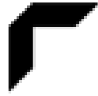
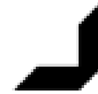


Annual Results for the year ended 31 March 2010

Wednesday, 19 May 2010



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Forward-looking statements

This document may contain certain "forward-looking statements" with respect to Land Securities Group PLC's financial condition, results of operations and business, and certain of Land Securities Group PLC's plans and objectives with respect to these items.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as "anticipates", "aims", "due", "could", "may", "should", "expects", "believes", "intends", "plans", "targets", "goal" or "estimates". By their very nature forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future.

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

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

Financial results for the year ended 31 March 2010

"As the commercial property market moved from downturn to recovery in the year, so our actions moved to positioning the business to exploit the opportunities we see ahead. Our plans to drive shareholder value are clear and we are confident in our ability to deliver a substantial development pipeline into a supply constrained market in London while maintaining a strong focus on growing revenue profit across the Group."

Results Summary

	31 March 2010	31 March 2009	Change
Valuation surplus / (deficit) (1)	£863.8m	£(4,743.7)m	Up 10.3%
Basic NAV per share	750p	639p	Up 17.4%
Adjusted diluted NAV per share (2)	691p	593p	Up 16.5%
Group LTV (loan to value) (1)	43.5%	49.6%	Down 6.1%
Net debt	£3,263.4m	£3,923.6m	Down £660.2m
Profit / (Loss) before tax	£1,069.3m	£(4,773.2)m	N/A
Revenue profit (1)	£251.8m	£314.9m	Down 20.0%
Basic EPS	144.04p	(918.04)p	N/A
Adjusted diluted EPS	34.08p	62.57p	Down 45.5%
Dividend	28.0p	51.7p	Down 45.8%

(1) Including share of joint ventures
(2) Our key valuation measure

Market trends and performance

- Sharp turnaround in the UK commercial property investment market as second half saw rapid recovery
- Valuation surplus of 10.3%
- Management of gearing contributing strongly to adjusted diluted NAV per share growth of 16.5%
- Rental values bottoming out after 6.0% decline over the year
- Portfolio returns broadly in line with IPD
- Balance sheet strengthened with extended debt maturities and AA credit rating reaffirmed
- £153.9m of acquisitions since year end

Pipeline of development opportunities for delivery into supply constrained market

- Four central London developments underway producing 110,170 sq m for delivery between 2010 and 2013
- 272,200 sq m of London development schemes with planning secured
- 111,100 sq m of London development and refurbishment opportunities in design
- In talks with potential partners for a joint venture (JV) on 20 Fenchurch Street
- Good progress on pre-letting proposed 70,000 sq m shopping centre development at Leeds Trinity, Leeds
- Planning consent achieved on three supermarket developments with J Sainsbury
- Balance sheet driving competitive advantage in terms of cost and availability of finance for development

Focus on income

- Achieved £58m of lettings in the year
- One New Change retail now 90% let or in solicitors' hands
- Units in administration in the like-for-like portfolio down at 1.0% (3.3% at 31 March 2009)
- Voids in the like-for-like portfolio at 5.9% (5.0% at 31 March 2009). Within this, temporary lettings are occupying 1.2% of voids
- Focus on growing revenue profit in medium term
    - Limited over-renting in portfolio
    - High yield on cost on projected or new developments
    - Revenue profit impact of making dormant development sites productive

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

"During the year we stood back and tested our strategy. The review reaffirmed our confidence in the opportunities we see in the two largest segments of the UK commercial property market, London offices and retail.

"We have an unrivalled pipeline of potential projects in our London Portfolio, with over 110,000 sq m of developments already underway and up to a further 400,000 sq m of development and refurbishment opportunities. In retail we have plans aligned to the ongoing evolution in the sector and, through a focus on leasing and delivering occupier led developments, we will drive growth in capital values.

"We maintain our view that property values will rise over the next five years but, with the likelihood of volatility in consumer spending and business investment, the path may not always be smooth. We see any ripples in the trajectory as being likely to offer attractive buying opportunities. We believe strongly that, in our balance sheet, the skills of our people and our plans for our portfolio, we have the platform to create long-term value for our shareholders."

Our Chairman's message

The downturn in the economy was rapid and severe, and the effects of this dramatic deterioration continue to be felt across the financial and business environment. Property has not been immune and everyone in our sector has faced profound challenges. The first half of the financial year brought the first glimpses of recovery in our market, however, and we saw a surprisingly vigorous upswing as the year progressed. The sustainability of asset values is driven by stable or increasing rents, and we began to see early evidence of this as we moved in to the 2010 calendar year.

Against this background, our share price ended the financial year up 55.1% at £6.78. Our performance reflects both the improving market conditions and the effective measures we have taken to strengthen our position. The dividend for the year was 28.0p. Following shareholder approval in December 2009, the Company offered investors the option to receive a scrip dividend alternative. I am pleased that 41% of shareholders chose to participate in this scheme for the third quarterly dividend. It was also encouraging that our representations to government on this subject have not been in vain, with steps taken this year to permit scrip dividends to be treated as part of REIT Property Income Distributions (PID).

The commercial property market now enjoys a brighter outlook, but I do not expect the trajectory of growth to be smooth. It may take the UK economy a number of years to regain full strength. During this extended recovery period we are likely to see volatility in consumer spending and business investment, and our market may well experience bumps as a result. We are well prepared for these dynamics.

Given the profound changes taking place around us, we chose to take a long, hard look at the Company's strategy this year. Our examination was thorough, but we found no evidence to suggest we should move away from our chosen sectors. London remains a world-class capital with a breadth of successful businesses and a marked under-supply of high quality office space. Retail offers good potential for those able to meet retailers' changing needs and move assets up the retail hierarchy. We hold a strong position in both sectors.

We have drawn important lessons from recent events. We now have a heightened focus on maintaining asset liquidity, crystallising profits as markets rise, and managing balance sheet gearing to position the business to meet future development expenditure commitments. Our job is to steer the best course between caution and enthusiasm, and that means our financial structure must remain highly attuned to change.

During the year the Company was active in recycling capital and we strengthened our financial position significantly. As one of the world's largest REITs, with a £9.5bn portfolio of assets, we continue to have the scale and balance sheet required to create landmark developments. Our aspirations certainly match our capabilities, as our desire to restart the spectacular scheme at 20 Fenchurch Street, EC3, underlines. At the same time, pragmatism will continue to guide our actions, and, when necessary, we will seek partners to ensure we maintain the right ratio of risk to reward.

We remain patient in terms of when and where to make acquisitions. We have bought selectively, but we expect a wider range of opportunities to become available. In the meantime, well-judged leverage has enabled us to deliver attractive growth in net asset values through existing holdings. We will continue to pace our transactions carefully.

Corporate Responsibility is central to our agenda. A desire to define new standards across sustainability, community relations and employee development sets us apart as a landlord, partner and employer. Innovations such as our use of geothermal technology at One New Change – which should save over 900 tonnes of carbon dioxide emissions annually – are driven by a determination to find long-term solutions to the most pressing issues facing customers and communities.

It is important that our mindset as a Company becomes ever more flexible and entrepreneurial. Our customers live in a very different world from three years ago and we must respond with better services and new ideas. Once again, our employees have demonstrated they are very much up to the task. I thank them for the remarkable energy, expertise and commitment they have shown this year.

We appointed two new Board members during the year. Robert Noel has become Managing Director of the London Portfolio, joining us from Great Portland Estates plc. He has an outstanding track record and is a great addition to the senior team. Chris Bartram has joined as a Non-executive Director. He has deep experience within the property industry and will provide sound counsel for our executives. Mike Hussey left us after seven years with the Company, five as Managing Director of the London Portfolio. The Board thanks him for his valued contribution and wishes him every success.

An external Board review conducted during the year highlighted both our good practice on governance and the complementary mix of experience on our Board. Recent years have tested the Non-executive and Executive teams, but the Board is stronger for coming through crisis together. We gained invaluable experience in the downturn and have emerged with a heightened commitment and a keen appetite for the opportunities ahead.

Conditions have challenged the character and constitution of this Company. I thank shareholders, customers, suppliers and colleagues for their support in demanding circumstances. We are now building good momentum. We see plenty of opportunities to use our exceptional skills and capabilities to create value. We have the leadership qualities required to compete and win in a fast-moving market. And we have the financial firepower needed to make telling investments.

Alison Carnwath

Chief Executive's Statement

As the commercial property market moved from downturn to recovery in the middle of the year, our actions focused on ensuring that we positioned the business to exploit the opportunities we see ahead. We end the year with clarity on our plans – plans which will build on the strong foundations we have created.

Performance

We have delivered a year of good growth in shareholders' net assets and we believe we have the potential to deliver attractive relative returns in the future. Our confidence is built upon the opportunities in our existing portfolio for delivering developments into a supply constrained market in London allied to our focus on growing income and revenue profit in the medium term.

The year saw a dramatic turnaround in the UK commercial property market, with falling values in the first six months giving way to a rapid recovery in the second half. Investors returned in numbers and this led to sharp increases in property values, with the valuation of our investment properties increasing by 10.3% over the full year and the value of our shareholders' adjusted diluted net assets increasing by 16.5%.

This performance reflects the improved environment in commercial property, but it is also the result of our management of balance sheet gearing so that it was positioned to drive NAV growth. We held a relatively high gearing ratio at 50% loan-to-value at the low point in the cycle during the second and third quarters of 2009, which ensured a healthy conversion rate of growth in property values into growth in shareholders' net assets. Looking ahead we are now moving back to our more normal target gearing range of 35% – 45% with our actual loan to value ratio at 31 March 2010 being 43.5%. This transition has been achieved through a combination of some £1bn of property sales and the rise in property values.

Whilst capital values rose over the year, there was still negative pressure on rental values over the year as a whole, reflecting the general weakness in the economy. So, rental values were down 6.0% across our like-for-like portfolio over the 12 months, which was split between a negative 5.7% in the first half and a fractionally negative 0.3% in the second half. We are pleased that the evidence for our portfolio in the second half shows that the trend in rental values has now generally bottomed out.

Our portfolio performed broadly in line with the IPD Quarterly Universe, delivering an ungeared total property return of 17.3% compared to 17.4% on the IPD benchmark. Our shopping centres delivered particularly strong relative performance, beating the benchmark by 6.9%, and our retail warehouses outperformed by 0.75%. Our performance on London offices was held back by a number of pre-development sites which were flat or slightly negative over the period but represent a future source of value.

Our pre-tax profit for the year was £1,069.3m (2009: £4,773.2m loss). This figure includes the valuation surplus on our investment portfolio of £863.8m. Our measure of recurring income profit is revenue profit, which excludes the revaluation surplus. Revenue profit was £251.8m, down 20.0% on the prior year, but slightly ahead of market expectations.

This reduction in revenue profit was attributable to the dilutive impact of asset sales, which were undertaken to manage balance sheet ratios, and also the loss of income from tenant insolvencies and lease expiries on pre-development properties. In 2010/11 we will continue to see the balance of the full year effect of dilution from sales and some further lease expiries on pre-development properties. However, helping to offset these impacts will be our initiatives to grow income from the rest of the portfolio.

Looking beyond this current year, we expect revenue profit to grow through a combination of portfolio lettings, bringing back dormant development sites into productive use and completing development projects at a rental yield in excess of our cost of debt. Our policy is broadly to match trends in dividends to underlying earnings. So we expect to maintain our dividend at the same level of 28.0 pence per share for 2010/11, but will look to grow the dividend as revenue profit growth returns.

Focus on lettings

Our key priorities for the past year were maintaining portfolio income, securing lettings on recently completed developments and creating the platform to deliver future development projects into a strengthening economy.

At the beginning of the year, it was widely expected that portfolio vacancy rates would rise sharply with further insolvencies. However, we succeeded in reducing our units in administration from 3.3% to just 1.0%. We also contained the increase in voids on our like-for-like portfolio at 5.9% in March 2010 compared to 5.0% at the beginning of the period. Our success on lettings reflects both the energy of our property leasing teams and also our long-established relationships with occupiers.

On development projects, our target was to achieve £17m of lettings and we significantly exceeded this, securing as much as £23m of new lettings. In partnership with Capital Shopping Centres, we opened the St David's 2 Shopping Centre in Cardiff in October, and the scheme is now 74% let or in solicitors' hands with good footfall and retail trading figures. In London, our largest completed development is at Dashwood House in the City, which moved from being 9% let in March 2009 to 88% let now.

Also in London, we continued our track record of success on mixed use developments with One New Change, next to St. Paul's Cathedral. This scheme is due for completion in autumn 2010 and was named both Overall and Mixed Use Winner in the 2010 MIPIM European Architectural Review Future Projects Award. Our tactics on leasing One New Change illustrate our priorities in current market conditions – patience and flexibility. During the year we focused on the importance of having the retail element let and trading by the opening date and the retail space is now 90% spoken for in terms of space let or in solicitors' hands. On the office side, we have taken a longer-term approach. The rapid recovery in the London office market, together with the increasingly tangible quality of the development, gives us confidence we will gain more attractive lease agreements with office occupiers as we move towards full launch in autumn 2010.

Balance sheet strength

An important ingredient in terms of our ability to create value for shareholders in the future is our balance sheet capacity. We further strengthened our balance sheet in the year through increasing the average duration of our debt from 9.6 years to 11.8 years – one of the longest durations for any commercial property company. This was achieved by extending £650m of bank facilities for a further 4.5 years and launching an innovative £360m bond secured against the rent from an office building let to the government at Queen Anne's Gate, SW1. We will continue to manage an appropriate balance between duration and flexibility in our debt facilities.

Our secured debt structure, together with its AA credit rating, provides us with an efficient source of finance to fund both our development projects and acquisitions.

Business positioned to exploit opportunities

After continuing to nurture our future development pipeline during the downturn, we moved quickly to announce the start of three major development projects in London. This will give us competitive advantage on timing of delivery as we move into the recovery phase of the cycle.

We have an unrivalled pipeline of potential projects in London and we see these as being an attractive source of value creation as we bring them forward to fruition. We will deliver most of these projects ourselves, but we will partner or forward sell some to manage our overall risk exposure to development and the specific risk exposure on some of the very largest projects.

In London, we expect to be developing into a sharply rising market and so plan to crystallise rent levels through lettings close to the time of scheme completion.

In contrast, our tactics on retail development will be to secure a significant level of pre-letting before commencing projects. At our major 70,000 sq m shopping centre development at Leeds Trinity, we have either concluded pre-lettings or are at an advanced stage of negotiations with sufficient retailers to meet our pre-letting threshold. Assuming these negotiations are successfully concluded, we expect to start this scheme during 2010. We also plan a number of smaller retail developments in edge-of-town and out-of-town locations with the sound foundations of pre-lettings to supermarket operators and other leading retail brands. During 2009, we delivered the first store for John Lewis at Home in Poole, and we now have planning consent, or resolution to grant consent, for three developments with J Sainsbury.

In terms of acquisitions, we have felt no need to make hasty investment decisions. More and larger opportunities will emerge over the next few years, as banks and others sell properties to strengthen their balance sheets and reduce exposure to the property market. Our objective is to build sustainable business momentum over time, and we have the balance sheet capacity to do this.

We have made a small number of selective acquisitions in the retail sector, each of which offer future asset management or development opportunities. We purchased a prime retail development site in the centre of Glasgow from a receiver acting on behalf of Lloyds Bank. And since our financial year end, we have acquired the

O2 Finchley, a London suburban shopping centre, a market segment we favour, and also a 50% interest in a shopping centre with redevelopment potential in the middle of Oxford.

Stakeholder engagement

We continue to work innovatively with a range of stakeholders to mutual benefit. For example, this year we worked with a small number of retailers to develop ‘Clearlet leases’, which are short, simple legal documents that contain clauses making it easier for retailers to plan their businesses. We also launched our innovative Brand Empire initiative, which has established a new way for international retailers to enter the UK market.

We are working closely with customers in the increasingly important area of sustainability. The UK is due to reduce CO2 emissions by 34% by 2020; commercial property accounts for 18% of these emissions currently, so the challenges here are substantial and collaboration vital. Land Securities has long taken an active approach to sustainability and this year we launched a number of new schemes, including the voluntary introduction of Display Energy Certificates across our London office portfolio. In February 2010, our work was recognised when we won two Sustainable City Awards and were named winner of the Sustain Magazine ‘Leadership In Sustainability’ Award.

Outlook

Our plans to drive shareholder value are clear and focus on the two largest segments of the UK commercial property market – retail and London offices. These are the market segments where we have established relationships with occupiers, an exceptional set of skills and a broad range of opportunities.

Our outlook for the commercial property market is always coloured by wider trends in the economy. And it is clear that, both in the UK and internationally, there are still residual imbalances from the financial downturn. We expect investor interest in the UK commercial property market to continue, although more properties are likely to be brought to the market for sale. In the short term this may restore equilibrium between buyers and sellers, and potentially even lead to some ripples in the pricing of property investments. However, we are now looking to rental values as the next driver of growth. We are well placed to drive both income and capital returns as rental values recover through our unrivalled development pipeline and an investment portfolio with limited over-renting. We expect occupier markets to be stronger in London than for retail properties and so we plan to allocate a high proportion of our capital expenditure on developments to the London market.

Our actions in the year mean we are well placed to exploit recovery in occupier markets, and to respond quickly to a new set of opportunities. With a sound balance sheet and a talented management team, we have the potential to set Land Securities apart and lead our sector in this fast evolving market.

Francis Salway

London Portfolio

"We are moving into supply-constrained market conditions in central London and this offers opportunity for those able to deliver the right property at the right time. Our robust balance sheet, high quality portfolio and sizeable development pipeline put us in an excellent position."

Robert Noel
Managing Director, London Portfolio

Our market

Despite continued anxiety around the financial and economic environment, London reasserted itself as a centre for property investment this year. Currency movements, high levels of transparency and London's fundamental qualities as a capital city helped to draw significant interest from global investors. We saw rising investment values as a result.

As expected, rents were slower to respond to growing confidence and we continued to see a softening of rental values across London over the year as a whole. As we moved into the second half, continued occupational demand combined with a reduced construction pipeline started to limit the availability of prime office buildings. Consequently, tenants now have less choice and rental value growth is returning.

Over the longer term, the picture is one of increasing supply constraint for prime buildings in key London locations.

Our performance

The valuation of the portfolio resulted in a positive valuation surplus of 9.1% over the year, most of which came in the six months to 31 March as a result of significantly improved market conditions.

Rental values in our like-for-like portfolio fell by 9.3% in central London over the year as a whole, virtually all of which was attributable to the first six months of the year. Rental values declined just 0.5% in the second six months as we moved through the turning point in the cycle.

Voids across the like-for-like portfolio increased from 4.9% in March 2009 to 6.1% at year end. This movement resulted from lease expiries, some of which related to pre-development properties where we are creating the opportunity to deliver new, larger buildings into an improving market.

On the basis of ungeared total property returns, our London offices underperformed the IPD Quarterly Universe by 2.3%. The total return on our London offices would have been 1.2% higher if we adjusted for capital extracted from Queen Anne's Gate through a bond issue. The other factor impacting negatively on performance was static or falling valuations on pre-development and other properties with short unexpired leases, although these same properties are expected to provide us with a good source of opportunity as we move into the next stage in the cycle.

Table 1: Net rental income

	31 March 2010 £m	31 March 2009 £m	Change £m
Like-for-like investment properties	226.4	232.5	(6.1)
Proposed development properties	5.5	5.7	(0.2)
Ongoing developments	(5.0)	(0.3)	(4.7)
Completed developments	46.6	41.6	5.0
Acquisitions since 1 April 2008	1.1	0.5	0.6
Sales since 1 April 2008	11.1	44.7	(33.6)
Non-property related income	2.6	1.9	0.7
Net rental income	**288.3**	**326.6**	**(38.3)**

Net rental income declined by £38.3m or 11.7% to £288.3m largely as a result of our sales programme but also due to lease expiries within like-for-like properties at 123 Victoria Street, SW1 (formerly Ashdown House) and Portland House, SW1. The fall was cushioned by the increase in income from completed developments, particularly New Street Square, EC4 and Queen Anne's Gate, SW1.

Our strategy

We expect to see rising levels of demand over the medium term, so our strategy is focused on maximising potential returns as we move through the rental cycle. Our priority is to develop space appropriate for its market at the right time in the cycle so that we meet occupiers' needs and create value in a supply-constrained environment. We intend to deliver early in the cycle so we gain the benefit of competitive construction pricing, rising rental values and a liquid market in which to make sales, as and when necessary. While a relatively early delivery of developments may lower the ceiling for rents, it also reduces the risk and is likely to provide more stable returns over the long-term.

Sales and acquisitions

During the year, we completed our planned programme of asset sales. Disposals included One Wood Street, EC2; Portman House, W1; 22 Kingsway, WC2; 98 Theobald's Road, WC1; 40/50 Eastbourne Terrace, W2; and Sardinia House, WC2. All of these properties were acquired by overseas investors. Sales totalled £411.4m and, on average, were at 1.5% below the 31 March 2009 valuation (before disposal costs). The average income yield was 7.9%.

Asset management

We maintained an intense focus on leasing activity throughout the year, achieving success through our close relationship with occupiers, attractive assets and pragmatic approach. Key leasing activity included:

• Thomas More Square, E1 – owned with The Cadillac Fairview Corporation Limited - we completed a letting of 17,820 sq m of office and support space to News International for a minimum of five years, at a rent of £4.2m per annum. This is the largest letting of second-hand space in the London office market since 2003.

