds which typically favour investment in specialist companies. Over time, the ability to access this expanding pool of capital is expected to help drive the valuation of specialised property groups.

Both businesses will retain:

- The strength of their customer relationships through an unchanged presence in their customers' markets; and
- Stability of cash flows and stable income growth, which result from the five year, upward only rent review structure in the UK.

Extensive and detailed work needs to take place before the company is in a position to seek shareholder approval and effect the demergers. The demergers will be executed when the preparatory work has been completed and only when market conditions are favourable.

## Business Unit Review – Retail Portfolio

Our retail business represents 44.7% of the combined portfolio by value, and includes 28 shopping centres and 29 retail parks. With over 1,600 occupiers and 1.7 million m<sup>2</sup> of retail accommodation, the Retail Portfolio has a 5.1% share of the UK's retail commercial property market. Many of our retail properties form the central shopping districts of major cities and towns across the UK and we are investing some £1.2bn to create the next generation of retail schemes through a 380,000m<sup>2</sup> development pipeline.

National sales data has shown that retail conditions have remained broadly similar over the past 12 months and our experience of leasing conditions on new and existing shopping centres and retail parks is consistent with this, demonstrating continuing demand for our retail development pipeline.

Across our like-for-like portfolio, we saw rental income growth of 4.7%, primarily driven by rent review settlements. These rent review settlements reflect increases in rental value over the last five years. In the last six months, rental values have continued to increase, but at much more modest levels, namely 0.8% for the half year. In line with the wider investment market, valuation yields have increased, particularly for secondary assets and retail warehouses and this depressed capital values. However, we have benefited from strong performance from completed developments and also the greater resilience to adverse yield change of some of our high quality shopping centres. As a result, we have seen only a small decline in the value of the Retail Portfolio of 2.2%. The reversionary potential of the portfolio remains strong at 12.0% and void levels are below market average at 4.0%.

### Sales, acquisitions and asset management

We have continued with an active sales programme. We sold £589.1m of retail assets, the largest of which were the Whitefriars shopping centre in Canterbury and our 50% stake in the East Kilbride Shopping Centre in Scotland. Our sales also included £121.9m of retail warehouse assets. On average the sales were at prices 4.1% above March 2007 values (before disposal costs).

Retail investment acquisitions were not our priority during this period, but we have agreed to acquire a major development opportunity by establishing a partnership with Caddick Developments regarding its £80m Trinity Shopping Centre in Leeds. This centre which will be integrated with our Leeds Shopping Plaza, an asset we acquired in 2005 as part of our corporate acquisition of Tops Estates plc. This scheme is planned for completion in 2010. The combined development incorporating our refurbished Leeds Shopping Plaza will provide a total of 83,640m<sup>2</sup> of retail floorspace in a prime location in the centre of Leeds.

We have secured some £10.3m p.a. of rent in new lettings within the portfolio, all of which have either driven rental growth or improved tenant mix.

Our void levels have increased slightly on a like-for-like basis and are now at 4.0% of ERV. 26% of these are currently in solicitors' hands and a further 17% are being held vacant pending redevelopment or refurbishment work.

We continue to create additional revenue opportunities from within our Retail Portfolio. As an example of this, 14 of our shopping centres have entered into an advertising partnership with Sky which will generate some £3.5m over the next five years.

## Development

We made excellent progress on our retail development programme, completing 59,710m<sup>2</sup> of retail floor space with an annual rent roll of £16.7m and letting some 18,000m<sup>2</sup> across our major schemes.

We successfully launched our 44,600m<sup>2</sup> mixed use regeneration scheme at Princesshay, in Exeter city centre in September 2007. Introducing 35 new retailers to the region and providing retail accommodation for 14 independent traders, the scheme demonstrated that the right retail product attracts strong demand from retailers. Christs Lane, Cambridge and the first phase of Corby's regeneration also achieved significant retail pre-lets ahead of their openings.

The 140,000m<sup>2</sup> Cabot Circus scheme is set to transform the heart of Bristol upon its launch in September 2008. Together with our development partner, Hammerson, we have secured 59,000m<sup>2</sup> of lettings bringing it to 79% pre-let or in solicitors' hands by floor area or 68% by income, 12 months ahead of opening. The retail led mixed use scheme will establish Bristol as one of the leading fashion and leisure destinations outside London.

In Cardiff we are progressing the St David's 2 development with Capital Shopping Centres to regenerate the city centre with 106,400m<sup>2</sup> of retail, leisure and residential accommodation. The first phase of the catering units is fully let. The scheme will bring the first John Lewis department store to Wales and is on schedule for an autumn 2009 opening.

Construction is underway on The Elements, Livingston, where we are extending the existing shopping centre to provide an additional 32,000m<sup>2</sup> of retail space, 5,670m<sup>2</sup> of leisure, residential accommodation and new public spaces. Debenhams and Marks & Spencer will anchor the scheme which is on schedule for an autumn 2008 completion.

In our retail warehouse portfolio we completed 22,350m<sup>2</sup> of new space including the 13,380m<sup>2</sup> Peterborough Retail Park, which was 91% pre-let to B&Q and Matalan, with one remaining unit under offer. At Thanet we completed a 8,970m<sup>2</sup> leisure park, which is 100% pre-let, and is adjacent to our Westwood Cross fashion park improving the mix of uses and the overall car parking provision.

In April we submitted a joint planning application with Henderson Global Investors for the 65,000m<sup>2</sup> expansion of Buchanan Galleries, Glasgow, and a resolution to grant outline planning consent was passed in early November. The new scheme will create further retail space in the UK's second ranked shopping destination, and will also provide residential accommodation and upgraded transport facilities for the city centre.

## Business Unit Review – London Portfolio

During the last six months we have continued to implement the strategy we set several years ago. We have executed our programme of sales of mature, potentially ex-growth assets. We have also continued to deliver strong performance from our development properties with some market-leading leasing transactions.

Our London Portfolio represents 54.9% of our overall investment portfolio by value. This 1.1 million m<sup>2</sup> London Portfolio represents a 5.1% share of London's total office accommodation. We continue to invest in our mixed use development clusters across the capital, creating innovative buildings in improving areas. We currently have over 600 occupiers in our London Portfolio accommodating more than 50,000 people.

The London Portfolio delivered a strong performance with a valuation surplus of 3.6%. This was driven by a 7.5% surplus on our developments. The valuation increase for the like-for-like assets was 2.7%. We saw growth in rental values of 9.5%, and the portfolio is now 19.1% reversionary. Void levels have declined from 4.8% in March to 4.4% in September on a like-for-like basis.

### Sales, acquisitions and asset management

During the first half of the year we have sold £333.3m of London property, including Greater London House, NW1 and 20 Blackfriars Road, SE1. Our properties sales were, on average, at 15.3% above March 2007 values. We purchased £537.1m of investment properties with a focus on the areas to the east of the City, which we had already identified as providing future growth potential, namely Harbour Exchange, E13 and Thomas More Square, E1. This latter complex provides over 52,000m<sup>2</sup> on a 4.2 acre site and is let at low rents averaging £28psf. We also completed the purchase of a further 50.5% interest in Times Square, EC4, in Queen Victoria Street in the City, taking our holding to 95%.

With the recent disposal (after 30 September) of our Lime Street Estate in EC3, we have largely completed the sale of assets identified for disposal 18 months ago. We believe the balance of the portfolio provides a strong blend of investment assets and buildings offering medium-term development opportunities.

In terms of asset management, we have focused on two key areas: firstly, maximising income, in the short-term on assets targeted for redevelopment in the next cycle; and, secondly, improving the performance of our Central London retail assets with a particular focus on customer relationship management.

## Development

We have delivered excellent performance from our developments. We initiated our development programme early in the cycle, anticipating improving market conditions. We have been rewarded for this early commitment to development by the levels of development surpluses and the fact that we have already let 93% of our schemes which are due for completion in the current financial year.

The London Portfolio has secured strong development lettings totalling 60,800m<sup>2</sup> over the six month period. These include the letting of Bankside 2&3, SE1 to Royal Bank of Scotland, 35% of the office space at One New Change, EC4 to K&L Gates, and further lettings at New Street Square, EC4. The office space at New Street Square is now 87% let and has set record rents for the Mid-town market, establishing the location as a leading destination for the legal and professional community. The offices at Cardinal Place, SW1 are now fully let to occupiers including 3i and Microsoft; and One Wood Street, EC2 has been handed over to the occupier, Eversheds, for fitting out.

With the good progress of lettings on the latest phase of developments, we have moved on to focus on the new generation of schemes to be delivered beyond 2010.

At 20 Fenchurch Street, EC3 we received notification that the Secretary of State has confirmed the grant of planning consent for our proposed tower building. Demolition works are already underway and will complete in March 2009. At that time we will review how we will take the project forward.

We submitted outline planning applications for some 92,900m<sup>2</sup> of space at Ludgate Hill, EC4 and Fleetbank House, in Salisbury Square, EC4. In August we also submitted a joint planning application with Transport for London for the 'Victoria Transport Interchange', a 180,000m<sup>2</sup> regeneration of the area to the north of Victoria station, to include office, retail, leisure and residential accommodation. The application also sets out our proposals to improve the public realm and address the capacity constraints of the local transport network to create a world class transport interchange.

## Business Unit Review – Urban Community Development

### Kent Thameside

Our focus here has continued to move towards delivery of development as the planning phase draws to a conclusion.

At Eastern Quarry, Dartford Borough Council resolved to grant Outline Planning Permission in July 2007 and it is anticipated that the Section 106 Agreement will be signed in November. This will allow the development of up to 6,250 homes and 232,000m<sup>2</sup> of office, retail, leisure and community space. It is anticipated that infrastructure works will commence in 2008 with construction of the first dwellings beginning in late 2009.

At Ebbsfleet, the new international train station opens on 19 November 2007 for Eurostar services providing a total of 12 trains a day to Brussels and Paris.

At Springhead, good progress is being made with our joint venture partners, Countryside Properties, on the delivery of the first 383 new homes of the 600 planned. The primary infrastructure and first homes are now under construction with first occupations targeted for autumn 2008.

Sales continue at our residential scheme at Waterstone Park with an agreement having been reached with Countryside Properties to deliver the final phase of the project.

### Milton Keynes

With our joint venture partner Gazeley Limited, we completed the development of the 60,400m<sup>2</sup> distribution centre which had been pre-let to John Lewis and which we have now sold. Our share in the project generated some £35.0m of sale proceeds and a profit of £8.1m.

## Business Unit Review – Property Partnerships

Trillium provides Property Partnership services in the outsourcing and Public Private Partnership (PPP) markets. In the six months under review it generated 19.9% of the Group's underlying operating profit, some £57.8m. This business now has 4.8 million m<sup>2</sup> of floor space under ownership or management. It is involved in 123 long-term partnerships, providing accommodation services to more than 455,000 people.

Trillium delivered strong results for the six months under review and made excellent progress on its new business pipeline with £65m invested in seven new PPP acquisitions and a further £209m invested since the period end. In addition to the underlying operating profit of £57.8m, the business also generated £25.1m of profits on disposal.

The outlook for Trillium is positive in terms of new business prospects. In its Pre Budget Report, the Government reiterated that £22.2bn worth of PFI projects (which are part of Trillium's PPP market) are expected to reach financial close before April 2011, and that PFI should continue to form a significant part of the Government's strategy for delivering high quality public services. As a leader in the education and health markets, we believe Trillium is well placed to take advantage of these opportunities.

In addition, the Government restated its objective of selling public sector assets totalling £30bn by 2011. This sales programme will include a significant amount of property assets and the Trillium partnership approach can offer long-term operating efficiencies as well as capital realisation, a potentially more attractive solution.

### Trillium Financial Results

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

**Table 1: Trillium financial results**

	Six months ended 30 September 2007 £m	Six months ended 30 September 2006 £m	Year ended 31 March 2007 £m
Contract level operating profit			
– DWP	45.2	42.8	81.0
– Norwich Union	4.8	3.9	9.2
– Barclays	0.9	1.2	3.3
– DVLA	1.8	0.7	1.7
– Telereal II	7.6	7.0	16.1
– Accor	11.6	-	1.5
– Royal Mail	2.1	-	-
– BBC	-	-	2.8
Bid costs	(3.1)	(1.4)	(2.8)
Central costs	(15.4)	(5.7)	(14.0)
Other	2.3	3.3	-
Underlying operating profit	57.8	51.8	98.8
Net (deficit) / surplus on revaluation of investment properties	(8.8)	0.3	(13.6)
Profit on disposal of properties	15.1	8.5	7.5
Profit on disposal of a PPP project (Meterfit)	10.0	-	-
<b>Segment profit</b>	<b>74.1</b>	<b>60.6</b>	<b>92.7</b>
Share of profit / (loss) from Investors in the Community (IIC) (joint venture)	0.1	(1.1)	(3.0)
Capital employed	2,135.2	663.7	2,032.5



## Existing contracts

On the Department for Work and Pensions (DWP) contract, we disposed of 35,380m<sup>2</sup> of surplus leasehold space and 33,500m<sup>2</sup> surplus freehold accommodation. The proceeds from the freehold disposals were £46.9m, which showed a net profit on book value of £14.1m after gain share.

DWP issued vacation notices during the period on 67,026m<sup>2</sup> (63% leasehold and 37% freehold) and actual vacations during the period were in line with expectations. The negative impact of vacations on our profitability was offset by a one off payment for backdated services, and income growth due to indexation.

We have completed a programme of 13 refurbishment projects on the Royal Mail portfolio and let or disposed of 10,200m<sup>2</sup> of surplus space, which is ahead of our expectations at the time we won this contract.

On the DVLA contract, we have been awarded three scope extensions to provide an additional 7,000m<sup>2</sup> of accommodation with capital investment of approximately £26m over the next 18 months.

The turnover on the Accor hotels portfolio increased by 5.6% over the period. However, as a result of yield re-pricing in the property investment market, there was only a small underlying increase in investment value (excluding purchase costs) during the period.

The increase in central costs primarily reflects the inclusion of the SMIF and IIC businesses.

## New business

In July, Trillium announced the purchase of AMEC's Project Investments business for £163.5m which included AMEC's interests in nine signed PFI projects in healthcare, transport and education, one preferred bidder project, and the PFI/PPP bidding and asset management team. Some of the projects were in joint ownership and were subject to pre-emption clauses in favour of the joint owners. As a result of the exercise of pre-emption clauses on two small projects our acquisition now relates to seven signed projects and one at preferred bidder stage for a total net consideration of £152.4m. The purchase was completed after the period end. Since the period end, we have also completed on the purchase of nine new PPP health assets from United Medical Enterprises for a total consideration of £56.6m.

For the Northern Ireland Civil Service, the new Assembly Government has confirmed its support for the outsourcing proposal, and we now await the outcome of a legal challenge to the shortlist selection process. We are one of two shortlisted parties who will be invited to submit best and final offers once this has been resolved.

On the Defence Training Review (DTR) outsourcing contract, our Metrix consortium with Qinetiq remains as preferred bidder on Package 1. Good progress has been made and the Ministry of Defence (MoD) anticipates committing to the final developmental phase in spring 2008, with a view to financial close a year later. Metrix also remains as provisional preferred bidder for Package 2. However, having concluded that there are insufficient efficiencies to move forward with a "Whole Programme Solution" for DTR, the MoD continues to consider a range of options for Package 2, from adaptations of the Metrix proposal through to conventional procurement.

We are shortlisted for the Building Schools for the Future (BSF) projects in Birmingham and Kent where the initial phases involve in excess of £200m of PPP capital expenditure. It is anticipated that the preferred bidders will be announced this financial year.

## PPP market update

Following the integration of the of SMIF and IIC businesses last year, the acquisition of AMEC's Project Investments business has further strengthened our position at the forefront of the UK PPP market. We now have an unrivalled team engaged in the development and acquisition of new business opportunities.

Our portfolio and our underlying asset and capital management activities have made significant progress. We are in the process of establishing our own debt aggregation vehicle, which will reduce over the long-term the cost of capital in our underlying investments. The completion of a major school refinancing, together with a 29% reduction in insurance premia through our consolidated buying programme, were also notable achievements.

In April, we commenced the establishment of a new joint venture fund, aimed at bringing in third party investors alongside our own long-term investment in the venture. Once established, this will be the largest venture of its kind in the marketplace. UBS have been appointed as our advisers on this initiative, which is intended to release in excess of £750m of capital and provide us with a further ongoing source of capital that will support our new business platform. Notwithstanding the turmoil prevailing within the credit markets, we have made good progress and expect to achieve a first closing this year with a final closing before our financial year end.

During the period we completed the disposal of Meterfit, one of the non-core utility businesses we acquired as part of the SMIF transaction generating a profit on sale of £10.0m.

## Financial results

### Headline results

Profit before tax was £375.2m for the six months to 30 September 2007, down from £1,178.2m for the comparable period. 'Profit before tax' includes the revaluation surplus on our investment properties, and the reduction in profit before tax for the period was almost entirely due to the lower, but still positive, revaluation surplus on our investment properties. Earnings per share at 78.57p were similarly impacted (six months to 30 September 2006: 183.25p). Revenue profit, our measure of underlying profit before tax, decreased from £193.1m to £172.8m for the reasons explained below under 'Revenue profit'. Adjusted diluted earnings per share showed an 11.0% increase on the prior period to 36.46p (six months to 30 September 2006: 32.84p), the increase being largely attributable to the majority of our activities no longer being subject to tax since we became a REIT on 1 January 2007.

The combined portfolio rose in value from £14,752.5m to £15,043.2m. This included a valuation surplus of £130.8m or 0.9%. Net assets per share rose by 2.3% to 2356p from 2304p, with adjusted diluted net assets per share rising by 2.5% to 2236p (31 March 2007: 2181p).

### Profit before tax

The main drivers of our profit before tax performance 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 Trillium, and the amount of net interest we paid. The degree to which movements on these and other items led to the reduction against the comparable period in our profit before tax to £375.2m (six months to 30 September 2006: £1,178.2m) is explained in Table 2 below:

**Table 2: Principal changes in profit before tax and revenue profit**

	Profit before tax £m	Revenue profit £m
Six months ended 30 September 2006	1,178.2	193.1
Valuation surplus	(840.4)	-
Profit on disposal of non-current properties	38.1	-
Profit on disposal of PPP projects	10.0	-
Profit on sale of trading properties	(0.6)	-
Increase in capitalised interest <sup>(1)</sup>	20.9	20.9
Amortisation of bond de-recognition <sup>(2)</sup>	6.3	-
Long-term development contract profits <sup>(3)</sup>	(8.4)	-
Property Partnerships profit <sup>(4)</sup>	7.2	7.2
Net rental and service charge income <sup>(5)</sup>	(3.2)	(3.2)
Indirect costs	0.2	0.2
Interest on SMIF acquisition loan	(27.1)	(27.1)
Other interest <sup>(6)</sup>	(18.3)	(18.3)
Debt restructuring charges	5.3	-
Other	7.0	-
Six months ended 30 September 2007	375.2	172.8

Notes:

1. Increased development activity, with several developments commencing since 1 October 2006 (One New Change, St David's 2, Cardiff and The Elements, Livingston).
2. The debt instruments issued as part of the refinancing in November 2004 do not meet the de-recognition 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. Lower levels of activity on the development contract at Broadcasting House.
4. Profits from Accor, Royal Mail and one-off income from DWP, offset by increased central costs.
5. Decrease in net rental and service charge income is largely driven by disposals made in the year ended 31 March 2007.
6. Other interest, includes interest on the REIT conversion charge paid in July 2007 (£316.2m), which amounted to £3.6m.

