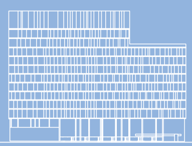
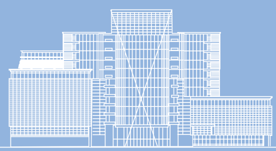
LandSecurities

Interim Report 30 September 2001

NEW HORIZONS

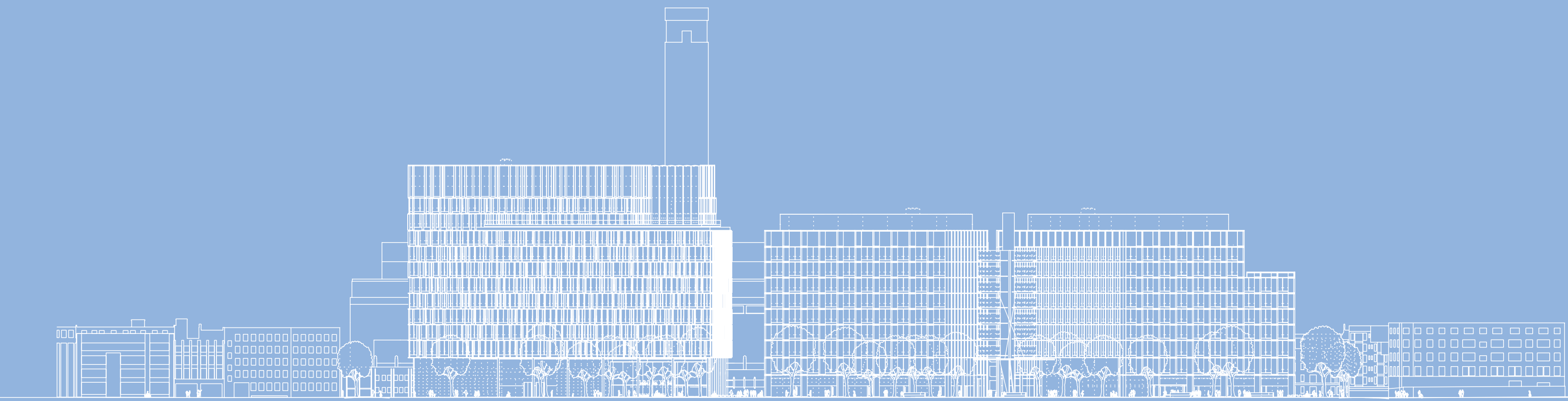




Empress State Building

St. Christopher House, Bankside

New Fetter Lane



CONTENTS

FINANCIAL CALENDAR

2001

14 November
Announcement of interim results (unaudited)

21 November
Ex-dividend date for interim dividend

23 November
Record date for interim dividend

2002

7 **January**
Interim dividend payable

May
Preliminary announcement

July
Annual General Meeting and final dividend payable

FINANCIAL HIGHLIGHTS

	Six months to 30 September 2001	Six months to 30 September 2000 (restated)	% Change
NET PROPERTY INCOME	£281.1m	£232.8m	+20.7
*REVENUE PROFIT (PRE-TAX)	£165.2m	£149.4m	+10.6
PRE-TAX PROFIT	£168.6m	£149.8m	+12.6
†ADJUSTED EARNINGS PER SHARE	22.85p	20.83p	+9.7
EARNINGS PER SHARE	23.18p	19.85p	+16.8
INTERIM DIVIDEND PER SHARE	9.05p	8.65p	+4.6
#INTEREST COVER (times)	3.0	3.1	

	As at 30 September 2001	As at 31 March 2001 (restated)	% Change
**ADJUSTED DILUTED NET ASSETS PER SHARE	1159p	1154p	+0.4
DILUTED NET ASSETS PER SHARE	1138p	1131p	+0.6
ØVALUATION OF INVESTMENT PROPERTIES	£7,894.3m	£7,899.1m	
NET BORROWINGS	£1,895.8m	£1,727.8m	
EQUITY SHAREHOLDERS' FUNDS	£6,069.6m	£6,027.4m	
GEARING (net)	31.2%	28.7%	
◊TOTAL PROPERTY RETURN (excluding LS Trillium)	5.6%	10.6%	

The comparative figures for the six months ended 30 September 2000 and the year ended 31 March 2001 have been restated for the effects of adopting the Accounting Standards Board's Urgent Issues Task Force Abstract 28 (Operating Lease Incentives) and Financial Reporting Standard 19 (Deferred Tax).

Land Securities Trillium was acquired in November 2000. Results for the period to 30 September 2001 therefore include six months' trading for that business.

**Excludes results of property sales and bid costs*
†Excludes results of property sales, bid costs and additional deferred tax arising on adoption of FRS19 (Note 8)
#Number of times interest payable is covered by operating profit and interest receivable
***Excludes the effects of additional deferred tax arising from adoption of FRS19*
ØAfter adjusting for the effect of adopting UITF 28
◊Annualised for six months to 30 September

VALUATION

PORTFOLIO VALUATION

At 30 September 2001

	£m	Total %	Analysis of valuation surplus/(deficit) %
OFFICES			
WEST END AND VICTORIA	1,939.2	24.5	(1.0)
CITY AND MIDTOWN	1,469.6	18.6	0.5
ELSEWHERE IN THE UNITED KINGDOM	143.3	1.8	(1.3)
SHOPS AND SHOPPING CENTRES			
SHOPPING CENTRES	1,375.5	17.4	(1.8)
CENTRAL LONDON SHOPS	663.4	8.4	(0.6)
OTHER IN-TOWN SHOPS	660.2	8.4	(0.4)
RETAIL WAREHOUSES AND FOOD SUPERSTORES			
PARKS	753.6	9.5	0.6
OTHER	195.8	2.5	0.4
WAREHOUSES AND INDUSTRIAL	374.3	4.7	1.3
HOTELS, LEISURE, RESIDENTIAL AND OTHER	329.2	4.2	0.9
TOTAL VALUATION	7,904.1	100.0	(0.4)

The portfolio valuation figures given above relate to investment and development properties. The figures exclude properties owned by Land Securities Trillium. The portfolio valuation figures include a one third apportionment of the valuation attributed to properties owned by the Birmingham Alliance limited partnerships and a one half apportionment in relation to property owned by the Gunwharf Portsmouth limited partnership and by the Ebbsfleet limited partnership.

The investment portfolio was valued by Knight Frank at just over £7.9bn at 30 September 2001. After adjusting for sales, acquisitions and expenditure, on a like-for-like basis, the value decreased marginally by 0.4%. Detailed breakdowns by sector, including analysis of the rental income yield, are shown above and on page 3. After excluding developments and refurbishments and other vacant pre-development holdings, the value of the portfolio at 30 September 2001 was £7.28bn. At the same date, the annual rent roll, net of ground rents and excluding the same properties, was £499.3m, 6.9% of this figure.

The six month period to 30 September 2001 was characterised by slowing rates of rental growth, but an ongoing resilience of demand for property from investors. The pattern of slowing rates of rental growth across all property types has resulted in there being no material differences in valuation change across the main property types.

Taking the portfolio as a whole, the trend in rental values continues to be positive. However, rates of rental growth have been significantly below those seen in 1999 and 2000, and we have witnessed a slight reduction in rental value on a small number of our holdings including some West End offices and hotels.

Investor demand for property continues to be supported by the high income yield relative to both interest rates and yields on other types of investment. There has been less depth of demand from buyers than in 1999 and 2000, but the level of turnover of investment properties in the market has continued at high levels.

% RENTAL GROWTH

By sector for 6 months to 30 September 2001

OFFICES	1.8
SHOPS AND SHOPPING CENTRES	1.1
RETAIL WAREHOUSES AND FOOD SUPERSTORES	1.2
WAREHOUSES AND INDUSTRIAL	1.6
HOTELS, LEISURE, RESIDENTIAL AND OTHER	(4.3)
INVESTMENT PORTFOLIO	**1.3**

% YIELD ON PRESENT INCOME

By sector at 30 September 2001

OFFICES	7.1
SHOPS AND SHOPPING CENTRES	6.8
RETAIL WAREHOUSES AND FOOD SUPERSTORES	5.9
WAREHOUSES AND INDUSTRIAL	7.7
HOTELS, LEISURE, RESIDENTIAL AND OTHER	6.4
INVESTMENT PORTFOLIO	**6.9**

CORPORATE REVIEW

With uncertain, and very different, economic and global conditions to those which prevailed in May this year, we are pleased to report that revenue profit before taxation, which excludes the results of selling investment properties, was £165.2m as compared to £149.4m for the equivalent period last year.