• Portland House, SW1 – a 26,700 sq m office building where 4,400 sq m of the space was re-let during the year following lease expiries.

• New Street Square, EC4 – a mixed-use scheme where terms are agreed to let the last remaining retail unit and the office space is now fully let.

Development

Our long-term development strategy ensured we had comparatively little completed space coming onto the market in the downturn. Dashwood House, EC2, our 14,820 sq m office refurbishment completed in October 2008 is now 88% let. In 2009, our development completions totalled just 4,470 sq m and related entirely to our development at 30 Eastbourne Terrace in Paddington which completed in May 2009 and is now 38% let.

In terms of schemes in our development pipeline:

• One New Change, EC4

One New Change is taking shape and will complete in October 2010. This fabulous addition to London will comprise 19,900 sq m of retail space and 30,840 sq m of office space which will be completed to shell and core. On the retail side, we worked relentlessly to achieve lettings and now have 90% of space pre-let or in solicitors' hands. Recent retail lettings include Next, All Saints, Reiss, Hobbs and a new Jamie Oliver restaurant concept. Given the potential recovery in the office market, we saw no need to over-incentivise office lettings and remain confident that we will complete agreements – at the right level, with the right occupiers – once the building is completed. The office element was 38% let at the year end.

• Park House, W1

This scheme covers an entire city block of just over an acre on a prime Mayfair site with frontage onto Park Street, North Row and Oxford Street. It will provide 15,140 sq m of offices, 8,140 sq m of retail and 5,380 sq m of residential in 39 units. The total development cost, including land and finance costs, is £412m of which the remaining capital expenditure to complete the scheme is £179m (excluding capitalised interest). Construction has started for delivery in late 2012.

• 62 Buckingham Gate, SW1 (formerly Selborne House)

This scheme will provide 23,450 sq m of office accommodation, together with street-level shops and restaurants. Demolition has started, and we expect to complete the scheme in 2013. We are investing significant time in refining the way the building will sit within its environment, particularly the relationships between offices, retail, leisure and residential.

• Wellington House, Buckingham Gate, SW1

The new scheme will create a residential development of 5,540 sq m providing 59 units. The total development cost, including land and capitalised interest, is £55m. Demolition has started and delivery is scheduled for 2012.

• 20 Fenchurch Street, EC3

The changing dynamics in the office market lead us to believe that both Land Securities and the City of London will gain substantial benefit from this landmark development. It is a bold, aspirational scheme that will provide truly world-class space. We estimate construction time at three years. We are currently exploring the options to develop this scheme in joint venture in order to diversify leasing risk and leave us capacity to bring forward a range of other projects.

• Arundel Great Court, WC2
In November 2009 we secured full planning consent for a 61,890 sq m mixed-use development. Recent lettings have secured income on the site until the end of 2012, with the earliest delivery of the scheme not anticipated before 2015.

• Victoria Transport Interchange
In February 2009 Westminster City Council resolved to grant planning consent for our 84,600 sq m development. This will occupy an island site close to Victoria station, the capital's busiest transport hub with approximately 115 million users travelling through it each year. The site, which is mainly let until September 2012, is opposite our Cardinal Place development and will comprise six buildings arranged to open up new accessible public spaces, with a mix of office, residential, retail and restaurant space and a new public library.

We are planning further schemes at 123 Victoria Street, SW1 (formerly Ashdown House), Cannon Street, EC4, Shoe Lane, EC4, and Ludgate Hill, EC4 and aim to submit planning applications during the year to March 2011.

Looking ahead

The outlook for rents in the London office market is positive. Vacancy rates have peaked at lower levels than in 2003 and there is a very limited supply of new developments coming onstream in the short term. We expect the emergence of a supply-constrained London office market to drive rental values. We are well positioned to benefit from this through our scaleable development programme. Strong demand will be driven by a number of factors, including:

• The higher than normal level of lease expiries due from 2013, particularly in the City market;
• A number of key assets coming to the end of their economic life at the same time;
• Prospective occupiers using the end of leases to rationalise their estates; and
• Increasing emphasis on corporate responsibility, which is requiring many occupiers to choose buildings with excellent sustainability performance.

In addition, many prospective occupiers are recognising that rent now represents a relatively low percentage of the total cost of property. Energy efficiency, brand reputation, communications capability and productivity requirements are likely to drive high demand for new and newly upgraded properties in the best locations.

Key objectives for 2010/11

• Outperform IPD
• Submit further planning applications to ensure we can meet demand for offices in a supply-constrained market
• Let up balance of office and retail space at One New Change, EC4
• Achieve retail lettings at Park House, W1
• Achieve success with our nascent residential development programme

We outline our development pipeline in Table 2

Table 2: London development pipeline at 31 March 2010

Property	Description of use	Ownership interest %	Size sq m	Planning status	Letting status %	Net income/ ERV £m	Estimated/ actual completion date	Total development costs to date £m	Forecast total development cost £m
Developments, let and transferred or sold									
New Street Square, EC4	Office	100	62,340		100	32	May 2008	377	377
	Retail		2,980		90				
Developments completed									
Dashwood House, EC2	Office	100	14,110		75	7	Oct 2008	113	113
	Retail		710		100				
30 Eastbourne Terrace, W2	Office	100	4,470		38	2	May 2009	32	32
Developments approved and in progress									
One New Change, EC4	Office	100	30,840		38	28	Oct 2010	409	540
	Retail		19,900		61				
Wellington House, SW1	Retail	100	240		-	-	Jul 2012	23	55
	Residential		5,540						
Park House, W1	Office	100	15,140		-	24	Nov 2012	217	412
	Retail		8,140						
	Residential		5,380						
62 Buckingham Gate, SW1 (formerly Selborne House)	Office	100	23,450		-	17	Apr 2013	49	182
	Retail		1,540						
Proposed developments									
20 Fenchurch Street, EC3	Office	100	61,660	PR	n/a	n/a	2014	n/a	n/a
	Retail		2,130						
Arundel Great Court & Howard Hotel, WC2	Office	100	36,750	PR	n/a	n/a	2015	n/a	n/a
	Retail		2,470						
	Residential		22,670						

Floor areas shown above represent the full scheme whereas the cost represents our share of costs. Letting % is measured by ERV and shows letting status at 31 March 2010. Trading property development schemes are excluded from the development pipeline. Cost figures for proposed schemes are not given as these could still be subject to material change prior to final approval.

Planning status for proposed developments
PR – Planning Received

Total development cost
Total development cost refers to the book value of the land at the commencement of the project, the estimated capital expenditure required to develop the scheme from the start of the financial year in which the property is added to our development programme, together with capitalised interest. The figures for total development costs include expenditure on the residential elements of Wellington House (£55m) and Park House (£101m).

Net income/ERV
Net income/ERV represents headline annual rent payable on let units plus ERV at 31 March 2010 on unlet units.

Retail Portfolio

"We are emerging from very tough conditions in resilient shape. We have protected income, secured new lettings and sold properties with limited growth prospects. We will create future value through continuing to let up vacant space and selectively undertaking development projects with the sound foundations of significant pre-lettings."

Richard Akers
Managing Director, Retail Portfolio

Our market

At the start of the year the economic outlook continued to cast a shadow over retail property investment values, but the picture improved significantly as we moved towards and beyond the half-year point, with growing investor demand for shopping centres and retail warehouses. We saw a pronounced rise in values for retail warehousing, which was a result of particularly strong buying interest from institutional investors.

While occupier markets remained tough this year, well located retail assets in a good catchment continue to attract retailers. We saw consistent leasing activity from a number of well-known brands both in shopping centres and the retail warehouse market.

The first half saw the sector continue to be hit by further retailer insolvencies, but the level of units in administration in our portfolio remained relatively stable and then declined in the second half due to our focus on securing new lettings.

Our performance

The valuation of our Retail Portfolio resulted in a surplus for the year of 11.7% overall, with shopping centres and shops up 8.3% and retail warehouses and food stores up 22.5%.

Rental values in our like-for-like portfolio fell 6.3% for our shopping centres and shops, and 4.7% for our retail warehouses and food stores over the year as a whole. However, the rate of decline was ameliorating as the year progressed and, in the second half, rental values fell by just 0.7% for shopping centres and shops, and by 0.2% for our retail warehouses and food stores.

On the basis of ungeared total property returns, our shopping centres outperformed the IPD Quarterly Universe by 6.9% and our retail warehouses outperformed by 0.75%. The primary reasons for this outperformance were higher levels of occupancy coupled with the completion of a number of key asset management initiatives.

We significantly reduced the proportion of units in administration from 5.1% in March 2009 to 1.8% at year-end. Voids across our like-for-like Retail Portfolio were 5.8% compared to 5.1% at March 2009. Within this 5.8% void figure, 1.8% is occupied under temporary lettings. These results reflect good leasing progress assisted by our established relationships with retailers.

Table 3: Net rental income

	31 March 2010 £m	31 March 2009 £m	Change £m
Like-for-like investment properties	228.5	242.0	(13.5)
Proposed development properties	7.2	8.6	(1.4)
Ongoing developments	7.1	2.8	4.3
Completed developments	12.3	4.5	7.8
Acquisitions since 1 April 2008	0.2	-	0.2
Sales since 1 April 2008	20.2	55.2	(35.0)
Non-property related income	3.7	5.4	(1.7)
Net rental income	**279.2**	**318.5**	**(39.3)**

The variance in net rental income compared to the same period last year is mainly attributable to our sales programme, which resulted in a decline of £35m. The decline in net rental income on like-for-like investment properties is attributable to the full year effect of the vacant units that resulted from the failure of a number of retailers in the second half of 2008/09 and also a fall in the income from the Accor portfolio, reflecting the difficult trading conditions within the hospitality sector. However, this has been partially offset by an increase in income from our completed developments in Bristol, Livingston and Cardiff, which opened in September 2008, October 2008 and October 2009, respectively.

Our strategy

Despite recent turbulence in our market, our strategy has remained clear, consistent and in tune with evolving retail trends. We work to ensure our shopping centres – both large and small – provide shoppers with convenience, great leisure experiences and a breadth of successful retail brands. And we continue to develop our retail warehouse portfolio so major brands can provide attractive and convenient out-of-town options for shoppers.

We look to improve assets, raising them up the retail hierarchy and positioning them to become dominant in their catchment. Our key objective is to maximise long-term returns from our portfolio.

The fundamentals of our strategy are well suited to the market's recovery phase, but over the next 12 months we will be placing particular emphasis on four key priorities. We will look to expand our out-of-town presence through new acquisitions and development. We will continue our intense focus on meeting pre-letting targets for development schemes, including Leeds Trinity. We will continue to work to protect income across our portfolio. And we will maintain effective cost control on capital expenditure and irrecoverable costs associated with shopping centres.

Sales and acquisitions

This year asset sales totalled £625.5m. On average, sales were at 1.6% below the 31 March 2009 valuation (before disposal costs) and showed an average income yield of 7.6%. We chose to sell assets that offered less opportunity to create value through development and active asset management.

The largest disposal related to our one-third ownership in the Bullring, Birmingham, which was sold to the Future Fund of Australia for close to £210m in September 2009. We had no operational control of the Bullring asset and saw limited opportunities to create additional value through asset management.

In December 2009, we sold a 50% share of our leasehold interests in Exeter city centre to The Crown Estate for close to £100m. This transaction has enabled us to extract capital while retaining the asset management, property management and future development functions for this estate.

Other asset disposals this year included retail warehouse parks and food stores in Bury, Melton Mowbray, Plymouth, Liverpool, Edmonton, Swansea and Chester, together with shopping centres in Maidstone and Welwyn.

After conversion to REIT status in 2007 we became a net seller of retail assets and initially enjoyed the capital gains tax benefits REIT status brings to transactions. Even as we moved into the downturn we succeeded in making good sales. In 2007 and 2008 we disposed of nine retail warehouse assets with a combined value of £300m, at an average yield of 5.2%. In 2009 we sold a further five assets for £170m bringing the combined average yield up to 6.2% for this whole period. We have sold many of our older retail warehouse assets, some dating back to the early 1980s and now have a very robust portfolio, with a low level of voids and significant opportunities for development and enhancement.

In December 2009 we completed the purchase of the property known as The Atlas Site for just under £10m – a relatively small but important transaction that demonstrates how we create value. Located on Glasgow's Buchanan Street, The Atlas Site is directly opposite the Buchanan Galleries shopping centre, which we jointly own with Henderson Global Investors. Ownership of the new asset will help us to maximise the development potential of our Buchanan Street holdings, as we work to cement its place as the dominant pitch in this major city.

Since the year end, we have also acquired the O2 in Finchley Road and a 50% stake in The Westgate Centre, Oxford. The O2 has a very secure income stream and a number of interesting asset management opportunities. In Oxford, we have entered into a partnership with The Crown Estate after they agreed to acquire the centre. Oxford has very strong demand from retailers and a shortage of quality retail floorspace.

Asset management

Our asset management initiatives across our centres have also created encouraging results. Our factory outlet centres continue to prove attractive to retailers and consumers alike with the convenience, value and breadth of their choice. At Gunwharf Quays in Portsmouth, sales grew by 6.7% over the year helped by new lettings to Fiorelli, Quba Sails, Yo Sushi and Wagamama. The Galleria at Hatfield has also seen good progress, with Gap, Jaeger, Laura Ashley and Gant new to the centre. Across our shopping centre portfolio, we have seen emerging instances of being able to secure higher rents for the right unit in the right location. An example is at the N1 Centre in Islington where the former Borders unit attracted a significant amount of interest and H&M ultimately beat several competitors for the space at a rental level considerably higher than the previous rent. In Aberdeen, the centre has responded well to recently opened competition with lettings to Hobbs, Jo Malone, Phase 8 and Swarovski helping reinforce the fashion offer of the centre. Towards the end of the year we obtained a resolution to grant planning permission for 4,350 sq m of extension space at White Rose in Leeds which will help satisfy demand from retailers to upsize and, since the year end, we have signed a lease for a new 1,860 sq m store for H&M.

During the year we continued to see retailer demand for space in the retail warehouse sector, and secured new lettings at our Livingston, Dundee, Thanet and West Thurrock retail parks. In October 2009 the first of the new format John Lewis shops opened in Poole, Dorset. This 5,110 sq m shop sells the retailer's home, electrical and

home technology products. The retailer believes there could be potential for up to 30 new locations if the trial proves successful. By choosing to work with us on this important project, John Lewis has highlighted our ability to build lasting relationships and deliver great sites. Our work with John Lewis – and with J Sainsbury through the Harvest Partnership – underlines both the increasing attraction of the retail warehouse sector for major brands and our excellent track record in this area.

We continue to introduce initiatives to strengthen our relationships with retailers. Our new Clearlet leases are proving popular, and we intend to introduce more of these on new lettings to help speed up and simplify the leasing process. Clearlet leases are straightforward contracts that simplify key aspects of the landlord-tenant relationship.

This year we also launched our innovative Brand Empire subsidiary, which enables overseas retailers to initially enter the UK market through our shopping centres. Brand Empire is a wholly owned subsidiary which acts as an incubator for the retail brands by investing in the store set up and employees while the retail partner takes responsibility for the product line and marketing. Brand Empire then pays the retailer for the product at the point of sale. We already have four brands signed up to enter the UK. In February 2010 we agreed terms with Grupo Cortefiel, one of Spain's largest fashion retailers, to bring three of its core brands – Cortefiel, Springfield and women'secret – to the UK. And in March we announced that Laline, a leading cosmetics retailer, would also be entering the UK via Brand Empire.

Development

In October 2009, we opened the St David's Shopping Centre in Cardiff. Created with our partners, Capital Shopping Centres PLC, the centre is anchored by a new John Lewis department store – the first in Wales and the largest outside London. The new development links to the existing Debenhams and Marks & Spencer stores, which were refitted to coincide with the opening. The centre is now 74% let or in solicitors' hands by income – a satisfactory result in a tough market. Although it was launched in difficult economic conditions, St David's is located in the centre of a major city and is anchored by high quality retailers. We believe it will become a dominant asset and has good future growth potential.

Having obtained planning consent to provide 70,000 sq m of new retail space at our Leeds Trinity shopping centre development, we have made good progress in discussions with retailers and are increasingly confident about starting the scheme in 2010 as we move towards the pre-lettings target we have set prior to development.

In November 2009, The Harvest Partnership, a joint venture between J Sainsbury and Land Securities, was successful in securing permission to extend and improve the popular Tritton Road food store in Lincoln. In Wandsworth, we have obtained a resolution to grant consent for an extension to the Sainsbury's store, an additional retail unit and hotel. During the year we also obtained consent for both a 8,360 sq m Sainsbury's store at Almondvale South retail park, Livingston and a food store at the Greyhound retail park, Chester. These planning successes reflect both the relative buoyancy of the food sector as it expands into non-food areas and also our ability to identify development opportunities and secure planning consents.

Looking ahead

Over the coming months we expect to see continued buying interest for retail investment property and more retailers leasing space. There is a relatively high level of available space, so rental trends are likely to remain flat in the short term before returning to moderate growth. Despite these market dynamics, we have scope to drive growth in capital values by continuing to lease up vacant space, particularly in our shopping centre assets.

We have a very clear view of how our market is evolving and which trends are most likely to shape our future. Intensive research into the retail market has given us insights into the way consumer needs, habits and aspirations are changing, and the effect of online shopping and other technologies on physical retailing. The insights gained are now guiding our strategy.

While the internet will attract customer spend, consumers continue to value the immediacy, convenience and community offered by physical shops, together with the ability to see, feel and take home products. These advantages mean bricks and mortar shops have a vital role to play in retailing for years to come. While online shopping may increase competition for some retailers, we also believe the growth of multi-channel retailing, digital marketing and mobile technology will create many new opportunities and benefits for retailers with access to high quality retail space.

Over time, the potential casualties of the structural changes are likely to be shops in medium size towns where there is a low quality offer and poor facilities, especially those located near bigger centres. Rental recovery is likely to reflect this, becoming polarised across UK towns and cities according to the level of vacancies and the attraction of individual assets. We saw signs of this polarisation in the second half of the year and expect the trend to continue into 2011 and beyond.

Shoppers continue to value convenience, hence the continued rise of supermarkets, which has taken place in tandem with the growth of online retailing. This is one reason why we are working closely with supermarkets such as J Sainsbury, in our Harvest partnership, and other major retailers, such as John Lewis, on continuing to grow and develop our out-of-town offer.

The consumer preference for the choice provided by big centres means we expect the long-term trend of retail sales moving to the biggest locations to continue. This is evidenced by the level of retailer interest in our proposed Leeds Trinity scheme in Leeds and reflects our increased focus on long-term dominant assets.

Key objectives for 2010/11

- Outperform IPD
- Expand our out-of-town presence through new acquisitions and development
- Meet pre-letting targets for development schemes, including Leeds Trinity
- Protect income across our portfolio
- Maintain effective cost control, including capital expenditure and irrecoverable costs associated with shopping centres

We outline our development pipeline in Table 4.

Table 4: Retail development pipeline at 31 March 2010

Property	Description of use	Ownership interest %	Size sq m	Planning status	Letting status %	Net income / ERV £m	Estimated/ actual completion date	Total development costs to date £m	Forecast total development cost £m
SHOPPING CENTRES AND SHOPS									
Developments, let and transferred or sold									
Willow Place, Corby	Retail	100	16,260		94	2	Oct 2007	42	42
Cabot Circus, Bristol	Retail	50	83,610		95	16	Sep 2008	269	269
	Leisure		9,000						
	Residential		18,740						
Developments completed									
St David's, Cardiff	Retail	50	89,900		61	15	Oct 2009	323	357
	Residential		16,500						
The Elements, Livingston	Retail	100	32,000		88	8	Oct 2008	166	166
	Leisure		5,670						
Proposed developments									
Leeds Trinity, Leeds	Retail	100	70,000	PR	32	n/a	2012	n/a	n/a
The Atlas Site, Glasgow	Retail	100	10,660		-	n/a	2013	n/a	n/a
	Residential		4,180						
RETAIL WAREHOUSES AND FOOD STORES									
Developments approved and those in progress									
Almondvale South Retail Park	Food store	100	8,360		100	1.6	May 2011	12	17
Sainsbury, Lincoln	Food store	50	10,870		100	1.1	Dec 2010	12	15
Proposed development									
Sainsbury, Wandsworth	Food store	50	9,850	MG	58	n/a	2012	n/a	n/a

Floor areas shown above represent the full scheme whereas the cost represents our share of costs. Letting % is measured by ERV and shows letting status at 31 March 2010. Trading property development schemes are excluded from the development pipeline. Cost figures for proposed schemes are not given as these could still be subject to material change prior to final approval.

Planning status for proposed developments
PR – Planning Received
MG – Minded to grant

Total development cost
Total development cost refers to the book value of the land at the commencement of the project, the estimated capital expenditure required to develop the scheme from the start of the financial year in which the property is added to our development programme, together with capitalised interest. The figures for total development costs include expenditure on the residential elements of Cabot Circus, Bristol (£12m) and St David's, Cardiff (£20m).

Net income/ERV
Net income/ERV represents headline annual rent payable on let units plus ERV at 31 March 2010 on unlet units.