## 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 surplus, gains on disposals, trading profits and profits on long-term development contracts.

Revenue profit for the six months fell by 10.5% from £193.1m to £172.8m, for the reasons set out in Table 2.

While Trillium's operating profit is at a similar level to last year, at the revenue profit level there has been a decline of £34.5m, largely attributable to interest on the SMIF assets acquired in February 2007. SMIF owns and provides management services to PPP projects. Since it remains our intention to divest the PPP investments by transferring them to a fund and bringing in outside investors while maintaining a minority interest, we have treated these assets as a disposal group. The accounting implications of this are that we do not consolidate the individual assets and liabilities of the PPP investments. Instead, they are held in the balance sheet at fair value less costs to sell and we do not recognise our share of the underlying net income of the PPP projects. However, we do include the interest cost of the loan associated with acquiring SMIF in Group revenue profit as well as the cost of the SMIF management team. For the six months to 30 September 2007, the interest cost associated with the acquired SMIF business amounted to £27.1m.

A reconciliation between profit before tax and revenue profit is shown in Table 3 below:

**Table 3: Reconciliation of profit before tax to revenue profit**

	Six months ended 30 September 2007 £m	Six months ended 30 September 2006 £m
Profit before tax	375.2	1,178.2
Valuation (surplus) / deficit – Group	(145.5)	(896.7)
– joint ventures	23.5	(65.7)
(Profits) / losses on non-current property disposals – Group	(79.0)	(33.6)
– joint ventures	7.3	-
Profit on disposal of PPP projects (Meterfit)	(10.0)	-
Mark-to-market adjustment on interest rate swaps	4.2	(6.2)
Eliminate effect of bond exchange de-recognition	2.3	8.6
Debt restructuring charges	1.0	6.3
Joint venture tax adjustment	3.0	20.4
Profit on sale of trading properties – Group	-	(8.8)
– joint ventures	(8.2)	-
Long-term development contract profits	(1.0)	(9.4)
Revenue profit	172.8	193.1

## Earnings per share

Basic earnings per share decreased by 57.1% to 78.57p (six months ended 30 September 2006: 183.25p), the decrease predominantly relating to the lower revaluation surplus.

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, for which the calculation is set out in note 7 to the financial statements. Adjusted diluted earnings per share increased from 32.84p per share for the six months ended 30 September 2006 to 36.46p per share in 2007, an 11.0% increase. The increase in adjusted earnings per share is largely attributable to a significantly lower tax rate following REIT conversion partially offset by the interest costs associated with the SMIF acquisition.

## Dividends

As announced at our preliminary results in May 2007, we have commenced paying dividends on a quarterly basis. We will be paying a second quarterly dividend of 16.0p per share on 7 January 2008 to shareholders on the register on 7 December 2007. Taken together with the first quarterly dividend of 16.0p, paid on 26 October 2007, this makes a first half dividend of 32.0p per share (2006: 19.0p), which represents a 68.4% increase. Part of this substantial increase arises because quarterly dividends result in the total dividend being more equally spread between the first and second half of the year than was the case last year. Nevertheless, on an annualised basis our quarterly dividends imply an increase in the total dividend for the year of over 20%. The third quarterly dividend will be paid on 25 April 2008.

Both quarterly dividends comprise 80% Property Income Distribution (PID) from the REIT qualifying activities. The PID element is subject to 22% withholding tax for relevant shareholders. The Company offers shareholders the option to participate in a Dividend Reinvestment Plan (DRIP). For further details please refer to the Shareholder centre, within the Investor section of our corporate website [www.landsecurities.com](http://www.landsecurities.com).

## Balance of business tests

REIT legislation specifies conditions in relation to the type of business a REIT may conduct, which the Group is required to meet in order to retain its REIT status. In summary, at least 75% of the Group's profits must be derived from REIT qualifying activities (the 75% profits test) and 75% of the Group's assets must be employed in REIT qualifying activities (the 75% assets test). Qualifying activities means our property rental business. The result of these tests for the Group for the six months ended 30 September 2007 and at the balance sheet date is as follows:

**Table 4: REIT balance of business tests**

	For the six months ended / at 30 September 2007		
	Tax-exempt business	Residual business	Adjusted results
Adjusted profit before tax (£m)	186.5	(12.0)	174.5
Balance of business – 75% profits test	106.9%	(6.9%)	
Adjusted total assets (£m)	16,189.5	2,308.1	18,497.6
Balance of business – 75% assets test	87.5%	12.5%	

If the £27.1m interest cost of the SMIF acquisition loan is eliminated from the above figures, the profits of the tax-exempt business comprise 92.5% of total adjusted profits.

## Net assets

At 30 September 2007, net assets per share were 2356p, an increase of 52p over the six months since 31 March 2007.

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. In previous years, the main adjustment to net assets has been to remove the deferred tax on revaluations. Since we no longer provide for deferred tax on revaluations due to our REIT status, this adjustment is no longer required. As a result, our adjusted net assets are now lower than our reported net assets primarily due to the debt adjustment we continue to make. Under IFRS, we do not show our debt at its nominal value, although we believe it would be more appropriate to do so and we therefore adjust our net assets accordingly. At 30 September 2007, adjusted diluted net assets per share were 2236p per share, an increase of 2.5% from 31 March 2007.

Table 5 summarises the main differences between net assets and our adjusted measure together with the key movements over the periods.

**Table 5: Net assets**

	Six months ended 30 September 2007 £m	Six months ended 30 September 2006 £m	Year ended 31 March 2007 £m
Net assets at the beginning of the period	10,791.3	7,493.9	7,493.9
Adjusted earnings	170.8	154.7	330.0
Revaluation surpluses on ongoing and completed development properties *	174.2	188.1	331.4
Revaluation (deficits) / surpluses on investment properties (excluding Trillium) *	(43.4)	485.3	710.1
Revaluation (deficits) / surpluses on Trillium investment properties *	(8.8)	0.2	(10.1)
Profits on non-current asset disposal *	81.7	47.7	105.2
Interest charges not included in adjusted earnings *	(7.5)	(6.1)	(13.0)
Tax (charges) / credits not included in adjusted earnings	-	(10.1)	2,074.7
Profit after tax	367.0	859.8	3,528.3
Dividends paid	(159.5)	(133.8)	(223.0)
Other reserve movements	(75.8)	(28.2)	(7.9)
Net assets at the end of the period	10,923.0	8,191.7	10,791.3
Deferred tax on investment properties	-	151.5	-
Deferred tax on net revaluation surpluses	-	2,007.7	-
Mark-to-market on interest rate hedges	(14.5)	1.1	(23.6)
Debt adjusted to nominal value	(516.8)	(369.3)	(519.1)
Adjusted net assets at the end of the period	10,391.7	9,982.7	10,248.6

\* These amounts are post-tax.

## Drivers of performance

A key driver of the increase in our net assets is the underlying performance of our investment portfolio, which includes our share of joint ventures (see Table 6).

The positive valuation surplus on our investment portfolio was wholly attributable to the success of our development programme in that the valuation surplus on the development programme of £174.2m exceeded the surplus on our overall investment portfolio at £130.8m.

On the like-for-like portfolio which excludes developments and acquisitions and so allows for performance comparison of income growth and yield change over time, there was a small valuation deficit for the six months of £37.8m or 0.4%. As expected there has been a re-pricing of property investments which has seen yields rise and capital values fall. This re-pricing would in itself have decreased capital values on our like-for-like portfolio by some 4.6%, but it was largely offset by continuing rental value growth of 4.6% over the six month period.

As stated, our development programme, including our share of joint ventures and those properties completed and let in the six months, produced a valuation surplus of 5.9% or £174.2m. We have an estimated further spend of £851m on the projects currently underway which, when complete and fully let, will produce £160m of annual income (at today's estimated rental value). Capital expenditure on proposed developments could total a further £882m if we proceed with these schemes, which are held as part of the investment portfolio and have a current carrying value of £555m. The figures given for capital expenditure represent the Group's actual or forecast cash outlays on developments, excluding land values and capitalised interest. The total development cost for the full development pipeline is £3.7bn, of which £2.3bn relates to our current development programme.

The net reversionary potential of the like-for-like portfolio at the half year end was 14.6% compared to 10.6% six months ago. Void levels on our like-for-like Retail Portfolio have increased over the six months from 3.9% to 4.0%, but still stand well below the UK average void level for retail properties as measured on the IPD Quarterly Index of 5.9% (September 2007). On our like-for-like London Portfolio, void levels have decreased from 4.8% to 4.4%.

Table 6: Valuation and rental income summary

	Open market value at 30 September 2007 £m	Open market value at 31 March 2007 £m	Open market value at 30 September 2006 £m	Valuation surplus / (deficit) <sup>(1)</sup> %	Rental income for the six months ended 30 September 2007 <sup>(1)</sup> £m	Rental income for the six months ended 31 March 2007 <sup>(1)</sup> £m	Rental income for the six months ended 30 September 2006 <sup>(1)</sup> £m
Shopping centres and shops	3,120.4	3,173.9	3,138.8	(2.1)	92.0	90.7	87.9
Retail warehouses	1,963.5	2,033.1	2,023.8	(4.2)	43.5	42.5	41.6
London retail	1,024.1	1,005.8	964.8	1.3	21.6	23.3	22.7
London offices	3,860.9	3,702.6	3,449.1	2.9	94.6	95.4	95.5
Other	733.3	727.7	696.2	(1.2)	13.5	13.7	12.8
Like-for-like investment portfolio <sup>(2)</sup>	10,702.2	10,643.1	10,272.7	(0.4)	265.2	265.6	260.5
Completed developments	1,307.5	1,166.1	963.9	4.5	17.6	17.3	9.2
Acquisitions	1,149.9	631.7	463.4	(0.5)	20.5	15.1	5.5
Disposals and restructured interests	-	869.3	1,679.7	-	15.2	32.6	42.7
Development programme <sup>(3)</sup>	1,883.6	1,442.3	1,060.1	6.9	10.3	11.9	18.4
Combined portfolio	15,043.2	14,752.5	14,439.8	0.9	328.8	342.5	336.3
Adjustment for finance leases					(5.8)	(6.3)	(6.3)
Combined portfolio					323.0	336.2	330.0

## Notes:

1. The valuation surplus / (deficit) and rental income are stated after adjusting for the effect of spreading rents and rent free periods over the duration of leases in accordance with IFRS but before restating for finance leases.
2. Properties that have been in the combined portfolio for the whole of the current and previous financial periods.
3. Development programme comprising projects which are completed but less than 95% let, developments on site, committed developments (approved projects with the building contract let), and authorised developments (projects approved by the Board, but for which the contract has not yet been let).

Table 7 details the top six performing properties over £50m in each sector by revaluation surplus together with an explanation of the key drivers of their performance, which primarily relate to development activity in London Portfolio and rental value growth for the Retail Portfolio.

Table 7: Top six performing properties over £50m for Retail and London Portfolio

Retail Portfolio	Valuation surplus %	Description	London Portfolio	Valuation surplus %	Description
Corby Town Centre	4.6	Rental value growth	New Street Square, EC4	19.8	Development
Princesshay, Exeter	4.0	Development	Bankside 2&3, SE1	15.8	Development
Gunwharf Quays, Portsmouth	2.3	Rental income growth	140 Aldersgate, EC1	9.3	Rental value growth
Buchanan Galleries, Glasgow	1.1	Rental income growth	Selborne House, SW1	9.2	Potential development opportunity
Westwood Cross, Thanet	1.0	Rental value growth	70/88 Oxford Street, W1	6.8	Rental value growth
The Mall, Stratford	1.0	Rental value growth	Dashwood House, EC2	6.4	Development



## Cash flow, net debt and gearing

During the period, our cash expenditure exceeded cash receipts by £776.5m, and as a result net debt increased to £5,864.4m (31 March 2007: £5,087.9m). During the six months we paid the REIT conversion charge of £316.2m, and in total we invested £1,126.7m in our properties and PPP assets including £552.7m on investment property acquisitions and £246.2m on development. The development expenditure, which includes land acquisitions but excludes our share of joint ventures and capitalised interest, was spent principally on New Street Square, EC4, Queen Anne's Gate, SW1, in London and shopping centre developments in Exeter and Livingston. In Trillium, we spent £153.0m on property acquisitions (primarily Accor hotels), £35.8m on Norwich Union and DVLA buildings and contributed £61.0m to the disposal group for further PPP acquisitions.

Cash receipts during the six months totalled £799.4m from investment portfolio property disposals, which included Whitefriars, Canterbury, Greater London House, NW1 and New London House, EC3. This excludes the £193.4m received on the disposal of East Kilbride Shopping Centre, where the majority of the proceeds were used to repay debt in the Scottish Retail Property joint venture. A further £30.6m was received from the sale of operating properties.

We advanced a net £29.8m to our joint ventures, including £71.7m invested in shopping centre developments in Bristol and Cardiff, which was largely offset by £43.1m received on disposals, the largest of which was East Kilbride Shopping Centre.

The factors contributing to the increase in net debt of £776.5m are shown in Table 8 below:

**Table 8: Cash flow and net debt**

	Six months ended 30 September 2007 £m	Six months ended 30 September 2006 £m	Year ended 31 March 2007 £m
Operating cash inflow after interest and tax (excluding REIT conversion charge)	86.0	174.1	361.5
REIT conversion charge	(316.2)	-	-
Dividends paid	(159.5)	(133.8)	(223.0)
Investment property acquisitions	(552.7)	(473.4)	(523.7)
Property Partnerships property acquisitions	(153.0)	(12.4)	(416.5)
Development and refurbishment capital expenditure	(318.9)	(206.6)	(532.6)
Investment in finance lease receivables (Norwich Union and DVLA)	(35.8)	(18.9)	(43.3)
Investment in properties	(1,060.4)	(711.3)	(1,516.1)
Acquisition of SMIF and IIC	-	-	(919.0)
(Investment in) / receipts from the disposal group	(61.0)	-	25.0
Other capital expenditure	(5.3)	(9.1)	(18.8)
Total capital expenditure	(1,126.7)	(720.4)	(2,428.9)
Disposals	855.3	334.2	869.8
Joint ventures	(29.8)	(38.4)	50.0
Purchase of share capital	(81.1)	(35.7)	(36.2)
Other movements	(4.5)	5.1	4.8
Increase in net debt	(776.5)	(414.9)	(1,402.0)
Opening net debt	(5,087.9)	(3,685.9)	(3,685.9)
Closing net debt	(5,864.4)	(4,100.8)	(5,087.9)

As a result of the increase in net debt, gearing has increased from 47.1% to 53.7%. Details of the Group's gearing are set out in Table 9, which also shows the impact of joint venture debt, although the lenders to our joint ventures have no recourse to the Group for repayment.

**Table 9: Gearing**

£m	30 September 2007 %	31 March 2007 %
Gearing – on book value of balance sheet debt	53.7	47.1
Adjusted gearing *	61.4	54.7
Adjusted gearing * – as above plus notional share of joint venture debt	63.6	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.

Our interest cover ratio, excluding our share of joint ventures, has fallen from 2.43 times for the year ended 31 March 2007 to 1.82 times for the six months ended 30 September 2007. This reduction arises because we do not recognise our share of the underlying net income of the PPP projects within SMIF, but we do include the interest cost of the loan associated with its acquisition. If the interest on the SMIF acquisition loan is excluded from the calculation, interest cover is then 2.20 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 for the exempt business for the six months to 30 September 2007 was approximately 2.6 times.

During the course of the six months, we arranged £650.0m of committed bilateral bank facilities. The facilities are for 364 days with an option to extend by a further year.

### 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 30 September 2007 we had £1,055.1m of active interest rate hedges in place, and our debt was 84% fixed. Consequently, based on debt levels at 30 September 2007, a 1% rise in interest rates would increase full year interest charges by approximately £10m.

### 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. Accordingly, the tax charge for the period has fallen to £8.2m (six months ended 30 September 2006: £318.4m including £269.0m of deferred tax on revaluation gains), representing tax payable on 'residual' trading and other taxable activities, the majority of which arose in Trillium.

### Risks and uncertainties

The operational risks facing the Group for the remaining six months of the financial year are consistent with those outlined in the Annual Report for the year ended 31 March 2007. The outlook for the property market and the economy is weaker than in March 2007, but the risk mitigants listed in the 2007 Annual Report are still appropriate. Our development letting risk exposure has reduced materially since March 2007 as a result of the progress we have made on development lettings over the half year.

### Related party transactions

Transactions with related parties during the six months ended 30 September 2007 are disclosed in note 27. These transactions have not had a material impact on the financial position or the results of the Group.

## 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 £15,043.2m at 30 September 2007 (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 30 September 2007 was £13,550.1m (31 March 2007: £13,114.8m).