Diluted net assets per share increased marginally to 1138p from 1131p as at 31 March 2001 and adjusted earnings per share increased by 9.7%. Your Board is declaring an interim dividend of 9.05p per share, an increase of 4.6% over the interim dividend paid in January 2001. This will be paid on 7 January 2002.

REVIEW OF ACTIVITY

At the year-end we reported that this year would be a period for the implementation of new strategies, when we would focus on consolidating the Group's position as a leading provider of commercial property and property related services. Over the past six months each of the three business units has made good progress in meeting their objectives as well as working together to create an integrated commercial property and property services Group.

We continue to focus the portfolio on four main sectors, central London offices and shops, shopping centres, retail warehousing and industrial properties in the south east, where, in the latter case, we are increasing our holdings.

In order to achieve the right mix of assets where we can exploit asset and property management skills we are pursuing an active sales and acquisition strategy. We have disposed of properties for £194.9m and have made acquisitions totalling £218.1m, including £90.1m after the period under review. Subject to market conditions it is anticipated that further sales will be made in the second half of the year, after which the refocusing of the investment portfolio will be substantially complete.

The portfolio continues to benefit from the security of its underlying income. An analysis of the portfolio demonstrates the strength of this with 60.5% of our income secured until 2010, with a substantial amount of the income let to high quality covenants.

The Portfolio Management team's objective will continue to be the creation of value within the core investment portfolio by reconfiguring leases and premises where appropriate to meet occupiers' requirements.

We have progressed the £2bn development programme, which is focused on those areas where we believe we can derive competitive advantage and exploit our development skills.

In London, we have received resolutions to grant planning permission for more than 101,640 m^2 of office and retail development, for schemes in Victoria and Earls Court. We have also now submitted a planning application for St Christopher House in Southwark SE1. In Cardiff, we are examining a further opportunity to progress a major urban regeneration scheme in partnership with Capital Shopping Centres. We continue to progress retail schemes in locations which we consider to be dominant in their catchment area.

In April 2001 we acquired Whitecliff Properties, which included the purchase of 290 hectares of land in Kent-Thameside, comprising one of the largest regeneration schemes in Europe as well as a scheme in Cambridge. We have successfully integrated this business into Land Securities Development and are progressing the proposals for these developments.

Our strategy for the development programme is to continue to add value to holdings through active site assembly and obtaining planning consents. We remain positive about future opportunities; however, in the light of market conditions, we continue to focus on risk management and want to be assured of occupational demand before progressing individual schemes.

We are pleased that Land Securities Trillium (LS Trillium) has concluded negotiations with the BBC. This property services contract started in November 2001 and we welcome 310 new colleagues from the BBC. The synergies between our business units are exemplified by this contract, with both LS Trillium and Land Securities Development working in collaboration with the BBC.

The 50:50 joint venture partnership with The William Pears Group, Telereal, is in advanced negotiations for the acquisition of BT's portfolio for approximately £2.4bn. Land Securities' share of the equity investment in this project is not expected to exceed £200m and project financing is being effected by Telereal on a basis that will be non-recourse to the Land Securities Group.

These two contracts demonstrate that LS Trillium's product can be applied to a variety of occupiers. We believe that demand will continue to grow as both public and private corporations seek to manage their capital more efficiently and focus on their core business activities. This is even more relevant today when many corporations are seeking to maintain or reduce their operating costs and are also examining alternative ways to manage their accommodation needs. The ability to create tailor made solutions, combined with Land Securities' development and financial strengths, positions the Group at the forefront of the property outsourcing market.

PETER G. BIRCH
Chairman

IAN J. HENDERSON
Chief Executive

We are progressing our plans for LandFlex, which we believe will lead the way in the provision of flexible lease terms for accommodation and services for a growing segment of the office occupier market. We believe that in the medium term we have the potential to create over 150,000 m² of LandFlex office space in London. A pilot project will be in operation by the latter part of next year.

We intend to roll out this concept into three existing properties in London, Empress State Building in Earls Court, 7 Soho Square and Park House in Oxford Street. We have also agreed terms to acquire a fourth building in Tottenham Court Road. These four buildings will provide over 55,000 m² of refurbished accommodation.

LandFlex demonstrates another way in which the three business units are collaborating to provide an integrated offer to the modern corporate occupier.

OUR PEOPLE

With the acquisition of LS Trillium and through the BBC property partnership our employee numbers have expanded substantially, from 495 to 1,405. The introduction of the new structure announced in May together with additional skills will considerably widen the opportunities for our employees to develop their careers.

BOARD APPOINTMENTS

As announced earlier this year, Andrew Macfarlane joined the company in October as Group Finance Director. We are delighted to welcome Andrew who joined from Six Continents PLC (formerly Bass plc).

OUTLOOK

With a new draft voluntary Code on leases, we are pleased that we may not be facing further legislation on an over-regulated industry. Property as an asset class is already unfairly penalised as compared to bonds and equities and this additional legislation would have continued to erode its attraction to investors, many of whom are already looking at ways of holding their property assets in more efficient vehicles.

Over the past two years we have consistently highlighted the threats facing London as one of the world's leading financial and cultural centres. Once again we reiterate our belief that London's position is being eroded by the continued lack of investment in its infrastructure, particularly in its transport system. This has resulted in London being unable to meet the standards expected of a world-class City.

These issues are being aggravated by the sharp drop in tourism following the events of 11 September and the rationalisation of staff in major financial institutions. While these matters are now high on the agendas of both national and regional government, the time for action is long overdue if we are to ensure that London's position as a major generator of wealth for this country is not impaired.

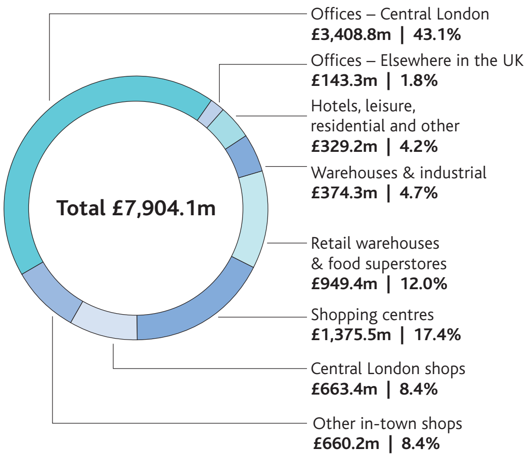
We remain hopeful that the UK economy will escape the worst effects of global disruption and that consumer confidence will be maintained.

Although economic conditions remain uncertain, interest rates are at a long term low in the UK, making property yields attractive for investors. We believe that this will be the case for some time to come. At Land Securities we are in good shape with a strong balance sheet, a diversified portfolio and a modest level of gearing. We will continue to explore actively growth opportunities in the future.

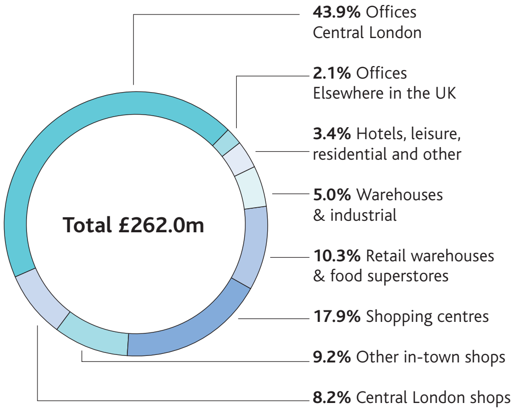
PORTFOLIO MANAGEMENT

FRANCIS SALWAY

PORTFOLIO VALUATION BY TYPE
At 30 September 2001



RENTAL INCOME BY TYPE
Six months to 30 September 2001



Activity over the last six months has focused on the continuing rationalisation of our portfolio. We have sold 23 properties for £194.9m, showing a net profit (after disposal costs) of £3.5m. The programme of disposals included 6 London office properties for £81.0m; an office building in Uxbridge, which was our largest office holding outside London, for £47.5m; and 9 High Street shop properties for £27.3m. The balance of the sales programme related to 'solus' retail warehouse and supermarket units together with some smaller industrial holdings outside our core South East area.

New acquisitions in the retail sector were made in Cardiff and Sunderland to complement our existing holdings at the St David's Centre in Cardiff and The Bridges Centre in Sunderland. The acquisition in Cardiff for £24.5m was particularly significant, consolidating our ownership on the Queen Street frontage at the same time as we announced a proposal for a major extension to the rear of the centre.