Financial review

Overview

Following a period of exceptional turbulence in the global economy, 2009/10 saw the return of positive financial dynamics in our market and a robust performance from the Group. Profit before tax was £1,069.3m, compared to a loss of £4,773.2m for the previous 12 months.

In my Financial Review last year I indicated that revenue profit, our measure of underlying profit before tax, would fall in 2009/10 as a result of the economic environment and the impact of the sales required to maintain our liquidity and sound capital base. We saw the effect of these factors during the year, with revenue profit down by 20.0%, from £314.9m to £251.8m.

Asset sales have an adverse effect on revenue profit, but our disposals during the year served to enhance the balance sheet. Our security group's AA rating was reaffirmed and we were able to extend £650m of bank facilities to 2014. This meant we ended the year in an excellent position from which to address opportunities as our market evolves.

While revenue profit was down, the value of our assets grew by 10.3%. Our gearing amplified the valuation gains, with adjusted diluted net assets per share up by 16.5%, from 593p to 691p.

Looking into 2010/11, we expect revenue profit to be adversely affected by the full year effect of the sales we made in 2009/10, together with some lease expiries on properties we are preparing for redevelopment. On the other hand, we see good opportunities to grow income through letting up developments and voids in our existing portfolio, while reducing void-related costs. We will also obtain some benefit from acquisitions made early in 2010/11.

The measures we took during the year have enabled us to emerge in good shape from some very difficult conditions. Over the following pages we set out a detailed review which shows how the combination of market conditions and our actions have translated into hard facts and figures. You will see that we now have the financial strength to compete and succeed as changing conditions bring opportunities to drive revenue profit growth in the medium term.

Martin Greenslade
Finance Director

Headline results

The Group's profit before tax for the year ended 31 March 2010 was £1,069.3m, compared to a loss of £4,773.2m for the previous year. Revenue profit, our measure of underlying profit before tax, reduced by 20.0% from £314.9m to £251.8m.

Basic earnings per share was 144.04p compared to a loss per share of 918.04p last year. Adjusted diluted earnings per share was 34.08p (2009: 62.57p), down 45.5% on the comparable period.

The combined investment portfolio (including joint ventures) was valued at 31 March 2010 at £9.54bn which included a valuation surplus of £863.8m or 10.3% over the year. Net assets per share increased by 111p (17.4%) from 639p at the end of March 2009 to 750p in March 2010, with adjusted diluted net assets per share increasing by 16.5% from 593p at March 2009 to 691p.

Profit before tax

The largest driver behind the improvement in the profit before tax was the valuation surplus on our combined investment portfolio (including joint ventures) of £863.8m (2009: £4,743.7m deficit). The market value of our properties increased by 10.3% (2009: 34.2% decline). London property values have been favourably impacted by significant interest from global investors and, although letting conditions in the retail sector remained challenging, our retail assets performed well, particularly in the second half of the year.

Revenue profit

Revenue profit is our measure of the underlying pre-tax profit of the Group, which we use internally to assess our income performance. It includes the pre-tax results of our joint ventures but excludes capital and other one-off items.

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

Table 5: Revenue profit

	Retail Portfolio £m	London Portfolio £m	31 March 2010 £m	Retail Portfolio £m	London Portfolio £m	31 March 2009 £m
Gross rental income*	312.9	312.3	625.2	362.9	348.2	711.1
Net service charge expense	(2.5)	(4.4)	(6.9)	(4.9)	(6.3)	(11.2)
Direct property expenditure (net)	(31.2)	(19.6)	(50.8)	(39.5)	(15.3)	(54.8)
Net rental income	**279.2**	**288.3**	**567.5**	**318.5**	**326.6**	**645.1**
Indirect costs	(24.9)	(20.8)	(45.7)	(27.1)	(25.0)	(52.1)
Segment profit before interest	**254.3**	**267.5**	**521.8**	**291.4**	**301.6**	**593.0**
Unallocated expenses (net)			(35.7)			(33.4)
Net interest – Group			(201.7)			(218.0)
Net interest – joint ventures			(32.6)			(26.7)
Revenue profit			**251.8**			**314.9**

*Includes finance lease interest, net of ground rents payable

Revenue profit declined from £314.9m last year to £251.8m mainly due to a 12% decline in net rental income. In total, net rental income was £77.6m lower than last year, with £68.6m of the decline due to the sale of investment properties. Significant disposals during the year included Portman House, W1, One Wood Street, EC2, 40/50 Eastbourne Terrace, W2, Bullring, Birmingham, Fremlin Walk, Maidstone and 50% of Princesshay, Exeter. Net rental income from the like-for-like portfolio declined by £19.6m, largely due to the failure of a number of retailers and a £3.0m decline in turnover rents from our Accor hotel properties. Compared to last year, developments added £12.4m with the increase coming from our schemes in Bristol, Cardiff and Livingston.

Earnings per share

Basic earnings per share was 144.04p, compared to a loss per share from continuing operations of 918.04p last year, the improvement being predominantly due to the valuation surplus on the investment property portfolio (98.7p per share compared to a loss last year of 791.7p per share).

In the same way that we adjust profit before tax to remove capital and one-off items to give revenue profit, we also report an adjusted earnings per share figure. Adjusted diluted earnings per share from continuing activities reduced by 45.5% from 62.57p last year to 34.08p per share this year. This was largely due to the reduction in revenue profit and the full year impact of the additional shares following the rights issue last year.

Total dividend

We are recommending a final dividend payment of 7.0p per share. Taken together with the three quarterly dividends of 7.0p, our full year dividend will be 28.0p per share (2009: 51.7p) or £212.2m (2009: £283.3m). This is in line with guidance given at the time of our rights issue and in our 2009 Annual Report.

During the year we introduced a scrip dividend scheme, which provides shareholders with the option to receive their dividend in shares as opposed to cash. The take up for the dividend paid on 15 January 2010 was 33%, resulting in a cash saving of £17.6m, while the scrip dividend take up for the third quarterly dividend paid on 1 April 2010 was 41%. Following the implementation of the scrip alternative, our Dividend Reinvestment Plan (DRIP) was suspended. A scrip alternative will be offered for the final dividend payment on 30 July 2010. Shareholders who wish to participate but have not yet completed a Mandate Form should download this form from our corporate website and send the completed form to our Registrars, Equiniti. Mandate Forms must be received by Equiniti at least 15 working days before the relevant dividend payment date to be eligible for that particular dividend. The calculation price for the scrip dividend alternative in respect of the final dividend payable on 30 July 2010 will be announced on 30 June 2010 and will be based upon the share price on 23, 24, 25, 28 and 29 June 2010.

All of the dividends paid and payable in respect of the financial year ended 31 March 2010, comprise Property Income Distributions (PID) from REIT qualifying activities to the extent that these dividends are paid in cash. PIDs are subject to 20% withholding tax for relevant shareholders. Scrip dividends are not treated as qualifying towards the Group PID requirement and are not subject to 20% withholding tax.

Net assets

At 31 March 2010, our net assets per share were 750p, an increase of 111p compared to the year ended 31 March 2009. The increase in our net assets was primarily driven by the increase in value of our investment property portfolio.

In common with other property companies, we calculate an adjusted measure of net assets which we believe better reflects the underlying net assets attributable to shareholders. Our adjusted net assets are lower than our reported net assets primarily due to an adjustment to our debt. 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 31 March 2010, adjusted diluted net assets per share were 691p per share, an increase of 98p or 16.5% from 31 March 2009.

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

Table 6: Net assets attributable to owners of the Parent

	Year ended 31 March 2010 £m	Year ended 31 March 2009 £m
Net assets at the beginning of the year	4,823.5	9,582.9
Adjusted earnings	257.8	325.0
Valuation surplus/(deficits) on investment properties	863.8	(4,743.7)
Impairment of development land and infrastructure	(13.5)	(104.3)
Losses on investment property disposals	(24.5)	(127.9)
Other	5.3	(119.5)
Profit/(loss) after tax attributable to owners of the Parent	1,088.9	(4,770.4)
Loss on discontinued operations	-	(420.9)
Dividends paid	(217.9)	(302.4)
Rights issue	-	755.7
Other reserve movements	(4.6)	(21.4)
Net assets at the end of the year	5,689.9	4,823.5
Mark-to-market on interest-rate swaps	37.3	150.2
Debt adjusted to nominal value	(486.0)	(499.8)
Adjusted net assets at the end of the year	5,241.2	4,473.9

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

Net pension deficit

The Group operates a defined benefit pension scheme which is closed to new members. At 31 March 2010 the net deficit was £6.5m, compared to a £3.0m surplus recognised at 31 March 2009. The change is primarily due to the actuarial assumptions adopted increasing the liabilities of the scheme by more than the return on the scheme's assets. This has been partially offset by additional employer contributions agreed as part of the triennial funding review concluded in January 2010.

Cash flow, net debt and gearing

During the year, net debt decreased by £660.2m to £3,263.4m. This reduction was primarily driven by proceeds from the disposal of investment properties (£826.2m) and the disposal of our joint venture interest in the Bullring, Birmingham (£209.8m). The only investment property acquired in the year was the Atlas development site opposite Buchanan Galleries in Glasgow. Capital expenditure in the year totalled £219.6m of which £102.7m related to the development at One New Change, London, EC4.

We also invested £65.2m in our joint ventures, consisting mainly of £81.7m on our major developments in Cardiff and Bristol offset by capital repayments of £10.1m and £7.7m from Bristol and Bullring, respectively.

Table 7: Cash flow and net debt

	Year ended 31 March 2010 £m	Year ended 31 March 2009 £m
Operating cash inflow after interest and tax	179.3	367.2
Dividends paid	(217.9)	(302.4)
Non-current assets:		
Acquisitions	(46.8)	(86.1)
Disposals	847.8	823.0
Capital expenditure	(219.6)	(429.8)
	581.4	307.1
Trillium disposal:		
Gross proceeds	25.0	444.0
Net debt divested	-	48.6
	25.0	492.6
Loans advanced to third parties	(33.3)	(50.0)
Receipts from the disposal group (part of Trillium's PPP activities)	-	113.5
Joint ventures and associates	(65.2)	(117.0)
Divestment of a joint venture (Bullring)	209.8	-
Proceeds from the Rights issue	-	755.7
Fair value of interest-rate swaps	7.0	(105.6)
Other movements	(25.9)	(0.2)
Decrease in net debt	660.2	1,460.9
Net debt at the beginning of the year	(3,923.6)	(5,384.5)
Net debt at the end of the year	(3,263.4)	(3,923.6)

Our interest cover, excluding our share of joint ventures, has increased from 1.89 times in 2009 to 1.92 times in 2010. Under the rules of the REIT regime, we need to maintain an interest cover in the exempt business of at least 1.25 times to avoid paying tax. As calculated under the REIT regulations, our interest cover of the exempt business for the year to 31 March 2010 was 1.73 times.

Gearing has reduced from 81.4% at 31 March 2009 to 57.4% at 31 March 2010. The reduction is principally due to the reduction in net debt and increase in net assets. Details of the Group's gearing are set out in Table 8, which also shows the impact of joint venture debt, although the lenders to our joint ventures have no recourse to the Group for repayment.

Adjusted gearing, which recognises the nominal value of our debt, reduced from 97.3% at 31 March 2009 to 72.1% at 31 March 2010. Adjusted gearing including our share of joint ventures reduced from 105.9% to 80.2% over the same period. In common with other property companies, we also show our Group LTV ratio.

Table 8: Gearing

	31 March 2010 %	31 March 2009 %
Gearing – on book value of balance sheet debt	57.4	81.4
Adjusted gearing*	72.1	97.3
Adjusted gearing* – as above plus notional share of joint venture debt	80.2	105.9
Group LTV	44.8	52.2
Group LTV – as above plus notional share of joint venture debt	43.5	49.6
Security Group LTV	45.5	76.7

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

Financing strategy

The Group monitors and adjusts its capital structure with a view to promoting the long-term success of the business and maintaining sustainable returns for shareholders. A key element of the Group's capital structure is that the majority of our borrowings are secured against a large pool of our assets (the Security Group). This enables us to raise long-term debt in the bond market as well as shorter-term flexible bank facilities, both at competitive rates. Our secured debt structure provides for different operating environments which apply in "tiers" determined by levels of LTV and Interest Cover Ratios (ICR), although it is LTV which is the more likely determinant of which operating environment applies. These ratios do not trigger an event of default until LTV exceeds 100% or historic or projected ICR is less than 1.0 times. However, our operating environment becomes more restrictive at higher levels of LTV / lower levels of ICR. There are minimal operational restrictions on the Group in Tier 1 (LTV below 55%), our current level, and Tier 2 (LTV: 55% to 65%). Above an LTV of 65%, our operating environment becomes more restrictive with provisions designed to encourage a reduction in gearing including mandatory debt amortisation.

In addition, the Group holds a number of assets outside the Security Group structure (in the ''Non-restricted Group''). These assets are typically our joint venture interests or other assets on which we have raised separate, specific finance. By having both the Security Group and the Non-restricted Group, and considerable freedom to move assets between the two, we are able to raise the most appropriate finance for the specific asset or joint venture.

Financing and capital

In January 2009, at a time of unprecedented falls in the commercial property market, we drew down £1.1bn of credit facilities to ensure their continued availability. As a result of this decision, the Security Group temporarily entered a more restrictive operating environment in June 2009.

The focus for the year, therefore, was on our cash flows, the level of available facilities and the maturity of our debt. During the year, we refinanced £650m of our existing committed bilateral facilities, extending them in to the financial year ending March 2015. Outside the Security Group, our joint venture in St David's, Cardiff raised a new £290m facility, of which £74.4m is currently drawn (our share £37.2m). We also issued an innovative AAA-rated £360m amortising bond secured on the income stream from our government-let property at Queen Anne's Gate, London SW1.

Our success in raising new debt and extending existing facilities, together with the cash raised from investment property sales, enabled us to repay £2.1bn of drawn credit facilities in the Security Group by November, which returned the Security Group to the more flexible Tier 1 operating regime.

At 31 March 2010, our net borrowings (including joint ventures) amounted to £3,657.5m (£4,170.0m at 31 March 2009). Cash and committed but undrawn facilities were £2,447.0m. In the Security Group, £3,532.5m of net debt was secured against £7,766.0m of assets, giving a Security Group LTV ratio of 45.5%.

The weighted average duration of the Group's debt (including joint ventures) is 11.8 years with a weighted average cost of debt of 5.3%.

Hedging

We use derivative products to manage our interest-rate exposure, and have a hedging policy which requires at least 80% of our existing debt plus increases in debt associated with net committed capital expenditure to be at fixed interest rates for the coming five years. Specific interest-rate hedges are also used within our joint ventures to fix the interest exposure on limited-recourse debt. At 31 March 2010, Group debt was 98.2% fixed.

Taxation

As a consequence of the Group's conversion to REIT status, income and capital gains from our qualifying property rental business are now exempt from UK corporation tax. The tax credit for the period of £23.1m (2009: £0.5m charge) comprises a current year credit of £4.3m arising as a result of the refund of REIT conversion charges following the sale of recently completed developments, a prior year corporation tax credit of £21.0m (2009: £0.3m charge) following resolution of a number of prior year issues, less a net deferred tax charge of £2.2m (2009: £0.2m charge). The prior year tax credit for the period has not been recognised as part of our adjusted earnings as it is non-recurring and relates to the period before we became a REIT.

Our risks and how we manage them

The tables below show the principal risks we face.

Financial risks		
Risk description	*Impact*	*Mitigation*
Liability structure Future fall in property values may impact LTV ratio and reduce availability of future financing.	Inability to fund operations and capital expenditure programme.	Liquidity and gearing kept under constant review. Utilise the credit support of a ring-fenced group of assets (the Security Group) that comprises the majority of the Group's investment property portfolio. These assets are available to sell/provide security for raising new debt.
Limited debt market capacity.	Unable to meet existing debt maturities and forward cash requirements.	Long term facilities in place. Ongoing monitoring and management of the forecast cash position. Commitments are not taken on if funding is not available.
Treasury risk Failure of bank and financial institution counterparties.	Loss of cash and deposits.	Only use independently-rated banks and financial institutions with a minimum rating of A. Weekly review of credit ratings of all financial institution counterparties. Group Treasury ensures that funds deposited with a single financial institution remain within the Group's policy limits.
Treasury loss or fraud.	Loss of cash and deposits.	Clear segregation of duties between the treasury front office and back office operations. Counterparty reconciliations. Clearly defined delegations of authority.

People risks		
Risk description	*Impact*	*Mitigation*
People skills Failure to have the right people and skills in the business.	Lack the skills required to deliver the business objectives.	Succession planning and skill gaps reviewed by Nominations Committee and processes established.
Unable to retain and attract the best talent.	Loss of knowledge and key skills.	Implementation of talent management processes. Remuneration review undertaken by the Board. Breadth and quality of portfolio and development projects.

Property investment risks		
Risk description	*Impact*	*Mitigation*
Consumers Change in consumer behaviours.	Cutbacks in retailer opening programme. Increasing voids. Reduced rental growth.	Bespoke research commissioned on the impact of structural change in the Retail sector, the results of which are factored into our retail business plans. Diversified tenant base. Strong established locations and relationships with occupiers. Pre-letting of key units before committing to development. Void management through temporary lettings and void mitigation strategies. Large portfolio allows portfolio leasing deals and flexibility to further reduce voids.
Asset illiquidity Asset concentration and lot size.	Assets may be illiquid and therefore difficult to flex balance sheet gearing.	Large multi asset portfolio. No one asset is more than 6.6% of our combined portfolio. Average investment property lot size of £48.2m. Asset liquidity of the portfolio kept under regular review.
Environment Increasing Government intervention and customers' expectation.	Inhibit the viability of our development programme and place greater demand on our resources.	Dedicated specialist environment personnel. Established policy and procedures including ISO 14001 certified environmental system. Active environmental programme addressing key areas of impact (energy and waste).

Property investment risks continued		
Risk description	*Impact*	*Mitigation*
Lease expiries Leases are not renewed.	Increased levels of voids. Impact on revenue if major occupier fails to renew lease.	Profile of future lease expiry dates kept under regular review. Target for maximum % of leases subject to expiry in any one year. Diversified tenant base. Strong established locations and relationships with occupiers. Of our income 65.1% is derived from tenants who make less than a 1% contribution to rent roll. Variety of asset types and geographic spread. Experienced and skilled in-house leasing teams. Void management and empty rates mitigation.
Asset volatility Volatility of asset values.	Risk of negative interaction between falling property values and balance sheet gearing.	Asset liquidity of the portfolio kept under regular review. Target ranges for balance sheet gearing. Secure income flows under UK lease structure.

Property development risks		
Risk description	*Impact*	*Mitigation*
Development pipeline Size of development pipeline and associated leasing risk.	Major impact on resources, in particular funding, income and potentially dividend cover.	Risk analysis of speculative development pipeline on capital and income basis. Clearly defined delegations of authority.
Failure to manage development activity in line with market cycle.	Capital expenditure programme does not deliver required returns.	Strategy of flexing size of development programme according to the outlook for the market cycle. In-house property market research capability. Skilled in-house development teams.

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

The Annual Report 2010 contains the following statements regarding responsibility for the financial statements and business review included in the Annual Report 2010.

The Directors are responsible for preparing the annual report, the Directors' remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of the profit or loss of the Group for that period.

In preparing those financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRSs as adopted by the European Union; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website www.landsecurities.com. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

Each of the directors, whose names are listed below confirm that, to the best of their knowledge:

- the financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation as a whole; and
- the adoption of a going concern basis for the preparation of the financial statements continues to be appropriate based on the foregoing and having reviewed the forecast financial position of the Group; and
- the management reports (which are incorporated into the directors' report) contained in the Annual Report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation as a whole, together with a description of the principal risks and uncertainties that they face.

The Directors of Land Securities Group PLC as at the date of this announcement are as set out below:

The Board of Directors

Alison Carnwath*, Chairman
David Rough*
Bo Lerenius*
Sir Stuart Rose*
Sir Christopher Bland*
Kevin O'Byrne*
Chris Bartram*

Francis Salway, Chief Executive
Martin Greenslade
Richard Akers
Robert Noel

* *Non-executive Directors*

By order of the Board
P M Dudgeon
Secretary
18 May 2010

Financial Statements

Income statement for the year ended 31 March 2010

	Notes	Group 2010 £m	Group 2009 £m
Group revenue [1]	4	**833.4**	821.2
Costs		**(392.5)**	(326.4)
		440.9	494.8
Loss on disposal of investment properties	3	**(32.5)**	(130.8)
Net surplus/(deficit) on revaluation of investment properties	3	**746.0**	(4,113.4)
Impairment of trading properties	3	**(10.6)**	(92.3)
Operating profit/(loss)		**1,143.8**	(3,841.7)
Interest expense	5	**(248.9)**	(262.9)
Interest income	5	**29.8**	32.5
Fair value movement on interest-rate swaps	5	**7.0**	(102.1)
		931.7	(4,174.2)
Share of the profit/(loss) of joint ventures (post-tax)	11	**137.6**	(599.0)
Profit/(loss) before tax		**1,069.3**	(4,773.2)
Income tax		**23.1**	(0.5)
Profit/(loss) for the financial year from continuing operations		**1,092.4**	(4,773.7)
Discontinued operations		**-**	(420.9)
Profit/(loss) for the financial year		**1,092.4**	(5,194.6)
Attributable to:			
Owners of the Parent		**1,088.9**	(5,191.3)
Minority interests		**3.5**	(3.3)
Profit/(loss) for the financial year		**1,092.4**	(5,194.6)
Earnings/(loss) per share attributable to the owners of the Parent (pence) [2]			
Basic earnings/(loss) per share	7	**144.04**	(999.04)
of which from: continuing operations	7	**144.04**	(918.04)
of which from: discontinued operations	7	**-**	(81.00)
Diluted earnings/(loss) per share	7	**143.96**	(999.04)
of which from: continuing operations	7	**143.96**	(918.04)
of which from: discontinued operations	7	**-**	(81.00)

(1) Group revenue excludes the share of joint ventures' income of **£101.7m** (2009: £104.8m) (see note 11).
(2) Adjusted earnings per share from continuing operations is given in note 7.