The valuation of the freehold and leasehold investment properties in the Investment Portfolio at 30 September 2007 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 10: Top 12 property holdings**

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Total value £4.5bn  
(30.1% of combined portfolio)  
Values in excess of £250.0m

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Cardinal Place, SW1  
New Street Square, EC4  
50 Queen Anne's Gate, SW1  
White Rose Centre, Leeds  
Bullring, Birmingham  
Bankside 2&3, SE1  
Gunwharf Quays, Portsmouth  
Princesshay, Exeter  
Times Square, EC4  
Arundel Great Court and Howard Hotel, WC2  
Portland House, SW1  
Thomas More Square Estate, E1

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Table 11: Income statement – rental income reconciliation

	Retail Portfolio	London Portfolio	Other investment portfolio	Six months ended 30 September 2007	Retail Portfolio	London Portfolio	Other investment portfolio	Six months ended 31 March 2007	Retail Portfolio	London Portfolio	Other investment portfolio	Six months ended 30 September 2006
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Combined portfolio	183.1	131.8	13.9	328.8	195.5	131.9	15.1	342.5	193.1	129.4	13.8	336.3
Central London shops (excluding Metro Shopping Fund LP)	(23.6)	23.6	-	-	(26.1)	26.1	-	-	(25.6)	25.6	-	-
Inner London offices in Metro Shopping Fund LP	0.4	(0.4)	-	-	0.4	(0.4)	-	-	0.4	(0.4)	-	-
Rest of UK offices	0.8	-	(0.8)	-	0.9	-	(0.9)	-	1.1	-	(1.1)	-
Allocation of other	3.0	5.3	(8.3)	-	6.3	4.1	(10.4)	-	4.3	3.5	(7.8)	-
Less: finance lease adjustment	(1.7)	(4.1)	-	(5.8)	(2.2)	(4.1)	-	(6.3)	(2.2)	(4.1)	-	(6.3)
Segmental analysis	162.0	156.2	4.8	323.0	174.8	157.6	3.8	336.2	171.1	154.0	4.9	330.0

Table 12: Open market value reconciliation

	Retail Portfolio	London Portfolio	Other investment portfolio	30 September 2007	Retail Portfolio	London Portfolio	Other investment portfolio	31 March 2007	Retail Portfolio	London Portfolio	Other investment portfolio	30 September 2006
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Combined portfolio	7,591.2	6,859.3	592.7	15,043.2	8,060.7	6,102.9	588.9	14,752.5	8,061.3	5,750.9	627.6	14,439.8
Central London shops (excluding Metro Shopping Fund LP)	(1,213.9)	1,213.9	-	-	(1,182.6)	1,182.6	-	-	(1,121.2)	1,121.2	-	-
Inner London offices in Metro Shopping Fund LP	19.5	(19.5)	-	-	21.0	(21.0)	-	-	19.0	(19.0)	-	-
Rest of UK offices	83.2	-	(83.2)	-	90.1	-	(90.1)	-	90.8	-	(90.8)	-
Allocation of other	246.7	206.4	(453.1)	-	235.5	198.3	(433.8)	-	287.6	186.7	(474.3)	-
Segmental analysis	6,726.7	8,260.1	56.4	15,043.2	7,224.7	7,462.8	65.0	14,752.5	7,337.5	7,039.8	62.5	14,439.8

Table 13: Gross estimated rental value reconciliation

	Retail Portfolio	London Portfolio	Other investment portfolio	30 September 2007	Retail Portfolio	London Portfolio	Other investment portfolio	31 March 2007	Retail Portfolio	London Portfolio	Other investment portfolio	30 September 2006
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Combined portfolio	478.1	434.2	27.2	939.5	512.4	394.3	28.1	934.8	479.7	374.0	28.7	882.4
Central London shops (excluding Metro Shopping Fund LP)	(71.3)	71.3	-	-	(70.7)	70.7	-	-	(58.3)	58.3	-	-
Inner London offices in Metro Shopping Fund LP	1.0	(1.0)	-	-	1.0	(1.0)	-	-	0.9	(0.9)	-	-
Rest of UK offices	3.2	-	(3.2)	-	4.7	-	(4.7)	-	5.2	-	(5.2)	-
Allocation of other	9.5	10.8	(20.3)	-	8.5	10.7	(19.2)	-	12.5	5.5	(18.0)	-
Segmental analysis	420.5	515.3	3.7	939.5	455.9	474.7	4.2	934.8	440.0	436.9	5.5	882.4

Table 14: Top 12 occupiers

	Current gross rent roll %
Central Government	10.2
Deloitte	4.0
Metropolitan Police Authority	3.0
Taveta Limited (Arcadia Group)	1.7
DSG International PLC	1.6
J Sainsbury PLC	1.5
The Boots Company PLC	1.5
H&M	1.3
Eversheds Properties Limited	1.3
M&S Group PLC	1.3
Taylor Wessing (European law firm)	1.2
The Home Retail Group PLC (Argos and Homebase)	1.2
Total	29.8
Includes share of joint venture properties	

Table 15: % Portfolio by value and number of property holdings at 30 September 2007

£m	Value %	Number of properties
0 – 9.99	1.5	68
10 – 24.99	2.3	22
25 – 49.99	9.0	35
50 – 99.99	18.2	39
100 – 149.99	18.2	22
150 – 199.99	8.7	7
200 +	42.1	20
Total	100.0	213

Includes share of joint venture properties

**Table 16: Combined portfolio value by location**

	Shopping centres and shops %	Retail warehouses %	Offices %	Other %	Total %
Central inner and outer London	8.5	0.7	48.2	0.6	58.0
South East and Eastern	4.5	3.4	-	0.6	8.5
Midlands	3.4	1.7	-	-	5.1
Wales and South West	3.8	1.3	0.1	-	5.2
North, North West, Yorkshire and Humberside	7.9	5.5	0.3	0.2	13.9
Scotland and Northern Ireland	2.9	1.5	-	0.4	4.8
No region (i.e. indirects)	4.5	-	-	-	4.5
<b>Total</b>	<b>35.5</b>	<b>14.1</b>	<b>48.6</b>	<b>1.8</b>	<b>100.0</b>

% figures calculated by reference to the combined portfolio value of £15.0bn.

**Table 17: Average rents as at 30 September 2007**

	Average rent £/m <sup>2</sup>	Average ERV £/m <sup>2</sup>
<b>Retail</b>		
Shopping centres and shops	N/A	N/A
Retail warehouses (including supermarkets)	187	207
<b>Offices</b>		
Central and inner London	332	382

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 18: Like-for-like reversionary potential as at 30 September 2007**

	30 September 2007 % of rent roll	31 March 2007 % of rent roll
Reversionary potential		
Gross reversions	15.8	12.1
Over-rented	(1.2)	(1.5)
Net reversionary potential	14.6	10.6

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, 59.6% is subject to a lease expiry or break clause in the next five years.



TABLE 19 - COMBINED PORTFOLIO ANALYSIS

		Open Market Value (7)			Valuation Surplus (1)		Rental Income			Annual Net Rent (8)		Annual Net Estimated Rental Value (9)		Gross Income Yield (10)		Net Nominal Equivalent Yield (11)		Annual Gross Estimated Rental Value (12)			Voids (by ERV) (13)			Lease Length as at 30 September 2007 (14)		
		30-Sep-07 £m	31-Mar-07 £m	30-Sep-06 £m	Surp/(def) £m	Surp/(def) %	6 mths to 30-Sep-07 £m	6 mths to 31-Mar-07 £m	6 mths to 30-Sep-06 £m	30-Sep-07 £m	31-Mar-07 £m	30-Sep-07 £m	31-Mar-07 £m	30-Sep-07 %	31-Mar-07 %	30-Sep-07 %	31-Mar-07 %	30-Sep-07 £m	31-Mar-07 £m	30-Sep-06 £m	30-Sep-07 %	31-Mar-07 %	30-Sep-06 %	Median Years (i)	Mean Years (ii)	
<b>The like for like portfolio</b>																										
<b>Shopping centres &amp; shops</b>																										
Shopping centres		3,120.4	3,173.9	3,138.8	(65.2)	(2.1)%	92.0	90.7	87.9	174.4	174.6	197.1	196.7	5.6%	5.5%	5.2%	5.1%	207.5	205.1	197.8	4.6%	4.3%	4.1%	7.4	8.9	
Central London shops		1,024.1	1,005.8	964.8	13.6	1.3 %	21.6	23.3	22.7	42.9	41.9	52.3	49.3	4.2%	4.2%	4.8%	4.8%	52.6	51.9	50.3	3.6%	2.3%	2.2%	4.5	6.5	
Other in-town shops		273.5	275.9	273.3	(10.5)	(3.7)%	5.3	5.4	5.0	13.0	13.3	15.6	15.6	4.8%	4.8%	5.2%	5.0%	16.3	16.3	16.3	5.6%	3.7%	2.4%	6.4	8.8	
		4,418.0	4,455.6	4,376.9	(62.1)	(1.4)%	118.9	119.4	115.6	230.3	229.8	265.0	261.6	5.2%	5.2%	5.1%	5.0%	276.4	273.3	264.4	4.4%	3.9%	3.7%	6.7	8.4	
<b>Retail warehouses</b>																										
Retail parks		1,617.9	1,681.6	1,690.8	(70.3)	(4.2)%	34.0	33.4	32.6	69.8	68.7	79.3	78.8	4.3%	4.1%	4.8%	4.6%	79.9	79.5	80.0	1.9%	1.8%	2.9%	12.4	12.1	
Other		345.6	351.5	333.0	(13.8)	(4.1)%	9.5	9.1	9.0	17.8	17.1	20.4	20.4	5.1%	4.9%	4.5%	4.4%	20.5	20.4	20.4	4.1%	4.0%	1.6%	14.6	17.4	
		1,963.5	2,033.1	2,023.8	(84.1)	(4.2)%	43.5	42.5	41.6	87.6	85.8	99.7	99.2	4.5%	4.2%	4.8%	4.6%	100.4	99.9	100.4	2.3%	2.3%	2.6%	13.0	13.1	
<b>Total retail</b>		6,381.5	6,488.7	6,400.7	(146.2)	(2.3)%	162.4	161.9	157.2	317.9	315.6	364.7	360.8	5.0%	4.9%	5.0%	4.9%	376.8	373.2	364.8	3.9%	3.5%	3.4%	8.4	9.8	
<b>London offices</b>																										
West End		2,012.6	1,918.4	1,770.0	81.4	4.2 %	49.9	51.6	49.8	93.9	91.6	120.2	108.3	4.7%	4.8%	5.3%	5.1%	121.1	109.4	105.2	1.2%	2.2%	1.9%	4.7	9.1	
City		828.7	779.0	717.3	6.4	0.8 %	19.0	18.7	20.5	37.3	34.2	49.6	44.5	4.5%	4.4%	5.3%	5.0%	51.0	46.6	43.3	16.4%	17.6%	22.8%	3.0	4.7	
Midtown		527.0	517.7	485.7	16.1	3.7 %	12.8	12.7	12.5	25.8	24.6	31.7	27.8	4.9%	4.8%	5.4%	5.0%	31.7	28.3	27.0	1.7%	2.7%	2.5%	4.1	8.8	
Inner London		492.6	487.5	476.1	2.9	0.6 %	12.9	12.4	12.7	26.8	15.1	31.2	26.7	5.4%	3.1%	5.7%	5.1%	31.2	26.7	27.9	0.7%	0.4%	1.2%	8.4	9.1	
<b>Total London offices</b>		3,860.9	3,702.6	3,449.1	106.8	2.9 %	94.6	95.4	95.5	183.8	165.5	232.7	207.3	4.8%	4.5%	5.4%	5.1%	235.0	211.0	203.4	4.5%	5.4%	6.3%	4.9	8.1	
Rest of UK		83.2	82.5	79.0	(1.7)	(2.0)%	0.7	0.8	0.9	2.3	2.2	3.1	3.1	2.8%	2.6%	6.7%	6.8%	3.2	3.2	3.4	24.0%	23.1%	21.1%	1.5	6.0	
<b>Total offices</b>		3,944.1	3,785.1	3,528.1	105.1	2.8 %	95.3	96.2	96.4	186.1	167.7	235.8	210.4	4.7%	4.4%	5.4%	5.1%	238.2	214.2	206.8	4.7%	5.7%	6.6%	4.8	8.1	
<b>Other</b>		376.6	369.3	343.9	3.3	0.9 %	7.5	7.5	6.9	15.1	14.6	16.8	16.5	4.0%	4.0%	5.7%	5.7%	16.8	16.5	15.8	2.2%	2.1%	2.2%	12.7	15.8	
Like-for-like portfolio	(2)	10,702.2	10,643.1	10,272.7	(37.8)	(0.4)%	265.2	265.6	260.5	519.1	497.9	617.3	587.7	4.9%	4.7%	5.2%	5.0%	631.8	603.9	587.4	4.2%	4.2%	4.5%	7.2	9.3	
Completed developments	(3)	1,307.5	1,166.1	963.9	53.8	4.5 %	17.6	17.3	9.2	47.4	14.4	71.4	66.5	3.6%	1.2%	5.0%	4.6%	72.3	66.9	64.5	4.0%	32.6%	18.4%	17.8	14.8	
Total		12,009.7	11,809.2	11,236.6	16.0	0.1 %	282.8	282.9	269.7	566.5	512.3	688.7	654.2	4.7%	4.3%	5.2%	5.0%	704.1	670.8	651.9	4.1%	7.0%	5.8%	7.8	9.8	
Acquisitions	(4)	1,149.9	631.7	463.4	(5.6)	(0.5)%	20.5	15.1	5.5	55.4	28.1	71.3	35.4	4.8%	4.4%	5.4%	4.9%	71.5	35.3	26.5	10.0%	9.2%	18.2%	8.6	8.2	
Sales and restructured interests	(5)	-	869.3	1,679.7	-	-	15.2	32.6	42.7	0.0	39.4	0.0	51.7	-	4.5%	-	-	0.0	54.0	99.3	n/a	n/a	n/a	n/a	n/a	
Total development programme (Including Kent Thameside) rounding (to lose)	(6)	1,883.6	1,442.3	1,060.1	120.4	6.9 %	10.3	11.9	18.4	7.9	4.7	163.9	174.6	0.4%	0.3%	5.0	5.0	163.9	174.7	104.7	n/a	n/a	n/a	n/a	n/a	
Total investment portfolio		15,043.2	14,752.5	14,439.8	130.8	0.9 %	328.8	342.5	336.3	629.8	584.5	923.9	915.9	4.2%	4.0%	5.2%	5.0%	939.5	934.8	882.4	n/a	n/a	n/a	n/a	n/a	
Properties treated as finance leases							(5.8)	(6.3)	(6.3)																	
Total							323.0	336.2	330.0																	
																			<b>Notes</b>							
<b>Total portfolio analysis</b>																			(1)	The valuation surplus and rental income values are stated after adjusting for the effect of SIC 15 under IFRS, but before restating for finance leases.						
<b>Shopping centres &amp; shops</b>																			(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, acquisition 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.						
<b>Retail warehouses</b>																			(3)	Completed developments represent those properties, previously included in the development programme, which have been completed, let and removed from the development programme in the period since 1 April 2006.						
<b>Total retail</b>																			(4)	Includes all properties acquired in the period since 1 April 2006.						
<b>London offices</b>																			(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.						
<b>Other</b>																			(6)	Ongoing developments are properties in the development programme and Kent Thameside. They exclude completed developments as defined in note (3) above.						
<b>Total investment portfolio</b>																			(7)	The open market value figures include the group share of the various joint ventures and exclude properties owned by Land Securities Trillium						
<b>Properties treated as finance leases</b>																			(8)	Annual net rent is annual rents in payment at 30 September 2007after deduction of ground rents. It excludes the value of voids and current rent free periods.						
<b>Total</b>																			(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.						
<b>Other</b>																			(10)	The gross income yield represents the annual net rent expressed as a percentage of the market value ignoring costs of purchase or sale.						
<b>Total investment portfolio</b>																			(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.						
<b>Properties treated as finance leases</b>																			(12)	Annual gross estimated rental value is calculated in the same way as net estimated rental value before the deduction of ground rents.						
<b>Total</b>																			(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.						
<b>Represented by:</b>																			(14)	The definition for the figures in each column is:						
<b>Total investment portfolio</b>																			(i) Median is the number of years until half of income is subject to lease expiry / break clauses.							
<b>Total share of joint ventures</b>																			(ii) Mean is rent-weighted average remaining term on leases subject to lease expiry/break clauses.							
<b>Total combined portfolio as per IFRS</b>																										



Table 20: Development pipeline financial summary

Cumulative movements on the development programme to 30 September 2007							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 <sup>(1)</sup> £m	Disposals, SIC15 rent and other adjustments £m	Market value at 30 September 2007 £m	Estimated total capital expenditure <sup>(4)</sup> £m	Estimated total capitalised interest £m	Estimated total cost less proceeds <sup>(2)</sup> £m	Net income/ ERV <sup>(3)</sup> £m	Valuation surplus / (deficit) for six months ended 30 September 2007 <sup>(1)</sup> £m	
Development programme let, transferred or sold											
Retail warehouses	-	24	1	(2)	-	24	1	25	1	2	
London Portfolio	137	502	42	539	33	519	42	698	61	54	
	137	526	43	537	33	543	43	723	62	56	
Development programme completed, approved or in progress											
Shopping centres and shops	110	498	30	62	(20)	863	65	964	62	10	
Retail warehouses	43	48	2	13	3	61	2	106	7	4	
London Portfolio	259	448	31	343	14	921	85	1,265	91	107	
	412	994	63	418	(3)	1,845	152	2,335	160	121	
Movement on proposed developments for the six months ended 30 September 2007											
Proposed developments											
Shopping centres and shops	179	-	-	(3)	-	304	34	505	30	(3)	
Retail warehouses	6	-	-	-	-	4	-	10	1	-	
London Portfolio	323	45	-	7	(2)	619	50	871	58	7	
	508	45	-	4	(2)	927	84	1,386	89	4	

## 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 2007 is included in the estimated total cost. Estimated total cost is stated net of residential proceeds for Shopping Centres and shops of £74m for developments in progress and £12m for proposed developments. The London Portfolio proposed developments are stated net of residential proceeds of £121m. Allowances for rent free periods are excluded from cost.
3. Net headline annual rental payable on let units plus net ERV at 30 September 2007 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 2007 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 2007. Such pre-development costs are included in the accounts as prepayments and are not included in the property additions.

## Trillium

Table 21: Trillium contract analysis

## Six months ended 30 September 2007

Contract	Norwich		DVLA	Barclays <sup>(1)</sup>	Telereal II	Accor <sup>(2)</sup>	Royal Mail <sup>(3)</sup>	Other <sup>(4)</sup>	Total
	DWP	Union							
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	Mar 2024	Mar 2010	Mar 2091	Mar 2022		
<b>Income statement</b>	£m	£m	£m	£m	£m	£m	£m	£m	£m
Unitary charge	268.2	6.1	4.4	0.1	-	12.2	2.1	3.1	<b>296.2</b>
Third party (sublet) income	5.7	0.4	-	0.8	-	-	0.8	0.5	<b>8.2</b>
Capital projects	37.2	0.1	3.1	-	-	-	-	0.8	<b>41.2</b>
Other revenue	5.7	0.2	0.6	-	21.9	-	-	2.1	<b>30.5</b>
Finance lease income	-	3.3	1.2	-	-	-	-	-	<b>4.5</b>
Gross property income	316.8	10.1	9.3	0.9	21.9	12.2	2.9	6.5	<b>380.6</b>
Rents payable	(81.0)	(1.8)	(1.0)	-	-	-	-	-	<b>(83.8)</b>
Service partners (maintenance, facilities, etc)	(83.3)	(1.7)	(2.0)	-	-	-	-	(0.5)	<b>(87.5)</b>
Life cycle maintenance costs	(10.6)	(0.6)	(0.2)	-	-	(0.2)	-	-	<b>(11.6)</b>
Capital projects	(36.3)	(0.1)	(2.8)	-	-	-	-	-	<b>(39.2)</b>
Other costs, including overheads	(44.9)	(0.7)	(1.5)	-	(14.3)	(0.4)	(0.8)	(18.0)	<b>(80.6)</b>
Bid costs	-	-	-	-	-	-	-	(3.1)	<b>(3.1)</b>
Depreciation	(15.5)	(0.4)	-	-	-	-	-	(1.1)	<b>(17.0)</b>
Underlying operating profit / (loss)	45.2	4.8	1.8	0.9	7.6	11.6	2.1	(16.2)	<b>57.8</b>
Profit on sale of non-current assets	14.1	-	-	-	-	-	-	11.0	<b>25.1</b>
Net (deficit) / surplus on revaluation of investment properties	-	-	-	(2.9)	-	(5.9)	(0.6)	0.6	<b>(8.8)</b>
<b>Segment profit / (loss)</b>	<b>59.3</b>	<b>4.8</b>	<b>1.8</b>	<b>(2.0)</b>	<b>7.6</b>	<b>5.7</b>	<b>1.5</b>	<b>(4.6)</b>	<b>74.1</b>
<b>Capital expenditure</b>									
Life cycle maintenance costs capitalised	5.5	0.8	-	-	-	3.1	-	-	<b>9.4</b>
Estates costs capitalised	3.0	-	-	-	-	-	-	-	<b>3.0</b>

## Book value of assets at 30 September 2007

Investment in associate	-	-	-	-	-	-	-	5.2	5.2
Investment properties	-	-	-	25.0	-	440.4	97.2	9.6	572.2
Operating properties	490.5	43.9	-	-	-	-	-	-	534.4

## 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 tenants who have a break clause in March 2012 and 164 tenants with a break clause in March 2017
4. Other includes new business and corporate overheads, SPV's, management income and profit on the disposal of Meterfit (£10.0m) which was previously classified as an asset held for sale.