During the six month period under review, we also completed the purchase of two London office properties. 10 Rood Lane in the City adjoins one of our major holdings fronting Fenchurch Street EC3 and was acquired for £7.9m at an initial yield of 10.5%. We also acquired a freehold office building of 7,770 m^2 at 190 High Holborn WC2, just to the north of Covent Garden for just under £32m. The building was acquired from an owner-occupier and is subject to a short leaseback to them prior to being refurbished.

Two of the key determinants of the investment portfolio's contribution to the company's profits have continued to be positive: void levels on the investment portfolio have declined even further over the period under review, currently standing at 0.9%, and rent reviews have, at the aggregate level, been settled ahead of expectations.

Although there has been comment about the negative pressures on rental values for shopping centres and High Street shops, we have succeeded in establishing new rental highs at a number of our centres including the White Rose Centre in Leeds, our largest shopping centre asset, the Almondvale Centre in Livingston and the St Johns Centre in Liverpool.

As a result of the constraints on new retail warehouse development arising from the Government's PPG6 and PPG13 planning policies, retailers are focusing increasingly on existing retail parks to meet their requirements. This has the potential to generate strong rental growth provided that landlords can negotiate lease surrenders to facilitate the new lettings. At Aintree Retail Park in Liverpool, following on from our extension of the B&Q store, we have taken back three units to create a 2,790 m^2 store for Comet. We have also agreed a surrender of a 7,450 m^2 unit and relet it to SCS Upholstery. Top rental levels on the park have increased by 31% over the past 12 months and by 45% over 18 months. At Cheetham Hill in Manchester, we have negotiated the surrender of leases on three first generation units and pre-let the entire site to the Big W for a 9,275 m^2 store at a rental of £140 per m^2.

Within our industrial portfolio, activity has focused mainly on new development schemes in the South East. These are covered briefly in the Development review.

DEVELOPMENT

MIKE GRIFFITHS

We continue to progress our development programme. In central London we completed the redevelopment of Portman House W1 and 70% of the offices are let or under offer. At Gresham Street, EC2 construction has started. This 37,690 m² building is well located opposite Guildhall and is a short walk from the Bank of England. The development is scheduled for completion to shell and core in the summer of 2003. Despite prevailing economic uncertainties, we believe demand will continue in the City of London for this type of prestigious office headquarters where supply remains limited. This is the only speculative development of its size and type which will be ready for occupation in the City in 2003.

We have received resolutions for the grant of planning permission for two significant development opportunities elsewhere in London, both of which are subject to the completion of Section 106 Agreements. The first is for the redevelopment of Esso and Glen Houses in Victoria Street SW1. The scheme will provide for 50,170 m² of offices and 10,060 m² of retail together with significant improvements to the surrounding environment.

More recently, just after the period under review, we received conditional approval for our plans to refurbish and extend Empress State Building in Earls Court SW6 to provide 40,000 m² of offices. As detailed in the Corporate Review this property is one where we intend to introduce the LandFlex concept. Enabling works are in progress and completion of the project is scheduled for the summer of 2003.

At New Fetter Lane, EC4 we anticipate that the planning application for 65,310 m² of offices and 8,180 m² of retail, leisure and ancillary uses will be considered by the City Corporation's Planning Committee before the end of this calendar year.

In October we submitted a planning application for the redevelopment of St Christopher House in Southwark Street, SE1. The proposals comprise 69,680 m² of offices in three buildings with 7,990 m² of retail, leisure and restaurant uses together with extensive environmental improvements.

While our major office development programme is progressing well we continue to be hampered by the vagaries of the planning system on our retail schemes in Exeter and York. At the latter, the public inquiry into the scheme, which was due to take place in September, has been postponed by the Inspector until January. We are making better progress at Exeter where we have appointed three architectural practices which are working together, in conjunction with Exeter City Council, English Heritage and CABE, to revise the proposals for this 44,590 m² scheme.

In Birmingham, the Alliance continues the development of the New Bull Ring and is close to completing the Martineau Place scheme, of which 95% is in solicitors' hands or prelet to a strong mix of national and international retailers. The success we have had in letting the Martineau Place development demonstrates the strength of demand from retailers for dominant locations with strong catchment areas. We are confident that there is a continuing pent-up demand from retailers for Birmingham.

In Bristol, discussions with the City Council are progressing for the redevelopment of the Broadmead area in the City centre. We are working in partnership with Hammerson, Henderson Investors and Morley Fund Management on this significant urban renaissance project.

We were also delighted to be invited by Cardiff City Council, in partnership with Capital Shopping Centres, to develop proposals for a 70,000 m² retail-led mixed-use urban regeneration project which will create a dramatic extension to our existing St David's Centre. The agreement with Cardiff provides for us to develop our proposals over the next nine months, after which time we hope to be appointed as the preferred development partners.

Following the completion of the Whitecliff acquisition, we have strengthened our holdings in Kent-Thameside where we have acquired a 50% interest in a further 176 hectares of land at Ebbsfleet from Lafarge plc (formerly Blue Circle Industries) for £13.2m. We are now progressing plans for the long term development of this and other land in the area totalling some 623 hectares. At Crossways two thirds of the overall development of this 280,000 m² business park has been completed, and work has started on our mixed use development in Cambridge.

We have a 65,000 m² retail warehousing development programme including new and recycled units.
The highlights of this programme are covered in the Portfolio Management Review since it is closely allied to asset management activities.

Our 90,000 m² south east industrial development programme is being progressed with lettings ahead of expectations. We have pre-let 20% of the space at Cobbett Park, Guildford, where construction has just begun and recently acquired 2.7 hectares at Croydon for development next year.

At 30 September, future expenditure on our committed or potential development schemes totalled some £1.7bn, most of which will be spent over the next six years. This figure excludes the Kent-Thameside project which is still in the early stages of planning, but includes the building we will construct for the BBC under the LS Trillium contract.

However, as stated in the Corporate Review we remain conscious of prevailing economic conditions and are closely monitoring each development to ensure that we respond to fluctuations in occupational demand.

TOTAL PROPERTY SERVICES

MANISH CHANDE

BBC PROPERTY PARTNERSHIP

Since our last report to you in May we have made good progress at Land Securities Trillium ("LS Trillium"). We have entered into our partnership with the BBC and hope shortly to complete the BT transaction.

In September we successfully concluded negotiations with the BBC. Over the next 30 years we will provide the Corporation with property development, financing, a wide range of property services and active estate management. We have also set up a joint management board to oversee the implementation and management of the partnership.

We made an initial payment to the BBC of £37m in October which includes the ownership of the BBC White City building and development site. Land Securities Development is managing this project which includes the development of 50,400 m^2 of new accommodation to include a broadcasting and playout centre and additional office buildings. This development, which we will finance, will entail an investment of approximately £240m over the next three years.

Since announcing the partnership we have been working closely with our new colleagues at the BBC to mobilise the service delivery side of the partnership. In November 2001, 310 BBC employees transferred to LS Trillium and its service partners and we are now working together to manage and service 320,000 m^2 of accommodation across 65 BBC buildings in Scotland and London.

We will be receiving an annual unitary charge from the BBC initially at a base of £35m per annum, which will rise to over £70m per annum on completion of the White City project. This unitary charge is index linked and covers estates strategy and facilities management. We expect to incur small operating losses for the first three years of this contract reflecting funding, start-up and other initial costs. However, the contract will become profitable when the new buildings are complete.

As the relationship develops with the BBC we look forward to increasing the scope, and therefore the value, of this project, subject to the approval of the BBC Board of Governors. Future opportunities include the management of the remaining BBC estate of approximately 360,000 m^2, the redevelopment of Broadcasting House, London and the development of new headquarters for BBC Scotland at Pacific Quay, Glasgow. We are already working closely with the BBC on its plans for Broadcasting House and Pacific Quay.

TELEREAL

Telereal's negotiations with BT are at an advanced stage. For the purposes of this transaction we have set up a joint venture partnership with The William Pears Group, called Telereal, in which we have equal shares and we will be investing up to £200m in this vehicle. Telereal will acquire the majority of the BT estate, which comprises some 6,700 properties with a total floor space of six million m^2, for a total consideration of £2.4bn. Telereal will finance the acquisition through a £1.8bn securitisation which is currently in preparation plus bank debt and equity. The debt will be non-recourse to the Land Securities Group. Further details of this contract will be announced once the transaction has been concluded. We believe that Telereal will have many opportunities to create value in partnership with BT and we are excited by the prospect of this joint venture.