Statement of comprehensive income for the year ended 31 March 2010

	Group 2010 £m	Group 2009 £m
Profit/(loss) for the financial year	**1,092.4**	(5,194.6)
Other comprehensive income consisting of:		
Actuarial losses on defined benefit pension schemes	**(15.2)**	(11.1)
Deferred tax credit on actuarial losses on defined benefit pension schemes	**1.9**	0.6
Fair value movement on interest-rate swaps treated as cash flow hedges – Group	**-**	(0.2)
Fair value movement on interest-rate swaps treated as cash flow hedges – joint ventures	**2.6**	(21.3)
Other comprehensive loss for the financial year	**(10.7)**	(32.0)
Total comprehensive income/(loss) for the financial year	**1,081.7**	(5,226.6)
Attributable to:		
Owners of the Parent	**1,078.2**	(5,223.3)
Minority interests	**3.5**	(3.3)
Total comprehensive income/(loss) for the financial year	**1,081.7**	(5,226.6)

Balance sheets at 31 March 2010

		Group		Company	
		2010	2009	**2010**	2009
	Notes	**£m**	£m	**£m**	£m
Non-current assets					
Investment properties	9	**8,044.3**	7,929.4	**-**	-
Other property, plant and equipment		**12.8**	14.3	**-**	-
Net investment in finance leases	10	**115.4**	116.3	**-**	-
Loan investments		**84.3**	50.0	**-**	-
Investments in joint ventures	11	**787.8**	930.8	**-**	-
Investments in subsidiary undertakings		**-**	-	**5,684.5**	4,828.5
Pension surplus		**-**	3.0	**-**	-
Deferred tax assets		**-**	1.9	**-**	-
Total non-current assets		**9,044.6**	9,045.7	**5,684.5**	4,828.5
Current assets					
Trading properties and long-term development contracts	12	**87.9**	94.9	**-**	-
Derivative financial instruments	15	**1.0**	-	**-**	-
Trade and other receivables		**334.4**	392.1	**19.2**	8.8
Monies held in restricted accounts and deposits	13	**95.6**	29.9	**-**	-
Cash and cash equivalents	14	**159.4**	1,609.1	**0.2**	105.1
Total current assets		**678.3**	2,126.0	**19.4**	113.9
Total assets		**9,722.9**	11,171.7	**5,703.9**	4,942.4
Current liabilities					
Short-term borrowings and overdrafts	16	**(308.6)**	(1.1)	**-**	-
Derivative financial instruments	15	**(1.1)**	(112.0)	**-**	-
Trade and other payables		**(395.5)**	(625.8)	**(8.1)**	(118.9)
Provisions		**(1.5)**	-	**-**	-
Current tax liabilities		**(111.0)**	(161.5)	**-**	-
Total current liabilities		**(817.7)**	(900.4)	**(8.1)**	(118.9)
Non-current liabilities					
Borrowings	16	**(3,209.7)**	(5,449.5)	**-**	-
Pension deficit		**(6.5)**	-	**-**	-
Deferred tax liabilities		**-**	(1.6)	**-**	-
Total non-current liabilities		**(3,216.2)**	(5,451.1)	**-**	-
Total liabilities		**(4,033.9)**	(6,351.5)	**(8.1)**	(118.9)
Net assets		**5,689.0**	4,820.2	**5,695.8**	4,823.5
Equity					
Capital and reserves attributable to the owners of the Parent					
Ordinary shares		**76.5**	76.2	**76.5**	76.2
Share premium		**785.3**	785.2	**785.3**	785.2
Capital redemption reserve		**30.5**	30.5	**30.5**	30.5
Merger reserve		**-**	-	**373.6**	373.6
Share-based payments		**6.0**	8.1	**6.0**	8.1
Retained earnings		**4,798.5**	3,935.9	**4,423.9**	3,549.9
Own shares		**(6.9)**	(12.4)	**-**	-
Equity attributable to the owners of the Parent		**5,689.9**	4,823.5	**5,695.8**	4,823.5
Minority interests		**(0.9)**	(3.3)	**-**	-
Total equity		**5,689.0**	4,820.2	**5,695.8**	4,823.5

The financial statements on pages 32 to 58 were approved by the Board of Directors on 18 May 2010 and were signed on its behalf by:

F W Salway **M F Greenslade**
Directors

Statement of changes in equity

Group

	Attributable to owners of the Parent								
	Ordinary shares	Share premium	Capital redemption reserve	Share-based payments	Retained earnings	Own shares	Total	Minority interest	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 April 2008	47.1	56.6	30.5	11.3	9,459.7	(22.3)	9,582.9	-	9,582.9
Loss for the year ended 31 March 2009	-	-	-	-	(5,191.3)	-	(5,191.3)	(3.3)	(5,194.6)
Other comprehensive income:									
Actuarial loss on pension scheme	-	-	-	-	(10.5)	-	(10.5)	-	(10.5)
Fair value movement on interest-rate swaps treated as cash flow hedges	-	-	-	-	(21.5)	-	(21.5)	-	(21.5)
Total comprehensive income for the year ended 31 March 2009	-	-	-	-	(5,223.3)	-	(5,223.3)	(3.3)	(5,226.6)
Transactions with owners:									
Rights issue	29.1	726.6	-	-	-	-	755.7	-	755.7
Exercise of options	-	2.0	-	-	-	-	2.0	-	2.0
Fair value of share-based payments	-	-	-	8.6	-	-	8.6	-	8.6
Release on exercise/forfeiture of share options	-	-	-	(11.8)	11.8	-	-	-	-
Dividends paid to owners of the company	-	-	-	-	(302.4)	-	(302.4)	-	(302.4)
Transfer of shares to employees on exercise of share schemes	-	-	-	-	(9.9)	9.9	-	-	-
Total transactions with owners of the Parent	29.1	728.6	-	(3.2)	(300.5)	9.9	463.9	-	463.9
At 31 March 2009	76.2	785.2	30.5	8.1	3,935.9	(12.4)	4,823.5	(3.3)	4,820.2
Profit for the year ended 31 March 2010	-	-	-	-	1,088.9	-	1,088.9	3.5	1,092.4
Other comprehensive income:									
Actuarial loss on pension scheme	-	-	-	-	(13.3)	-	(13.3)	-	(13.3)
Fair value movement on interest-rate swaps treated as cash flow hedges	-	-	-	-	2.6	-	2.6	-	2.6
Total comprehensive income for the year ended 31 March 2010	**-**	**-**	**-**	**-**	**1,078.2**	**-**	**1,078.2**	**3.5**	**1,081.7**
Transactions with owners:									
Exercise of options	-	0.1	-	-	-	-	0.1	-	0.1
New share capital subscribed	0.3	17.3	-	-	-	-	17.6	-	17.6
Transfer to retained earnings in respect of shares issued in lieu of cash dividend	-	(17.3)	-	-	17.3	-	-	-	-
Fair value of share-based payments	-	-	-	6.0	-	-	6.0	-	6.0
Release on exercise/forfeiture of share options	-	-	-	(8.1)	8.1	-	-	-	-
Dividends paid to owners of the company	-	-	-	-	(235.5)	-	(235.5)	-	(235.5)
Distributions paid to minority interest	-	-	-	-	-	-	-	(1.1)	(1.1)
Transfer of shares to employees on exercise of share schemes	-	-	-	-	(5.5)	5.5	-	-	-
Total transactions with owners of the Parent	**0.3**	**0.1**	**-**	**(2.1)**	**(215.6)**	**5.5**	**(211.8)**	**(1.1)**	**(212.9)**
At 31 March 2010	**76.5**	**785.3**	**30.5**	**6.0**	**4,798.5**	**(6.9)**	**5,689.9**	**(0.9)**	**5,689.0**

Statement of changes in equity

Company

	Ordinary shares	Share premium	Capital redemption reserve	Merger reserve[1]	Share-based payments	Retained earnings	Total
	£m	£m	£m	£m	£m	£m	£m
At 1 April 2008	47.1	56.6	30.5	373.6	17.5	4,107.9	4,633.2
Loss for the year ended 31 March 2009	-	-	-	-	-	(273.6)	(273.6)
Rights issue	29.1	726.6	-	-	-	-	755.7
Shares issued on exercise of options	-	2.0	-	-	-	-	2.0
Fair value of share-based payments	-	-	-	-	8.6	-	8.6
Release on exercise/forfeiture of share options	-	-	-	-	(18.0)	18.0	-
Dividends paid (note 6)	-	-	-	-	-	(302.4)	(302.4)
At 31 March 2009	76.2	785.2	30.5	373.6	8.1	3,549.9	4,823.5
Profit for the year ended 31 March 2010	-	-	-	-	-	1,084.1	1,084.1
Exercise of options	-	0.1	-	-	-	-	0.1
New share capital subscribed	0.3	17.3	-	-	-	-	17.6
Transfer to retained earnings in respect of shares issued in lieu of cash dividend	-	(17.3)	-	-	-	17.3	-
Fair value of share-based payments	-	-	-	-	6.0	-	6.0
Release on exercise/forfeiture of share options	-	-	-	-	(8.1)	8.1	-
Dividends paid	-	-	-	-	-	(235.5)	(235.5)
At 31 March 2010	**76.5**	**785.3**	**30.5**	**373.6**	**6.0**	**4,423.9**	**5,695.8**

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

Statement of cash flows for the year ended 31 March 2010

		Group		Company	
		2010	2009[1]	2010	2009
	Notes	£m	£m	£m	£m
Net cash generated from operations					
Cash generated from operations	19	**427.0**	651.3	**121.4**	(395.4)
Interest paid		**(243.1)**	(283.6)	**(11.1)**	(53.9)
Interest received		**16.2**	10.4	**0.1**	20.0
Employer contributions to pension scheme		**(7.3)**	(4.2)	**-**	-
Corporation tax (paid)/received		**(13.5)**	(6.7)	**2.6**	9.6
Net cash inflow/(outflow) from operations		**179.3**	367.2	**113.0**	(419.7)
Cash flows from investing activities					
Investment property development expenditure		**(166.4)**	(208.6)	**-**	-
Acquisition of investment properties		**(46.8)**	(85.3)	**-**	-
Other investment property related expenditure		**(50.7)**	(174.1)	**-**	-
Acquisition of properties by Trillium		**-**	(0.8)	**-**	-
Capital expenditure by Trillium		**-**	(46.5)	**-**	-
Capital expenditure on properties		**(263.9)**	(515.3)	**-**	-
Disposal of non-current investment properties		**847.8**	792.7	**-**	-
Disposal of non-current operating properties		**-**	30.3	**-**	-
Net proceeds on properties		**583.9**	307.7	**-**	-
Net expenditure on non-property related non-current assets		**(2.5)**	(0.6)	**-**	-
Net cash inflow from capital expenditure		**581.4**	307.1	**-**	-
Receipts in respect of receivable finance leases		**6.9**	11.7	**-**	-
Loans advanced to third parties		**(33.3)**	(50.0)	**-**	-
Investment in joint ventures		**(8.2)**	(21.1)	**-**	-
Divestment of joint ventures		**209.8**	-	**-**	-
Net loans to joint ventures and cash contributed		**(63.9)**	(117.5)	**-**	-
Distributions from joint ventures		**6.9**	21.6	**-**	-
Net cash received from disposal group		**-**	113.5	**-**	-
Cash proceeds from disposal of Trillium (net of cash divested)		**25.0**	392.7	**-**	-
Net cash received from investing activities		**724.6**	658.0	**-**	-
Cash flows from financing activities					
Proceeds from Rights issue		**-**	755.7	**-**	755.7
Cash received on issue of shares arising from exercise of share options		**-**	2.0	**-**	2.0
Proceeds from new loans (net of finance fees)		**351.6**	1,732.6	**-**	-
Repayment of loans	16	**(2,306.2)**	(1,612.0)	**-**	-
Termination of interest-rate swaps		**(104.9)**	-	**-**	-
Increase in monies held in restricted accounts and deposits	13	**(65.7)**	(29.9)	**-**	-
Decrease in finance leases payable		**(9.1)**	(9.4)	**-**	-
Dividends paid to ordinary shareholders	6	**(217.9)**	(302.4)	**(217.9)**	(302.4)
Distributions paid to minority interests		**(1.1)**	-	**-**	-
Net cash (outflow)/inflow from financing activities		**(2,353.3)**	536.6	**(217.9)**	455.3
(Decrease)/increase in cash and cash equivalents for the year		**(1,449.4)**	1,561.8	**(104.9)**	35.6
Cash and cash equivalents at the beginning of the year		**1,608.8**	47.0	**105.1**	69.5
Cash and cash equivalents at the end of the year		**159.4**	1,608.8	**0.2**	105.1

[1] The Group cash flow statement for the comparative period includes the following from Trillium discontinued operations for 1 April 2008 to the date of disposal: net cash inflow from operations, £138.7m inflow, net cash received from investing activities, £106.9m inflow, and net cash received from financing activities, £24.4m outflow.

		Group		Company	
		2010	2009	2010	2009
	Notes	£m	£m	£m	£m
Cash and cash equivalents per balance sheet	14	**159.4**	1,609.1	**0.2**	105.1
Overdrafts	16	**-**	(0.3)	**-**	-
Cash and cash equivalents per statement of cash flows		**159.4**	1,608.8	**0.2**	105.1

Notes to the Financial Statements

1. Basis of preparation

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

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates, disclosed in note 3, are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Land Securities Group PLC has not presented its own statement of comprehensive income (and separate income statement), as permitted by Section 408 Companies Act 2006. The profit for the year of the Company, dealt with in its financial statements, was **£1,084.1m** (2009: loss of £273.6m).

2. Significant accounting policies

The accounting policies are consistent with those applied in the year ended 31 March 2009, as amended to reflect the adoption of the new Standards, Amendments to Standards and Interpretations which are mandatory for the year ended 31 March 2010.

The items adopted that have had a material impact on the Group's financial statements are:

- IAS 1 (revised) 'Presentation of financial statements'. The revised standard requires 'non-owner changes in equity' to be presented separately from 'owner changes in equity'. All 'non-owner changes in equity' are required to be shown in a performance statement.

  Entities can choose whether to present one performance statement (the statement of total comprehensive income) or two statements (the income statement and the statement of comprehensive income). The Group has elected to present two statements: income statement and a statement of comprehensive income. In addition, the statement of changes in equity has been included as a primary statement.

  The financial statements have been prepared under the revised presentation requirements.

- IFRS 7 'Financial Instruments: Disclosures'. The amendment requires enhanced disclosures about the fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The disclosures have been given in line with the transitional disclosures.

- IFRS 8 'Operating Segments'. The standard requires segmental reporting to be on the same basis as internal management reporting. This standard has had no impact on the Group's profit for the year or equity. Disclosures have been amended as detailed in note 3.

The following Accounting Standards or interpretations are effective for the financial year beginning 1 April 2009 but do not have a material impact on the Group:

- IAS 16 (2008 improvement) 'Property, Plant and Equipment'
- IAS 23 (revised) 'Borrowing Costs'
- IAS 32 (amendment) 'Financial Instruments: Presentation', and IAS 1
- IAS 40 (2008 improvement) 'Investment Property'
- IFRS 1 'First time Adoption of IFRS' and IAS 27 'Consolidated and Separate Financial Statements'
- IFRS 2 (amendment) 'Share-based Payment on Vesting conditions and cancellations'
- IFRIC 9 'Reassessment of Embedded Derivatives' and IAS 39 'Financial Instruments: Recognition and Measurement – Embedded Derivatives (Amendments)'
- IFRIC 13 'Customer Loyalty Programmes'
- IFRIC 15 'Agreements for the Construction of Real Estate'
- IFRIC 16 'Hedges of a Net Investment in a Foreign Operation'

The following Accounting Standards or Interpretations which are not yet effective, and not expected to have a material impact, have not been early adopted by the Group:

- IFRS 2 'Share-based payments - Group cash settled share-based payment transactions'
- IFRS 3 (revised) 'Business Combinations'
- IAS 24 'Related Party disclosures'
- IAS 27 (revised) 'Consolidated and Separate Financial Statements'
- IAS 32 'Classification of Rights'
- IAS 39 'Financial Instruments: Recognition and Measurement: - Eligible hedged items'
- IFRS 9 'Financial Instruments'
- IFRIC 14 'Prepayments of a Minimum Funding Requirement'
- IFRIC 17 'Distribution of Non-cash Assets to Owners'
- IFRIC 18 'Transfers of Assets from Customers'
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'

In addition, there are also a number of changes to standards as a result of the IASB's 2009 Annual Improvements programme which are not expected to have a material impact on the Group.

3. Segmental information

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

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

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

The Group's primary measure of underlying profit before tax is Revenue profit. This measure seeks to show the profit arising from ongoing operations and as such removes all items of a capital nature (e.g. valuation movements and profit/(loss) on disposal of investment properties) and one-off or exceptional items. Segment profit is the lowest level to which the profit arising from the ongoing operations of the Group is analysed between the two segments. The Group manages its financing structure, with the exception of joint ventures, on a pooled basis and, as such, debt facilities and interest charges are not specific to a particular segment.

3. Segmental information continued

The segmental information provided to the SMB for the reportable segments for the year ended 31 March 2010 is as follows:

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

Included within rents payable is finance lease interest payable of **£2.3m** (2009: £2.5m) and **£1.5m** (2009: £1.8m) respectively for Retail Portfolio and London Portfolio.

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

3. Segmental information continued

Revenue profit	Retail Portfolio Group £m	Retail Portfolio Joint ventures £m	Retail Portfolio Total £m	London Portfolio Group £m	London Portfolio Joint ventures £m	London Portfolio Total £m	Year ended 31 March 2009 Total Group £m	Total Joint ventures £m	Total Total £m
Rental income	302.8	69.1	371.9	338.9	8.6	347.5	641.7	77.7	719.4
Finance lease interest	2.7	0.4	3.1	5.3	-	5.3	8.0	0.4	8.4
Rents payable	(11.6)	(0.5)	(12.1)	(4.6)	-	(4.6)	(16.2)	(0.5)	(16.7)
Gross rental income	293.9	69.0	362.9	339.6	8.6	348.2	633.5	77.6	711.1
Service charge income	37.3	10.4	47.7	47.0	0.3	47.3	84.3	10.7	95.0
Service charge expense	(39.7)	(12.9)	(52.6)	(53.3)	(0.3)	(53.6)	(93.0)	(13.2)	(106.2)
Net service charge expense	(2.4)	(2.5)	(4.9)	(6.3)	-	(6.3)	(8.7)	(2.5)	(11.2)
Other property related income[1]	11.0	-	11.0	14.7	-	14.7	25.7	-	25.7
Direct property expenditure	(40.3)	(10.2)	(50.5)	(29.8)	(0.2)	(30.0)	(70.1)	(10.4)	(80.5)
Net rental income	262.2	56.3	318.5	318.2	8.4	326.6	580.4	64.7	645.1
Indirect property expenditure [1]	(23.5)	(3.2)	(26.7)	(21.3)	(0.6)	(21.9)	(44.8)	(3.8)	(48.6)
Depreciation[1]	(0.4)	-	(0.4)	(3.1)	-	(3.1)	(3.5)	-	(3.5)
Segment profit before interest	238.3	53.1	291.4	293.8	7.8	301.6	532.1	60.9	593.0
Joint venture net interest expense	-	(19.0)	(19.0)	-	(7.7)	(7.7)	-	(26.7)	(26.7)
Segment profit	238.3	34.1	272.4	293.8	0.1	293.9	532.1	34.2	566.3
Group services – income							3.4	-	3.4
Group services – expense							(36.8)	-	(36.8)
Group services – eliminate non-revenue profit income							-	-	-
Interest expense							(262.9)	-	(262.9)
Interest income							32.5	-	32.5
Eliminate effect of bond exchange de-recognition							11.7	-	11.7
Eliminate debt restructuring charges							0.7	-	0.7
Revenue profit							280.7	34.2	314.9

Reconciliation to loss before tax from continuing operations	Retail Portfolio Group £m	Retail Portfolio Joint ventures £m	Retail Portfolio Total £m	London Portfolio Group £m	London Portfolio Joint ventures £m	London Portfolio Total £m	Year ended 31 March 2009 Total Group £m	Total Joint ventures £m	Total Total £m
Segment profit before interest	238.3	53.1	291.4	293.8	7.8	301.6	532.1	60.9	593.0
Trading properties sale proceeds	8.8	10.7	19.5	0.4	5.3	5.7	9.2	16.0	25.2
Costs of sales of trading properties	(6.6)	(5.7)	(12.3)	(0.1)	(4.8)	(4.9)	(6.7)	(10.5)	(17.2)
Profit on disposal of trading properties	2.2	5.0	7.2	0.3	0.5	0.8	2.5	5.5	8.0
Long-term development contract income	-	-	-	48.9	-	48.9	48.9	-	48.9
Long-term development contract expenditure	-	-	-	(45.1)	-	(45.1)	(45.1)	-	(45.1)
Profit on long-term development contracts	-	-	-	3.8	-	3.8	3.8	-	3.8
	240.5	58.1	298.6	297.9	8.3	306.2	538.4	66.4	604.8
Investment property disposal proceeds	164.5	11.1	175.6	434.7	-	434.7	599.2	11.1	610.3
Carrying value of investment property disposals (including lease incentives)	(219.3)	(8.2)	(227.5)	(510.7)	-	(510.7)	(730.0)	(8.2)	(738.2)
(Loss)/profit on disposal of investment properties	(54.8)	2.9	(51.9)	(76.0)	-	(76.0)	(130.8)	2.9	(127.9)
Net deficit on revaluation of investment properties	(1,923.1)	(603.5)	(2,526.6)	(2,190.3)	(26.8)	(2,217.1)	(4,113.4)	(630.3)	(4,743.7)
Impairment of trading properties	-	(9.0)	(9.0)	(92.3)	(3.3)	(95.6)	(92.3)	(12.3)	(104.6)
	(1,737.4)	(551.5)	(2,288.9)	(2,060.7)	(21.8)	(2,082.5)	(3,798.1)	(573.3)	(4,371.4)
Demerger costs							(10.2)	-	(10.2)
Group services – income							3.4	-	3.4
Group services – expense							(36.8)	-	(36.8)
Operating loss							(3,841.7)	(573.3)	(4,415.0)
Interest expense							(262.9)	(26.7)	(289.6)
Interest income							32.5	-	32.5
Fair value movement on interest-rate swaps							(102.1)	(15.4)	(117.5)
Joint venture tax adjustment							-	(1.3)	(1.3)
Joint venture net liabilities adjustment							-	17.7	17.7
Loss before tax from continuing operations							(4,174.2)	(599.0)	(4,773.2)

(1) In line with internal management information, the cost and income of Group services has not been allocated across the Retail Portfolio and London Portfolio business segments, instead being disclosed as single line items. This represents a change from the segmental information presented in the 2009 Annual Report in which elements of Group services were allocated across the segments within 'Indirect property expenditure', 'Depreciation' and 'Other property related income'.