Table 22: Trillium contract analysis at 30 September 2007

Floor space (000m <sup>2</sup> )	DWP	Norwich Union	DVLA	Barclays	Telereal II	Accor	Royal Mail	Other	Total
Client occupied	1,944.4	107.0	16.2	11.4	-	229.5	92.7	14.2	2,415.4
Third party (sublet)	95.0	5.3	-	17.5	-	-	91.8	-	209.6
Vacant	208.6	1.6	-	8.1	-	-	64.8	-	283.1
<b>Total</b>	<b>2,248.0</b>	<b>113.9</b>	<b>16.2</b>	<b>37.0</b>	<b>-</b>	<b>229.5</b>	<b>249.3</b>	<b>14.2</b>	<b>2,908.1</b>
Freeholds / valuable leaseholds	808.1	38.9	-	11.4	-	229.5	128.5	14.2	1,230.6
Leaseholds	1,439.9	75.0	16.2	25.6	-	-	120.8	-	1,677.5
<b>Total</b>	<b>2,248.0</b>	<b>113.9</b>	<b>16.2</b>	<b>37.0</b>	<b>-</b>	<b>229.5</b>	<b>249.3</b>	<b>14.2</b>	<b>2,908.1</b>
Estate managed but not transferred	73.9	8.7	86.6	-	150.0	-	-	-	319.2

Table 23: Trillium vacation allowance and portfolio activity – DWP

Floor space (000m <sup>2</sup> )	31 March 2007	Acquisitions	Vacations*	Lettings	Disposals	30 September 2007
Client occupied	1,996.0	14.4	(57.1)	-	(8.9)	1,944.4
Third party (sublet)	81.0	-	(1.4)	21.1	(5.7)	95.0
Vacant	244.2	-	58.5	(21.1)	(73.0)	208.6
<b>Total</b>	<b>2,321.2</b>	<b>14.4</b>	<b>-</b>	<b>-</b>	<b>(87.6)</b>	<b>2,248.0</b>
Freeholds / valuable leaseholds	840.0	1.6	-	-	(33.5)	808.1
Leaseholds	1,481.2	12.8	-	-	(54.1)	1,439.9
<b>Total</b>	<b>2,321.2</b>	<b>14.4</b>	<b>-</b>	<b>-</b>	<b>(87.6)</b>	<b>2,248.0</b>
Estate managed but not transferred	78.7	-	(4.8)	-	-	73.9

\* Includes core vacations

	31 March 2007	30 September 2007
Vacation allowance used to date	392.7	439.3
Available allowance	130.5	117.5
Future allowance *	164.4	164.4

\* The future allowance relates to the period commencing 1 April 2008

Table 24: Trillium portfolio activity – Barclays

Floor space (000m <sup>2</sup> )	31 March 2007	Acquisitions	Vacations*	Lettings	Disposals	30 September 2007
Client occupied	11.4	-	-	-	-	11.4
Third party (sublet)	18.1	-	(1.2)	0.6	-	17.5
Vacant	7.5	-	1.2	(0.6)	-	8.1
<b>Total</b>	<b>37.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37.0</b>
Freeholds / valuable leaseholds	11.3	-	-	-	-	11.3
Leaseholds	25.7	-	-	-	-	25.7
<b>Total</b>	<b>37.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37.0</b>

\* Includes lease surrenders, lease expiries and disposals

**Table 25: Trillium portfolio activity – Royal Mail**

Floor space (000m <sup>2</sup> )	31 March 2007	Acquisitions	Vacations	Lettings	Disposals	30 September 2007
Client occupied	92.7	-	-	-	-	92.7
Third party (sublet)	94.1	-	(6.5)	4.2	-	91.8
Vacant	68.5	-	6.5	(4.2)	(6.0)	64.8
<b>Total</b>	<b>255.3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6.0)</b>	<b>249.3</b>
Freeholds / valuable leaseholds	128.5	-	-	-	-	128.5
Leaseholds	126.8	-	-	-	(6.0)	120.8
<b>Total</b>	<b>255.3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6.0)</b>	<b>249.3</b>

**Table 26: Trillium number of people by occupation**

As at 30 September 2007	Total
Asset management	92
Call centre	69
Capital projects	142
Quality assurance	28
Facilities management	387
Human resources / Finance	116
Business development and commercial	84
<b>Total</b>	<b>918</b>

## **Directors' statement of responsibilities**

The Directors confirm that this condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union, and that the Interim Announcement herein includes a fair review of the information as required by 4.2.7 and 4.2.8 of the Disclosure and Transparency Rules.

The Directors of Land Securities Group PLC are stated in the Group's Annual Report for the year ended 31 March 2007.

By the order of the Board

P M Dudgeon

Secretary

14 November 2007

# Independent review report to Land Securities Group PLC

## Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half yearly financial report for the six months ended 30 September 2007, which comprises the consolidated income statement, consolidated interim balance sheet, statement of recognised income and expense, cash flow statement and related notes. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

## Directors' responsibilities

The half yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in Note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

## Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the Company's members as a body for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half yearly financial report for the six months ended 30 September 2007 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP

Chartered Accountants

14 November 2007

Notes:

1. The maintenance and integrity of the Land Securities Group PLC web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Unaudited consolidated income statement for the six months ended 30 September 2007

	Notes	Six months ended 30 September 2007			Six months ended 30 September 2006			Year ended 31 March 2007		
		Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items £m	Exceptional items £m	Total £m
Income: Group and share of joint ventures		807.6	-	807.6	853.9	-	853.9	1,722.7	-	1,722.7
Less: share of joint ventures' income	13	(72.9)	-	(72.9)	(39.5)	-	(39.5)	(81.6)	-	(81.6)
<b>Group revenue</b>	2	<b>734.7</b>	-	<b>734.7</b>	814.4	-	814.4	1,641.1	-	1,641.1
<b>Costs</b>	2	<b>(450.4)</b>	-	<b>(450.4)</b>	(515.1)	-	(515.1)	(1,046.2)	-	(1,046.2)
		<b>284.3</b>	-	<b>284.3</b>	299.3	-	299.3	594.9	-	594.9
Profit on disposal of non-current properties	2	79.0	-	79.0	33.6	-	33.6	118.2	-	118.2
Profit on disposal of a PPP project	2	10.0	-	10.0	-	-	-	-	-	-
Net surplus on revaluation of investment properties	2	145.5	-	145.5	896.7	-	896.7	1,307.6	-	1,307.6
<b>Operating profit</b>		<b>518.8</b>	-	<b>518.8</b>	1,229.6	-	1,229.6	2,020.7	-	2,020.7
Interest expense	3	(142.3)	-	(142.3)	(114.7)	-	(114.7)	(233.3)	-	(233.3)
Interest income	3	8.5	-	8.5	4.2	-	4.2	12.4	-	12.4
		<b>385.0</b>	-	<b>385.0</b>	1,119.1	-	1,119.1	1,799.8	-	1,799.8
Share of the (losses) / profits of joint ventures (post-tax)	13	(9.8)	-	(9.8)	59.1	-	59.1	81.3	98.0	179.3
<b>Profit before tax</b>	2	<b>375.2</b>	-	<b>375.2</b>	1,178.2	-	1,178.2	1,881.1	98.0	1,979.1
Income tax (expense) / credit	5	(8.2)	-	(8.2)	(318.4)	-	(318.4)	(445.0)	1,994.2	1,549.2
<b>Profit for the financial period attributable to equity shareholders</b>	25	<b>367.0</b>	-	<b>367.0</b>	859.8	-	859.8	1,436.1	2,092.2	3,528.3

Earnings per share \*

Basic earnings per share	7	78.57p	183.25p	753.59p
Diluted earnings per share	7	78.35p	182.51p	750.54p

\* adjusted earnings per share are given in note 7

Unaudited consolidated statement of recognised income and expense for the six months ended 30 September 2007

	Six months ended 30 September 2007 £m	Six months ended 30 September 2006 £m	Year ended 31 March 2007 £m
Actuarial losses on defined benefit pension schemes	(1.1)	(3.5)	(1.3)
Deferred tax on actuarial losses on defined benefit pension schemes	-	1.0	1.0
Fair value movement on cash flow hedges taken to equity – Group	0.2	2.6	6.7
– joint ventures	2.4	1.9	11.8
Deferred tax on fair value movement on cash flow hedges taken to equity – Group	-	(0.7)	(1.6)
– joint ventures	-	(0.6)	(2.3)
<b>Net gains recognised directly in equity</b>	<b>1.5</b>	<b>0.7</b>	<b>14.3</b>
<b>Profit for the financial period</b>	<b>367.0</b>	<b>859.8</b>	<b>3,528.3</b>
<b>Total recognised income and expense attributable to equity shareholders</b>	<b>368.5</b>	<b>860.5</b>	<b>3,542.6</b>

## Unaudited consolidated balance sheet at 30 September 2007

	Notes	30 September 2007 £m	30 September 2006 £m	31 March 2007 £m
<b>Non-current assets</b>				
Investment properties	9	13,308.8	12,852.6	12,891.7
Property, plant and equipment				
Property Partnerships properties	9	1,106.6	573.9	979.1
Other property, plant and equipment	9	75.0	75.4	78.2
	9	14,490.4	13,501.9	13,949.0
Net investment in finance leases	10	296.2	247.0	262.4
Goodwill	11	129.6	34.3	129.6
Investments in Public Private Partnership contracts	12	21.0	-	-
Investments in joint ventures	13	1,361.2	928.3	1,338.8
<b>Total non-current assets</b>		<b>16,298.4</b>	<b>14,711.5</b>	<b>15,679.8</b>
<b>Current assets</b>				
Trading properties and long-term development contracts	14	175.2	156.9	148.3
Trade and other receivables	15	635.7	577.9	641.8
Cash and short-term deposits	16	31.4	25.2	52.7
<b>Total current assets (excluding non-current assets classified as held for sale)</b>		<b>842.3</b>	<b>760.0</b>	<b>842.8</b>
<b>Non-current assets classified as held for sale</b>	17	<b>2,568.9</b>	<b>-</b>	<b>2,420.3</b>
<b>Total current assets</b>		<b>3,411.2</b>	<b>760.0</b>	<b>3,263.1</b>
<b>Total assets</b>		<b>19,709.6</b>	<b>15,471.5</b>	<b>18,942.9</b>
<b>Current liabilities</b>				
Short-term borrowings and overdrafts	18	(1,258.7)	(437.0)	(1,683.2)
Trade and other payables	19	(956.1)	(630.6)	(783.9)
Current tax liabilities		(187.4)	(229.0)	(535.8)
<b>Total non-current liabilities (excluding liabilities directly associated with non-current assets classified as held for sale)</b>		<b>(2,402.2)</b>	<b>(1,296.6)</b>	<b>(3,002.9)</b>
<b>Liabilities directly associated with non-current assets classified as held for sale</b>	17	<b>(1,655.9)</b>	<b>-</b>	<b>(1,601.0)</b>
<b>Total current liabilities</b>		<b>(4,058.1)</b>	<b>(1,296.6)</b>	<b>(4,603.9)</b>
<b>Non-current liabilities</b>				
Provisions	20	(80.9)	(57.3)	(80.7)
Borrowings	21	(4,637.1)	(3,689.0)	(3,457.4)
Net pension benefit obligations	22	(6.2)	(9.5)	(5.6)
Deferred tax liabilities	23	(4.3)	(2,227.4)	(4.0)
<b>Total non-current liabilities</b>		<b>(4,728.5)</b>	<b>(5,983.2)</b>	<b>(3,547.7)</b>
<b>Total liabilities</b>		<b>(8,786.6)</b>	<b>(7,279.8)</b>	<b>(8,151.6)</b>
<b>Net assets</b>		<b>10,923.0</b>	<b>8,191.7</b>	<b>10,791.3</b>
<b>Equity</b>				
Ordinary shares	25	47.1	47.0	47.0
Own shares	25	(22.0)	(18.6)	(14.5)
Share-based payments	25	8.3	8.9	7.9
Share premium	25	52.9	47.9	51.5
Capital redemption reserve	25	30.5	30.5	30.5
Retained earnings	25	10,806.2	8,076.0	10,668.9
<b>Total shareholders' equity</b>		<b>10,923.0</b>	<b>8,191.7</b>	<b>10,791.3</b>

The financial statements on pages 35 to 61 were approved by the Board of Directors on 14 November 2007 and were signed on its behalf by:

F W Salway  
Directors

M F Greenslade



## Unaudited consolidated cash flow statement for the six months ended 30 September 2007

	Notes	30 September 2007 £m	30 September 2007 £m	30 September 2006 £m	30 September 2006 £m	31 March 2007 £m	31 March 2007 £m
<b>Net cash generated from operations</b>							
Cash generated from operations	26		<b>282.6</b>		335.3		682.4
Interest paid			<b>(163.9)</b>		(121.4)		(237.5)
Interest received			<b>8.5</b>		3.8		12.4
Funding pension scheme deficit			<b>(1.1)</b>		(1.6)		(3.9)
Taxation (includes REIT conversion charge)			<b>(356.3)</b>		(42.0)		(91.9)
<b>Net cash (outflow) / inflow from operations</b>			<b>(230.2)</b>		174.1		361.5
<b>Cash flows from investing activities</b>							
Investment property development expenditure		<b>(246.2)</b>		(158.2)		(429.4)	
Acquisition of investment properties		<b>(552.7)</b>		(473.4)		(523.7)	
Other investment property related expenditure		<b>(63.2)</b>		(35.9)		(77.2)	
Acquisition of properties by Property Partnerships		<b>(153.0)</b>		(12.4)		(416.5)	
Capital expenditure by Property Partnerships		<b>(9.5)</b>		(12.5)		(26.0)	
Capital expenditure on properties		<b>(1,024.6)</b>		(692.4)		(1,472.8)	
Disposal of non-current investment properties		<b>799.4</b>		319.5		841.0	
Disposal of non-current operating properties		<b>30.6</b>		14.7		28.8	
Net expenditure on properties		<b>(194.6)</b>		(358.2)		(603.0)	
Disposal of a PPP project		<b>25.3</b>		-		-	
Net expenditure on non-property related non-current assets		<b>(5.3)</b>		(9.1)		(18.8)	
Net cash outflow from capital expenditure		<b>(174.6)</b>		(367.3)		(621.8)	
Receivable finance leases acquired		<b>(35.8)</b>		(18.9)		(43.3)	
Receipts in respect of receivable finance leases		<b>1.4</b>		1.5		3.8	
Net loans (to) / from joint ventures and cash contributed		<b>(83.0)</b>		(45.3)		10.8	
Distributions from joint ventures		<b>53.2</b>		6.9		39.2	
Net cash advanced to disposal group		<b>(61.0)</b>		-		(372.6)	
Acquisitions of Group undertakings (net of cash acquired)		<b>-</b>		-		(521.4)	
<b>Net cash used in investing activities</b>			<b>(299.8)</b>		(423.1)		(1,505.3)
<b>Cash flows from financing activities</b>							
Issue of shares		<b>1.5</b>		4.8		8.4	
Purchase of own share capital		<b>(81.1)</b>		(35.7)		(36.2)	
Increase in debt		<b>693.5</b>		424.5		1,433.9	
Decrease in finance leases payable		<b>(1.0)</b>		(1.2)		(2.2)	
Dividends paid to ordinary shareholders		<b>(159.5)</b>		(133.8)		(223.0)	
<b>Net cash inflow from financing activities</b>			<b>453.4</b>		258.6		1,180.9
<b>(Decrease) / increase in cash and cash equivalents for the period</b>			<b>(76.6)</b>		9.6		37.1

## Notes to the Financial Statements

**1. Basis of preparation**

The interim financial information comprises the consolidated balance sheets as at 30 September 2007, 30 September 2006 and 31 March 2007 and related consolidated statements of income, cash flow, and recognised income and expense and the related notes for periods then ended.

The interim financial information contained in this report is unaudited and does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The Annual Report and Accounts for the year ended 31 March 2007, which were prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union, received an unqualified auditors' report and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985 and have been filed with the Registrar of Companies. The unaudited interim financial information has been prepared in accordance with Disclosure and Transparency Rules of the Financial Services Authority and with IAS34 Interim Financial Reporting, as adopted by the EU, and on the basis of the accounting policies set out in the Group's Annual Report and Accounts for the year ended 31 March 2007. The Group's Annual Report and Accounts refers to new Standards, Amendments to Standards and Interpretations, none of which have had a material impact on these financial statements.