LONDON UNDERGROUND PROPERTY PARTNERSHIP

We have been selected as one of the two parties with regard to management of the London Underground non-operational property estate which includes potential development opportunities. A formal decision has not been made and now looks increasingly uncertain, primarily due to the political sensitivities surrounding the future of London Underground.

THE FUTURE

In uncertain economic conditions, both public and private corporations look to see how they can reduce or maintain costs and budget for future capital requirements with confidence. We believe that we have the right service in place to provide property solutions to these organisations to assist them in satisfying both their property and financial requirements.

We have added the BBC to our client list, in addition to the Department for Work and Pensions, and are in advanced discussions with BT. This demonstrates that LS Trillium's service is relevant to both the public and private sectors. We believe that, as organisations endeavour to extract maximum value from capital and focus on their core activities, more will consider this route. We are actively negotiating with a number of both public and private organisations.

FINANCIAL REVIEW

ANDREW MACFARLANE

Revenue profit for the six months to 30 September 2001 increased by 10.6% from £149.4m to £165.2m. These figures include a full six months contribution from LS Trillium, which was acquired in November 2000. Excluding LS Trillium, the increase in revenue profit from property investment was 1.4% which has been achieved despite the ongoing activity to reposition the portfolio.

Adjusted earnings per share increased by 9.7% against the comparable period from 20.83p to 22.85p and the directors have declared an interim dividend of 9.05p (2000 8.65p). After taking into account the results of the September valuation and retained earnings, shareholders funds increased by £42.2m over the March position and adjusted diluted net assets per share rose by 0.4% to 1159p per share. The annualised return on capital employed was 4.5% and the annualised total return on property investment was 5.6%. These compare with our estimated pre-tax weighted average cost of capital of 8.4%.

CHANGE OF ACCOUNTING POLICY

We have made two changes in accounting policies in the current period to adopt the Urgent Issues Task Force Abstract 28 "Operating Lease Incentives" and FRS19 "Deferred Tax" and have restated comparative figures accordingly.

UITF28 requires us to treat lease incentives (such as rent-free periods or contributions for fitting out) as revenue costs. These are deducted from the contracted rent and the resulting net income is then spread evenly over the lease term (or the period to first rent review if shorter). Our previous policy had been to recognise rent from the conclusion of any rent-free period and to capitalise the cost of other incentives. The impact of this change is to increase gross property income in the current period and prior year by £1.9m and £3.2m respectively.

FRS19 requires that deferred tax should now be provided for in full on all timing differences that are not permanent. The FRS does not require (or indeed permit) deferred tax to be recognised on our revaluation surplus. Our accounting policy had been to recognise deferred tax only to the extent that liabilities or assets were expected to crystallise. We have therefore changed our policy to make full provision for timing differences which, in our case, arise primarily from capital allowances. Following the sale or demolition of a property, any deferred tax provision that is not crystallised will be released to the profit and loss account. The effect of FRS19 is to increase the tax charge for the current period and prior year by £0.6m and £4.8m respectively. Our provision for deferred taxation at 31 March 2001 has been restated and increased by £122.4m. FRS19 has no impact on the actual taxes that we pay.

During the last 2½ years we have sold some 200 properties and in no instance did we suffer a balancing charge for plant and machinery allowances. The deferred tax provisions that we would have set up under FRS19 would therefore have all been written back on the disposal of these properties. Our experience is that FRS19 liabilities on our investment portfolio are unlikely to crystallise in practice and we have therefore excluded them when calculating adjusted earnings and adjusted net assets per share.

PROPERTY INVESTMENT

Rental income increased from £244.3m to £262.0m. This has been achieved despite a further rationalisation of the portfolio. Adjusting for the effects of acquisitions and sales, rental income on properties owned throughout the period under review increased by £25.2m. The main contributors to this increase were £13.2m from reviews and renewals, and £6.8m from letting developments. The cost of bad and doubtful debts for the current period was 0.24% of rent, a decrease over the prior period.

The net effect of property sales and acquisitions either unconditionally exchanged or completed in the first six months will reduce rental income in the second half of the year by £3.3m. However, we anticipate that the major exercise to reposition our portfolio will be substantially complete by next spring. Property management and administration expenses rose by £18.1m to £35.5m. Of the increase, £12.8m, including amortisation of goodwill is attributable to the inclusion of Trillium with the remainder being incurred to build the Group's portfolio management and development infrastructure to support its new strategy.

TOTAL PROPERTY SERVICES

LS Trillium earned a unitary charge of £147.3m from the delivery of services to the DWP in the six months to 30 September 2001, generating profits before interest, goodwill amortisation and tax of £20.6m. Since the period end, LS Trillium has concluded a 30 year contract with the BBC and its joint venture company, Telereal, is in advanced discussions with BT.

CASH FLOW AND BALANCE SHEET

The six months to 30 September 2001 showed a net cash outflow, before capital expenditure, dividends and financing, of £10.6m, compared with an inflow of £118.3m for the comparable six month period. This occurred because a March 2001 interest payment date and the September 2001 rent quarter date fell on weekends causing additional interest to be paid and less rent to be received in cash terms during the six months under review. During the period, expenditure on acquisitions and development properties was £272.3m and proceeds from sales were £243.4m, so there was a net cash outflow of £172.0m from the Group's business activities.

At 30 September 2001, Knight Frank's valuation of the Group's investment properties was £7,904.1m of which just under £1bn related to properties in our development programme. The total value of property investments fell by 0.02% over the last six months, which, on a like for like basis (after adjusting for the impact of purchases expenditure and sales), equates to an underlying decline in value of 0.4%.

Looking forward, our low gearing provides some protection against possible declines in asset values while our financial strength gives us the flexibility to take advantage of any opportunities which may arise.

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the six months ended 30 September 2001

	Notes	Six months to 30.9.01 £m	Six months to 30.9.00 (restated) £m	Year to 31.3.01 audited (restated) £m
GROSS PROPERTY INCOME	4	**435.2**	267.4	650.4
NET RENTAL INCOME	4	**281.1**	232.8	500.7
Property management and administration expenses (including bid costs of **£0.1m**; £Nil; £0.6m respectively)		**(35.5)**	(17.4)	(45.7)
OPERATING PROFIT		**245.6**	215.4	455.0
Profit on sales of properties		**3.5**	.4	6.3
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		**249.1**	215.8	461.3
Interest receivable and similar income	5	**2.4**	4.5	7.6
Interest payable and similar charges	5	**(82.9)**	(70.5)	(151.1)
Revenue profit		**165.2**	149.4	312.1
Profit on sales of properties and bid costs		**3.4**	.4	5.7
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**168.6**	149.8	317.8
Taxation on:				
Revenue profit		**(46.0)**	(46.0)	(87.6)
Property sales and bid costs		**(1.1)**	–	.2
Taxation	6	**(47.1)**	(46.0)	(87.4)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		**121.5**	103.8	230.4
Dividends	7	**(47.6)**	(45.3)	(170.1)
RETAINED PROFIT FOR THE FINANCIAL YEAR		**73.9**	58.5	60.3

	Notes	Basic	Diluted	Basic	Diluted	Basic	Diluted
EARNINGS PER SHARE	8	**23.18p**	**22.92p**	19.85p	19.76p	44.06p	43.65p
ADJUSTED EARNINGS PER SHARE	8	**22.85p**	**22.61p**	20.83p	20.68p	43.85p	43.46p

The consolidated profit and loss accounts, consolidated cash flow statements and the other primary statements for the six months ended 30 September 2000 and the year ended 31 March 2001 together with the balance sheets at those dates have been restated for the effects of adopting the Accounting Standards Board's Urgent Issues Task Force Abstract 28 'Operating Lease Incentives' (UITF28) and Financial Reporting Standard 19 'Deferred Tax' (FRS19) as explained in Notes 1 and 2.