3. Segmental information continued

Year ended 31 March 2010

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

Year ended 31 March 2009

Balance sheet	Retail Portfolio Group £m	Retail Portfolio Joint ventures £m	Retail Portfolio Total £m	London Portfolio Group £m	London Portfolio Joint ventures £m	London Portfolio Total £m	Total Group £m	Total Joint ventures £m	Total £m
Investment properties	3,205.4	1,035.0	4,240.4	4,724.0	173.0	4,897.0	7,929.4	1,208.0	9,137.4
Other property, plant and equipment	4.7	-	4.7	9.6	-	9.6	14.3	-	14.3
Net investment in finance leases	48.5	8.6	57.1	67.8	-	67.8	116.3	8.6	124.9
Trading properties and long-term development contracts	10.0	19.0	29.0	84.9	18.0	102.9	94.9	37.0	131.9
Trade and other receivables	201.4	210.4	411.8	190.7	3.3	194.0	392.1	213.7	605.8
Share of joint venture cash	-	23.9	23.9	-	4.6	4.6	-	28.5	28.5
Joint venture net liabilities adjustment	-	17.1	17.1	-	0.6	0.6	-	17.7	17.7
Segment assets	3,470.0	1,314.0	4,784.0	5,077.0	199.5	5,276.5	8,547.0	1,513.5	10,060.5
Unallocated:									
Cash and cash equivalents							1,609.1	-	1,609.1
Monies held in restricted accounts							29.9	-	29.9
Loan investments							50.0	-	50.0
Pension surplus							3.0	-	3.0
Deferred tax assets							1.9	-	1.9
Reclassification of joint venture liabilities							-	(582.7)	(582.7)
Total assets							10,240.9	930.8	11,171.7
Trade and other payables	(335.9)	(86.8)	(422.7)	(241.3)	(12.4)	(253.7)	(577.2)	(99.2)	(676.4)
Share of joint venture borrowings	-	(320.3)	(320.3)	-	(163.2)	(163.2)	-	(483.5)	(483.5)
Segment liabilities	(335.9)	(407.1)	(743.0)	(241.3)	(175.6)	(416.9)	(577.2)	(582.7)	(1,159.9)
Unallocated:									
Borrowings							(5,450.6)	-	(5,450.6)
Derivative financial instruments							(112.0)	-	(112.0)
Current tax liabilities							(163.1)	-	(163.1)
Trade and other payables							(48.6)	-	(48.6)
Reclassification of joint venture liabilities to assets							-	582.7	582.7
Total liabilities							(6,351.5)	-	(6,351.5)
Other segment items									
Capital expenditure	147.6	142.5	290.1	272.0	1.6	273.6	419.6	144.1	563.7

4. Group revenue

	Group 2010 £m	Group 2009 £m
Rental income (excluding adjustment for lease incentives)	**544.9**	606.4
Adjustment for lease incentives	**15.4**	35.3
Rental income	**560.3**	641.7
Service charge income	**77.6**	84.3
Other property related income	**22.0**	25.7
Trading property sales proceeds	**13.5**	9.2
Long-term development contract income	**140.7**	48.9
Finance lease interest	**5.9**	8.0
Other income	**13.4**	3.4
	833.4	821.2

5. Net interest expense

	Group		Company	
	2010	2009	**2010**	2009
	£m	£m	**£m**	£m
Interest expense				
Bond and debenture debt	**(200.9)**	(191.1)	**-**	-
Bank borrowings	**(42.7)**	(95.4)	**-**	-
Other interest payable	**(2.1)**	(0.9)	**(11.1)**	(53.9)
Amortisation of bond exchange de-recognition	**(13.8)**	(11.7)	**-**	-
Interest on pension scheme liabilities	**(7.2)**	(7.5)	**-**	-
	(266.7)	(306.6)	**(11.1)**	(53.9)
Interest capitalised in relation to properties under development	**17.8**	43.7	**-**	-
Total interest expense	**(248.9)**	(262.9)	**(11.1)**	(53.9)
Interest income				
Short-term deposits	**8.5**	2.7	**-**	0.5
Interest received on loan investments	**3.7**	0.7	**-**	-
Gain on disposal of foreign-exchange contract	**-**	2.7	**-**	-
Other interest receivable	**0.9**	1.5	**-**	19.5
Interest receivable from joint ventures	**10.1**	16.8	**-**	-
Expected return on pension scheme assets	**6.6**	8.1	**-**	-
Total interest income	**29.8**	32.5	**-**	20.0
Fair value movement on interest-rate swaps	**7.0**	(102.1)	**-**	-
Net interest expense	**(212.1)**	(332.5)	**(11.1)**	(33.9)

Included within rents payable (note 3) is finance lease interest payable of **£3.8m** (2009: £4.3m).

6. Dividends

Ordinary dividends paid	Payment date	Restated[1] Per share pence	Actual Per share pence	Group and Company 2010 £m	2009 £m
For the year ended 31 March 2008:					
Third quarter	25 April 2008	**14.4**	**16.0**	-	74.4
Final quarter	28 July 2008	**14.4**	**16.0**	-	74.4
For the year ended 31 March 2009:					
First quarter	24 October 2008	**14.9**	**16.5**	-	76.8
Second quarter	12 January 2009	**14.9**	**16.5**	-	76.8
Third quarter	24 April 2009	**14.9**	**16.5**	**76.8**	-
Final quarter	24 July 2009	**7.0**	**7.0**	**52.9**	-
For the year ended 31 March 2010:					
First quarter	23 October 2009	**7.0**	**7.0**	**52.9**	-
Second quarter	15 January 2010	**7.0**	**7.0**	**52.9**	-
				235.5	302.4

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

During the year, the Company introduced a scrip dividend scheme, which provides shareholders with the option to receive their dividend in shares as opposed to cash. As a result of shares issued in lieu of dividends of **£17.6m** (2009: £nil), dividends paid in cash, as set out in the consolidated statement of cash flows, totalled **£217.9m** (2009: £302.4m).

The Board has proposed a final quarterly dividend for the year ended 31 March 2010 of **7.0p** per share (2009: 7.0p), which will be a 100% PID and result in a further distribution of **£53.3m** (2009: £52.9m). It will be paid on 30 July 2010 to shareholders who are on the Register of Members on 25 June 2010. The final dividend is in addition to the third quarterly dividend of **7.0p** or **£53.1m** paid on 1 April 2010 (2009 restated: 14.9p or £76.8m). The total dividend paid and proposed in respect of the year ended 31 March 2010 is **28.0p** (2009 restated: 51.7p).

All of the dividends paid and payable in respect of the financial year ended 31 March 2010 comprise PIDs to the extent that these dividends are paid in cash. Scrip dividends are not treated as qualifying towards the Group PID requirement.

7. Earnings/(loss) per share

	Group 2010 £m	2009 £m
Profit/(loss) for the financial year attributable to the owners of the Parent	**1,088.9**	(5,191.3)
of which from: continuing operations attributable to the owners of the Parent	**1,088.9**	(4,770.4)
of which from: discontinued operations attributable to the owners of the Parent	**-**	(420.9)

Management has chosen to disclose adjusted earnings per share from continuing activities in order to provide an indication of the Group's underlying business performance. Accordingly, it excludes the effect of all exceptional items, debt and other restructuring charges, and other items of a capital nature (other than trading properties and long-term contract profits) as indicated above. An EPRA measure has been included to assist comparison between European property companies. We believe our measure of adjusted diluted earnings per share is more appropriate than the EPRA measure in the context of our business.

	2010 £m	2009 £m
Profit/(loss) for the financial year from continuing operations attributable to the owners of the Parent	**1,088.9**	(4,770.4)
Net (surplus)/deficits on revaluation of investment properties – Group	**(746.0)**	4,113.4
Net (surplus)/deficits on revaluation of investment properties – joint ventures	**(117.8)**	630.3
Loss/(profit) on investment property disposals after current and deferred tax – Group	**32.5**	130.8
Loss/(profit) on investment property disposals after current and deferred tax – joint ventures	**(8.0)**	(2.9)
Impairment of development land and infrastructure[1] – Group (note 12)	**10.6**	92.0
Impairment of development land and infrastructure[1] – joint ventures	**2.9**	12.3
Fair value movement on interest-rate swaps – Group	**(7.0)**	102.1
Fair value movement on interest-rate swaps – joint ventures	**1.4**	15.4
Adjustment due to net liabilities on joint ventures[2]	**15.7**	(17.7)
Non-revenue tax adjustments	**(23.1)**	-
Demerger costs (net of taxation)	**-**	7.2
Eliminate effect of revenue arising on restructuring of TQD financing	**(9.7)**	-
EPRA adjusted earnings from continuing operations attributable to the owners of the Parent	**240.4**	312.5
Eliminate effect of debt restructuring charges (net of taxation)	**3.6**	0.8
Eliminate effect of bond exchange de-recognition	**13.8**	11.7
Adjusted earnings from continuing operations attributable to the owners of the Parent	**257.8**	325.0

[1] The impairment in relation to the development land and infrastructure programmes within trading properties has been removed from both our and the EPRA's adjusted earnings due to the long-term nature of these programmes.
[2] The adjustment to net liabilities on joint ventures is the result of valuation deficits in the prior year, partially reversed by surpluses in the current year.

7. Earnings/(loss) per share continued

	2010 Number million	2009 Number million
Weighted average number of ordinary shares	**762.5**	526.7
Effect of weighted average number of treasury shares	**(5.9)**	(5.9)
Effect of weighted average number of own shares	**(0.6)**	(1.2)
Weighted average number of ordinary shares for calculating basic earnings per share	**756.0**	519.6
Effect of share options which are dilutive for diluted earnings per share	**0.4**	-
Weighted average number of ordinary shares for calculating diluted earnings per share	**756.4**	519.6
Effect of share options which are dilutive for adjusted diluted earnings per share	**-**	0.3
Weighted average number of ordinary shares for calculating adjusted diluted earnings per share	**756.4**	519.9

	2010 Pence	2009 Pence
Basic earnings/(loss) per share	**144.04**	(999.04)
of which from: continuing operations	**144.04**	(918.04)
of which from: discontinued operations	**-**	(81.00)
Diluted earnings/(loss) per share	**143.96**	(999.04)
of which from: continuing operations	**143.96**	(918.04)
of which from: discontinued operations	**-**	(81.00)
Adjusted earnings per share from continuing operations	**34.10**	62.60
Adjusted diluted earnings per share from continuing operations	**34.08**	62.57
EPRA adjusted earnings per share from continuing operations	**31.80**	60.20

8. Net assets per share

	Group	
	2010 £m	2009 £m
Net assets attributable to the owners of the Parent	**5,689.9**	4,823.5
Cumulative fair value movements on interest-rate swaps – Group	**0.1**	112.0
Cumulative fair value movements on interest-rate swaps – joint ventures	**37.2**	38.2
EPRA adjusted net assets	**5,727.2**	4,973.7
Reverse bond exchange de-recognition adjustment	**(486.0)**	(499.8)
Adjusted net assets attributable to the owners of the Parent	**5,241.2**	4,473.9
Reinstate bond exchange de-recognition adjustment	**486.0**	499.8
Cumulative fair value movements on interest-rate swaps – Group	**(0.1)**	(112.0)
Cumulative fair value movements on interest-rate swaps – joint ventures	**(37.2)**	(38.2)
Excess of fair value of debt over book value (note 16)	**(476.5)**	(13.4)
EPRA triple net assets	**5,213.4**	4,810.1

	2010 Number million	2009 Number million
Number of ordinary shares in issue	**764.6**	761.9
Number of treasury shares	**(5.9)**	(5.9)
Number of own shares	**(0.5)**	(0.9)
Number of ordinary shares used for calculating basic net assets per share	**758.2**	755.1
Dilutive effect of share options	**0.6**	-
Number of ordinary shares used for calculating diluted net assets per share	**758.8**	755.1

	2010 Pence	2009 Pence
Net assets per share	**750**	639
Diluted net assets per share	**750**	639
Adjusted net assets per share	**691**	593
Adjusted diluted net assets per share	**691**	593
EPRA measure – adjusted diluted net assets per share	**755**	659
EPRA measure – diluted triple net assets per share	**687**	637

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

9. Investment properties

	Portfolio management £m	Development programme £m	Trillium £m	Group Total £m
Net book value at 1 April 2008	10,338.3	1,396.0	562.4	12,296.7
Developments transferred from the development programme into portfolio management	410.3	(410.3)	-	-
Accor hotel properties transferred from Trillium to portfolio management	435.9	-	(435.9)	-
Property acquisitions	101.9	1.3	-	103.2
Capital expenditure	174.1	245.5	6.0	425.6
Capitalised interest	14.0	23.1	-	37.1
Disposals	(681.9)	(1.3)	(41.4)	(724.6)
Transfer from operating properties	-	-	11.9	11.9
Surrender premiums received	(2.0)	-	-	(2.0)
Depreciation	(2.1)	-	-	(2.1)
Valuation deficit – continuing operations	(3,573.1)	(540.3)	-	(4,113.4)
– discontinued operations	-	-	(10.0)	(10.0)
Disposals included as part of the disposal of Trillium	-	-	(93.0)	(93.0)
Net book value at 31 March 2009	7,215.4	714.0	-	7,929.4
Developments transferred from the development programme into portfolio management	498.1	(498.1)	-	-
Properties transferred from portfolio management into the development programme	(237.9)	237.9	-	-
Property acquisitions	13.3	-	-	13.3
Capital expenditure	50.7	122.9	-	173.6
Capitalised interest	0.7	15.5	-	16.2
Disposals	(824.5)	-	-	(824.5)
Surrender premiums received	(10.0)	-	-	(10.0)
Depreciation	(0.8)	-	-	(0.8)
Transfer from trading properties	1.1	-	-	1.1
Valuation surplus	549.0	197.0	-	746.0
Net book value at 31 March 2010	**7,255.1**	**789.2**	**-**	8,044.3

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

	Portfolio management £m	Development programme £m	Total £m
Net book value at 31 March 2009	7,215.4	714.0	7,929.4
Plus: tenant lease incentives	148.8	40.5	189.3
Less: head leases capitalised (note 18)	(56.5)	(1.4)	(57.9)
Plus: properties treated as finance leases	104.7	-	104.7
Market value at 31 March 2009 – Group	7,412.4	753.1	8,165.5
– plus: share of joint ventures (note 11)	950.0	291.5	1,241.5
Market value at 31 March 2009 – Group and share of joint ventures	8,362.4	1,044.6	9,407.0
Net book value at 31 March 2010	**7,255.1**	**789.2**	**8,044.3**
Plus: tenant lease incentives	**167.4**	**4.5**	**171.9**
Less: head leases capitalised (note 18)	**(50.6)**	**(2.0)**	**(52.6)**
Plus: properties treated as finance leases	**121.8**	**-**	**121.8**
Market value at 31 March 2010 – Group	**7,493.7**	**791.7**	**8,285.4**
– plus: share of joint ventures (note 11)	**1,063.8**	**191.2**	**1,255.0**
Market value at 31 March 2010 – Group and share of joint ventures	**8,557.5**	**982.9**	**9,540.4**

The net book value of leasehold properties where head leases have been capitalised is **£1,044.0m** (2009: £994.0m).

The fair value of the Group's investment properties at 31 March 2010 has been arrived at on the basis of a valuation carried out at that date by Knight Frank LLP, external valuers. The valuation by Knight Frank LLP, which conforms to Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors and with IVA 1 of the International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties. Fixed asset properties include capitalised interest of **£160.5m** (2009: £181.1m). The average rate of interest capitalisation for the year is **4.6%** (2009: 5.5%). The historical cost of investment properties is **£6,877.8m** (2009: £7,721.8m).

The current value of investment properties, including joint ventures, in respect of proposed developments is **£336.2m** (2009: £524.8m). Developments are transferred out of the development programme when physically complete and 95% let, or two years after completion, whichever is earlier. The schemes transferred out of the development programme during the year were New Street Square, London EC4, Willow Place, Corby and Bristol Alliance, Bristol.

The Group has outstanding capital commitments of **£75.4m** at 31 March 2010 (2009: £280.5m).

