Interim Report 2006

LandSecurities

Welcome to the Land Securities Interim Report 2006

Land Securities Group PLC has been at the forefront of the UK's commercial property investment and development industry for over 60 years.

We maintain our market leading position as the UK's largest quoted property company by providing commercial accommodation and property services to more than 2,000 private and public sector customers.

Our strategy is to invest in commercial property in sectors where we have expertise and operational skills which give us competitive advantage. In these sectors we will apply our risk management skills and actively recycle capital in order to deliver total returns in excess of our cost of capital.

To deliver this strategy the business is focused on three core sectors of the UK property market: retail property, London offices and property outsourcing. Across these sectors we own £14.4bn of commercial property, making us responsible for some seven million m2 of accommodation.

With a 25 year track record of dividend growth, Land Securities is recognised for its financial stability and responsible management.

If you would like to contact us for further information or with feedback, you will find our contact details on the inside back cover.

Land Securities Interim Report for the six months ended 30 September 2006

Contents | Page

Chairman and Chief Executive's Review

We continued to deliver a strong performance over the past six months with a 10.9% growth in adjusted diluted net assets per share, driven by a 7.3% valuation surplus from our £14bn investment portfolio. Pre-tax profit was £1,178.2m, down 0.5% on the comparable period. Before exceptional items, pre-tax profit was up 23.3%. As expected, revenue profit, our measure of underlying pre-tax results, was marginally down by 1.4% to £193.1m. The interim dividend will be 19.00p per share, which represents a 4.7% increase on last year's interim dividend.

Over a 12-month period we benchmark our performance against three key performance indicators, providing shareholders with a clear indication of the value we are creating. Over a six month period, however, the most relevant indicator of our performance is a comparison to the Investment Property Databank, the industry standard. During the period under review our ungeared total investment portfolio return was 10.0% as compared to 8.9% for the IPD quarterly benchmark[*]. We believe that our focus on creating value through development and the scale of our activities in the London office market have helped to drive this outperformance.

Performance Highlights

Over the past six months we continued to progress with our strategy of investing capital into higher return activities. We have intentionally been quieter on the acquisition and disposal front. In part this reflects the substantial changes to the portfolio over the past three years, which has seen the Group dispose of £3.5bn of assets while investing £4.0bn in acquisitions and development. It is also due to the difficulties we perceive in buying assets with sufficiently attractive prospective returns at this stage in the market cycle, together with our belief that it is prudent to await REIT conversion before concluding sales. As a result, during the period under review, we invested £477.9m in acquisitions, of which £446.0m was in the London Portfolio, and we received £175.7m from disposals.

We have continued to invest heavily in development. Including our share of joint ventures, over the six months our development pipeline spend was £243m and the valuation surplus on the ongoing development projects was £252.5m (a surplus of 17.3%). Value is created from development by securing planning consents and achieving lettings and we were therefore delighted to have received planning consent for a further 138,850m^2 of development and to have let 91,400m^2 of commercial accommodation to date this financial year.

At Land Securities Trillium, if our current bids are successful, this business could expand to cover some 1.1 million m^2 of additional accommodation representing a 40% increase on Land Securities Trillium's current portfolio. We are awaiting a decision from the Government on the Defence Training Review, where we are bidding jointly with QinetiQ for a contract which could see us provide 0.6 million m^2 of accommodation. We have also recently submitted our bid for the Northern Ireland Civil Service. In addition to these two substantial contracts we are in the process of developing further bids for the corporate sector and the Government's Building Schools for the Future programme.

We also continue to manage actively our balance sheet. We extended the duration and renegotiated the terms of our bank facility and concluded a £300m bond issue at an all in cost of just under 5%. These bonds were issued from our funding structure established in November 2004 and have been rated AA by both Fitch and Standard and Poor's. We also took the opportunity to buy back £21m of our shares in June 2006, at a time when the market was temporarily depressed.

[*] The IPD Quarterly Benchmark is comprised of 184 quarterly and monthly-revalued funds, valued at £115.9 billion at the end of September 2006. This benchmark includes direct domestic property only.