**2. Segmental information**

	Six months ended 30 September 2007					Six months ended 30 September 2006				
	Retail Portfolio £m	London Portfolio £m	Other investment portfolio £m	Property Partnerships £m	Total £m	Retail Portfolio £m	London Portfolio £m	Other investment portfolio £m	Property Partnerships £m	Total £m
<b>Income statements</b>										
Rental income	129.9	156.2	4.8	-	290.9	139.2	154.0	4.9	-	298.1
Service charge income	22.3	22.3	0.2	-	44.8	24.2	21.8	0.4	-	46.4
Property services income	-	-	-	380.6	380.6	-	-	-	395.5	395.5
Trading property sale proceeds	-	-	-	-	-	-	12.7	27.6	-	40.3
Long-term development contract income	-	-	13.9	-	13.9	-	-	29.5	-	29.5
Finance lease interest	1.6	2.9	-	-	4.5	1.7	2.9	-	-	4.6
<b>Revenue</b>	<b>153.8</b>	<b>181.4</b>	<b>18.9</b>	<b>380.6</b>	<b>734.7</b>	<b>165.1</b>	<b>191.4</b>	<b>62.4</b>	<b>395.5</b>	<b>814.4</b>
Rents payable	(6.0)	(2.6)	-	(83.8)	(92.4)	(5.6)	(2.7)	-	(88.3)	(96.6)
Other direct property or contract expenditure	(30.4)	(29.9)	(0.5)	(210.7)	(271.5)	(34.3)	(31.1)	(0.7)	(233.9)	(300.0)
Indirect property or contract expenditure	(17.7)	(14.9)	(2.7)	(8.2)	(43.5)	(17.6)	(16.0)	(2.4)	(6.3)	(42.3)
Long-term development contract expenditure	-	-	(12.9)	-	(12.9)	-	-	(20.1)	-	(20.1)
Bid costs	-	-	-	(3.1)	(3.1)	-	-	-	(1.4)	(1.4)
Cost of sales of trading properties	-	-	-	-	-	-	(10.7)	(20.8)	-	(31.5)
Depreciation	(1.2)	(2.4)	(0.2)	(17.0)	(20.8)	(0.8)	(2.5)	(0.2)	(13.8)	(17.3)
<b>Underlying operating profit</b>	<b>98.5</b>	<b>131.6</b>	<b>2.6</b>	<b>57.8</b>	<b>290.5</b>	<b>106.8</b>	<b>128.4</b>	<b>18.2</b>	<b>51.8</b>	<b>305.2</b>
Profit on disposal of non-current properties	25.0	38.6	0.3	15.1	79.0	4.1	20.9	0.1	8.5	33.6
Profit on disposal of a PPP project	-	-	-	10.0	10.0	-	-	-	-	-
Net (deficit) / surplus on revaluation of investment properties	(126.9)	283.2	(2.0)	(8.8)	145.5	283.9	611.3	1.2	0.3	896.7
<b>Segment result</b>	<b>(3.4)</b>	<b>453.4</b>	<b>0.9</b>	<b>74.1</b>	<b>525.0</b>	<b>394.8</b>	<b>760.6</b>	<b>19.5</b>	<b>60.6</b>	<b>1,235.5</b>
Unallocated expenses					(6.2)					(5.9)
<b>Operating profit</b>					<b>518.8</b>					<b>1,229.6</b>
Net finance costs					(133.8)					(110.5)
					<b>385.0</b>					<b>1,119.1</b>
Share of the (losses) / profits of joint ventures (post-tax)					(9.8)					59.1
<b>Profit before tax from continuing activities</b>					<b>375.2</b>					<b>1,178.2</b>

Included within rents payable is finance lease interest payable of **£0.9m** (30 September 2006: £1.0m; 31 March 2007: £1.9m) and **£1.5m** (30 September 2006: £1.6m; 31 March 2007: £3.1m) respectively for Retail Portfolio and London Portfolio.

Of the share of the results of joint ventures (post-tax) a loss of **£15.9m** (30 September 2006: profit £58.2m; 31 March 2007: profit £182.5m) is attributable to Retail Portfolio, profit of **£6.0m** (30 September 2006: £0.9m; 31 March 2007: £nil) is attributable to Other investment portfolio, and a profit of **£0.1m** (30 September 2006: £nil; 31 March 2007: loss £3.2m) is attributable to Property Partnerships.

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 Property Partnerships.

## 2. Segmental information continued

	Year ended 31 March 2007				
	Retail Portfolio £m	London Portfolio £m	Other investment portfolio £m	Property Partnerships £m	Total £m
<b>Income statements</b>					
Rental income	279.2	311.6	8.7	-	599.5
Service charge income	46.8	48.6	0.3	-	95.7
Property services income	-	-	-	785.9	785.9
Trading property sale proceeds	-	33.1	29.0	1.7	63.8
Long-term development contract income	-	28.9	51.8	-	80.7
Finance lease interest	3.5	5.9	-	6.1	15.5
<b>Revenue</b>	<b>329.5</b>	<b>428.1</b>	<b>89.8</b>	<b>793.7</b>	<b>1,641.1</b>
Rents payable	(11.3)	(4.9)	-	(179.9)	(196.1)
Other direct property or contract expenditure	(67.7)	(62.1)	(0.8)	(469.0)	(599.6)
Indirect property or contract expenditure	(31.6)	(30.9)	(5.8)	(16.3)	(84.6)
Long-term development contract expenditure	-	(26.1)	(40.3)	-	(66.4)
Bid costs	-	-	-	(2.8)	(2.8)
Cost of sales of trading properties	(0.1)	(28.7)	(20.9)	(0.5)	(50.2)
Depreciation	(1.5)	(4.9)	(0.1)	(26.4)	(32.9)
<b>Underlying operating profit</b>	<b>217.3</b>	<b>270.5</b>	<b>21.9</b>	<b>98.8</b>	<b>608.5</b>
Profit on disposal of non-current properties	28.5	81.7	0.5	7.5	118.2
Net surplus / (deficit) on revaluation of investment properties	293.6	1,022.0	5.6	(13.6)	1,307.6
<b>Segment result</b>	<b>539.4</b>	<b>1,374.2</b>	<b>28.0</b>	<b>92.7</b>	<b>2,034.3</b>
Unallocated expenses					(13.6)
<b>Operating profit</b>					<b>2,020.7</b>
Net finance costs					(220.9)
					1,799.8
Share of the profit of joint ventures (post-tax)					179.3
<b>Profit before tax from continuing activities</b>					<b>1,979.1</b>

3. Net finance costs	Six months ended 30 September 2007 £m	Six months ended 30 September 2006 £m	Year ended 31 March 2007 £m
Interest expense			
Bond and debenture debt	(97.9)	(80.8)	(173.1)
Bank borrowings	(65.0)	(39.9)	(89.6)
Other interest payable	(0.5)	(2.1)	(1.2)
Fair value (losses) / profits on interest rate swaps	(4.2)	4.2	15.4
Provision discounting (note 20)	(0.8)	-	(1.0)
Amortisation of bond exchange de-recognition (note 21)	(2.3)	(8.6)	(17.1)
Expected return on pension scheme assets	4.3	4.4	8.6
Interest on pension scheme liabilities	(3.9)	(3.8)	(7.6)
Net financing income on pension scheme	0.4	0.6	1.0
	(170.3)	(126.6)	(265.6)
Interest capitalised in relation to properties under development	28.0	11.9	32.3
<b>Total interest expense</b>	<b>(142.3)</b>	<b>(114.7)</b>	<b>(233.3)</b>
Interest income			
Short-term deposits	1.1	0.4	1.5
Other interest receivable	0.8	2.0	2.4
Interest receivable from joint ventures	6.6	1.8	8.5
<b>Total interest income</b>	<b>8.5</b>	<b>4.2</b>	<b>12.4</b>
<b>Net finance costs</b>	<b>(133.8)</b>	<b>(110.5)</b>	<b>(220.9)</b>

Included within rents payable (note 2) is finance lease interest payable of **£2.4m** (30 September 2006: £2.6m; 31 March 2007: £5.0m).

4. Exceptional items	Six months ended 30 September 2007 £m	Six months ended 30 September 2006 £m	Year ended 31 March 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

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 in the year ended 31 March 2007, as the relevant temporary differences would no longer be taxable on reversal. An equivalent release of deferred taxation was also made by the joint ventures, of which the Group share was £98.0m.

5. Income tax expense	Six months ended 30 September 2007 £m	Six months ended 30 September 2006 £m	Year ended 31 March 2007 £m
<b>Current tax</b>			
Corporation tax expense for the period	6.7	48.5	68.8
Adjustment in respect of prior periods	1.2	-	(0.6)
Corporation tax in respect of property disposals	-	10.3	32.0
Real Estate Investment Trust conversion charge	-	-	315.0
<b>Total current tax expense</b>	<b>7.9</b>	<b>58.8</b>	<b>415.2</b>
<b>Deferred tax</b>			
Origination and reversal of timing differences	0.3	15.0	32.9
Released in respect of property disposals	-	(24.4)	(18.8)
On valuation surplus	-	269.0	330.7
Released on conversion to a Real Estate Investment Trust	-	-	(2,309.2)
<b>Total deferred tax expense / (credit)</b>	<b>0.3</b>	<b>259.6</b>	<b>(1,964.4)</b>
<b>Total income tax expense / (credit) in the income statement</b>	<b>8.2</b>	<b>318.4</b>	<b>(1,549.2)</b>

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

Profit on activities before taxation	375.2	1,178.2	1,979.1
Profit on activities multiplied by rate of corporation tax in the UK of 30%	112.6	353.5	593.7
Effects of:			
Deferred tax released in respect of property disposals	-	(24.4)	(18.8)
Corporation tax on disposal of non-current assets	-	-	6.0
Joint venture accounting adjustments	7.1	(14.3)	(44.2)
Prior period corporation tax adjustments	1.2	-	(0.6)
Prior period deferred tax adjustments	-	-	1.1
Non-allowable expenses and non-taxable items	9.6	3.6	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 six months ended 30 September 2007	(99.6)	-	-
Exempt property gains in the six months ended 30 September 2007	(22.7)	-	-
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)
<b>Total income tax expense / (credit) in the income statement (as above)</b>	<b>8.2</b>	<b>318.4</b>	<b>(1,549.2)</b>

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.

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 £225.0m could be released in the future.

6. Dividends	Six months ended 30 September 2007 £m	Six months ended 30 September 2006 £m	Year ended 31 March 2007 £m
<b>Ordinary dividends paid</b>			
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	133.8
Interim dividend for the year ended 31 March 2007 (19.00p per share)	-	-	89.2
	<b>159.5</b>	<b>133.8</b>	<b>223.0</b>

The Board has proposed a second quarterly dividend of **16.00p** per share in addition to the first quarterly dividend of **16.00p** paid on 26 October 2007 (interim dividend for the year ended 31 March 2007: 19.00p). It will be paid on 7 January 2008 to shareholders who are on the Register of Members on 7 December 2007.

7. Earnings per share	Six months ended 30 September 2007 £m	Six months ended 30 September 2006 £m	Year ended 31 March 2007 £m
<b>Profit for the financial period</b>	<b>367.0</b>	859.8	3,528.3
Revaluation (surpluses) / deficits net of deferred taxation – Group	(145.5)	(627.7)	(976.9)
– joint ventures	23.5	(45.9)	(54.5)
(Profits) / losses on non-current property disposals after current and deferred tax – Group	(79.0)	(47.7)	(105.2)
– joint ventures	7.3	-	-
Profit on disposal of PPP projects	(10.0)	-	-
Mark-to-market adjustment on interest rate swaps (net of deferred tax)	4.2	(4.3)	(13.7)
Deferred tax arising from capital allowances on investment properties	-	6.7	11.7
Deferred tax arising from capitalised interest on investment properties	-	3.4	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)
<b>EPRA adjusted earnings</b>	<b>167.5</b>	144.3	303.3
Eliminate effect of debt restructuring charges (net of taxation)	1.0	4.4	13.4
Eliminate effect of bond exchange de-recognition (net of deferred tax)	2.3	6.0	13.3
<b>Adjusted earnings</b>	<b>170.8</b>	154.7	330.0
	<b>No. m</b>	<b>No. m</b>	<b>No. m</b>
<b>Weighted average number of ordinary shares</b>	<b>470.4</b>	469.5	469.8
Effect of own shares and treasury shares	(3.3)	(0.3)	(1.6)
<b>Weighted average number of ordinary shares after adjusting for own shares</b>	<b>467.1</b>	469.2	468.2
Effect of dilutive share options	1.3	1.9	1.9
<b>Weighted average number of ordinary shares adjusted for dilutive instruments</b>	<b>468.4</b>	471.1	470.1
	<b>pence</b>	<b>pence</b>	<b>pence</b>
<b>Basic earnings per share</b>	<b>78.57</b>	183.25	753.59
<b>Diluted earnings per share</b>	<b>78.35</b>	182.51	750.54
<b>Adjusted earnings per share</b>	<b>36.57</b>	32.97	70.48
<b>Adjusted diluted earnings per share</b>	<b>36.46</b>	32.84	70.20
<b>EPRA adjusted diluted earnings per share</b>	<b>35.76</b>	30.63	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 restructuring charges and other items of a capital nature (excluding 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. Management believe our measure of adjusted diluted earnings per share is more indicative of underlying performance.

8. Net assets per share	30 September 2007 £m	30 September 2006 £m	31 March 2007 £m
<b>Net assets attributable to equity shareholders</b>	<b>10,923.0</b>	8,191.7	10,791.3
Cumulative mark-to-market adjustment on interest rate swaps (net of deferred tax) – Group	(10.4)	0.6	(14.4)
– joint ventures	(4.1)	0.5	(9.2)
Deferred tax arising on revaluation surpluses	-	2,007.7	-
Deferred tax arising from capital allowances on investment properties	-	119.9	-
Deferred tax arising from capitalised interest on investment properties	-	31.6	-
<b>EPRA adjusted net assets</b>	<b>10,908.5</b>	10,352.0	10,767.7
Reverse bond exchange de-recognition adjustment (net of deferred tax)	(516.8)	(369.3)	(519.1)
<b>Adjusted net assets attributable to equity shareholders</b>	<b>10,391.7</b>	9,982.7	10,248.6
Reinstate bond exchange de-recognition adjustment (net of deferred tax)	516.8	369.3	519.1
Cumulative mark-to-market adjustment on interest rate swaps (net of deferred tax) – Group	10.4	(0.6)	14.4
– joint ventures	4.1	(0.5)	9.2
Fair value of debt	(341.4)	(656.2)	(511.5)
<b>EPRA triple net assets value</b>	<b>10,581.6</b>	9,694.7	10,279.8
	<b>No. m</b>	<b>No. m</b>	<b>No. m</b>
<b>Number of ordinary shares</b>	<b>470.5</b>	469.9	470.4
Effect of own shares and treasury shares	(6.9)	(1.0)	(2.1)
<b>Number of ordinary shares after adjusting for own shares</b>	<b>463.6</b>	468.9	468.3
Effect of dilutive share options	1.1	1.8	1.6
<b>Number of ordinary shares adjusted for dilutive instruments</b>	<b>464.7</b>	470.7	469.9
	<b>pence</b>	<b>pence</b>	<b>pence</b>
<b>Net assets per share</b>	<b>2356</b>	1747	2304
<b>Diluted net assets per share</b>	<b>2351</b>	1740	2297
<b>Adjusted net assets per share</b>	<b>2242</b>	2129	2188
<b>Adjusted diluted net assets per share</b>	<b>2236</b>	2121	2181
<b>EPRA measure – adjusted diluted net assets per share</b>	<b>2347</b>	2199	2291
<b>– diluted triple net assets per share</b>	<b>2277</b>	2060	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. Prior to REIT entry, the deferred tax arising on capital allowances in respect of investment properties was excluded as experience had shown that these allowances do not in practice crystallise. Deferred tax on capitalised interest was also added back as this was effectively a permanent difference. This is no longer the case since the Group became a REIT on 1 January 2007. 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	Property investment		Property Partnerships		Other property, plant and equipment £m	Total £m
	Portfolio management £m	Development programme £m	Total investment properties £m	Operating and investment properties £m		
<b>Net book value at 31 March 2006</b>	<b>10,211.2</b>	<b>1,229.3</b>	<b>11,440.5</b>	<b>563.2</b>	<b>73.6</b>	<b>12,077.3</b>
Properties transferred from portfolio management into the development programme during the period (at 1 April 2006 valuation)	(6.4)	6.4	-	-	-	-
Developments completed, let and transferred from the development programme into portfolio management during the period	32.5	(32.5)	-	-	-	-
Property acquisitions	461.1	12.3	473.4	-	-	473.4
Capital expenditure	35.9	148.8	184.7	24.9	9.1	218.7
Capitalised interest	-	10.9	10.9	-	-	10.9
Disposals	(145.3)	(5.3)	(150.6)	(6.2)	-	(156.8)
Surrender premiums received	(1.0)	-	(1.0)	-	-	(1.0)
Depreciation	(1.7)	-	(1.7)	(8.3)	(7.3)	(17.3)
Surplus on revaluation	648.8	247.6	896.4	0.3	-	896.7
<b>Net book value at 30 September 2006</b>	<b>11,235.1</b>	<b>1,617.5</b>	<b>12,852.6</b>	<b>573.9</b>	<b>75.4</b>	<b>13,501.9</b>
Properties transferred from portfolio management into the development programme during the period (at 1 April 2006 valuation)	(212.6)	212.6	-	-	-	-
Developments completed, let and transferred from the development programme into portfolio management during the period	28.3	(28.3)	-	-	-	-
Property acquisitions	48.9	1.4	50.3	440.7	-	491.0
Capital expenditure	41.3	273.3	314.6	2.3	9.9	326.8
Capitalised interest	-	18.9	18.9	-	-	18.9
Disposals	(498.2)	(0.3)	(498.5)	(16.8)	(0.2)	(515.5)
Transfer to joint ventures	(266.5)	-	(266.5)	-	-	(266.5)
Surrender premiums received	(2.9)	-	(2.9)	-	-	(2.9)
Depreciation	(1.6)	-	(1.6)	(7.1)	(6.9)	(15.6)
Surplus / (deficit) on revaluation	235.6	189.2	424.8	(13.9)	-	410.9
<b>Net book value at 31 March 2007</b>	<b>10,607.4</b>	<b>2,284.3</b>	<b>12,891.7</b>	<b>979.1</b>	<b>78.2</b>	<b>13,949.0</b>
Properties transferred from portfolio management into the development programme during the period (at 1 April 2007 valuation)	(21.9)	21.9	-	-	-	-
Developments completed, let and transferred from the development programme into portfolio management during the period	1,230.5	(1,230.5)	-	-	-	-
Property acquisitions	546.2	-	546.2	153.0	-	699.2
Capital expenditure	62.7	301.7	364.4	12.4	5.3	382.1
Capitalised interest	-	26.6	26.6	-	-	26.6
Disposals	(652.2)	-	(652.2)	(17.5)	-	(669.7)
Surrender premiums received	(3.3)	-	(3.3)	-	-	(3.3)
Depreciation	(1.5)	-	(1.5)	(10.8)	(8.5)	(20.8)
Transferred to trading properties	-	(17.4)	(17.4)	(0.8)	-	(18.2)
(Deficit) / surplus on revaluation	(23.0)	177.3	154.3	(8.8)	-	145.5
<b>Net book value at 30 September 2007</b>	<b>11,744.9</b>	<b>1,563.9</b>	<b>13,308.8</b>	<b>1,106.6</b>	<b>75.0</b>	<b>14,490.4</b>



**9. Non-current assets continued**

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

	Property investment		Total investment properties
	Portfolio management £m	Development programme £m	£m
Net book value at 30 September 2006	11,235.1	1,617.5	12,852.6
Plus: amount included in prepayments in respect of lease incentives	87.5	24.6	112.1
Less: head leases capitalised (note 24)	(64.4)	(8.4)	(72.8)
Plus: properties treated as finance leases	178.1	-	178.1
<b>Market value at 30 September 2006 – Group</b>	<b>11,436.3</b>	<b>1,633.7</b>	<b>13,070.0</b>
– plus: share of joint ventures (note 13)			1,369.8
<b>Market value at 30 September 2006 – Group and share of joint ventures</b>			<b>14,439.8</b>
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 (note 24)	(61.6)	(9.4)	(71.0)
Plus: properties treated as finance leases	163.1	-	163.1
<b>Market value at 31 March 2007 – Group</b>	<b>10,802.5</b>	<b>2,312.3</b>	<b>13,114.8</b>
– plus: share of joint ventures (note 13)			1,637.7
<b>Market value at 31 March 2007 – Group and share of joint ventures</b>			<b>14,752.5</b>
Net book value at 30 September 2007	11,744.9	1,563.9	13,308.8
Plus: amount included in prepayments in respect of lease incentives	144.8	15.0	159.8
Less: head leases capitalised (note 24)	(66.8)	(3.3)	(70.1)
Plus: properties treated as finance leases	151.6	-	151.6
<b>Market value at 30 September 2007 – Group</b>	<b>11,974.5</b>	<b>1,575.6</b>	<b>13,550.1</b>
– plus: share of joint ventures (note 13)			1,493.1
<b>Market value at 30 September 2007 – Group and share of joint ventures</b>			<b>15,043.2</b>
	30 September 2007 £m	30 September 2006 £m	31 March 2007 £m
Capital commitments	229.7	312.2	726.6

<b>10. Net investment in finance leases</b>	<b>30 September 2007 £m</b>	<b>30 September 2006 £m</b>	<b>31 March 2007 £m</b>
<b>Non-current</b>			
Finance leases – gross receivables	<b>621.4</b>	582.0	603.9
Unearned finance income	<b>(351.7)</b>	(364.4)	(368.0)
Unguaranteed residual value	<b>26.5</b>	29.4	26.5
	<b>296.2</b>	247.0	262.4
<b>Current</b>			
Finance leases – gross receivables	<b>16.6</b>	14.7	14.6
Unearned finance income	<b>(12.3)</b>	(10.8)	(10.9)
	<b>4.3</b>	3.9	3.7
<b>Total net investment in finance leases</b>	<b>300.5</b>	250.9	266.1

**Gross receivables from finance leases:**

Not later than one year	<b>16.6</b>	14.7	14.6
Later than one year but not more than five years	<b>127.1</b>	109.8	116.7
More than five years	<b>494.3</b>	472.2	487.2
	<b>638.0</b>	596.7	618.5
Unearned future finance income	<b>(364.0)</b>	(375.2)	(378.9)
Unguaranteed residual value	<b>26.5</b>	29.4	26.5
<b>Net investment in finance leases</b>	<b>300.5</b>	250.9	266.1

The Group has leased out a number of investment properties under finance leases ranging between 15 and 100 years in duration. These are accounted for as finance lease receivables rather than investment properties. The fair value of the Group's finance lease receivables approximates to the carrying amount.