10. Net investment in finance leases	Group	
	2010	2009
	£m	£m
Non-current		
Finance leases – gross receivables	**270.8**	277.7
Unearned finance income	**(181.1)**	(187.1)
Unguaranteed residual value	**25.7**	25.7
	115.4	116.3
Current		
Finance leases – gross receivables	**7.0**	7.0
Unearned finance income	**(6.1)**	(6.2)
	0.9	0.8
Total net investment in finance leases	**116.3**	117.1
Gross receivables from finance leases:		
Not later than one year	**7.0**	7.0
Later than one year but not more than five years	**28.0**	20.9
More than five years	**242.8**	256.8
	277.8	284.7
Unearned future finance income	**(187.2)**	(193.3)
Unguaranteed residual value	**25.7**	25.7
Net investment in finance leases	**116.3**	117.1

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

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

11. Investments in joint ventures

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

	The Scottish Retail Property Limited Partnership £m	Metro Shopping Fund Limited Partnership £m	Buchanan Partnership £m	St. David's Limited Partnership £m	The Bull Ring Limited Partnership £m	Bristol Alliance Limited Partnership £m	The Harvest Limited Partnership £m	The Oriana Limited Partnership £m	Other £m	Total £m
Income statement										
Rental income	7.5	11.8	8.6	8.6	7.1	17.9	4.8	3.4	8.8	78.5
Finance lease interest	-	0.1	0.1	-	-	0.3	-	-	-	0.5
Rents payable	(0.1)	-	-	(0.6)	-	(0.5)	-	-	(0.1)	(1.3)
	7.4	11.9	8.7	8.0	7.1	17.7	4.8	3.4	8.7	77.7
Service charge income	1.2	2.4	0.5	1.2	1.4	2.1	0.2	0.2	0.2	9.4
Service charge expense	(1.1)	(2.8)	(0.6)	(1.7)	(1.5)	(2.5)	(0.1)	(0.2)	(0.4)	(10.9)
Net service charge income/(expense)	0.1	(0.4)	(0.1)	(0.5)	(0.1)	(0.4)	0.1	-	(0.2)	(1.5)
Other property related income	0.3	0.2	-	-	-	0.5	-	-	-	1.0
Direct property expenditure	(2.3)	(1.1)	(1.2)	(1.9)	(1.1)	(3.8)	(0.2)	(0.4)	(0.2)	(12.2)
Net rental income	5.5	10.6	7.4	5.6	5.9	14.0	4.7	3.0	8.3	65.0
Trading properties sale proceeds	-	-	-	-	-	-	-	-	12.3	12.3
Cost of sales of trading properties	-	-	-	-	-	-	-	-	(11.1)	(11.1)
Profit on disposal of trading properties	-	-	-	-	-	-	-	-	1.2	1.2
Indirect property expenditure	(0.4)	(0.8)	(0.1)	(1.6)	(0.1)	(0.3)	-	(0.1)	(0.4)	(3.8)
	5.1	9.8	7.3	4.0	5.8	13.7	4.7	2.9	9.1	62.4
Investment property disposal proceeds	-	-	-	-	212.8	0.8	-	-	-	213.6
Carrying value of investment property disposals	-	-	-	-	(205.1)	(0.5)	-	-	-	(205.6)
Profit on disposal of investment properties	-	-	-	-	7.7	0.3	-	-	-	8.0
Net surplus on revaluation of investment properties	9.5	45.1	5.7	2.5	-	27.0	11.1	9.6	7.3	117.8
Impairment of trading properties	-	-	-	-	-	-	-	-	(2.9)	(2.9)
Operating profit	14.6	54.9	13.0	6.5	13.5	41.0	15.8	12.5	13.5	185.3
Net interest expense	(3.3)	(10.6)	(3.9)	(3.3)	-	-	(3.1)	(4.8)	(5.0)	(34.0)
Profit before tax	11.3	44.3	9.1	3.2	13.5	41.0	12.7	7.7	8.5	151.3
Income tax	-	(0.6)	-	-	-	-	-	-	2.6	2.0
	11.3	43.7	9.1	3.2	13.5	41.0	12.7	7.7	11.1	153.3
Net liabilities adjustment	-	(16.5)	-	-	-	-	-	-	0.8	(15.7)
Share of profits after tax	11.3	27.2	9.1	3.2	13.5	41.0	12.7	7.7	11.9	137.6
Net investment										
At 1 April 2009	17.5	-	114.4	240.6	202.8	244.2	65.9	7.1	38.3	930.8
Cash contributed	1.2	2.5	2.0	-	-	-	2.1	-	0.4	8.2
Distributions	-	(1.1)	(3.4)	-	-	-	-	-	(2.4)	(6.9)
Fair value movement on cash flow hedges taken to equity	0.2	2.4	-	-	-	-	-	-	-	2.6
Disposals	-	-	-	-	(208.6)	-	-	-	-	(208.6)
Capital advances	-	-	-	75.3	-	12.1	-	-	-	87.4
Capital repayments	-	-	-	(145.5)	(7.7)	(10.1)	-	-	-	(163.3)
Share of profits of joint ventures after tax	11.3	27.2	9.1	3.2	13.5	41.0	12.7	7.7	11.9	137.6
At 31 March 2010	30.2	31.0	122.1	173.6	-	287.2	80.7	14.8	48.2	787.8
Balance sheet										
Investment properties [(1)]	96.3	217.0	118.6	230.7	-	268.9	83.3	94.9	117.4	1,227.1
Current assets	6.4	7.6	6.9	6.8	-	29.5	45.7	2.9	55.8	161.6
	102.7	224.6	125.5	237.5	-	298.4	129.0	97.8	173.2	1,388.7
Current liabilities	(4.9)	(5.9)	(3.4)	(26.5)	-	(8.3)	(1.2)	(6.1)	(27.5)	(83.8)
Non-current liabilities	(67.6)	(187.7)	-	(37.4)	-	(2.9)	(47.1)	(76.9)	(99.5)	(519.1)
	(72.5)	(193.6)	(3.4)	(63.9)	-	(11.2)	(48.3)	(83.0)	(127.0)	(602.9)
Net liabilities adjustment [(2)]	-	-	-	-	-	-	-	-	2.0	2.0
Net assets	30.2	31.0	122.1	173.6	-	287.2	80.7	14.8	48.2	787.8
Capital commitments	0.1	0.4	-	12.8	-	3.9	0.1	-	0.3	17.6
Market value of investment properties [(1)]	97.6	218.3	122.5	233.0	-	286.5	84.1	95.0	118.0	1,255.0
Net (debt)/cash	(64.2)	(183.0)	0.8	(34.4)	-	3.2	(45.8)	(74.1)	(91.4)	(488.9)

(1) The difference between the book value and the market value is the amount included in prepayments in respect of lease incentives, head leases capitalised and properties treated as finance leases.

(2) Joint ventures with net liabilities are carried at zero value in the balance sheet where there is no commitment to fund the deficit and any distributions are included in the consolidated income statement for the year.

11. Investments in joint ventures continued

Financial information of Group's share of joint ventures
Year ended and as at 31March 2009

	The Scottish Retail Property Limited Partnership £m	Metro Shopping Fund Limited Partnership £m	Buchanan Partnership £m	St. David's Limited Partnership £m	The Bull Ring Limited Partnership £m	Bristol Alliance Limited Partnership £m	The Harvest Limited Partnership £m	The Oriana Limited Partnership £m	Other £m	Total £m
Income statement										
Rental income	9.1	12.9	9.2	5.0	15.5	10.8	4.4	4.3	6.5	77.7
Finance lease interest	-	-	0.1	-	-	0.3	-	-	-	0.4
Rents payable	(0.2)	-	-	-	-	(0.2)	-	-	(0.1)	(0.5)
	8.9	12.9	9.3	5.0	15.5	10.9	4.4	4.3	6.4	77.6
Service charge income	1.5	2.5	1.8	0.7	2.5	1.1	0.2	0.3	0.1	10.7
Service charge expense	(2.3)	(3.2)	(1.8)	(1.0)	(2.5)	(1.3)	(0.2)	(0.3)	(0.6)	(13.2)
Net service charge expense	(0.8)	(0.7)	-	(0.3)	-	(0.2)	-	-	(0.5)	(2.5)
Direct property expenditure	(1.3)	(0.8)	(1.1)	(0.2)	(2.6)	(3.6)	(0.1)	(0.2)	(0.5)	(10.4)
Net rental income	6.8	11.4	8.2	4.5	12.9	7.1	4.3	4.1	5.4	64.7
Trading properties sale proceeds	-	-	-	-	-	-	-	-	16.0	16.0
Cost of sales of trading properties	-	-	-	-	-	-	-	-	(10.5)	(10.5)
Profit on disposal of trading properties	-	-	-	-	-	-	-	-	5.5	5.5
Indirect property expenditure	(0.4)	(1.2)	(0.1)	(0.3)	(0.3)	(0.1)	(0.4)	(0.6)	(0.4)	(3.8)
	6.4	10.2	8.1	4.2	12.6	7.0	3.9	3.5	10.5	66.4
Investment property disposal proceeds	(0.1)	0.2	-	-	0.4	6.9	-	-	3.7	11.1
Carrying value of investment property disposals	-	-	-	-	-	(5.2)	-	-	(3.0)	(8.2)
Profit on disposal of investment properties	(0.1)	0.2	-	-	0.4	1.7	-	-	0.7	2.9
Net deficit on revaluation of investment properties	(54.0)	(78.1)	(66.5)	(184.6)	(87.8)	(106.3)	(11.5)	(4.8)	(36.7)	(630.3)
Impairment of trading properties	-	-	-	-	-	-	-	-	(12.3)	(12.3)
Operating loss	(47.7)	(67.7)	(58.4)	(180.4)	(74.8)	(97.6)	(7.6)	(1.3)	(37.8)	(573.3)
Net interest (expense)/income	(3.2)	(10.6)	(3.9)	0.3	-	-	(1.4)	(11.7)	(11.6)	(42.1)
Loss before tax	(50.9)	(78.3)	(62.3)	(180.1)	(74.8)	(97.6)	(9.0)	(13.0)	(49.4)	(615.4)
Income tax	(0.2)	(0.8)	-	-	-	-	-	-	(0.3)	(1.3)
	(51.1)	(79.1)	(62.3)	(180.1)	(74.8)	(97.6)	(9.0)	(13.0)	(49.7)	(616.7)
Net liabilities adjustment	-	16.5	-	-	-	-	-	-	1.2	17.7
Share of losses post tax	(51.1)	(62.6)	(62.3)	(180.1)	(74.8)	(97.6)	(9.0)	(13.0)	(48.5)	(599.0)
Net investment										
At 1 April 2008	73.0	69.9	179.6	346.7	289.3	284.4	64.5	9.0	94.2	1,410.6
Properties contributed	-	-	-	-	-	-	-	-	27.3	27.3
Cash contributed	0.4	5.8	1.4	-	-	-	17.6	11.2	4.1	40.5
Distributions	-	(1.1)	(4.3)	-	-	-	(3.0)	(0.1)	(13.1)	(21.6)
Fair value movement on interest-rate swaps taken to equity	(4.8)	(12.0)	-	-	-	-	(4.2)	-	(0.3)	(21.3)
Disposals	-	-	-	-	-	-	-	-	(17.9)	(17.9)
Capital advances	-	-	-	74.0	0.3	61.1	-	-	0.2	135.6
Capital repayments	-	-	-	-	(12.0)	(3.7)	-	-	(2.4)	(18.1)
Disposal of Trillium	-	-	-	-	-	-	-	-	(5.3)	(5.3)
Share of losses of joint ventures post tax	(51.1)	(62.6)	(62.3)	(180.1)	(74.8)	(97.6)	(9.0)	(13.0)	(48.5)	(599.0)
At 31 March 2009	17.5	-	114.4	240.6	202.8	244.2	65.9	7.1	38.3	930.8
Balance sheet										
Investment properties	82.3	171.5	112.3	147.6	200.0	230.8	69.5	83.9	110.1	1,208.0
Current assets	6.4	7.5	6.0	119.0	12.2	33.6	44.3	3.1	55.7	287.8
	88.7	179.0	118.3	266.6	212.2	264.4	113.8	87.0	165.8	1,495.8
Current liabilities	(3.1)	(5.6)	(3.9)	(25.6)	(9.4)	(17.3)	(1.0)	(4.3)	(29.0)	(99.2)
Non-current liabilities	(68.1)	(189.9)	-	(0.4)	-	(2.9)	(46.9)	(75.6)	(99.7)	(483.5)
	(71.2)	(195.5)	(3.9)	(26.0)	(9.4)	(20.2)	(47.9)	(79.9)	(128.7)	(582.7)
Net liabilities adjustment	-	16.5	-	-	-	-	-	-	1.2	17.7
Net assets	17.5	-	114.4	240.6	202.8	244.2	65.9	7.1	38.3	930.8
Capital commitments	1.6	0.7	0.4	53.1	-	12.9	-	-	1.9	70.6
Market value of investment properties	83.8	172.6	115.0	147.5	205.0	253.4	70.0	84.0	110.2	1,241.5
Net (debt)/cash	(63.3)	(185.1)	1.9	2.7	2.8	1.9	(46.1)	(74.8)	(99.4)	(459.4)

12. Trading properties and long-term development contracts

						Group
			2010			2009
	Cost	**Impairment provision**	**Realisable value**	Cost	Impairment Provision	Realisable value
	£m	**£m**	**£m**	£m	£m	£m
Trading properties:						
Development land and infrastructure	**170.1**	**(102.6)**	**67.5**	159.1	(92.0)	67.1
Other trading properties	**16.8**	**(0.3)**	**16.5**	26.0	(0.3)	25.7
Long-term development contracts	**3.9**	**-**	**3.9**	2.1	-	2.1
	190.8	**(102.9)**	**87.9**	187.2	(92.3)	94.9

The realisable value of the Group's trading properties at 31 March 2010 has been arrived at on the basis of a valuation carried out at that date by Knight Frank LLP, external valuers.

Long-term development contracts		Group
	2010	2009
	£m	£m
Income statement:		
Contract revenue recognised as revenue in the year	**140.7**	48.9
Contract expenditure recognised as costs in the year	**(134.0)**	(45.1)
	6.7	3.8
Balance sheet:		
Contract costs incurred and recognised profits (less recognised losses) to date	**526.3**	383.8
Advances received from customers	**(527.8)**	(390.8)
	(1.5)	(7.0)
Plus: gross amount due to customers for contract work (included in accruals and deferred income)	**5.4**	9.1
Balance at the end of the year	**3.9**	2.1

13. Monies held in restricted accounts and deposits

		Group
	2010	2009
	£m	£m
Cash at bank and in hand	**87.5**	0.1
Short-term deposits	**6.0**	29.8
Liquidity funds	**2.1**	-
	95.6	29.9

Monies held in restricted accounts and deposits represent cash held by the Group in accounts with conditions attached that restricts the use of these monies by the Group and, as such, does not meet the definition of cash and cash equivalents as defined in IAS 7 'Statement of Cash Flows'. Holding cash in restricted accounts does not prevent the Group from optimising returns by putting these monies on short-term deposit.

The credit quality of monies held in restricted accounts and deposits can be assessed by reference to external credit ratings of the counterparty.

		Group
	2010	2009
	£m	£m
Counterparties with external credit ratings		
AAA	**2.1**	-
AA	**76.7**	-
A+	**10.8**	29.9
A	**6.0**	-
	95.6	29.9

14. Cash and cash equivalents

	Group		Company	
	2010	2009	**2010**	2009
	£m	£m	**£m**	£m
Cash at bank and in hand	**17.7**	108.1	**0.2**	105.1
Short-term deposit	**11.8**	750.0	**-**	-
Liquidity funds	**129.9**	751.0	**-**	-
	159.4	1,609.1	**0.2**	105.1

Liquidity funds
The liquidity funds are AAA rated cash-investment funds with constant net asset values, offering the Group same day access to the funds deposited. These investments yield a return of between **0.3%** and **0.6%** at 31 March 2010 (2009: between 0.5% and 1.3%).

Short-term deposits
The effective interest rate on short-term deposits was **0.3%** at 31 March 2010 (2009: 1.2%) and had an average maturity of **1 day** (2009: 91 days).

The credit quality of cash and cash equivalents can be assessed by reference to external credit ratings of the counterparty where the account or deposit is placed.

	Group	
	2010	2009
	£m	£m
Counterparties with external credit ratings		
AAA	**129.9**	751.0
AA	**7.1**	460.6
AA-	**-**	75.0
A+	**22.4**	322.5
	159.4	1,609.1

15. Derivative financial instruments

			Group	
	2010		2009	
	Assets	**Liabilities**	Assets	Liabilities
	£m	**£m**	£m	£m
Interest-rate swaps (non-designated)	**1.0**	**(1.1)**	-	(112.0)
Total	**1.0**	**(1.1)**	-	(112.0)

Non-designated derivatives are classified as a current asset or liability.

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

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

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

	2010	2009
	£m	£m
Interest-rate swaps	**570.0**	2,225.0
	570.0	2,225.0

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

								Group
				2010				2009
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Assets	**-**	**1.0**	**-**	**1.0**	-	-	-	-
Liabilities	**-**	**(1.1)**	**-**	**(1.1)**	-	(112.0)	-	(112.0)

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

15. Derivative financial instruments continued

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

	Group	
	2010	2009
	£m	£m
Counterparties with external credit ratings		
AA	**0.6**	-
A+	**0.4**	-
	1.0	-

16. Borrowings

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

Medium term notes (MTN)

The MTN are secured on the fixed and floating pool of assets of the Security Group. Debt investors benefit from security over a pool of investment properties valued at **£7.8bn** at 31 March 2010 (2009: £7.5bn). The secured debt structure has a tiered operating covenant regime which gives the Group substantial flexibility when the loan to value and interest cover in the Security Group are less than 65% and more than 1.45 times respectively. If these limits are exceeded the operating environment becomes more restrictive with provisions to encourage the reduction in gearing (see note 17). The interest rate is fixed until the expected maturity, being two years before the legal maturity date for each MTN, whereupon the interest rate for the last two years is LIBOR plus a step-up margin. The effective interest rate includes the amortisation of issue costs. The MTN are listed on the Irish Stock Exchange and their fair values are based on their respective market prices.

The 4.625 per cent MTN due 2013 has been classed as a short-term borrowing as it is anticipated that the monies will be repaid within 12 months.

Syndicated bank debt

At 31 March 2010 the Group had a £1.5bn authorised credit facility with a maturity of August 2013, which was fully undrawn. This facility is committed and is secured on the assets of the Security Group.

Bilateral facilities

Committed Bilateral facilities totalling £650.0m are available to the Group and are secured on the assets of the Security Group. These facilities mature between April and November 2014.

16. Borrowings continued

QAG Bond

On 29 July 2009, the Group issued a £360.3m bond secured on the rental cash flows from the commercial lease with the UK Government over Queen Anne's Gate, London, SW1. The QAG Bond is a fully amortising bond with a final maturity in February 2027 and a fixed interest rate of 5.253%.

Fair values

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

						Group
						2009
	Secured/ unsecured	Fixed/floating	Effective interest rate %	Nominal/ notional value £m	Fair value £m	Book value £m
Short-term borrowings and overdrafts						
Sterling						
Bank overdrafts	Unsecured	Floating	-	0.3	0.3	0.3
Amounts payable under finance leases (note 18)		Fixed	5.5	0.8	0.8	0.8
Total short-term borrowings and overdrafts				**1.1**	**1.1**	**1.1**
Non-current borrowings						
Sterling						
4.625 per cent MTN due 2013	Secured	Fixed	4.7	300.0	294.3	299.8
5.292 per cent MTN due 2015	Secured	Fixed	5.3	391.5	383.4	391.0
4.875 per cent MTN due 2019	Secured	Fixed	5.0	400.0	370.0	396.5
5.425 per cent MTN due 2022	Secured	Fixed	5.5	255.3	230.9	254.6
4.875 per cent MTN due 2025	Secured	Fixed	4.9	300.0	237.2	297.2
5.391 per cent MTN due 2026	Secured	Fixed	5.4	210.7	175.9	209.9
5.391 per cent MTN due 2027	Secured	Fixed	5.4	611.1	509.6	608.5
5.376 per cent MTN due 2029	Secured	Fixed	5.4	317.9	256.1	316.4
5.396 per cent MTN due 2032	Secured	Fixed	5.4	322.9	258.6	321.1
5.125 per cent MTN due 2036	Secured	Fixed	5.1	500.0	376.1	498.6
Bond exchange de-recognition adjustment	Secured	Fixed		-	-	(499.8)
				3,609.4	3,092.1	3,093.8
Syndicated bank debt	Secured	Floating	LIBOR + margin	1,662.8	1,662.8	1,658.6
Bilateral facilities	Secured	Floating	LIBOR + margin	640.0	640.0	640.0
Amounts payable under finance leases (note 18)		Fixed	5.5	57.1	68.0	57.1
Total non-current borrowings				**5,969.3**	**5,462.9**	**5,449.5**
Total borrowings				**5,970.4**	**5,464.0**	**5,450.6**

Reconciliation of the movement in borrowings		Group
	2010	2009
	£m	£m
At the beginning of the year	**5,450.6**	5,426.5
Decrease in overdrafts	**(0.3)**	(1.1)
Repayment of loans	**(2,306.2)**	(1,612.0)
Proceeds from new loans	**360.2**	1,737.6
Capitalisation of finance fees	**(0.2)**	(5.0)
Amortisation of finance fees	**5.7**	2.2
Amortisation of bond exchange de-recognition adjustment	**13.8**	11.7
Net movement in finance lease obligations	**(5.3)**	(9.4)
Borrowings included within the disposal of Trillium	**-**	(99.9)
At the end of the year	**3,518.3**	5,450.6

Bond exchange de-recognition

On 3 November 2004, a debt refinancing was completed resulting in the Group exchanging all of its outstanding bond and debenture debt for new MTN with higher nominal values. The new MTN did not meet the IAS39 requirement to be substantially different from the debt that it replaced. Consequently the book value of the new debt is reduced to the book value of the original debt by the 'bond exchange de-recognition' adjustment which is then amortised to zero over the life of the new MTN. The amortisation is charged to net interest expenses in the income statement.

17. Financial risk management

Introduction
A review of the Group's objectives, policies and processes for managing and monitoring risk is set out in the "Financial review" and "Our risks and how we manage them". This note provides further detail on financial risk management and includes quantitative information on specific financial risks.

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

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

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

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

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

						Group
			2010			2009
	Group	**Joint ventures**	**Combined**	Group	Joint ventures	Combined
	£m	**£m**	**£m**	£m	£m	£m
Property portfolio						
Market value of investment properties	**8,285.4**	**1,255.0**	**9,540.4**	8,165.5	1,241.5	9,407.0
Trading properties and long-term contracts	**87.9**	**32.8**	**120.7**	94.9	37.0	131.9
	8,373.3	**1,287.8**	**9,661.1**	8,260.4	1,278.5	9,538.9
Net debt						
Borrowings	**3,518.3**	**478.7**	**3,997.0**	5,450.6	449.7	5,900.3
Cash and cash equivalents	**(159.4)**	**(25.0)**	**(184.4)**	(1,609.1)	(28.5)	(1,637.6)
Monies held in restricted accounts and deposits	**(95.6)**	**(2.0)**	**(97.6)**	(29.9)	-	(29.9)
Cumulative fair value movement on interest-rate swaps	**0.1**	**37.2**	**37.3**	112.0	38.2	150.2
Net debt	**3,263.4**	**488.9**	**3,752.3**	3,923.6	459.4	4,383.0
Less: Cumulative fair value movement on interest-rate swaps	**(0.1)**	**(37.2)**	**(37.3)**	(112.0)	(38.2)	(150.2)
Reverse bond exchange de-recognition (note 16)	**486.0**	**-**	**486.0**	499.8	-	499.8
Adjusted net debt	**3,749.3**	**451.7**	**4,201.0**	4,311.4	421.2	4,732.6
Adjusted total equity						
Total equity	**5,689.0**		**5,689.0**	4,820.2		4,820.2
Cumulative fair value movement on interest-rate swaps	**0.1**	**37.2**	**37.3**	112.0	38.2	150.2
Reverse bond exchange de-recognition (note 16)	**(486.0)**		**(486.0)**	(499.8)		(499.8)
Adjusted total equity	**5,203.1**	**37.2**	**5,240.3**	4,432.4	38.2	4,470.6
Gearing	**57.4%**		**66.0%**	81.4%		90.9%
Adjusted gearing	**72.1%**		**80.2%**	97.3%		105.9%
Loan to value - Group	**44.8%**		**43.5%**	52.2%		49.6%
- Security Group	**45.5%**			76.7%		
Weighted average cost of debt	**5.2%**		**5.3%**	4.1%		4.3%

17. Financial risk management continued

Financial risk factors

(i) Credit risk

The Group's principal financial assets are cash and cash equivalents, trade and other receivables, finance lease receivables, amounts due from joint ventures, loans to third parties and commercial property backed loan notes. Further details concerning the credit risk of counterparties is provided in the note that specifically relates to each type of asset.