UNAUDITED CONSOLIDATED BALANCE SHEET

30 September 2001

	Notes	30.9.01 £m	30.9.00 (restated) £m	31.3.01 audited (restated) £m
FIXED ASSETS				
Intangible assets				
Goodwill		**39.9**	–	41.2
Tangible assets				
Investment properties	9	**7,894.3**	7,724.3	7,899.1
Properties held by Land Securities Trillium	9	**361.8**	–	323.1
Properties	9	**8,256.1**	7,724.3	8,222.2
Other tangible assets		**37.2**	15.4	34.1
		8,333.2	7,739.7	8,297.5
CURRENT ASSETS				
Trading properties	10	**45.7**	–	–
Debtors	11	**231.1**	114.2	181.7
Investments: short term deposits		**24.6**	83.9	22.0
Cash at bank and in hand	12	**84.5**	14.8	7.3
		385.9	212.9	211.0
CREDITORS falling due within one year	13	**(518.0)**	(413.0)	(595.3)
NET CURRENT LIABILITIES		**(132.1)**	(200.1)	(384.3)
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,201.1**	7,539.6	7,913.2
CREDITORS falling due after more than one year				
Borrowings	14	**(1,972.9)**	(1,519.6)	(1,726.5)
Other creditors	15	**(29.9)**	(21.6)	(31.8)
PROVISIONS FOR LIABILITIES AND CHARGES	16	**(128.7)**	(124.1)	(127.5)
		6,069.6	5,874.3	6,027.4
CAPITAL AND RESERVES				
Called up share capital	17	**524.2**	522.7	523.6
Share premium account	18	**314.8**	306.2	312.0
Capital redemption reserve	18	**36.0**	36.0	36.0
Revaluation reserve	18	**3,584.9**	3,682.7	3,693.2
Other reserves	18	**397.4**	190.8	324.6
Profit and loss account	18	**1,212.3**	1,135.9	1,138.0
EQUITY SHAREHOLDERS' FUNDS		**6,069.6**	5,874.3	6,027.4
NET ASSETS PER SHARE	8	**1158p**	1124p	1151p
DILUTED NET ASSETS PER SHARE	8	**1138p**	1106p	1131p
ADJUSTED NET ASSETS PER SHARE	8	**1181p**	1147p	1174p
ADJUSTED DILUTED NET ASSETS PER SHARE	8	**1159p**	1128p	1154p

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 September 2001

	Six months to 30.9.01 £m	Six months to 30.9.00 (restated) £m	Year to 31.3.01 audited (restated) £m
NET CASH INFLOW FROM OPERATING ACTIVITIES (Note (b))	**109.1**	170.1	462.0
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received	**2.6**	6.4	9.8
Interest paid	**(96.6)**	(33.9)	(103.8)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	**(94.0)**	(27.5)	(94.0)
TAXATION – Corporation tax paid	**(25.7)**	(24.3)	(87.5)
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES AND INVESTMENTS AFTER FINANCE CHARGES AND TAXATION	**(10.6)**	118.3	280.5
CAPITAL EXPENDITURE			
Additions to properties and increase in other tangible assets	**(279.8)**	(215.7)	(588.9)
Sales of properties	**243.4**	206.0	491.3
NET CASH OUTFLOW ON CAPITAL EXPENDITURE	**(36.4)**	(9.7)	(97.6)
ACQUISITION	**–**	–	(114.2)
EQUITY DIVIDENDS PAID	**(125.0)**	(119.0)	(164.1)
CASH OUTFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING	**(172.0)**	(10.4)	(95.4)
MANAGEMENT OF LIQUID RESOURCES	**(2.6)**	56.2	118.1
FINANCING			
Issues of shares	**.5**	.7	1.2
Purchase and cancellation of own shares	**–**	(6.0)	(6.0)
Increase/(decrease) in debt	**249.9**	(25.0)	(14.1)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING	**250.4**	(30.3)	(18.9)
INCREASE IN CASH IN PERIOD	**75.8**	15.5	3.8

UNAUDITED OTHER PRIMARY STATEMENTS

for the six months ended 30 September 2001

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	Notes	**Six months to 30.9.01 £m**	Six months to 30.9.00 (restated) £m	Year to 31.3.01 audited (restated) £m
Profit on ordinary activities after taxation (page 10)		**121.5**	103.8	230.4
Unrealised (deficit)/surplus on valuation of properties	18	**(32.5)**	155.5	299.3
UITF28 adjustment to property valuation	18	**(3.0)**	(1.3)	(3.2)
Taxation on valuation surpluses realised on sales of properties		**–**	(4.2)	(1.8)
Total gains and losses relating to the financial period		**86.0**	253.8	524.7
Prior year adjustment	2	**(123.5)**	–	–
Total gains and losses recognised since last financial statements		**(37.5)**	253.8	524.7

NOTE OF HISTORICAL COST PROFITS AND LOSSES	Notes	**Six months to 30.9.01 £m**	Six months to 30.9.00 (restated) £m	Year to 31.3.01 audited (restated) £m
Profit on ordinary activities before taxation (page 10)		**168.6**	149.8	317.8
Valuation surplus of previous years realised on sales of properties	18	**72.8**	53.9	185.3
Taxation on valuation surpluses realised on sales of properties		**–**	(4.2)	(1.8)
Historical cost profit on ordinary activities before taxation		**241.4**	199.5	501.3
Taxation	6	**(47.1)**	(46.0)	(87.4)
Historical cost profit on ordinary activities after taxation		**194.3**	153.5	413.9
Dividends	7	**(47.6)**	(45.3)	(170.1)
Retained historical cost profit for the period		**146.7**	108.2	243.8

RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS	Notes	**Six months to 30.9.01 £m**	Six months to 30.9.00 (restated) £m	Year to 31.3.01 audited (restated) £m
Profit on ordinary activities after taxation (page 10)		**121.5**	103.8	230.4
Dividends	7	**(47.6)**	(45.3)	(170.1)
Retained profit for the financial period (page 10)		**73.9**	58.5	60.3
Unrealised (deficit)/surplus on valuation of properties	18	**(32.5)**	155.5	299.3
UITF28 adjustment to property valuation	18	**(3.0)**	(1.3)	(3.2)
Taxation on valuation surpluses realised on sales of properties		**–**	(4.2)	(1.8)
Issues of shares		**3.8**	1.7	8.7
Purchase and cancellation of own shares		**–**	(.1)	(.1)
Net change in shareholders' funds		**42.2**	210.1	363.2
Opening equity shareholders' funds (originally £6,150.9m before prior year adjustment of £123.5m)		**6,027.4**	5,664.2	5,664.2
Closing equity shareholders' funds		**6,069.6**	5,874.3	6,027.4

NOTES TO THE CASH FLOW STATEMENT

for the six months ended 30 September 2001

(a) Reconciliation of Net Cash Flow to Movements in Net Debt

	Notes	Six months to 30.9.01 unaudited £m	Six months to 30.9.00 unaudited £m	Year to 31.3.01 audited £m
Increase in cash in period (page 12)		**75.8**	15.5	3.8
(Increase)/decrease in debt		**(249.9)**	25.0	14.1
Increase/(decrease) in liquid resources		**2.6**	(56.2)	(118.1)
Increase in net debt resulting from cash flow	(c)	**(171.5)**	(15.7)	(100.2)
Non-cash changes in debt	(c)	**3.5**	.6	1.4
Loans acquired with new group undertaking		**–**	–	(212.8)
Movement in net debt in period		**(168.0)**	(15.1)	(311.6)
Net debt brought forward		**(1,727.8)**	(1,416.2)	(1,416.2)
Net debt carried forward	(c)	**(1,895.8)**	(1,431.3)	(1,727.8)

(b) Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	Six months to 30.9.01 unaudited £m	Six months to 30.9.00 unaudited (restated) £m	Year to 31.3.01 audited (restated) £m
Operating profit (page 10)	**245.6**	215.4	455.0
Depreciation	**9.1**	1.6	8.6
Increase in trading properties	**(45.7)**	–	–
(Increase)/decrease in debtors	**(99.6)**	(43.2)	9.7
Decrease in creditors	**(.3)**	(3.7)	(11.3)
Net cash inflow from operating activities	**109.1**	170.1	462.0

(c) Analysis of Net Debt

	1.4.01 audited £m	Movements during six months unaudited		30.9.01 unaudited £m	30.9.00 unaudited £m
		Cash Flow £m	Non-Cash £m		
Net bank balance	**3.1**	**75.8**		**78.9**	14.8
Liquid resources	**22.0**	**2.6**		**24.6**	83.9
Debt due within one year	**(26.4)**	**–**	**–**	**(26.4)**	(10.4)
Debt due after one year	**(1,726.5)**	**(249.9)**	**3.5**	**(1,972.9)**	(1,519.6)
Net debt	**(1,727.8)**	**(171.5)**	**3.5**	**(1,895.8)**	(1,431.3)

NOTES TO THE INTERIM RESULTS

for the six months ended 30 September 2001

1 Interim Results

The Accounting Standards Board (ASB) has issued a non-mandatory statement "Interim Reports", which seeks to codify best practice in the presentation of interim results. The Interim Results, which incorporate a revaluation of investment properties as at 30 September 2001, have been prepared having regard to the guidance in the ASB statement and on the basis of the accounting policies set out in the group's audited financial statements for the year ended 31 March 2001 except that in these interim results the group has adopted the Urgent Issues Task Force Abstract 28 'Operating Lease Incentives' (UITF28) and Financial Reporting Standard 19 'Deferred Tax' (FRS19) and restated comparative figures accordingly.