<b>11. Goodwill</b>	<b>30 September 2007 £m</b>	<b>30 September 2006 £m</b>	<b>31 March 2007 £m</b>
At the beginning of the period	<b>129.6</b>	34.3	34.3
Arising on acquisitions during the period	-	-	83.2
Transferred on acquisition of a joint venture (note 13)	-	-	12.1
<b>At the end of the period</b>	<b>129.6</b>	34.3	129.6

Represented by:

Gross goodwill recognised	<b>214.5</b>	119.2	214.5
Total accumulated impairment losses	<b>(84.9)</b>	(84.9)	(84.9)
	<b>129.6</b>	34.3	129.6

<b>12. Investments in Public Private Partnership contracts</b>	<b>30 September 2007 £m</b>	<b>30 September 2006 £m</b>	<b>31 March 2007 £m</b>
At the beginning of the period	-	-	-
Investments during the period	<b>21.0</b>	-	-
<b>At the end of the period</b>	<b>21.0</b>	-	-

During the six months ended 30 September 2007 a number of PPP contracts were acquired independent from the disposal group. These PPP contracts relate to assets currently under construction.

**13. Investments in joint ventures**

Summary financial information of Group's share of joint ventures	Six months ended 30 September 2007 and at 30 September 2007									
	Scottish Retail Property Limited Partnership £m	Metro Shopping Fund LP £m	Buchanan Partnership £m	St David's Limited Partnership £m	The Martineau Galleries Limited Partnership £m	The Bull Ring Limited Partnership £m	Bristol Alliance £m	Fen Farm Developm'ts Limited £m	Other <sup>(1)</sup> £m	Total £m
<b>Income statement</b>										
Rental income	7.6	6.8	4.8	2.5	0.8	7.4	1.7	-	0.8	32.4
Service charge income	1.6	1.5	0.3	0.4	0.2	1.3	-	-	0.1	5.4
Property services income	-	-	-	-	-	-	-	-	0.1	0.1
Trading property sale proceeds	-	-	-	-	-	-	-	35.0	-	35.0
<b>Revenue</b>	<b>9.2</b>	<b>8.3</b>	<b>5.1</b>	<b>2.9</b>	<b>1.0</b>	<b>8.7</b>	<b>1.7</b>	<b>35.0</b>	<b>1.0</b>	<b>72.9</b>
Rents payable	(0.1)	-	-	-	-	-	-	-	-	(0.1)
Other direct property expenditure	(3.0)	(1.8)	(0.7)	(0.6)	(0.4)	(2.2)	(0.1)	(0.1)	(0.2)	(9.1)
Indirect property expenditure	(0.6)	(0.5)	-	-	-	-	-	-	-	(1.1)
Cost of sales of trading properties	-	-	-	-	-	-	-	(26.8)	-	(26.8)
	5.5	6.0	4.4	2.3	0.6	6.5	1.6	8.1	0.8	35.8
(Loss) / profit on disposal of non-current properties	(7.7)	-	-	-	0.4	-	-	-	-	(7.3)
Net (deficit) / surplus on revaluation of investment properties	(10.9)	(5.1)	2.0	-	(0.1)	(5.1)	(2.9)	-	(1.4)	(23.5)
<b>Operating (loss) / profit</b>	<b>(13.1)</b>	<b>0.9</b>	<b>6.4</b>	<b>2.3</b>	<b>0.9</b>	<b>1.4</b>	<b>(1.3)</b>	<b>8.1</b>	<b>(0.6)</b>	<b>5.0</b>
Net finance (costs) / income	(4.2)	(6.4)	(1.7)	0.3	-	-	-	0.3	(0.1)	(11.8)
<b>(Loss) / profit before tax</b>	<b>(17.3)</b>	<b>(5.5)</b>	<b>4.7</b>	<b>2.6</b>	<b>0.9</b>	<b>1.4</b>	<b>(1.3)</b>	<b>8.4</b>	<b>(0.7)</b>	<b>(6.8)</b>
Income tax expense	-	(0.6)	-	-	-	-	-	(2.4)	-	(3.0)
<b>(Loss) / profit after tax</b>	<b>(17.3)</b>	<b>(6.1)</b>	<b>4.7</b>	<b>2.6</b>	<b>0.9</b>	<b>1.4</b>	<b>(1.3)</b>	<b>6.0</b>	<b>(0.7)</b>	<b>(9.8)</b>
<b>Balance sheet</b>										
Investment properties <sup>(2)</sup>	143.8	298.3	187.8	239.7	31.4	314.9	236.9	-	31.7	1,484.5
Current assets	15.6	9.0	7.0	127.1	2.4	10.6	15.1	18.4	32.8	238.0
	159.4	307.3	194.8	366.8	33.8	325.5	252.0	18.4	64.5	1,722.5
Current liabilities	(3.5)	(7.2)	(4.6)	(20.9)	(0.6)	(9.6)	(15.6)	(5.1)	(6.2)	(73.3)
Non-current liabilities	(61.8)	(210.1)	-	(0.2)	(0.6)	-	(2.4)	(12.9)	-	(288.0)
	(65.3)	(217.3)	(4.6)	(21.1)	(1.2)	(9.6)	(18.0)	(18.0)	(6.2)	(361.3)
<b>Net assets</b>	<b>94.1</b>	<b>90.0</b>	<b>190.2</b>	<b>345.7</b>	<b>32.6</b>	<b>315.9</b>	<b>234.0</b>	<b>0.4</b>	<b>58.3</b>	<b>1,361.2</b>
<b>Capital commitments</b>	<b>0.2</b>	<b>1.0</b>	<b>1.4</b>	<b>50.5</b>	<b>0.7</b>	<b>53.0</b>	<b>7.4</b>	<b>0.2</b>	<b>-</b>	<b>114.4</b>
<b>Market value of investment properties <sup>(2)</sup></b>	<b>142.6</b>	<b>296.5</b>	<b>192.0</b>	<b>239.8</b>	<b>30.8</b>	<b>320.0</b>	<b>239.8</b>	<b>-</b>	<b>31.6</b>	<b>1,493.1</b>
<b>Net investment</b>										
At 1 April 2007	145.8	95.3	188.6	308.1	27.4	321.1	198.6	-	53.9	1,338.8
Cash contributed	-	1.5	0.3	-	4.3	-	-	-	5.2	11.3
Share of post-tax results	(17.3)	(6.1)	4.7	2.6	0.9	1.4	(1.3)	6.0	(0.7)	(9.8)
Distributions	(37.5)	-	(3.4)	-	-	-	-	(5.6)	(0.1)	(46.6)
Fair value movement on cash flow hedges taken to equity	3.1	(0.7)	-	-	-	-	-	-	-	2.4
Loan advances	-	-	-	35.0	-	-	38.4	-	-	73.4
Loan repayments	-	-	-	-	-	(6.6)	(1.7)	-	-	(8.3)
<b>At 30 September 2007</b>	<b>94.1</b>	<b>90.0</b>	<b>190.2</b>	<b>345.7</b>	<b>32.6</b>	<b>315.9</b>	<b>234.0</b>	<b>0.4</b>	<b>58.3</b>	<b>1,361.2</b>

## Notes:

1. Other principally includes the Martineau Limited Partnership, the Ebbsfleet Limited Partnership, the A2 Limited Partnership, Parc Tawe 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.
3. The proportion of ownership of the joint ventures are as stated in the Annual Report for the year ended 31 March 2007, which is available from [www.landsecurities.com](http://www.landsecurities.com).

13. Investments in joint ventures continued										
Six months ended 30 September 2006 and at 30 September 2006										
Summary financial information of Group's share of joint ventures	Scottish Retail Property Limited Partnership £m	Metro Shopping Fund LP £m	Buchanan Partnership £m	St David's Limited Partnership £m	The Martineau Galleries Limited Partnership £m	The Bull Ring Limited Partnership £m	Bristol Alliance £m	Fen Farm Developm'ts Limited £m	Other <sup>(1)</sup> £m	Total £m
<b>Income statement</b>										
Rental income	10.8	6.5	4.6	-	0.8	7.4	1.7	-	0.9	32.7
Service charge income	2.0	1.5	0.8	-	0.1	1.1	-	-	0.2	5.7
Property services income	-	-	-	-	-	-	-	-	1.1	1.1
<b>Revenue</b>	<b>12.8</b>	<b>8.0</b>	<b>5.4</b>	<b>-</b>	<b>0.9</b>	<b>8.5</b>	<b>1.7</b>	<b>-</b>	<b>2.2</b>	<b>39.5</b>
Rents payable	(0.1)	-	-	-	-	-	-	-	-	(0.1)
Other direct property expenditure	(4.2)	(2.0)	(1.3)	-	(0.5)	(2.0)	(0.1)	-	(2.0)	(12.1)
Indirect property expenditure	(1.0)	(0.1)	-	-	-	(0.1)	(0.1)	-	(0.4)	(1.7)
	7.5	5.9	4.1	-	0.4	6.4	1.5	-	(0.2)	25.6
Net surplus on revaluation of investment properties	10.2	18.4	10.8	-	2.5	18.7	4.4	-	0.7	65.7
<b>Operating profit / (loss)</b>	<b>17.7</b>	<b>24.3</b>	<b>14.9</b>	<b>-</b>	<b>2.9</b>	<b>25.1</b>	<b>5.9</b>	<b>-</b>	<b>0.5</b>	<b>91.3</b>
Net finance (costs) / income	(5.8)	(4.3)	(1.8)	-	-	0.1	0.1	-	(0.1)	(11.8)
<b>Profit before tax</b>	<b>11.9</b>	<b>20.0</b>	<b>13.1</b>	<b>-</b>	<b>2.9</b>	<b>25.2</b>	<b>6.0</b>	<b>-</b>	<b>0.4</b>	<b>79.5</b>
Income tax expense	(3.1)	(6.1)	(3.2)	-	(0.8)	(5.6)	(1.3)	-	(0.3)	(20.4)
<b>Profit after tax</b>	<b>8.8</b>	<b>13.9</b>	<b>9.9</b>	<b>-</b>	<b>2.1</b>	<b>19.6</b>	<b>4.7</b>	<b>-</b>	<b>0.1</b>	<b>59.1</b>
<b>Balance sheet</b>										
Investment properties <sup>(2)</sup>	356.0	294.7	184.7	-	25.4	314.4	155.6	-	33.3	1,364.1
Current assets	12.8	6.3	4.4	30.9	2.5	11.9	12.2	-	39.9	120.9
	368.8	301.0	189.1	30.9	27.9	326.3	167.8	-	73.2	1,485.0
Current liabilities	(14.1)	(5.7)	(2.1)	(8.6)	(0.6)	(5.3)	(6.5)	-	(5.7)	(48.6)
Non-current liabilities	(221.5)	(184.3)	-	-	-	-	(2.4)	-	(0.3)	(408.5)
Deferred tax	(17.2)	(16.0)	(6.5)	-	(2.1)	(49.2)	(8.2)	-	(0.4)	(99.6)
	(252.8)	(206.0)	(8.6)	(8.6)	(2.7)	(54.5)	(17.1)	-	(6.4)	(556.7)
<b>Net assets</b>	<b>116.0</b>	<b>95.0</b>	<b>180.5</b>	<b>22.3</b>	<b>25.2</b>	<b>271.8</b>	<b>150.7</b>	<b>-</b>	<b>66.8</b>	<b>928.3</b>
<b>Capital commitments</b>	<b>0.5</b>	<b>0.2</b>	<b>0.4</b>	<b>-</b>	<b>0.1</b>	<b>0.9</b>	<b>110.0</b>	<b>-</b>	<b>0.2</b>	<b>112.3</b>
<b>Market value of investment properties <sup>(2)</sup></b>	<b>349.8</b>	<b>292.9</b>	<b>188.5</b>	<b>-</b>	<b>26.6</b>	<b>320.0</b>	<b>158.7</b>	<b>-</b>	<b>33.3</b>	<b>1,369.8</b>
<b>Net investment</b>										
At 1 April 2006	105.2	81.0	173.0	0.8	23.1	259.3	118.5	-	68.6	829.5
Cash contributed	-	0.8	-	21.5	-	-	-	-	-	22.3
Share of post-tax results	8.8	13.9	9.9	-	2.1	19.6	4.7	-	0.1	59.1
Distributions	-	-	(2.4)	-	-	-	-	-	(4.5)	(6.9)
Fair value movement on cash flow hedges taken to equity	2.0	(0.7)	-	-	-	-	-	-	-	1.3
Loan advances	-	-	-	-	-	-	29.8	-	2.6	32.4
Loan repayments	-	-	-	-	-	(7.1)	(2.3)	-	-	(9.4)
<b>At 30 September 2006</b>	<b>116.0</b>	<b>95.0</b>	<b>180.5</b>	<b>22.3</b>	<b>25.2</b>	<b>271.8</b>	<b>150.7</b>	<b>-</b>	<b>66.8</b>	<b>928.3</b>

## Notes:

1. Other principally includes the Martineau Limited Partnership, the Ebbsfleet Limited Partnership, the A2 Limited Partnership, Parc Tawe 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.
3. The proportion of ownership of the joint ventures are as stated in the Annual Report for the year ended 31 March 2007, which is available from [www.landsecurities.com](http://www.landsecurities.com).

**13. Investments in joint ventures continued**

Year ended 31 March 2007 and at 31 March 2007

Summary financial information of Group's share of joint ventures	Scottish Retail Property Limited Partnership £m	Metro Shopping Fund LP £m	Buchanan Partnership £m	St David's Limited Partnership £m	The Martineau Galleries Limited Partnership £m	The Bull Ring Limited Partnership £m	Bristol Alliance £m	Fen Farm Developm'ts Limited £m	Other <sup>(1)</sup> £m	Total £m
<b>Income statement</b>										
Rental income	20.6	13.3	10.2	2.0	1.4	15.1	3.3	-	1.7	67.6
Service charge income	4.5	3.2	1.4	0.2	0.3	2.6	-	-	0.2	12.4
Property services income	-	-	-	-	-	-	-	-	1.6	1.6
<b>Revenue</b>	<b>25.1</b>	<b>16.5</b>	<b>11.6</b>	<b>2.2</b>	<b>1.7</b>	<b>17.7</b>	<b>3.3</b>	<b>-</b>	<b>3.5</b>	<b>81.6</b>
Rents payable	(0.2)	-	-	-	(0.1)	-	-	-	-	(0.3)
Other direct property expenditure	(8.4)	(4.3)	(2.4)	(0.4)	(0.8)	(4.5)	(0.2)	-	(3.8)	(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	0.8	13.0	3.0	-	(1.3)	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	2.0	23.8	6.9	-	0.3	75.1
<b>Operating profit / (loss)</b>	<b>21.4</b>	<b>34.2</b>	<b>19.3</b>	<b>4.4</b>	<b>2.8</b>	<b>36.8</b>	<b>9.9</b>	<b>-</b>	<b>(0.8)</b>	<b>128.0</b>
Net finance (costs) / income	(11.7)	(10.9)	(3.4)	0.2	0.2	0.1	0.4	-	(0.4)	(25.5)
<b>Profit / (loss) before tax</b>	<b>9.7</b>	<b>23.3</b>	<b>15.9</b>	<b>4.6</b>	<b>3.0</b>	<b>36.9</b>	<b>10.3</b>	<b>-</b>	<b>(1.2)</b>	<b>102.5</b>
Income tax (expense) / credit										
- ordinary	(2.7)	(6.2)	(3.5)	(1.2)	(0.6)	(5.6)	(1.1)	-	(0.3)	(21.2)
- exceptional	17.7	16.9	6.9	1.2	1.9	44.9	8.1	-	0.4	98.0
<b>Profit / (loss) after tax</b>	<b>24.7</b>	<b>34.0</b>	<b>19.3</b>	<b>4.6</b>	<b>4.3</b>	<b>76.2</b>	<b>17.3</b>	<b>-</b>	<b>(1.1)</b>	<b>179.3</b>
<b>Balance sheet</b>										
Investment properties <sup>(2)</sup>	357.2	301.0	185.1	213.2	25.0	319.6	197.3	-	32.9	1,631.3
Current assets	15.2	9.8	7.5	116.3	3.0	10.7	15.5	-	27.1	205.1
	372.4	310.8	192.6	329.5	28.0	330.3	212.8	-	60.0	1,836.4
Current liabilities	(4.5)	(5.2)	(4.0)	(21.2)	(0.6)	(9.2)	(11.8)	-	(5.3)	(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)	(0.6)	(9.2)	(14.2)	-	(6.1)	(497.6)
<b>Net assets</b>	<b>145.8</b>	<b>95.3</b>	<b>188.6</b>	<b>308.1</b>	<b>27.4</b>	<b>321.1</b>	<b>198.6</b>	<b>-</b>	<b>53.9</b>	<b>1,338.8</b>
<b>Capital commitments</b>	<b>0.6</b>	<b>1.1</b>	<b>1.3</b>	<b>1.9</b>	<b>-</b>	<b>-</b>	<b>129.3</b>	<b>-</b>	<b>-</b>	<b>134.2</b>
<b>Market value of investment properties <sup>(2)</sup></b>	<b>351.4</b>	<b>299.3</b>	<b>189.3</b>	<b>213.3</b>	<b>26.2</b>	<b>325.0</b>	<b>200.5</b>	<b>-</b>	<b>32.7</b>	<b>1,637.7</b>
<b>Net investment</b>										
At 1 April 2006	105.2	81.0	173.0	0.8	23.1	259.3	118.5	-	68.6	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	4.3	76.2	17.3	-	(1.1)	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)
<b>At 31 March 2007</b>	<b>145.8</b>	<b>95.3</b>	<b>188.6</b>	<b>308.1</b>	<b>27.4</b>	<b>321.1</b>	<b>198.6</b>	<b>-</b>	<b>53.9</b>	<b>1,338.8</b>

## Notes:

1. Other principally includes the Martineau Limited Partnership, the Ebbsfleet Limited Partnership, the A2 Limited Partnership, Parc Tawe 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.
3. The proportion of ownership of the joint ventures are as stated in the Annual Report for the year ended 31 March 2007, which is available from [www.landsecurities.com](http://www.landsecurities.com).