Bank and financial institutions

One of the principal credit risks of the Group arises from derivative financial instruments and deposits with banks and financial institutions. In line with the policy approved by the Board of Directors, only independently-rated banks and financial institutions with a minimum rating of A are accepted. Group Treasury currently performs a weekly review of the credit ratings of all its financial institution counterparties. Furthermore, Group Treasury ensures that funds deposited with a single financial institution remain within the Group's policy limits.

Trade receivables

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

Property sales

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

Finance lease receivables

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

Loans to third parties

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

Commercial property backed loan notes

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

(ii) Liquidity risk

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

Management monitors the Group's available funds as follows:

	March 2010 £m	December 2009 £m	September 2009 £m	June 2009 £m	**Group** March 2009 £m
Cash and cash equivalents	**159.4**	190.3	518.9	1,511.3	1,609.1
Undrawn committed credit lines[(1)]	**1,400.0**	1,400.0	707.6	-	-
Available funds	**1,559.4**	1,590.3	1,226.5	1,511.3	1,609.1
As a proportion of drawn debt	**39.3%**	40.1%	27.3%	25.7%	27.2%

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

The Group's core financing structure is in the Security Group, although the remaining Non-Restricted Group may also secure independent funding.

Security Group

The Group's principal financing arrangements utilise the credit support of a ring-fenced group of assets (the Security Group) that comprises the majority of the Group's investment property portfolio. These arrangements operate in ''tiers'' determined by LTV and Interest cover ratio (ICR). This structure is most flexible at lower tiers (with a lower LTV and a higher ICR) and allows property acquisitions, disposals and developments to occur with relative freedom. In higher tiers, the requirements become more prescriptive. No financial covenant default is triggered until the applicable LTV exceeds 100% or the ICR is less than 1.0 x.

As at 31 March 2010, the reported LTV for the Security Group was 45.5%, meaning that the Group was operating in Tier 1 and benefited from maximum operational flexibility.

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

17. Financial risk management continued

Non-Restricted Group
The Non-Restricted Group obtains funding when required from a combination of inter-company loans from the Security Group, equity and external bank debt. Bespoke credit facilities are established with banks when required for the Non-Restricted Group projects and joint ventures, usually on a limited-recourse basis.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the expected maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

				2010
	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
	£m	**£m**	**£m**	**£m**
Borrowings (excluding finance lease liabilities)	**308.2**	**9.3**	**427.0**	**3,221.8**
Finance lease liabilities	**0.5**	**0.4**	**0.4**	**51.3**
Derivative financial instruments	**-**	**-**	**1.1**	**-**
Trade payables	**9.9**	**-**	**-**	**-**
Capital payables	**47.8**	**-**	**-**	**-**
	366.4	**9.7**	**428.5**	**3,273.1**

				2009
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	£m	£m	£m	£m
Borrowings (excluding finance lease liabilities)	0.3	640.0	1,962.8	3,309.4
Finance lease liabilities	0.8	0.5	0.7	55.9
Derivative financial instruments	0.3	24.2	87.5	-
Trade payables	2.7	-	-	-
Capital payables	129.7	-	-	-
	133.8	664.7	2,051.0	3,365.3

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

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

At 31 March 2010, the Group (including joint ventures) had **£1.1bn** (2009: £2.7bn) of hedges in place, and its net debt was **98.2%** fixed (2009: 107%). At the year end all Group debt was fixed and subsequently the interest payable in the income statement is not sensitive to movements in interest rates. In the prior year, based on year-end balances, a 1% increase in interest rates would decrease the net interest payable in the income statement by £3.5m. The sensitivity has been calculated by applying the interest rate change to the variable-rate borrowings, net of interest-rate swaps and cash and cash equivalents.

Foreign exchange
Foreign-exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Group's functional currency.

The Group does not normally enter into any foreign-currency transactions as it is UK based. However, where committed expenditure in foreign currencies is identified, it is the Group's policy to hedge 100% of that exposure by entering into forward purchases of foreign currency to fix the Sterling value. Therefore the Group's foreign-exchange risk is low.

The Group had no foreign-currency exposure at 31 March 2010 or at 31 March 2009.

17. Financial risk management continued

Financial maturity analysis

The interest rate profile of the Group's undiscounted borrowings, after taking into account the effect of the interest-rate swaps, are set out below:

						Group
			2010			2009
	Fixed rate	**Floating rate**	**Total**	Fixed rate	Floating rate	Total
	£m	**£m**	**£m**	£m	£m	£m
Sterling	**4,018.9**	**-**	**4,018.9**	4,662.2	1,308.2	5,970.4

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

						Group
			2010			2009
	Fixed rate	**Floating rate**	**Total**	Fixed rate	Floating rate	Total
	£m	**£m**	**£m**	£m	£m	£m
One year or less, or on demand	**308.7**	**-**	**308.7**	1.1	-	1.1
More than one year but not more than two years	**9.7**	**-**	**9.7**	740.2	200.3	940.5
More than two years but not more than five years	**427.4**	**-**	**427.4**	947.3	1,107.9	2,055.2
More than five years	**3,273.1**	**-**	**3,273.1**	2,973.6	-	2,973.6
	4,018.9	**-**	**4,018.9**	4,662.2	1,308.2	5,970.4

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

		Group
	2010	2009
	£m	£m
One year or less, or on demand	**350.0**	40.0
More than one year but not more than two years	**-**	480.0
More than two years but not more than five years	**220.0**	1,705.0
More than five years	**-**	-
	570.0	2,225.0

18. Obligations under finance leases

		Group
	2010	2009
	£m	£m
The minimum lease payments under finance leases fall due as follows:		
Not later than one year	**4.1**	4.7
Later than one year but not more than five years	**14.7**	16.3
More than five years	**391.4**	426.6
	410.2	447.6
Future finance charges on finance leases	**(357.6)**	(389.7)
Present value of finance lease liabilities	**52.6**	57.9
The present value of finance lease liabilities is as follows:		
Not later than one year	**0.5**	0.8
Later than one year but not more than five years	**0.8**	1.2
More than five years	**51.3**	55.9
	52.6	57.9

The fair value of the Group's lease obligations, using a discount rate of **5.2%** (2009: 5.5%), is **£68.2m** (2009: £68.8m).

19. Cash flow from operating activities

Reconciliation of operating profit to net cash inflow from operating activities:	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Cash generated from operations				
Profit/(loss) for the financial year from continuing operations	**1,092.4**	(4,773.7)	**1,084.1**	(273.6)
Income tax	**(23.1)**	0.5	**(5.3)**	(15.2)
Profit/(loss) before tax	**1,069.3**	(4,773.2)	**1,078.8**	(288.8)
Share of (profit)/losses of joint ventures (post-tax)	**(137.6)**	599.0	**-**	-
	931.7	(4,174.2)	**1,078.8**	(288.8)
Fair value movement on interest-rate swaps	**(7.0)**	102.1	**-**	-
Interest income	**(29.8)**	(32.5)	**-**	(20.0)
Interest expense	**248.9**	262.9	**11.1**	53.9
Operating profit/(loss) from continuing operations	**1,143.8**	(3,841.7)	**1,089.9**	(254.9)
Operating loss from discontinued operations	**-**	(79.0)	**-**	-
Operating profit/(loss)	**1,143.8**	(3,920.7)	**1,089.9**	(254.9)
Adjustments on continuing and discontinued operations for:				
Depreciation	**4.8**	24.3	**-**	-
Loss on disposal of non-current properties	**32.5**	129.1	**-**	-
Net valuation (surplus)/deficit on investment properties	**(746.0)**	4,123.4	**-**	-
Goodwill impairment	**-**	148.6	**-**	-
Impairment of trading properties	**10.6**	92.3	**-**	-
Impairment to investment in subsidiary undertakings	**-**	-	**-**	234.7
Dividends from subsidiary undertakings[1]	**-**	-	**(1,100.0)**	-
Share-based payment charge	**6.0**	8.6	**-**	-
Pension scheme charge	**1.0**	1.3	**-**	-
	452.7	606.9	**(10.1)**	(20.2)
Changes in working capital:				
Decrease/(increase) in trading properties and long-term development contracts	**10.1**	(34.0)	**-**	-
(Increase)/decrease in receivables	**(30.0)**	69.5	**242.3**	0.1
(Decrease)/increase in payables and provisions	**(5.8)**	8.9	**(110.8)**	(375.3)
Net cash generated from operations	**427.0**	651.3	**121.4**	(395.4)

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

20. Related party transactions

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

	2010	2009
	£m	£m
Transactions with subsidiary undertakings:		
Recharge of costs	**117.4**	(350.9)
Dividends received	**1,100.0**	-
Interest (paid)/received	**(11.1)**	53.9
Investment in subsidiary	**(850.0)**	-

At 31 March 2010, £13.3m was due from subsidiary undertakings (2009: £108.2m due to subsidiary undertakings).

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

	Year ended 31 March 2010 and at 31 March 2010				Year ended 31 March 2009 and at 31 March 2009			
	Revenues	Net investments into joint ventures	Loans to joint ventures	Amounts owed to joint ventures	Revenues	Net investments into joint ventures	Loans to joint ventures	Amounts owed to joint ventures
	£m	£m	£m	£m	£m	£m	£m	£m
The Scottish Retail Property Limited Partnership	0.7	1.2	1.2	-	0.5	0.4	0.3	(0.1)
Metro Shopping Fund Limited Partnership	0.4	1.4	0.5	(0.8)	0.8	4.7	-	-
Buchanan Partnership	4.3	(1.4)	0.8	-	5.3	(2.9)	1.6	-
St David's Limited Partnership	8.2	(70.2)	17.7	(0.4)	8.0	74.0	12.3	(115.1)
The Martineau Galleries Limited Partnership	0.2	(2.3)	0.3	-	0.2	(5.9)	0.4	-
The Bull Ring Limited Partnership	-	(7.7)	-	-	-	(11.7)	-	-
Bristol Alliance Limited Partnership	1.1	2.0	5.4	-	7.0	57.4	14.2	-
The Martineau Limited Partnership	-	-	-	-	0.1	-	-	-
A2 Limited Partnership	-	(0.1)	-	-	-	(3.7)	-	-
Parc Tawe I Unit Trust	-	-	-	-	-	-	-	-
Hungate (York) Regeneration Limited	-	-	-	-	-	-	-	-
Countryside Land Securities (Springhead) Limited	-	0.4	0.8	-	-	0.9	0.6	-
Investors in the Community	-	-	-	-	-	0.2	-	-
The Ebbsfleet Limited Partnership	-	-	0.2	-	-	-	0.2	-
The Harvest Limited Partnership	0.3	2.1	0.7	(43.2)	0.6	14.6	0.6	(43.0)
The Oriana Limited Partnership	0.2	-	4.0	-	0.4	11.1	2.5	-
Millshaw Property Co. Limited	-	-	-	(11.4)	-	-	-	(10.4)
Fen Farm Developments Limited	0.1	-	12.7	-	0.1	(3.5)	11.1	-
The Empress State Limited Partnership	-	-	0.1	-	-	28.1	0.1	-
HNJV Limited	-	-	2.1	-	-	-	0.7	-
	15.5	(74.6)	46.5	(55.8)	23.0	163.7	44.6	(168.6)

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

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

	2010	2009
	£m	£m
Short-term employee benefits	**5.0**	4.2
Post-employment benefits	**0.4**	0.4
Share-based payments	**3.2**	2.6
	8.6	7.2

Business analysis

Proportionately consolidated summary financial information

Table 9: Consolidated income statement

	Year ended 31 March 2010			Year ended 31 March 2009		
	Group (excl. Joint ventures)	**Joint ventures**	**Total**	Group (excl. Joint ventures)	Joint ventures	Total
	£m	**£m**	**£m**	£m	£m	£m
Revenue	**833.4**	**101.7**	**935.1**	821.2	104.8	926.0
Costs	**(392.5)**	**(39.3)**	**(431.8)**	(326.4)	(38.4)	(364.8)
	440.9	**62.4**	**503.3**	494.8	66.4	561.2
(Loss)/profit on disposal of investment properties	**(32.5)**	**8.0**	**(24.5)**	(130.8)	2.9	(127.9)
Net surplus/(deficit) on revaluation of investment properties	**746.0**	**117.8**	**863.8**	(4,113.4)	(630.3)	(4,743.7)
Impairment of trading properties	**(10.6)**	**(2.9)**	**(13.5)**	(92.3)	(12.3)	(104.6)
Operating profit/(loss)	**1,143.8**	**185.3**	**1,329.1**	(3,841.7)	(573.3)	(4,415.0)
Net interest expense	**(219.1)**	**(32.6)**	**(251.7)**	(230.4)	(26.7)	(257.1)
Fair value movement on interest-rate swaps	**7.0**	**(1.4)**	**5.6**	(102.1)	(15.4)	(117.5)
Profit/(loss) before tax	**931.7**	**151.3**	**1,083.0**	(4,174.2)	(615.4)	(4,789.6)
Income tax	**23.1**	**2.0**	**25.1**	(0.5)	(1.3)	(1.8)
	954.8	**153.3**	**1,108.1**	(4,174.7)	(616.7)	(4,791.4)
Adjustment due to net liabilities	**-**	**(15.7)**	**(15.7)**	-	17.7	17.7
Profit/(loss) for the period from continuing operations	**954.8**	**137.6**	**1,092.4**	(4,174.7)	(599.0)	(4,773.7)

Table 10: Consolidated balance sheet

	At 31 March 2010			At 31 March 2009		
	Group (excl. Joint ventures)	**Joint ventures**	**Total**	Group (excl. Joint ventures)	Joint ventures	Total
	£m	**£m**	**£m**	£m	£m	£m
Investment properties	**8,044.3**	**1,227.1**	**9,271.4**	7,929.4	1,208.0	9,137.4
Other tangible fixed assets	**12.8**	**-**	**12.8**	14.3	-	14.3
	8,057.1	**1,227.1**	**9,284.2**	7,943.7	1,208.0	9,151.7
Net debt	**(3,263.4)**	**(488.9)**	**(3,752.3)**	(3,923.6)	(459.4)	(4,383.0)
Investment in joint ventures	**787.8**	**(787.8)**	**-**	930.8	(930.8)	-
Other net assets	**107.5**	**49.6**	**157.1**	(130.7)	182.2	51.5
Unadjusted net assets	**5,689.0**	**-**	**5,689.0**	4,820.2	-	4,820.2
Minority interest	**0.9**	**-**	**0.9**	3.3	-	3.3
EPRA adjustments	**37.3**	**-**	**37.3**	150.2	-	150.2
EPRA adjusted net assets	**5,727.2**	**-**	**5,727.2**	4,973.7	-	4,973.7
Reverse bond exchange de-recognition adjustment	**(486.0)**	**-**	**(486.0)**	(499.8)	-	(499.8)
Adjusted net assets attributable to owners of the Parent	**5,241.2**	**-**	**5,241.2**	4,473.9	-	4,473.9
Gearing	**57.4%**		**66.0%**	81.4%		90.9%
Adjusted gearing (excluding Joint ventures)	**72.1%**			97.3%		
Adjusted gearing (including Joint ventures)			**80.2%**			105.9%

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

	At 31 March 2010			At 31 March 2009		
	Group (excl. Joint ventures)	**Joint ventures**	**Total**	Group (excl. Joint ventures)	Joint ventures	Total
	£m	**£m**	**£m**	£m	£m	£m
Net book value	**8,044.3**	**1,227.1**	**9,271.4**	7,929.4	1,208.0	9,137.4
Plus: amount included in prepayments in respect of lease incentives	**171.8**	**24.5**	**196.3**	189.3	31.6	220.9
Less: head leases capitalised	**(52.6)**	**(4.9)**	**(57.5)**	(57.9)	(4.9)	(62.8)
Plus: properties treated as finance leases	**121.9**	**8.3**	**130.2**	104.7	6.8	111.5
Market value	**8,285.4**	**1,255.0**	**9,540.4**	8,165.5	1,241.5	9,407.0

Table 12: Top 10 property holdings

Total value £3.4bn
(36% of combined portfolio)
Values in excess of £230m

Name	Principal occupiers	Ownership interest (%)	Floor area (000 sq ft)	Passing rent (£m)	Let by income (%)	Weighted average unexpired lease term (yrs)
Cardinal Place, SW1	Microsoft Wellington Management	100	Retail: 44 Offices: 452	30	100	7.9
New Street Square, EC4	Deloitte Taylor Wessing	100	Retail: 32 Offices: 671	23	100	13.2
Queen Anne's Gate, SW1	Government	100	Offices: 324	27	100	16.6
White Rose Centre, Leeds	Sainsbury's Debenhams M&S Primark	100	Retail: 680	27	99	8.3
Cabot Circus, Bristol	House of Fraser Harvey Nichols H&M	50	Retail / Leisure: 1,200	18	94	10.9
Bankside 2&3, SE1	Royal Bank of Scotland	100	Retail: 16 Offices: 391	17	99	17.2
Gunwharf Quays, Portsmouth	Vue Cinema M&S Nike Gap	100	Retail / Leisure: 444	19	99	8.0
Park House, W1	n/a	100	Retail: 88 Offices: 163 Residential: 58	n/a	n/a	n/a
One New Change, EC4	n/a	100	Retail: 214 Offices: 341	n/a	n/a	n/a
St David's, Cardiff	John Lewis New Look H&M	50	Retail: 1,400	12	57	8.3

Table 13: Top 12 occupiers

	Current gross rent roll %
Central Government	9.3
Accor Hotels	4.2
Royal Bank of Scotland	2.8
Deloitte	2.5
DSG	1.5
Arcadia Group	1.5
Mellon Bank	1.4
J Sainsbury	1.3
Boots	1.2
Metropolitan Police	1.0
Marks & Spencer	1.0
EDF Energy	1.0
Percentage of total portfolio	28.7

Includes share of joint venture properties.

Table 14: % Portfolio by value and number of property holdings at 31 March 2010

£m	Value %	Number of properties
0 – 9.99	3.0	81
10 – 24.99	4.2	27
25 – 49.99	12.5	37
50 – 99.99	21.2	28
100 – 149.99	11.5	9
150 – 199.99	5.3	3
200 +	42.3	13
Total	100.0	198

Includes share of joint venture properties.

Table 15: Combined portfolio value by location

	Shopping centres and shops %	Retail warehouses %	Offices %	Other %	Total %
Central inner and outer London	13.9	0.5	43.5	4.7	62.6
South East and Eastern	2.8	4.6	-	1.5	8.9
Midlands	1.0	1.1	0.1	0.5	2.7
Wales and South West	6.8	1.0	-	0.1	7.9
North, North West, Yorkshire and Humberside	6.8	3.3	0.3	0.7	11.1
Scotland and Northern Ireland	4.9	1.6	-	0.3	6.8
Total	36.2	12.1	43.9	7.8	100.0

% figures calculated by reference to the combined portfolio value of £9.5bn.