UITF28 requires property companies to treat any incentive for lessees to enter into lease agreements as a revenue cost and also to account for rental income from the commencement and not, as was the group's practice, the expiry date, of any rent-free period. The group has, therefore, changed its accounting policy for leases commencing on or after 1 April 2000. The cost of all lease incentives (such as rent-free periods or contributions to fitting out costs) is now offset against the total rent due and the net rental income is then spread evenly over the shorter of the period from the rent-free or rent commencement date, as appropriate, to the date of the next rent review or the lease end date.

FRS19 requires that deferred tax is recognised in full in respect of transactions or events that have taken place by the balance sheet date and which could give the group an obligation to pay more or less tax in the future. However, the FRS requires that deferred tax is not recognised on revaluation gains and losses where these are not taken to the profit and loss account. The group's accounting policy had been to account for deferred tax to the extent that liabilities or assets were expected to be payable or receivable in the foreseeable future. In accordance with FRS19, the group has now changed its policy to make full provision for timing differences, which, in the group's case, arise primarily from capital allowances and industrial building allowances. Following the sale or demolition of a property, any deferred tax provisions not required will be released to the profit and loss account.

The financial information for the year to 31 March 2001, extracted from the group's financial statements to that date and which received an unqualified auditors' report, did not contain a statement under Section 237(2) or (3) of the Companies Act 1985 and have been filed with the Registrar of Companies; these results and the previous interim results have been restated to reflect the application of UITF28 to all leases commencing 1 April 2000 and the effects of adopting FRS19.

The Interim Results for the six months ended 30 September 2001 were approved by the Directors on 14 November 2001.

2 Restatement of Comparatives

The effects of adopting UITF 28 (Operating Lease Incentives) and FRS19 (Deferred Tax) for the current and comparative prior periods are as follows:	Gross property income £m	Taxation £m	Profit after taxation £m	Earnings per share (pence) Basic	Earnings per share (pence) Diluted	Goodwill £m	Shareholders' funds £m	Net assets per share (pence) Basic	Net assets per share (pence) Diluted
YEAR ENDED 31 MARCH 2001									
As previously reported	647.2	(81.5)	233.1	44.57	44.14	41.9	6,150.9	1175	1154
Effect of adopting UITF28	3.2	(1.1)	2.1	.41	.38	–	(1.1)	–	–
Effect of adopting FRS19		(4.8)	(4.8)	(.92)	(.87)	(.7)	(122.4)	(24)	(23)
As restated	650.4	(87.4)	230.4	44.06	43.65	41.2	6,027.4	1151	1131
SIX MONTHS ENDED 30 SEPTEMBER 2000									
As previously reported	266.1	(40.1)	108.4	20.73	20.60	–	5,997.8	1147	1128
Effect of adopting UITF28	1.3	(.4)	.9	.17	.15	–	(.4)	–	–
Effect of adopting FRS19		(5.5)	(5.5)	(1.05)	(.99)	–	(123.1)	(23)	(22)
As restated	267.4	(46.0)	103.8	19.85	19.76	–	5,874.3	1124	1106
SIX MONTHS ENDED 30 SEPTEMBER 2001									
Without adopting UITF28 and FRS19	**433.3**	**(45.8)**	**120.9**	**23.07**	**22.81**	**39.9**	**6,193.7**	**1181**	**1159**
Effect of adopting UITF28	**1.9**	**(.7)**	**1.2**	**.23**	**.22**	**–**	**(1.8)**	**–**	**–**
Effect of adopting FRS19		**(.6)**	**(.6)**	**(.12)**	**(.11)**	**–**	**(122.3)**	**(23)**	**(21)**
As reported	**435.2**	**(47.1)**	**121.5**	**23.18**	**22.92**	**39.9**	**6,069.6**	**1158**	**1138**

3 Segmental Information

	Six months to 30.9.01 (unaudited) Property Investment £m	Six months to 30.9.01 (unaudited) Total Property Services £m	Six months to 30.9.01 (unaudited) Total £m	Six months to 30.9.00 unaudited (restated) Property Investment £m	Year to 31.3.01 (audited/restated) Property Investment £m	Year to 31.3.01 (audited/restated) Total Property Services (see Note below) £m	Year to 31.3.01 (audited/restated) Total £m
(i) PROFIT AND LOSS ACCOUNT							
GROSS PROPERTY INCOME	**287.9**	**147.3**	**435.2**	267.4	553.1	97.3	650.4
NET RENTAL INCOME	**249.0**	**32.1**	**281.1**	232.8	478.0	22.7	500.7
Property management and administration expenses	**(24.0)**	**(11.5)**	**(35.5)**	(17.4)	(35.4)	(10.3)	(45.7)
OPERATING PROFIT	**225.0**	**20.6**	**245.6**	215.4	442.6	12.4	455.0
Profit on sales of properties	**3.5**	**–**	**3.5**	.4	6.3	–	6.3
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION	**228.5**	**20.6**	**249.1**	215.8	448.9	12.4	461.3

NOTES TO THE INTERIM RESULTS

for the six months ended 30 September 2001

3 Segmental Information (continued)

(ii) NET ASSETS	30.9.01 (unaudited) Property Investment £m	Total Property Services £m	Total £m	30.9.00 (unaudited/ restated) Property Investment £m	31.3.01 (audited/restated) Property Investment £m	Total Property Services £m	Total £m
FIXED ASSETS	**7,910.3**	**422.9**	**8,333.2**	7,739.7	7,914.8	382.7	8,297.5
NET CURRENT LIABILITIES	**(37.3)**	**(94.8)**	**(132.1)**	(200.1)	(379.2)	(5.1)	(384.3)
LONG TERM LIABILITIES AND PROVISIONS			**(2,131.5)**	(1,665.3)			(1,885.8)
NET ASSETS			**6,069.6**	5,874.3			6,027.4

As Trillium, the total property services business unit of the group, was acquired in November 2000, there is no corresponding segmental information for total property services for the six months ended 30 September 2000. Consequently, also, the information for that segment for the year ended 31 March 2001 is for a four month period.

4 Net Rental Income

	Six months to 30.9.01 unaudited £m	Six months to 30.9.00 unaudited (restated) £m	Year to 31.3.01 audited (restated) £m
Rental income	**262.0**	244.3	501.6
Property services income	**147.3**	–	97.3
Service charges and other recoveries	**25.9**	23.1	51.5
Gross property income	**435.2**	267.4	650.4
Ground rents payable	**(54.8)**	(8.7)	(47.7)
Other property outgoings	**(99.3)**	(25.9)	(102.0)
	(154.1)	(34.6)	(149.7)
	281.1	232.8	500.7

All income was derived from within the United Kingdom from continuing operations. No operations were discontinued during the period. Other property outgoings include the amortisation charge in respect of very short leaseholds.

5 Finance

	Six months to 30.9.01 unaudited £m	Six months to 30.9.00 unaudited £m	Year to 31.3.01 audited £m
INTEREST RECEIVABLE:			
Short term deposits	**2.0**	4.1	6.9
Other interest receivable and similar income	**.4**	.4	.7
	2.4	4.5	7.6
INTEREST PAYABLE:			
Borrowings not wholly repayable within five years	**74.6**	69.5	140.5
Borrowings wholly repayable within five years	**7.0**	.5	8.2
Other interest payable and similar charges	**1.3**	.5	2.4
	82.9	70.5	151.1

6 Taxation

	Six months to 30.9.01 unaudited £m	Six months to 30.9.00 unaudited (restated) £m	Year to 31.3.01 audited (restated) £m
The charge for taxation is made up as follows:			
Revenue profit at the Corporation Tax rate of **30%** (2000 30%)	**49.5**	44.8	93.7
Capital allowances on expenditure relating to properties	**(8.4)**	(5.2)	(11.8)
Movements in deferred taxation (Note 16):			
Net charge for the period	**7.5**	6.2	12.2
Released in respect of property disposals during the period	**(7.0)**	(.8)	(7.4)
Other adjustments	**3.5**	.9	1.4
	45.1	45.9	88.1
Adjustments relating to previous years	**.9**	.1	(.5)
On revenue profit	**46.0**	46.0	87.6
On property sales and bid costs	**1.1**	–	(.2)
	47.1	46.0	87.4

The amount of tax on capital gains which would become payable in the event of sales of the investment properties at the amounts at which they are stated in Note 9 is in the region of **£523m** (2000 £510m). The deferred taxation which would be released in such circumstances, on the assumption that no balancing charge would be incurred, is **£122.3m** (2000 £123.1m).