14. Trading properties and long-term development contracts	30 September 2007 £m	30 September 2006 £m	31 March 2007 £m
Trading properties	175.2	140.0	148.3
Amount recoverable under long-term development contracts less payments on account	-	16.9	-
	175.2	156.9	148.3

The amounts for contracts in progress at the balance sheet date are as follows:

<b>Contract revenue recognised as revenue in the period</b>	<b>13.9</b>	<b>29.5</b>	<b>80.7</b>
Contract costs incurred and recognised profits (less recognised losses) to date	239.7	448.1	494.8
Advances received	(249.8)	(440.9)	(504.1)
	(10.1)	7.2	(9.3)
Plus: gross amount due to customers for contract work (included in accruals and deferred income)	10.1	9.7	9.3
<b>Gross amount due from customers for contract work</b>	<b>-</b>	<b>16.9</b>	<b>-</b>

15. Trade and other receivables	30 September 2007 £m	30 September 2006 £m	31 March 2007 £m
Trade receivables – Property investment	57.4	60.2	26.4
– Property Partnerships	78.0	94.4	96.2
Property sales receivables	17.0	6.4	78.6
Other receivables	113.2	93.2	100.5
Prepayments and accrued income	365.8	319.8	336.4
Finance leases receivable within one year (note 10)	4.3	3.9	3.7
	635.7	577.9	641.8

Trade receivables are net of provisions for doubtful debts of **£21.6m** (30 September 2006: £17.3m; 31 March 2007: £26.6m).

16. Cash and short-term deposits	30 September 2007 £m	30 September 2006 £m	31 March 2007 £m
Cash at bank and in hand	28.9	15.5	32.4
Short-term deposits	2.5	9.7	20.3
	31.4	25.2	52.7

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise the following:

Cash at bank and in hand	28.9	15.5	32.4
Short-term deposits	2.5	9.7	20.3
Bank overdraft (note 18)	(55.3)	-	-
	(23.9)	25.2	52.7

The effective interest rate on short-term deposits was **5.6%** (30 September 2006: 4.4%; 31 March 2007: 8.0%) and the deposits have an average maturity of **3** days (30 September 2006: 3 days; 31 March 2007: 30 days).

17. Non-current assets classified as held for sale	30 September 2007 £m	30 September 2006 £m	31 March 2007 £m
Non-current assets classified as held for sale	2,568.9	-	2,420.3
Liabilities directly associated with non-current assets classified as held for sale	(1,655.9)	-	(1,601.0)
	913.0	-	819.3

SMIF was acquired on 5 February 2007 for £517.0m. SMIF includes a number of PPP contracts which the Group acquired exclusively with a view to being resold to third-party investors, while maintaining a minority share. The Group announced at the time of the acquisition that these PPP contracts would be sold, and an Investment Bank has been appointed to execute the disposal strategy. The PPP contracts are available for immediate sale in their present condition, although a new fund or similar vehicle will be created for the purposes of the disposal. The divestment is expected to complete prior to 31 March 2008. Accordingly, these PPP contracts have been designated as a disposal group. 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 to the disposal group to enable it to repay external debt (£397.6m) and net cash invested in the disposal group (£118.7m). The disposal group represents a discontinued operation, and the Group has not recognised any profits or losses in respect of this discontinued operation for the period from acquisition to 30 September 2007. SMIF is held in the Property Partnerships segment.

18. Short-term borrowings and overdrafts	30 September 2007 £m	30 September 2006 £m	31 March 2007 £m
Bank overdraft (note 21)	55.3	-	-
Borrowings falling due within one year (note 21)	1,212.5	447.4	1,687.4
Bond exchange de-recognition adjustment falling due within one year (note 21)	(11.2)	(12.5)	(6.3)
Amounts payable under finance leases falling due within one year (notes 21 and 24)	2.1	2.1	2.1
	1,258.7	437.0	1,683.2

19. Trade and other payables	30 September 2007 £m	30 September 2006 £m	31 March 2007 £m
Trade payables	38.8	29.8	26.7
Capital payables	131.4	75.8	77.9
Other payables	49.1	68.9	37.7
Accruals and deferred income	621.8	456.1	526.6
Loans from joint venture	115.0	-	115.0
	956.1	630.6	783.9

Capital payables represent amounts due under contracts to purchase properties, which were unconditionally exchanged at the period end, and for work completed on investment properties but not paid for at the financial period end. Deferred income principally relates to rents received in advance.

20. Provisions	Dilapidations	Onerous leases	Other	Total
At 1 April 2006	23.1	19.8	15.3	58.2
Charged to income statement for the period	0.1	0.5	5.9	6.5
Utilised in the period	(5.0)	(2.4)	-	(7.4)
<b>At 30 September 2006</b>	<b>18.2</b>	<b>17.9</b>	<b>21.2</b>	<b>57.3</b>
Charged / (credited) to income statement for the period	5.8	(1.0)	1.2	6.0
Release of discount charged to net finance costs (note 3)	-	1.0	-	1.0
Utilised in the period	(3.1)	(2.3)	(2.4)	(7.8)
On acquisition of Royal Mail property portfolio	-	24.2	-	24.2
<b>At 31 March 2007</b>	<b>20.9</b>	<b>39.8</b>	<b>20.0</b>	<b>80.7</b>
Charged to income statement for the period	0.3	-	4.3	4.6
Release of discount charged to net finance costs (note 3)	-	0.8	-	0.8
Utilised in the period	-	(5.2)	-	(5.2)
<b>At 30 September 2007</b>	<b>21.2</b>	<b>35.4</b>	<b>24.3</b>	<b>80.9</b>

#### *Dilapidations*

Provision for dilapidations is made in respect of certain leasehold properties where the Group anticipates incurring future expenditure at the end of the lease. The provision is calculated on those leases that expire within the next five years or where the lease has already expired and the liability has not yet been settled. The amounts provided are based on the current estimate of the future costs determined on the basis of the present condition of the relevant properties. Settlement of the amounts provided occurs once agreement is reached with the parties to the lease.

#### *Onerous leases*

An onerous lease provision is established in respect of leasehold properties that are unoccupied or the expected future rental income is not expected to meet the Group's rental obligations. The provisions are based on assumptions about expected future rentals and voids. This provision will be settled as the net rental obligations develop. The provision may vary based on reassessment of the relevant assumptions as circumstances change and new obligations are established.

#### *Other*

Other provisions include liabilities arising from the contractual arrangements with clients that include specific performance measurement targets and life cycle capital expenditure requirements. Settlement of the amounts provided follows agreement with the clients. It is expected that most of the other provisions will be utilised within the next three years.

**21. Borrowings**

At 30 September 2007									
	Nominal value <sup>(7)</sup> £m	Secured £m	Unsecured £m	Book value Total £m	Fixed / floating <sup>(9)</sup>	Effective interest rate %	Weighted average time for which interest rate is fixed Years	Fair value <sup>(10)</sup> £m	Excess of fair value over book value £m
<b>Sterling</b>									
4.625 per cent Notes due 2013 <sup>(1)</sup>	300.0	299.7	-	299.7	Fixed	4.6	5.4	287.1	(12.6)
5.292 per cent Notes due 2015 <sup>(1)</sup>	391.5	390.8	-	390.8	Fixed	5.3	8.2	378.8	(12.0)
4.875 per cent Notes due 2019 <sup>(1)</sup>	400.0	395.9	-	395.9	Fixed	4.9	12.1	366.4	(29.5)
5.425 per cent Notes due 2022 <sup>(1)</sup>	255.3	254.5	-	254.5	Fixed	5.4	14.5	245.6	(8.9)
4.875 per cent Notes due 2025 <sup>(1)</sup>	300.0	297.0	-	297.0	Fixed	4.9	17.5	271.4	(25.6)
5.391 per cent Notes due 2026 <sup>(1)</sup>	210.7	209.8	-	209.8	Fixed	5.4	18.4	200.9	(8.9)
5.391 per cent Notes due 2027 <sup>(1)</sup>	611.3	608.4	-	608.4	Fixed	5.4	19.5	582.2	(26.2)
5.376 per cent Notes due 2029 <sup>(1)</sup>	317.9	316.3	-	316.3	Fixed	5.4	22.0	303.5	(12.8)
5.396 per cent Notes due 2032 <sup>(1)</sup>	322.9	321.0	-	321.0	Fixed	5.4	24.9	307.2	(13.8)
5.125 per cent Notes due 2036 <sup>(1)</sup>	500.0	498.5	-	498.5	Fixed	5.1	28.4	464.3	(34.2)
Bank facility due 2010	15.5	15.5	-	15.5	Floating	6.5	0.1	15.5	-
Euro Commercial Paper <sup>(2)</sup>	29.7	-	29.7	29.7	Floating	6.1	0.5	29.7	-
DWP term loan <sup>(3)</sup>	134.1	134.1	-	134.1	Floating	6.1	0.5	134.1	-
Syndicated bank debt <sup>(4)</sup>	1,380.0	1,380.0	-	1,380.0	Floating	6.2	0.1	1,380.0	-
Bilateral facility <sup>(5)</sup>	855.6	855.6	-	855.6	Floating	6.3	-	855.6	-
Acquisition loan notes <sup>(6)</sup>	112.7	-	112.7	112.7	Floating	4.6	-	112.7	-
Bank overdraft	55.3	-	55.3	55.3	Floating	-	-	55.3	-
Money market borrowings	89.2	89.2	-	89.2	Floating	6.2	0.2	89.2	-
	6,281.7	6,066.3	197.7	6,264.0				6,079.5	(184.5)
<b>Euro</b>									
Syndicated bank debt	27.4	27.4	-	27.4	Floating	4.4	0.3	27.4	-
Bilateral facility	27.9	27.9	-	27.9	Floating	4.5	-	27.9	-
Euro Commercial Paper <sup>(2)</sup>	29.3	-	29.3	29.3	Floating	6.6	0.1	29.3	-
	84.6	55.3	29.3	84.6				84.6	-
<b>US Dollars</b>									
Euro Commercial Paper <sup>(2)</sup>	5.4	-	5.4	5.4	Floating	6.0	-	5.4	-
<b>Amounts payable under finance leases</b>	<b>70.1</b>	<b>70.1</b>	<b>-</b>	<b>70.1</b>	<b>Fixed</b>	<b>5.5</b>	<b>87.8</b>	<b>79.2</b>	<b>9.1</b>
	6,441.8	6,191.7	232.4	6,424.1				6,248.7	(175.4)
<b>Fair value of derivative instruments</b>									
<b>Interest rate swaps</b>									
Qualifying hedges	168.2	-	(2.6)	(2.6)		5.1	5.9	(2.6)	-
Non-qualifying hedges	1,565.0	-	(7.8)	(7.8)		5.1	3.1	(7.8)	-
Foreign currency swaps – qualifying hedges	34.7	-	(1.1)	(1.1)		6.5	0.1	(1.1)	-
	1,767.9	-	(11.5)	(11.5)				(11.5)	-
Bond exchange de-recognition		(516.8)	-	(516.8)				-	516.8
<b>Total borrowings</b>		<b>5,674.9</b>	<b>220.9</b>	<b>5,895.8</b>				<b>6,237.2</b>	<b>341.4</b>
Less: bank overdraft (note 18)				(55.3)					
Less: borrowings falling due within one year <sup>(4)</sup> (note 18)				(1,212.5)					
Plus: bond exchange de-recognition falling due within one year (note 18)				11.2					
Less: amounts payable under finance leases falling due within one year (notes 18 and 24)				(2.1)					
<b>Non-current borrowings</b>				<b>4,637.1</b>					

During the six months ended 30 September 2007 the Group issued £22,952.0m and repaid £22,076.7m of debt securities.



**21. Borrowings continued**

At 30 September 2006									
	Nominal value <sup>(7)</sup> £m	Secured £m	Unsecured £m	Book value Total £m	Fixed / floating <sup>(9)</sup>	Effective interest rate %	Weighted average time for which interest rate is fixed Years	Fair value <sup>(10)</sup> £m	Excess of fair value over book value £m
<b>Sterling</b>									
5.016 per cent Notes due 2007 <sup>(1)</sup>	181.7	181.7	-	181.7	Fixed	5.0	0.6	181.5	(0.2)
4.625 per cent Notes due 2013 <sup>(1)</sup>	300.0	299.5	-	299.5	Fixed	4.6	6.4	293.6	(5.9)
5.292 per cent Notes due 2015 <sup>(1)</sup>	391.5	390.6	-	390.6	Fixed	5.3	9.2	395.6	5.0
4.875 per cent Notes due 2019 <sup>(1)</sup>	400.0	395.5	-	395.5	Fixed	4.9	13.1	393.5	(2.0)
5.425 per cent Notes due 2022 <sup>(1)</sup>	255.3	254.4	-	254.4	Fixed	5.4	15.5	266.1	11.7
4.875 per cent Notes due 2025 <sup>(1)</sup>	300.0	296.8	-	296.8	Fixed	4.9	18.5	296.8	-
5.391 per cent Notes due 2026 <sup>(1)</sup>	210.7	209.7	-	209.7	Fixed	5.4	19.4	223.4	13.7
5.391 per cent Notes due 2027 <sup>(1)</sup>	611.3	608.3	-	608.3	Fixed	5.4	20.5	649.7	41.4
5.376 per cent Notes due 2029 <sup>(1)</sup>	317.9	316.2	-	316.2	Fixed	5.4	23.0	341.3	25.1
5.396 per cent Notes due 2032 <sup>(1)</sup>	322.9	320.9	-	320.9	Fixed	5.4	25.9	350.2	29.3
Bank facility due 2010	15.5	15.4	-	15.4	Floating	5.4	0.1	15.4	-
DWP term loan <sup>(3)</sup>	245.4	235.0	-	235.0	Floating	5.2	0.5	245.4	10.4
Syndicated bank debt <sup>(4)</sup>	800.0	800.0	-	800.0	Floating	5.1	-	800.0	-
Acquisition loan notes <sup>(5)</sup>	120.7	-	120.7	120.7	Floating	4.1	-	120.7	-
Money market borrowings	135.2	-	135.2	135.2	Floating	5.0	-	135.2	-
	4,608.1	4,324.0	255.9	4,579.9				4,708.4	128.5
<b>Amounts payable under finance leases</b>	72.8	72.8	-	72.8	Fixed	5.5	86.2	90.6	17.8
	4,680.9	4,396.8	255.9	4,652.7				4,799.0	146.3
<b>Fair value of derivative instruments</b>									
Interest rate swaps									
Qualifying hedges	243.2	-	1.7	1.7		5.1	7.1	1.7	-
Non-qualifying hedges	805.0	-	(0.8)	(0.8)		4.9	2.9	(0.8)	-
	1,048.2	-	0.9	0.9				0.9	-
Bond exchange de-recognition		(527.6)	-	(527.6)				-	527.6
<b>Total borrowings</b>		3,869.2	256.8	4,126.0				4,799.9	673.9
Less: borrowings falling due within one year <sup>(4)</sup> (note 18)				(447.4)					
Plus: bond exchange de-recognition falling due within one year (note 18)				12.5					
Less: amounts payable under finance leases falling due within one year (notes 18 and 24)				(2.1)					
<b>Non-current borrowings</b>				3,689.0					

**21. Borrowings continued**

								At 31 March 2007	
	Nominal value <sup>(7)</sup> £m	Secured £m	Unsecured £m	Book value		Effective interest rate %	Weighted average time for which interest rate is fixed Years	Fair value <sup>(10)</sup> £m	Excess of fair value over book value £m
				Total £m	Fixed / floating <sup>(9)</sup>				
Sterling									
5.016 per cent Notes due 2007 <sup>(1)</sup>	181.7	181.7	-	181.7	Fixed	5.0	0.1	181.6	(0.1)
4.625 per cent Notes due 2013 <sup>(1)</sup>	300.0	299.6	-	299.6	Fixed	4.6	5.9	288.5	(11.1)
5.292 per cent Notes due 2015 <sup>(1)</sup>	391.5	390.7	-	390.7	Fixed	5.3	8.7	384.3	(6.4)
4.875 per cent Notes due 2019 <sup>(1)</sup>	400.0	395.7	-	395.7	Fixed	4.9	12.6	379.1	(16.6)
5.425 per cent Notes due 2022 <sup>(1)</sup>	255.3	254.4	-	254.4	Fixed	5.4	15.0	255.4	1.0
4.875 per cent Notes due 2025 <sup>(1)</sup>	300.0	296.9	-	296.9	Fixed	4.9	18.0	286.2	(10.7)
5.391 per cent Notes due 2026 <sup>(1)</sup>	210.7	209.8	-	209.8	Fixed	5.4	18.9	213.2	3.4
5.391 per cent Notes due 2027 <sup>(1)</sup>	611.3	608.3	-	608.3	Fixed	5.4	20.0	614.8	6.5
5.376 per cent Notes due 2029 <sup>(1)</sup>	317.9	316.2	-	316.2	Fixed	5.4	22.5	324.5	8.3
5.396 per cent Notes due 2032 <sup>(1)</sup>	322.9	321.0	-	321.0	Fixed	5.4	25.4	331.3	10.3
5.125 per cent Notes due 2036 <sup>(1)</sup>	500.0	498.4	-	498.4	Fixed	5.1	28.9	498.0	(0.4)
Bank facility due 2010	15.5	15.5	-	15.5	Floating	5.7	0.1	15.5	-
Euro Commercial Paper <sup>(2)</sup>	139.2	-	139.2	139.2	Floating	5.4	-	139.2	-
DWP term loan <sup>(3)</sup>	173.1	173.1	-	173.1	Floating	5.7	0.5	173.1	-
Syndicated bank debt <sup>(4)</sup>	183.0	183.0	-	183.0	Floating	5.5	-	183.0	-
Bilateral facility <sup>(5)</sup>	885.6	885.6	-	885.6	Floating	5.9	0.4	885.6	-
Acquisition loan notes <sup>(6)</sup>	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									
Bilateral facility	26.9	26.9	-	26.9	Floating	4.0	0.2	26.9	-
Euro Commercial Paper <sup>(2)</sup>	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 <sup>(2)</sup>	21.0	-	21.0	21.0	Floating	5.5	-	21.0	-
Yen									
Euro Commercial Paper <sup>(2)</sup>	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)		4.9	3.2	(2.4)	-
Non-qualifying hedges	1,205.0	-	(12.0)	(12.0)		5.1	10.1	(12.0)	-
Foreign currency swaps – qualifying hedges	100.9	-	(0.2)	(0.2)		5.8	0.3	(0.2)	-
	1,501.5	-	(14.6)	(14.6)				(14.6)	-
Bond exchange de-recognition		(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 <sup>(4)</sup> (note 18)				(1,687.4)					
Plus: bond exchange de-recognition falling due within one year (note 18)				6.3					
Less: amounts payable under finance leases falling due within one year (notes 18 and 24)				(2.1)					
Non-current borrowings				3,457.4					