Table 16: Average rents at 31 March 2010

	Average rent £/sq m	Average ERV £/sq m
Retail		
Shopping centres and shops	n/a	n/a
Retail warehouses and food stores	206	201
Offices		
London office portfolio	386	341

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

Table 17: Like-for-like reversionary potential at 31 March 2010

Reversionary potential	31 March 2010 % of rent roll	31 March 2009 % of rent roll
Gross reversions	5.4	6.5
Over-rented	(9.8)	(4.5)
Net reversionary potential	(4.4)	2.0

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

Table 18: One year performance relative to IPD
Ungeared total returns – period to 31 March 2010

	Land Securities %	IPD %
Retail – Shopping centres	17.6	9.9
– Retail warehouses	30.1	29.1
Central London offices*	16.8	19.5
Total portfolio	17.3	17.4

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

Table 19: Combined portfolio analysis
The like-for-like portfolio

	Market value[8]		Valuation surplus[1]		Rental income		Annual net rent[9]		Annual net estimated rental value[10]	
	31 March 2010	31 March 2009	Surplus / (deficit)	Surplus / (deficit)	31 March 2010	31 March 2009	31 March 2010	31 March 2009	31 March 2010	31 March 2009
	£m	£m	£m	%	£m	£m	£m	£m	£m	£m
Shopping centres and shops										
Shopping centres and shops	**1,845.8**	1,665.4	**171.7**	**10.3**	**162.0**	177.0	**145.0**	151.5	**153.5**	164.4
Central London shops	**779.7**	735.9	**43.2**	**5.9**	**40.5**	40.1	**41.3**	41.4	**46.9**	46.3
	2,625.5	2,401.3	**214.9**	**9.0**	**202.5**	217.1	**186.3**	192.9	**200.4**	210.7
Retail warehouses										
Retail warehouses and food stores	**1,086.8**	881.9	**192.6**	**22.3**	**66.3**	70.9	**70.5**	70.0	**72.8**	76.4
Total retail	**3,712.3**	3,283.2	**407.5**	**12.5**	**268.8**	288.0	**256.8**	262.9	**273.2**	287.1
London offices										
West End	**1,428.7**	1,326.2	**100.2**	**7.8**	**98.7**	104.9	**100.8**	102.7	**93.5**	102.9
City	**456.1**	414.9	**41.0**	**9.9**	**40.1**	44.0	**39.7**	44.9	**39.1**	40.6
Mid-town	**227.6**	221.2	**(4.3)**	**(2.7)**	**19.3**	19.0	**18.5**	19.3	**17.1**	19.1
Inner London	**684.3**	611.3	**62.6**	**10.6**	**48.7**	47.0	**49.0**	30.0	**43.5**	50.1
Total London offices	**2,796.7**	2,573.6	**199.5**	**8.2**	**206.8**	214.9	**208.0**	196.9	**193.2**	212.7
Rest of UK	**45.9**	45.6	**0.2**	**0.4**	**0.8**	0.9	**3.5**	4.3	**5.4**	5.3
Total offices	**2,842.6**	2,619.2	**199.7**	**8.0**	**207.6**	215.8	**211.5**	201.2	**198.6**	218.0
Other	**619.4**	569.3	**40.9**	**7.1**	**37.9**	41.4	**44.5**	42.8	**44.0**	44.0
Like-for-like portfolio[2]	**7,174.3**	6,471.7	**648.1**	**10.2**	**514.3**	545.2	**512.8**	506.9	**515.8**	549.1
Proposed developments[3]	**336.2**	318.3	**(17.1)**	**(4.9)**	**15.0**	17.1	**13.7**	14.1	**21.0**	22.7
Completed developments[4]	**1,014.6**	878.1	**125.2**	**15.2**	**62.2**	51.2	**54.8**	41.4	**55.6**	57.9
Acquisitions[5]	**32.4**	27.2	**3.2**	**8.1**	**2.1**	0.9	**2.7**	1.2	**3.3**	1.6
Sales[6]	**-**	1,058.6	**-**	**-**	**37.5**	105.7	**-**	81.8	**-**	86.2
Development programme[7]	**982.9**	653.1	**104.4**	**11.9**	**14.1**	7.7	**14.6**	10.2	**107.9**	76.0
Combined portfolio	**9,540.4**	9,407.0	**863.8**	**10.3**	**645.2**	727.8	**598.6**	655.6	**703.6**	793.5
Properties treated as finance leases					**(6.4)**	(8.4)				
Combined portfolio					**638.8**	719.4				

Total portfolio analysis

Shopping centres and shops										
Shopping centres and shops	**2,460.3**	2,587.6	**185.9**	**8.3**	**212.0**	234.4	**181.2**	212.9	**205.1**	256.9
Central London shops	**989.3**	976.1	**39.7**	**4.2**	**43.7**	45.5	**42.3**	47.4	**69.8**	66.3
	3,449.6	3,563.7	**225.6**	**7.1**	**255.7**	279.9	**223.5**	260.3	**274.9**	323.2
Retail Warehouses										
Retail warehouses and food stores	**1,150.6**	1,123.6	**206.0**	**22.5**	**74.1**	95.0	**73.7**	87.3	**76.3**	95.8
Total retail	**4,600.2**	4,687.3	**431.6**	**10.5**	**329.8**	374.9	**297.2**	347.6	**351.2**	419.0
London Offices										
West End	**1,883.8**	1,841.7	**153.6**	**9.1**	**124.0**	141.0	**119.4**	132.7	**135.6**	128.1
City	**788.0**	732.7	**88.6**	**12.7**	**48.0**	53.9	**40.0**	51.5	**64.7**	76.0
Mid-town	**794.5**	783.2	**84.7**	**14.4**	**53.6**	62.4	**41.0**	40.6	**54.9**	66.5
Inner London	**684.3**	611.4	**62.6**	**10.6**	**49.1**	48.8	**49.1**	30.3	**43.5**	50.5
Total London offices	**4,150.6**	3,969.0	**389.5**	**10.9**	**274.7**	306.1	**249.5**	255.1	**298.7**	321.1
Rest of UK	**46.7**	51.1	**(0.1)**	**(0.1)**	**1.3**	1.7	**3.5**	4.2	**5.6**	4.9
Total offices	**4,197.3**	4,020.1	**389.4**	**10.8**	**276.0**	307.8	**253.0**	259.3	**304.3**	326.0
Other	**742.9**	699.6	**42.8**	**6.1**	**39.4**	45.1	**48.4**	48.7	**48.1**	48.5
Combined portfolio	**9,540.4**	9,407.0	**863.8**	**10.3**	**645.2**	727.8	**598.6**	655.6	**703.6**	793.5
Properties treated as finance leases					**(6.4)**	(8.4)				
Combined portfolio					**638.8**	719.4				
Represented by:										
Investment portfolio	**8,285.4**	8,165.5	**746.0**	**10.2**	**566.2**	649.7	**525.6**	572.8	**612.7**	682.6
Share of joint ventures	**1,255.0**	1,241.5	**117.8**	**10.6**	**79.0**	78.1	**73.0**	82.8	**90.9**	110.9
Combined portfolio	**9,540.4**	9,407.0	**863.8**	**10.3**	**645.2**	727.8	**598.6**	655.6	**703.6**	793.5

Table 19: Combined portfolio analysis continued
The like-for-like portfolio

	Net initial yield[13]		Equivalent yield[14]		Annual gross estimated rental value[11]		Voids (by ERV)[15]		Lease length at 31 March 2010[12]	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009	31 March 2010	31 March 2009	31 March 2010	31 March 2009	Median years (i)	Mean years (ii)
	%	%	%	%	£m	£m	%	%		
Shopping centres and shops										
Shopping centres and shops	**6.3**	7.2	**6.8**	8.1	**164.2**	175.3	**7.9**	7.2	**6.2**	**7.6**
Central London shops	**4.9**	5.1	**5.5**	5.8	**47.6**	46.6	**5.9**	1.1	**4.1**	**6.2**
	5.9	6.5	**6.4**	7.4	**211.8**	221.9	**7.5**	5.9	**5.6**	**7.3**
Retail Warehouses										
Retail warehouses and food stores	**5.8**	6.9	**6.3**	7.9	**73.3**	76.9	**1.9**	1.8	**10.1**	**11.2**
Total retail	**5.9**	6.6	**6.4**	7.5	**285.1**	298.8	**6.0**	4.9	**7.0**	**8.4**
London Offices										
West End	**6.2**	7.1	**6.2**	7.3	**94.1**	103.4	**6.1**	7.0	**5.8**	**8.0**
City	**7.2**	9.5	**6.9**	8.0	**40.1**	42.7	**11.5**	2.3	**2.0**	**4.8**
Mid-town	**7.6**	8.1	**6.4**	7.6	**17.8**	19.8	**2.2**	0.5	**3.1**	**8.9**
Inner London	**6.7**	4.1	**6.2**	7.6	**43.8**	50.1	**3.4**	8.8	**5.9**	**9.7**
Total London offices	**6.6**	6.9	**6.4**	7.5	**195.8**	216.0	**6.2**	5.9	**5.0**	**7.8**
Rest of UK	**5.9**	8.4	**9.0**	9.6	**5.6**	5.6	**28.6**	8.9	**3.5**	**4.5**
Total offices	**6.6**	6.9	**6.4**	7.6	**201.4**	221.6	**6.9**	6.0	**5.0**	**7.7**
Other	**7.1**	7.3	**7.2**	7.6	**44.1**	44.0	**0.9**	0.7	**8.6**	**12.6**
Like-for-like portfolio[2]	**6.3**	6.8	**6.5**	7.5	**530.6**	564.4	**5.9**	5.0	**6.4**	**8.5**
Proposed developments[3]	**3.7**	4.6	**6.8**	6.7	**21.0**	22.7	**9.5**	44.9	**2.9**	**9.7**
Completed developments[4]	**5.0**	4.0	**5.9**	6.8	**56.9**	59.5	**2.1**	7.4	**15.1**	**13.1**
Acquisitions[5]	**4.9**	5.5	**5.6**	7.3	**3.5**	1.8	**5.7**	22.2	**3.1**	**7.3**
Sales[6]	**-**	7.3	**-**	7.6	**-**	87.8	**n/a**	n/a	**n/a**	**n/a**
Development programme[7]	**1.9**	3.9	**6.2**	7.8	**110.3**	78.5	**n/a**	n/a	**n/a**	**n/a**
Combined portfolio	**5.8**	6.3	**6.4**	7.5	**722.3**	814.7	**n/a**	n/a	**7.0**	**9.0**

Total portfolio analysis

Shopping centres and shops				
Shopping centres and shops	**5.8**	6.7	**6.8**	7.9
Central London shops	**4.9**	5.1	**5.5**	5.8
	5.6	6.3	**6.5**	7.4
Retail Warehouses				
Retail warehouses and food stores	**5.8**	6.9	**6.2**	8.0
Total retail	**5.6**	6.4	**6.4**	7.5
London Offices				
West End	**6.1**	6.9	**6.2**	7.2
City	**5.9**	9.4	**6.7**	7.8
Mid-town	**4.7**	5.1	**6.1**	7.4
Inner London	**6.7**	4.1	**6.2**	7.6
Total London offices	**5.9**	6.4	**6.3**	7.4
Rest of UK	**5.6**	8.3	**9.1**	9.6
Total offices	**5.9**	6.4	**6.3**	7.4
Other	**6.7**	4.4	**6.8**	5.5
Combined portfolio	**5.8**	6.3	**6.4**	7.5

Represented by:				
Investment portfolio	**6.0**	6.4	**6.4**	7.5
Share of joint ventures	**4.8**	5.9	**6.2**	7.2
	5.8	6.3	**6.4**	7.5
Combined portfolio				

Notes
1. The valuation surplus is stated after adjusting for the effect of SIC 15 under IFRS.
2. The like-for-like portfolio includes all properties which have been in the portfolio since 1 April 2008 but excluding those which were acquired, sold or included in the development programme at any time during that period. Capital expenditure on refurbishments, acquisitions of headleases and similar capital expenditure has been allocated to the like-for-like portfolio in preparing this table. Changes in valuation from period-to-period reflect this capital expenditure as well as the disclosed valuation deficits.
3. Proposed developments are properties which have not yet received final Board approval or are still subject to main planning conditions being satisfied.
4. Completed developments represent those properties previously included in the development programme, which have been transferred from the development programme since 1 April 2008.
5. Includes all properties acquired in the period since 1 April 2008.
6. Includes all properties sold in the period since 1 April 2008.
7. The development programme consists of authorised and committed developments, projects under construction and developments which have reached practical completion within the last 2 years but are not yet 95% let.
8. The market value figures include the Group's share of joint ventures,and is determined by the Group's valuers, in accordance with the RICS Valuation Standards.
9. Annual net rent is annual cash rent at 31 March 2010 including units in administration where leases have not yet been disclaimed after deduction of ground rents. It excludes the value of voids and current rent free periods.
10. Annual net estimated rental value is annual gross estimated rental value, as defined in note 11 below, after deducting expected ground rents.
11. Annual gross estimated rental value ("ERV") represents the Group's valuers' views of market rent at the reporting date for all properties except ongoing developments where the Group estimates the gross rental value.
12. The definition for the figures in each column is:
    (i.) Median is the number of years until half of income is subject to lease expiry/break clauses.
    (ii.) Mean is the rent-weighted average remaining term on leases subject to lease expiry/break clauses.
13. Net initial yield - refer to glossary.
14. Equivalent yield - refer to glossary.
15. Voids - refer to glossary

Table 20: Income statement – gross rental income reconciliation

	Retail Portfolio £m	London Portfolio £m	Other £m	31 March 2010 £m	Retail Portfolio £m	London Portfolio £m	Other £m	31 March 2009 £m
Combined portfolio	329.8	274.7	40.7	645.2	374.9	306.1	46.8	727.8
Central London shops (excluding Metro Shopping Fund LP)	(41.0)	41.0	-	-	(42.8)	42.8	-	-
Inner London offices								
in Metro Shopping Fund LP	0.6	(0.6)	-	-	0.8	(0.8)	-	-
Rest of UK offices	1.3	-	(1.3)	-	1.5	0.2	(1.7)	-
Other	35.7	3.7	(39.4)	-	40.6	4.5	(45.1)	-
	326.4	318.8	-	645.2	375.0	352.8	-	727.8
Less finance lease adjustment	(2.8)	(3.6)	-	(6.4)	(3.1)	(5.3)	-	(8.4)
Total rental income for combined portfolio	323.6	315.2	-	638.8	371.9	347.5	-	719.4

Table 21: Market value reconciliation

	Retail Portfolio £m	London Portfolio £m	Other £m	31 March 2010 £m	Retail Portfolio £m	London Portfolio £m	Other £m	31 March 2009 £m
Combined portfolio	4,600.2	4,150.6	789.6	9,540.4	4,687.3	3,969.0	750.7	9,407.0
Central London shops (excluding Metro Shopping Fund LP)	(937.2)	937.2	-	-	(939.2)	939.2	-	-
Inner London offices								
including Metro Shopping Fund LP	11.9	(11.9)	-	-	9.8	(9.8)	-	-
Rest of UK offices	46.7	-	(46.7)	-	51.1	-	(51.1)	-
Other	544.1	198.8	(742.9)	-	508.6	191.0	(699.6)	-
Per business unit	4,265.7	5,274.7	-	9,540.4	4,317.6	5,089.4	-	9,407.0

Table 22: Gross estimated rental value reconciliation

	Retail Portfolio £m	London Portfolio £m	Other £m	31 March 2010 £m	Retail Portfolio £m	London Portfolio £m	Other £m	31 March 2009 £m
Combined portfolio	366.1	302.2	54.0	722.3	434.1	327.0	53.6	814.7
Central London shops (excluding Metro Shopping Fund LP)	(67.5)	67.5	-	-	(64.3)	64.3	-	-
Inner London offices								
in Metro Shopping Fund LP	0.8	(0.8)	-	-	0.9	(0.9)	-	-
Rest of UK offices	5.7	-	(5.7)	-	5.0	-	(5.0)	-
Other	39.6	8.7	(48.3)	-	40.1	8.5	(48.6)	-
Per business unit	344.7	377.6	-	722.3	415.8	398.9	-	814.7

Table 23: Development pipeline financial summary

	Cumulative movements on the development programme to 31 March 2010						Total scheme details				
	Market value at start of scheme £m	Capital expenditure incurred to date £m	Capitalised interest to date £m	Valuation surplus / (deficit) to date [1] £m	Disposals, SIC15 rent and other adjustments £m	Market value at 31 March 2010 £m	Estimated total capital expenditure [4] £m	Estimated total capitalised interest £m	Estimated total development cost [2] £m	Net Income / ERV [3] £m	Valuation surplus / (deficit) for year ended 31 March 2010 [1] £m
Development programme transferred or sold											
Shopping centres etc	32.0	259.4	19.4	(63.7)	0.4	247.5	259.4	19.4	310.8	17.9	20.2
London Portfolio	51.2	304.4	21.8	96.8	52.8	527.0	304.4	21.8	377.4	32.2	101.0
	83.2	563.8	41.2	33.1	53.2	774.5	563.8	41.2	688.2	50.1	121.2
Development programme completed, approved or in progress											
Shopping centres and shops	20.5	444.3	24.4	(221.0)	1.3	269.5	477.7	24.4	522.6	22.4	6.6
Retail warehouses and foodstores	24.1	0.6	-	10.7	-	35.4	8.5	-	32.6	2.7	10.7
London Portfolio	469.0	330.2	44.1	(172.0)	6.7	678.0	782.8	82.6	1,334.4	77.6	87.1
	513.6	775.1	68.5	(382.3)	8.0	982.9	1,269.0	107.0	1,889.6	102.7	104.4
	Movement on proposed developments for the year ended 31 March 2010										
Proposed developments											
Shopping centres and shops	85.0	27.1	-	(14.0)	(0.6)	97.5	284.6	41.6	423.7	31.9	(14.0)
Retail warehouses and foodstores	19.6	0.4	-	3.0	-	23.0	11.3	-	34.3	2.0	3.0
London Portfolio	213.7	7.0	0.7	(6.1)	0.4	215.7	775.6	139.1	1,130.4	67.0	(6.1)
	318.3	34.5	0.7	(17.1)	(0.2)	336.2	1,071.5	180.7	1,588.4	100.9	(17.1)

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 2010 is included in the estimated total cost. Estimated total development cost includes the cost of residential properties for Shopping Centres and shops of £20m in the development programme and £9m for proposed developments. The London Portfolio development programme and proposed developments includes the cost of residential properties of £156.4m and £322.0m respectively. Allowances for rent-free periods are excluded from cost.
3. Net headline annual rental payable on let units plus net ERV at 31 March 2010 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 2010.

Glossary

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

Adjusted net asset value (NAV) per share
NAV per share adjusted to add back the adjustment arising from the de-recognition of the bond exchange, together with cumulative mark-to-market adjustment arising on interest-rate swaps and similar instruments.

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

BREEAM
Building Research Establishment's Environmental Assessment Method.

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

Completed developments
Completed developments consist of those properties previously included in the development programme, which have been transferred from the development programme since 1 April 2008.

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

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

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

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

EPRA
European Public Real Estate Association.

Equivalent yield
Calculated by the Group's valuers, equivalent yield is the internal rate of return from an investment property, based on the gross outlays for the purchase of a property (including purchase costs), reflecting reversions to current market rent, and such items as voids and non-recoverable expenditure but disregarding potential changes in market rents. The calculation assumes rent is received annually in arrears.

Gross estimated rental value (ERV)
The estimated market rental value of lettable space as determined biannually by the Group's valuers. This will often 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 cumulative mark-to-market adjustments on financial derivatives as a percentage of total equity.

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

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

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

Joint venture
An entity in which the Group holds an interest 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 joint venture partner's consent.

Lease incentives
Any incentive offered to occupiers to enter into a lease. Typically the incentive will be an initial rent-free period, or a cash contribution to fit-out or similar costs. For accounting purposes, under IFRS, the value of the 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
The like-for-like portfolio includes all properties which have been in the portfolio since 1 April 2008, but excluding those which were acquired, sold or included in the development programme at any time during the period.

Loan-to-value (LTV)
Group LTV is the ratio of the sum of investment properties, net investment in finance leases and trading properties of both the Group and joint ventures to net debt, including joint ventures, expressed as a percentage. For the Security Group, LTV is the ratio of net debt lent to the Security Group divided by the value of secured assets.

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

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

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

Net asset value (NAV) per share
Equity attributable to owners of the Parent divided by the number of ordinary shares in issue at the period end.

Net initial yield
Net initial yield is a calculation by the Group's external valuers of the yield that would be received by a purchaser, based on the estimated net rental income expressed as a percentage of the acquisition cost, being the market value plus assumed usual purchasers' costs at the reporting date.

Estimated net rental income is the passing cash rent less ground rents, estimated non-recoverable outgoings and void costs including service charges, insurance costs and void rates.

Outline planning consent
This gives consent in principle for a development, and covers matters such as use and building mass. Full details of the development scheme must be provided in an application for full planning consent, including detailed design, external appearance and landscaping before a project can proceed. An outline planning permission will lapse if full planning permission is not granted within three years.

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

Passing cash rent
The estimated annual rent receivable as at the reporting date which includes estimates of turnover rent and estimates of rent to be agreed in respect of outstanding rent review or lease renewal negotiations. Passing cash rent may be more or less than the ERV (see over-rented, reversionary and ERV). Passing cash rent excludes annual rent receivable from units in administration save to the extent that rents are expected to be received. Void units and units that are in a rent-free period at the reporting date are deemed to have no passing cash rent.

Property income distribution (PID)
A PID is a distribution by a REIT to its shareholders paid out of qualifying profits. A REIT is required to distribute at least 90% of its qualifying profits as a PID to its shareholders.

Proposed developments
Proposed developments are properties which have not yet received final Board approval or are still subject to main planning conditions being satisfied, but which are more likely to proceed than not.

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

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

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 assets and trading properties, profits on long-term development contracts, valuation 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 (or fall) once the rent reaches the ERV.

Scrip dividend
Land Securities offers its shareholders the opportunity to receive dividends in the form of shares instead of cash. This is known as a Scrip dividend.

Topped-up net initial yield
Net initial yield topped up for leases still in a rent-free period at the contracted rents per annum.

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 year.

Total development cost (TDC)
All capital expenditure on a project including the opening book value of the property on commencement of development, together with capitalised interest.

Total property return
Valuation surplus, profit/(loss) on property sales and net rental income in respect of investment properties expressed as a percentage of opening book value, together with the time weighted value for capital expenditure incurred during the current year, on the investment property portfolio.

Total shareholder return
The growth in value of a shareholding over a specified year, assuming that dividends are reinvested to purchase additional units of the stock.

Trading properties
Properties held for trading purposes and shown as current assets in the balance sheet.

Turnover rent
Rental income which is related to an occupier's turnover.

Voids
Voids are expressed as a percentage of ERV and represent all unlet space, including voids where refurbishment work is being carried out and voids in respect of pre-development properties. Temporary lettings of up to 12 months are also treated as voids.

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

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

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