NOTES TO THE INTERIM RESULTS

for the six months ended 30 September 2001

7 Dividends

The interim dividend of **9.05p per share** (2000 8.65p per share) will amount to **£47.5m** (2000 £45.2m) calculated on **524.2m shares** (2000 522.7m shares) in issue on 30 September 2001. However, dividends shown in the Profit and Loss Account include **£0.1m** (2000 £0.1m) of prior year final dividend arising from increases in share capital after the last year end but before the record date of 1 June 2001.

8 Earnings and Net Assets per Share

EARNINGS PER SHARE

Earnings per share are calculated on the profit on ordinary activities after taxation of **£121.5m** (2000-restated £103.8m) and on the weighted average number of shares in issue during the period of **524.2m** (2000 522.7m).

Adjusted earnings per share are calculated on the same weighted average number of shares but exclude the post-tax profit arising on sales of properties and bid costs of **£2.3m** (2000 £0.4m) and the additional deferred taxation of **£0.6m** (2000 £5.5m) arising on the adoption of FRS19. Bid costs and profits on the sale of investment properties are excluded from adjusted earnings as these are potentially non-recurring items. The additional FRS19 deferred tax is excluded as the group's experience is that it is very unusual for plant allowances to be claimed back through balancing charges on the disposal of a property.

Diluted earnings per share are calculated on the profit on ordinary activities after taxation of **£127.0m** (2000-restated £109.3m), after adjusting for the effects of the exercise of conversion rights relating to the convertible bonds, and on the weighted average number of shares in issue during the period of **554.2m** (2000 553.1m), which takes into account the number of potential shares arising from the exercise of conversion rights and share options.

NET ASSETS PER SHARE

Net assets per share are calculated on net assets of **£6,069.6m** (2000 – restated £5,874.3m) and on **524.2m shares** (2000 522.7m shares).
Adjusted net assets per share have been calculated on the same number of shares but exclude the additional deferred tax liability of **£122.3m** (2000 £123.1m) arising on the adoption of FRS19. Adjusted net assets have been calculated on this basis because the group's experience is that deferred tax on capital allowances in relation to investment properties is unlikely to crystallise in practice.
The diluted net assets per share are calculated on adjusted net assets of **£6,341.8m** (2000 – restated £6,125.5m) and on **557.5m shares** (2000 553.8m shares) after adjusting for the effects of the exercise of share options and of conversion rights relating to the convertible bonds on net assets and the number of shares in issue.

9 Properties

	Freehold £m	Leasehold: Over 50 years to run £m	Leasehold: Under 50 years to run £m	Total £m	Investment Properties £m	Land Securities Trillium £m
VALUATION/COST						
At 1 April 2001	**6,100.1**	**2,027.6**	**102.9**	**8,230.6**	**7,905.9**	**324.7**
Additions	**167.0**	**85.9**	**10.7**	**263.6**	**222.1**	**41.5**
Sales	**(170.0)**	**(19.1)**	**(2.3)**	**(191.4)**	**(191.4)**	**–**
	6,097.1	**2,094.4**	**111.3**	**8,302.8**	**7,936.6**	**366.2**
Unrealised deficit on valuation (Note 18)	**(28.6)**	**(4.1)**	**.2**	**(32.5)**	**(32.5)**	**–**
At 30 September 2001	**6,068.5**	**2,090.3**	**111.5**	**8,270.3**	**7,904.1**	**366.2**
ACCUMULATED DEPRECIATION						
At 1 April 2001	**(1.3)**	**(.2)**	**(.1)**	**(1.6)**	**–**	**(1.6)**
Depreciation for the period	**(2.1)**	**(.2)**	**(.5)**	**(2.8)**	**–**	**(2.8)**
At 30 September 2001	**(3.4)**	**(.4)**	**(.6)**	**(4.4)**	**–**	**(4.4)**
ADJUSTMENT FOR EFFECT OF UITF28	**(4.5)**	**(5.2)**	**(.1)**	**(9.8)**	**(9.8)**	**–**
NET BOOK AMOUNT						
At 30 September 2001 (unaudited)	**6,060.6**	**2,084.7**	**110.8**	**8,256.1**	**7,894.3**	**361.8**
At 30 September 2000 (unaudited/restated)	5,902.5	1,759.4	62.4	7,724.3	7,724.3	–
At 31 March 2001 (audited/restated)	6,095.7	2,023.8	102.7	8,222.2	7,899.1	323.1

Investment properties are included at their valuations at 30 September 2001 as determined by the group's professional valuers, Knight Frank.
Freeholds include **£376.7m** (2000 £387.3m) of investment property leaseholds with unexpired terms exceeding 900 years; leaseholds with under 50 years to run include **£10.7m** (2000 £10.2m) with unexpired terms of 20 years or less.
The historical cost of investment properties is **£4,123.2m** (2000 £3,854.8m).
Certain of the assets acquired under the PRIME Agreement by Land Securities Trillium are subject to a first charge granted to the DWP (formerly known as the DSS). The amount of this charge at 30 September 2001 is **£26.0m** which reduces to nil on a straight line basis after a further eighteen months. The charge secures amounts which would become payable to the DWP on early termination of the PRIME Agreement in the relevant year.

NOTES TO THE INTERIM RESULTS

for the six months ended 30 September 2001

10 Trading Properties

These are properties for sale held at the lower of cost and net realisable value.

11 Debtors

	to 30.9.01 unaudited £m	to 30.9.00 unaudited (restated) £m	to 31.3.01 audited (restated) £m
Trade debtors	**116.5**	52.9	33.4
Capital debtors	**17.5**	11.4	19.5
Property sales debtors	**3.2**	7.9	52.1
Other debtors	**47.7**	16.0	29.7
Prepayments and accrued income	**46.2**	26.0	47.0
	231.1	114.2	181.7

12 Cash at Bank and in hand

Cash at bank at 30 September 2001 includes **£60m** placed in a bank account under the control of solicitors acting on behalf of British Telecommunications PLC (BT) as a refundable deposit in relation to ongoing negotiations between Telereal and BT for the purchase of certain BT real estate and the provision of associated services.

13 Creditors falling due within one year

	30.9.01 unaudited £m	30.9.00 unaudited £m	31.3.01 audited £m
Debentures and loans	**26.4**	10.4	26.4
Overdraft	**5.6**	–	4.2
Trade and other creditors	**47.1**	17.3	44.7
Taxation and Social Security	**84.2**	84.8	62.2
Proposed dividend	**47.5**	45.2	124.9
Capital creditors	**50.0**	52.9	59.5
Accruals and deferred income	**257.2**	202.4	273.4
	518.0	413.0	595.3

14 Borrowings falling due after more than one year

	30.9.01 unaudited £m	30.9.00 unaudited £m	31.3.01 audited £m
Debentures, bonds and loans	**1,756.2**	1,283.3	1,506.8
Falling due within one year (Note 13)	**(26.4)**	(10.4)	(26.4)
	1,729.8	1,272.9	1,480.4
Convertible bonds	**243.1**	246.7	246.1
	1,972.9	1,519.6	1,726.5

15 Other creditors falling due after more than one year

	30.9.01 unaudited £m	30.9.00 unaudited £m	31.3.01 audited £m
Deferred income	**19.3**	18.5	20.4
Other creditors	**10.6**	3.1	11.4
	29.9	21.6	31.8

16 Provisions for Liabilities and Charges

	Dilapidations £m	Deferred Taxation £m	Total £m
At 1 April 2001	**4.7**	**1.1**	**5.8**
Prior year adjustment (Notes 1 & 2)		**121.7**	**121.7**
Increase during the period	**.5**		**.5**
Net charge for the period		**7.5**	**7.5**
Released in respect of property disposals during the period		**(7.0)**	**(7.0)**
Notional interest charge	**.2**		**.2**
At 30 September 2001 (unaudited)	**5.4**	**123.3**	**128.7**