**21. Borrowings continued**

1. The Notes and the committed bank facilities are secured on a fixed and floating pool of assets (the Security Group). This grants the Group's investors security over a pool of investment properties valued at **£12.4bn** at 30 September 2007 (30 September 2006: £10.9bn; 31 March 2007: £11.6bn). The amount borrowed against these assets was **£5,964.2m** (30 September 2006: £4,396.8m; 31 March 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 of Work and Pensions. The carrying amount of the properties concerned was **£363.4m** at 30 September 2007 (30 September 2006: £391.8m; 31 March 2007: £380.4m).
4. At 30 September 2007, the Group had a £1.5bn syndicated bank facility. In August 2006, the Group refinanced its syndicated bank facility with the effect of extending its maturity to 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. In December 2006 the Group entered into a £1.0bn bilateral facility relating to the acquisition of SMIF, which is due to mature in December 2007, although the Group has an option to extend it by a further year.
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, although the holders of the notes can request redemption in full at the next interest payment date with at least 30 days notice. Accordingly, the notes have been classified as current liabilities.
7. For foreign currency amounts, the nominal/notional value is the Sterling equivalent of the principal amount at the period end date.
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 do 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 will be 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.

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

	30 September 2007 £m			30 September 2006 £m			31 March 2007 £m		
	Fixed rate £m	Floating rate £m	Total £m	Fixed rate £m	Floating rate £m	Total £m	Fixed rate £m	Floating rate £m	Total £m
Sterling	5,395.2	973.6	6,368.8	4,204.4	448.3	4,652.7	5,439.8	207.6	5,647.4
Euro	-	55.3	55.3	-	-	-	-	26.9	26.9
	5,395.2	1,028.9	6,424.1	4,204.4	448.3	4,652.7	5,439.8	234.5	5,674.3

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

	30 September 2007 £m			30 September 2006 £m			31 March 2007 £m		
	Fixed rate £m	Floating rate £m	Total £m	Fixed rate £m	Floating rate £m	Total £m	Fixed rate £m	Floating rate £m	Total £m
One year or less, or on demand	243.0	1,028.9	1,271.9	193.4	255.9	449.3	1,457.2	234.5	1,691.7
More than one year but no more than two years	2.2	-	2.2	15.8	-	15.8	2.3	-	2.3
More than two years but no more than five years	22.0	-	22.0	65.8	-	65.8	22.0	-	22.0
More than five years	5,128.0	-	5,128.0	3,929.4	192.4	4,121.8	3,958.3	-	3,958.3
	5,395.2	1,028.9	6,424.1	4,204.4	448.3	4,652.7	5,439.8	234.5	5,674.3

The expiry periods of the Group's undrawn committed borrowing facilities are:

	30 September 2007 £m	30 September 2006 £m	31 March 2007 £m
More than two years but no more than five years	2.1	702.0	2.0
More than five years	743.0	-	1,317.0
	745.1	702.0	1,319.0

**21. Borrowings continued**

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

	30 September 2007 £m			30 September 2006 £m			31 March 2007 £m		
	Interest rate swaps £m	Foreign currency swaps £m	Total £m	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	299.4	34.7	334.1	29.5	-	29.5	274.9	100.9	375.8
More than one year but no more than two years	171.6	-	171.6	283.0	-	283.0	178.9	-	178.9
More than two years but no more than five years	1,183.5	-	1,183.5	610.8	-	610.8	867.3	-	867.3
More than five years	78.7	-	78.7	124.9	-	124.9	79.5	-	79.5
	1,733.2	34.7	1,767.9	1,048.2	-	1,048.2	1,400.6	100.9	1,501.5

**Financial risk management***Financial risk factors*

The Group's operations and debt financing expose it to a variety of financial risks that include the effects of changes in debt market prices, credit risks, liquidity and interest rates.

*Interest rate risk*

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 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 often do not qualify for hedge accounting.

*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 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.

*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 planned future investments.

<b>22. Net pension benefit obligations</b>	<b>30 September 2007 £m</b>	<b>30 September 2006 £m</b>	<b>31 March 2007 £m</b>
Analysis of the movement in the balance sheet deficit			
At the beginning of the period	5.6	6.5	6.5
Charge to operating profit	1.0	1.7	2.7
Expected return on plan assets	(4.3)	(4.4)	(8.6)
Interest on schemes' liabilities	3.9	3.8	7.6
Employer contributions	(1.1)	(1.6)	(3.9)
Actuarial losses	1.1	3.5	1.3
<b>At the end of the period</b>	<b>6.2</b>	<b>9.5</b>	<b>5.6</b>

23. Deferred taxation	Accelerated tax depreciation £m	Capitalised interest £m	Revaluation surplus £m	Other £m	Total £m
Deferred tax liabilities					
At 1 April 2006	(147.9)	(26.5)	(1,664.2)	(154.7)	(1,993.3)
Net (charge) / credit to income statement for the period	(9.2)	(3.6)	(269.0)	3.1	(278.7)
Released in respect of property disposals during the period	3.6	-	20.8	-	24.4
Deferred tax on acquisition of a company	-	-	-	(0.3)	(0.3)
<b>At 30 September 2006</b>	<b>(153.5)</b>	<b>(30.1)</b>	<b>(1,912.4)</b>	<b>(151.9)</b>	<b>(2,247.9)</b>
Net charge to income statement for the period	(8.5)	(2.5)	(61.7)	(2.3)	(75.0)
(Charged) / released in respect of property disposals during the period	(2.5)	-	11.7	-	9.2
Released on conversion to a Real Estate Investment Trust	160.1	31.7	1,962.4	155.1	2,309.3
<b>At 31 March 2007</b>	<b>(4.4)</b>	<b>(0.9)</b>	<b>-</b>	<b>0.9</b>	<b>(4.4)</b>
Net charge to income statement for the period	(0.3)	-	-	-	(0.3)
<b>At 30 September 2007</b>	<b>(4.7)</b>	<b>(0.9)</b>	<b>-</b>	<b>0.9</b>	<b>(4.7)</b>

	Tax losses £m	Hedges £m	Pension deficit £m	Other £m	Total £m
Deferred tax assets					
At 1 April 2006	12.2	2.3	2.0	9.0	25.5
Net charge to income statement for the period	(3.6)	(1.3)	(0.4)	-	(5.3)
(Credited) / charged to equity	-	(0.7)	1.0	-	0.3
<b>At 30 September 2006</b>	<b>8.6</b>	<b>0.3</b>	<b>2.6</b>	<b>9.0</b>	<b>20.5</b>
Net charge to income statement for the period	(2.8)	(1.8)	-	-	(4.6)
Released in respect of property disposals during the period	(5.8)	-	-	(9.0)	(14.8)
Released on conversion to a Real Estate Investment Trust	-	2.4	(2.2)	-	0.2
Credited to equity	-	(0.9)	-	-	(0.9)
<b>At 31 March 2007 and at 30 September 2007</b>	<b>-</b>	<b>-</b>	<b>0.4</b>	<b>-</b>	<b>0.4</b>

	30 September 2007 £m	30 September 2006 £m	31 March 2007 £m
Deferred tax is provided as follows:			
Excess of capital allowances over depreciation – investment properties	-	119.9	-
– operating properties	4.7	33.6	4.4
Capitalised interest – investment properties	-	27.3	-
– operating properties	0.9	2.8	0.9
Revaluation surpluses – own	-	1,829.1	-
– acquired	-	83.3	-
Tax losses	-	(8.6)	-
Other temporary differences	(1.3)	140.0	(1.3)
<b>Total deferred tax</b>	<b>4.3</b>	<b>2,227.4</b>	<b>4.0</b>

24. Obligations under finance leases	30 September 2007 £m	30 September 2006 £m	31 March 2007 £m
The minimum lease payments under finance leases fall due as follows:			
Not later than one year	6.9	7.0	6.9
Later than one year but not more than five years	26.4	27.2	26.7
More than five years	423.5	432.6	425.9
	456.8	466.8	459.5
Future finance charges on finance leases	(386.7)	(394.0)	(388.5)
Present value of finance lease liabilities (notes 9 and 21)	70.1	72.8	71.0

The present value of finance lease liabilities is as follows:

Not later than one year (notes 18 and 21)	2.1	2.1	2.1
Later than one year but not more than five years	8.7	8.8	8.8
More than five years	59.3	61.9	60.1
	70.1	72.8	71.0

The fair value of the Group's lease obligations, using a discount rate of 5.5%, is **£79.2m** (30 September 2006: £90.6m; 31 March 2007: £79.2m).

25. 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	-	-	4.7	-	-	4.8
Fair value movement on cash flow hedges – Group	-	-	-	-	-	1.9	1.9
– joint ventures	-	-	-	-	-	1.3	1.3
Fair value of share-based payments	-	-	2.6	-	-	-	2.6
Own shares acquired	-	(15.2)	-	-	-	(21.1)	(36.3)
Actuarial losses on defined benefit pension schemes	-	-	-	-	-	(2.5)	(2.5)
Dividend paid (note 6)	-	-	-	-	-	(133.8)	(133.8)
Profit for the financial period	-	-	-	-	-	859.8	859.8
<b>At 30 September 2006</b>	<b>47.0</b>	<b>(18.6)</b>	<b>8.9</b>	<b>47.9</b>	<b>30.5</b>	<b>8,076.0</b>	<b>8,191.7</b>
Exercise of options	-	-	-	3.6	-	-	3.6
Fair value movement on cash flow hedges – Group	-	-	-	-	-	3.2	3.2
– joint ventures	-	-	-	-	-	8.2	8.2
Fair value of share-based payments	-	-	3.0	-	-	-	3.0
Own shares acquired	-	0.1	-	-	-	-	0.1
Cost of shares awarded to employees	-	4.0	(4.0)	-	-	-	-
Actuarial gains on defined benefit pension schemes	-	-	-	-	-	2.2	2.2
Dividend paid (note 6)	-	-	-	-	-	(89.2)	(89.2)
Profit for the financial period	-	-	-	-	-	2,668.5	2,668.5
<b>At 31 March 2007</b>	<b>47.0</b>	<b>(14.5)</b>	<b>7.9</b>	<b>51.5</b>	<b>30.5</b>	<b>10,668.9</b>	<b>10,791.3</b>
Exercise of options	0.1	-	-	1.4	-	-	1.5
Fair value movement on cash flow hedges – Group	-	-	-	-	-	0.2	0.2
– joint ventures	-	-	-	-	-	2.4	2.4
Fair value of share-based payments	-	-	2.3	-	-	-	2.3
Own shares acquired	-	(9.4)	-	-	-	(71.7)	(81.1)
Cost of shares awarded to employees	-	1.9	(1.9)	-	-	-	-
Actuarial losses on defined benefit pension schemes	-	-	-	-	-	(1.1)	(1.1)
Dividend paid (note 6)	-	-	-	-	-	(159.5)	(159.5)
Profit for the financial period	-	-	-	-	-	367.0	367.0
<b>At 30 September 2007</b>	<b>47.1</b>	<b>(22.0)</b>	<b>8.3</b>	<b>52.9</b>	<b>30.5</b>	<b>10,806.2</b>	<b>10,923.0</b>

\* Included within retained earnings is **£17.2m** (30 September 2006: £0.3m loss; 31 March 2007: £14.6m gain) of gains in respect of cash flow hedges.

**25. Total shareholders' equity continued**

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 30 September 2007 was **1,320,086** (30 September 2006: 961,057; 31 March 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 30 September 2007 the Group owned **5,446,000** (30 September 2006: 1,225,000; 31 March 2007: 1,225,000) shares with a market value of **£91.7m** (30 September 2006: £24.1m; 31 March 2007: £25.9m).

**26. Cash flow from operating activities**

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

	30 September 2007 £m	30 September 2006 £m	31 March 2007 £m
<b>Cash generated from operations</b>			
Profit for the financial period	<b>367.0</b>	859.8	3,528.3
Income tax expense / (credit)	<b>8.2</b>	318.4	(1,549.2)
Profit before tax	<b>375.2</b>	1,178.2	1,979.1
Share of losses / ( profits) of joint ventures (post-tax)	<b>9.8</b>	(59.1)	(179.3)
	<b>385.0</b>	1,119.1	1,799.8
Interest income	<b>(8.5)</b>	(4.2)	(12.4)
Interest expense	<b>142.3</b>	114.7	233.3
Operating profit	<b>518.8</b>	1,229.6	2,020.7
Adjustments for:			
Depreciation	<b>20.8</b>	17.3	32.9
Profit on disposal of non-current properties	<b>(79.0)</b>	(33.6)	(118.2)
Profit on disposal of a PPP project	<b>(10.0)</b>	-	-
Net surplus on revaluation of investment properties	<b>(145.5)</b>	(896.7)	(1,307.6)
Pension scheme charge	<b>1.0</b>	1.7	2.7
Changes in working capital:			
(Increase) / decrease in trading properties and long-term development contracts	<b>(7.3)</b>	100.0	110.1
Increase in receivables	<b>(52.6)</b>	(135.7)	(121.6)
Increase in payables and provisions	<b>36.4</b>	52.7	63.4
<b>Net cash generated from operations</b>	<b>282.6</b>	335.3	682.4

**27. Related party transactions****Subsidiaries**

In accordance with IAS 27 'Consolidated and Separate Financial Statements', transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

**Joint ventures**

As disclosed in note 13, the Group has investments in a number of joint ventures. Details of transactions and balances between the Group and its joint ventures are disclosed as follows:

**27. Related party transactions continued**

	Period ended 30 September 2007 and at 30 September 2007				Period ended 30 September 2006 and at 30 September 2006			
	Revenues £m	Net investments into joint ventures £m	Amounts owed by joint ventures £m	Amounts owed to joint ventures £m	Revenues £m	Net investments into joint ventures £m	Amounts owed by joint ventures £m	Amounts owed to joint ventures £m
Scottish Retail Property Limited Partnership	0.4	(37.5)	-	(3.5)	0.9	-	0.3	(3.8)
Metro Shopping Fund LP	0.1	1.5	-	(2.6)	0.1	0.8	-	(1.8)
Buchanan Galleries Partnership	1.8	(3.1)	0.1	-	1.8	(2.4)	0.2	-
St David's Limited Partnership	2.4	35.0	-	(126.6)	0.4	21.5	16.5	-
Martineau Galleries Limited Partnership	0.1	4.3	0.1	-	0.1	-	0.3	-
The Bull Ring Limited Partnership	-	(6.6)	-	-	-	(7.1)	-	-
Bristol Alliance	3.9	36.7	-	(1.4)	1.6	27.5	-	(1.9)
Martineau Limited Partnership	-	-	-	-	-	(0.5)	-	-
A2 Limited Partnership	-	(0.1)	-	-	-	-	-	-
Parc Tawe	-	-	-	-	-	(4.0)	-	-
Hungate	-	1.8	-	-	-	-	-	-
Countryside	-	3.4	-	-	-	-	-	-
Investors in the Community	-	-	-	-	-	2.6	-	-
Ebbsfleet Limited Partnership	-	-	0.2	-	-	-	-	-
Fen Farm Developments Limited	-	(5.6)	15.4	-	-	-	-	-
	8.7	29.8	15.8	(134.1)	4.9	38.4	17.3	(7.5)

	Year ended 31 March 2007 and at 31 March 2007			
	Revenues £m	Net investments into joint ventures £m	Amounts owed by joint ventures £m	Amounts owed to joint ventures £m
Scottish Retail Property Limited Partnership	1.5	9.5	0.2	(7.6)
Metro Shopping Fund LP	0.5	(22.8)	-	(0.1)
Buchanan Galleries Partnership	3.6	(3.7)	0.3	-
St David's Limited Partnership	1.9	302.7	20.6	(115.5)
Martineau Galleries Limited Partnership	0.2	-	0.1	-
The Bull Ring Limited Partnership	-	(14.5)	-	-
Bristol Alliance	5.1	62.8	4.3	(1.9)
Martineau Limited Partnership	-	(0.5)	-	-
A2 Limited Partnership	-	-	-	-
Parc Tawe	-	(4.0)	-	-
Hungate	-	1.6	-	-
Countryside	-	0.9	-	-
Investors in the Community	-	(4.7)	-	-
Ebbsfleet Limited Partnership	-	-	-	-
Fen Farm Developments Limited	-	-	-	-
	12.8	327.3	25.5	(125.1)

Further detail of the above transactions and balances can be seen in note 13.

**Remuneration of key management personnel**

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the applicable categories specified in IAS 24 'Related Party Disclosures':

	30 September 2007 £m	30 September 2006 £m	31 March 2007 £m
Short-term employee benefits	1.4	1.5	6.1
Post-employment benefits	0.3	0.3	0.9
Share-based payments	1.1	1.3	2.4
Compensation for loss of office	-	-	0.7
	2.8	3.1	10.1

The amount shown as compensation for loss of office represents the maximum potential amount assuming no mitigation.



**28. Events after the balance sheet date**

Subsequent to 30 September 2007, the Group completed the acquisition of a number of PPP contracts from AMEC following the expiry of joint venture partners pre-emption rights for £89.4m.

## 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 Land Securities 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 Land Securities 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 Land Securities 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.