NOTES TO THE INTERIM RESULTS

for the six months ended 30 September 2001

17 Called up Share Capital

	30.9.01 unaudited £m	30.9.00 unaudited £m	31.3.01 audited £m
Ordinary shares of £1 each:			
Authorised	**720.0**	720.0	720.0
Allotted and fully paid	**524.2**	522.7	523.6

18 Reserves

	Share premium account £m	Capital redemption reserve £m	Revaluation reserve £m	Other reserves £m	Profit and loss account £m	Total £m
At 1 April 2001 (audited)	**312.0**	**36.0**	**3,696.4**	**324.6**	**1,258.3**	**5,627.3**
Prior year adjustment (Note 2)	**–**	**–**	**(3.2)**	**–**	**(120.3)**	**(123.5)**
At 1 April 2001 as restated	**312.0**	**36.0**	**3,693.2**	**324.6**	**1,138.0**	**5,503.8**
Premium arising on issues of shares	**3.2**					**3.2**
Unrealised deficit on valuation of properties (Note 9)			**(32.5)**			**(32.5)**
UITF28 adjustment to property valuation			**(3.0)**			**(3.0)**
Realised on sales of properties			**(72.8)**	**72.8**		
Retained profit for the period (page 10)					**73.9**	**73.9**
Amortised discount and issue expenses of bonds	**(.4)**				**.4**	
At 30 September 2001 (unaudited)	**314.8**	**36.0**	**3,584.9**	**397.4**	**1,212.3**	**5,545.4**

19 Financial Assets and Liabilities

	Book Value			Fair Value		
	30.9.01 unaudited £m	30.9.00 unaudited £m	31.3.01 audited £m	30.9.01 unaudited £m	30.9.00 unaudited £m	31.3.01 audited £m
The group's financial assets and liabilities and their fair values are:						
FINANCIAL ASSETS						
Short term investments and cash	**112.9**	98.7	31.8	**112.9**	98.7	31.8
FINANCIAL LIABILITIES						
Debentures, bonds, other loans and overdraft	**(1,761.8)**	(1,283.3)	(1,511.0)	**(2,219.8)**	(1,684.1)	(1,964.5)
Convertible bonds	**(243.1)**	(246.7)	(246.1)	**(271.0)**	(264.1)	(287.7)
FINANCIAL INSTRUMENTS						
Interest rate swaps	**–**	–	–	**(13.2)**	12.0	(12.2)

Fair value has been calculated by taking the market value, where one is available, or using a discounted cash flow approach for those financial assets and liabilities that do not have a published market value. The difference between book value and fair value will not result in any change to the cash outflows of the group unless, at some stage in the future, borrowings are purchased in the market other than at nominal value.

The group has entered into five interest rate swaps. Two swaps, each for £100m, had a start date of 30 September 2000 for 15 years. Two further swaps, each for £100m, have a start date of 30 June 2002 for 10 years. The counterparties can extend the duration of each of these swaps on similar terms. As the intention of these swaps is to fix the interest rate on existing and new bank borrowings, the value of the swaps have not been incorporated in the financial statements. Once they commence operating interest receipts and payments are dealt with on an accruals basis. The remaining swap was taken out by Trillium to hedge the secured bank loan. This swap has a maximum life of 16.5 years and mirrors the repayment schedule for that bank loan. As part of the fair value accounting for the acquisition of Trillium, this swap was marked to market at a cost of **£14.9m**. The cost, which is included in the bank loan, is being amortised over the life of the swap as a credit to interest payable.

At 30 September 2001, **£9.1m** of short term deposits were charged as temporary security for borrowings until substitutions have been agreed for properties that have been released from charge.

The maturity and repayment profiles of the group's financial assets and liabilities and the expiry periods of its undrawn committed borrowing facilities are:	Financial Assets			Financial Liabilities			Borrowing Facilities		
	30.9.01 unaudited £m	30.9.00 unaudited £m	31.3.01 audited £m	30.9.01 unaudited £m	30.9.00 unaudited £m	31.3.01 audited £m	30.9.01 unaudited £m	30.9.00 unaudited £m	31.3.01 audited £m
One year or less, or on demand	**112.9**	98.7	29.8	**32.0**	10.4	30.6	**–**	75.0	50.0
More than one year but no more than two years	**–**	–	2.0	**1.5**	.4	1.4	**–**	75.0	–
More than two years but no more than five years	**–**	–	–	**321.5**	38.6	62.3	**350.0**	50.0	–
More than five years	**–**	–	–	**1,649.9**	1,480.6	1,662.8	**–**	–	600.0
	112.9	98.7	31.8	**2,004.9**	1,530.0	1,757.1	**350.0**	200.0	650.0

The amount of debt that is repayable by instalments, where any of the instalments fall due after more than five years, is not material.

NOTES TO THE INTERIM RESULTS

for the six months ended 30 September 2001

20 Post Balance Sheet Event

In October 2001, LS Trillium entered into a 30 year contract with the BBC under which LS Trillium acquired a building at White City and agreed to provide property management services across the BBC's London and Scottish estates. In addition LS Trillium undertook to construct a new building at White City over the next 3 years which will have an estimated development cost, including the site, of **£240m** to be funded by the group. In return, LS Trillium will receive an initial index-linked unitary charge of some **£35m** p.a. rising to over **£70m** p.a. when the new building is completed.

REVIEW REPORT BY THE AUDITORS

INDEPENDENT REVIEW REPORT TO LAND SECURITIES PLC

INTRODUCTION

We have been instructed by the Company to review the financial information set out on pages 10 to 20 and we have read the other information contained in the interim report for any apparent misstatements or material inconsistencies with the financial information.

DIRECTORS' RESPONSIBILITIES

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

REVIEW WORK PERFORMED

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

REVIEW CONCLUSION

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2001.

PricewaterhouseCoopers
Chartered Accountants
London
14 November 2001

DIRECTORS

DIRECTORS
P G Birch CBE*
Chairman

I J Henderson CBE
Chief Executive

M R Griffiths
P B Hardy*
Sir Winfried Bischoff*
P Walicknowski
G I Henderson CBE*
M J Chande
F W Salway
(appointed 2 April 2001)
A E Macfarlane
(appointed 1 October 2001)

*Non-executive and member of Remuneration and Audit Committees

SECRETARY
P M Dudgeon

HEAD OFFICE
5 Strand, London WC2N 5AF
Telephone: 020 7413 9000

WEBSITE
This Interim Report is available on the Company's website at www.landsecurities.com

INVESTOR INFORMATION

REGISTRAR
Enquiries concerning holdings of ordinary shares, debentures or loan stocks in Land Securities PLC should be addressed to: Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA. Telephone: 0870 600 3972.

The Registrars provide an on-line service enabling shareholders to access details of their Land Securities shareholdings. Shareholders wishing to view this information, together with additional information such as indicative share prices and information on recent dividends, should visit www.shareview.co.uk

Holders of the Company's ordinary shares, debentures and loan stocks should notify the Registrar promptly of any change of their address.

LOW COST SHARE DEALING FACILITY
The Company operates with Cazenove & Co Ltd a postal share dealing facility which provides shareholders with a simple, low cost way of buying and selling Land Securities PLC ordinary shares. For further information, or dealing forms, contact: Cazenove & Co Ltd, 12 Tokenhouse Yard, London EC2R 7AN. Telephone: 020 7606 1768.

DIVIDEND REINVESTMENT PLAN (DRIP)
The Company has introduced a DRIP to enable shareholders to use cash dividends to purchase Land Securities shares in the market. Shareholders wishing to participate in relation to the Interim Dividend to be paid on 7 January 2002 should ensure that completed DRIP mandate forms are received by the Registrars no later than 12 December 2001.

For further details contact:
The Share Dividend Team, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA. Telephone: 01903 502541.

CORPORATE INDIVIDUAL SAVINGS ACCOUNTS (ISAs)
The Company has arranged for a Corporate ISA to be managed by Lloyds TSB Registrars, who can be contacted at The Causeway, Worthing, West Sussex BN99 6UY. Telephone: 0870 24 24 244.

CAPITAL GAINS TAX
For the purpose of capital gains tax, the price of the Company's ordinary shares at 31 March 1982, adjusted for the capitalisation issue in November 1983, was 205p.

SHARE PRICE INFORMATION
The latest information on the Land Securities PLC share price is available on the Financial Times Cityline Service: telephone: 0906 8433133 (calls charged at 60p per minute). Share price information is also available on the Company's website (www.landsecurities.com) under investor relations/share price.

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