The Board

We announced two changes to the Board in the period under review. We would like to welcome Paul Myners as a non-executive director and Chairman designate. Paul brings to the Board a wealth of experience, having had an illustrious career in the City, most notably running fund manager Gartmore for 15 years, together with wider expertise garnered as non-executive director of several leading corporate and non-financial institutions, including the role of Chairman at Marks & Spencer plc. In October we also announced that Mark Collins would be stepping down from the Board after a very successful four and a half years with the Company. Mark has made a significant contribution to the Group, most notably leading our business development activities through the property swap with Slough Estates and the corporate acquisition of Tops Estates. He will be leaving the Group at the end of November and we would like to thank him for his contribution to our success.

Real Estate Investment Trusts

Over the past few months much has been written about the introduction of Real Estate Investment Trusts (‘REITs’) and we are delighted to confirm that we are planning to elect for REIT status from 1 January 2007. Shareholders will shortly receive a circular convening an EGM in December 2006 which contains details of changes proposed to our Memorandum and Articles of Association to accommodate REIT status. Subject to receiving shareholder approval to these changes we see no obstacle to conversion.

It is worthwhile stressing here that REIT conversion represents a change in tax status. As we are already a quoted entity, with a listing on the London Stock Exchange, conversion to a REIT does not necessitate any amendment to the Group’s structure. The main difference will be that, having paid a conversion charge calculated at 2% of the Group’s gross assets, around 90% of our activities become tax exempt. As a result we anticipate distributing the taxed saved to shareholders in the form of an increased dividend which, over a full year, is expected to represent around a 30% increase. Shareholders should note that for the year to 31 March 2007, the Group will only benefit from three months status as a REIT. Further information on the impact of REIT conversion on the Group’s income statement, balance sheet and dividend policy will be detailed in the circular to shareholders. In addition an illustrative income statement and balance sheet will be available on our website after the presentation to analysts today.

In order to establish the amount we will have to pay to HM Revenue & Customs as a REIT conversion charge, we will be conducting a valuation of our qualifying property assets as at 31 December 2006. This will be a one-off exercise and will include an external valuation of both our investment portfolio and also the properties held by Land Securities Trillium, representing the first valuation of these assets since we acquired Trillium in 2000. We expect to announce the results of this valuation exercise in February 2007.

Outlook

After an extended period when buyers of commercial property investments significantly outnumbered sellers, we are moving closer to equilibrium conditions, with less parties bidding for investments and an increasing number of properties being marketed for sale. This is likely to herald an end to yield compression, but also to increase the scope for the Group to find opportunities where we can create value for shareholders. We are now benefiting from our decision to initiate large scale development projects early in the recovery cycle in London, and also from the effective management of our existing outsourcing contracts. We also look forward to a further phase of growth for Land Securities Trillium from our strong new business pipeline. Prospects for growth in rental values for London offices remain attractive for at least the next two years and retail sales figures have been stronger in 2006 than 2005, although retailers are still experiencing pressure on their cost bases.

The outlook for the Group remains positive. REIT conversion is on the horizon, bringing undoubted benefits to shareholders in terms of tax efficiencies; we are making excellent progress with our development activities; and we have a high quality investment portfolio with reversionary potential as well as an outsourcing business which is poised for growth.

Financial Review

Headline results

Profit before tax stayed broadly constant, marginally decreasing by 0.5% to £1,178.2m as compared to £1,184.4m for the six months to 30 September 2005. Revenue profit, our measure of underlying profit before tax, decreased by 1.4% from £195.9m to £193.1m. Earnings per share were 183.25p, up 3.4% (30/9/05: 177.26p) with adjusted diluted earnings per share at 32.84p showing a 4.4% decrease (30/9/05: 34.35p).

The combined investment portfolio rose in value from £12.9bn to £14.4bn, which included a valuation surplus of £962.1m or 7.3%. More detail of this performance is contained in the Investment Property Business review. Net assets per share rose by 9.4% to 1747p from 1597p, with adjusted diluted net assets per share rising by 10.9% to 2121p (31/3/06: 1912p).

Profit before tax

Our profit before tax represents the total pre-tax return to shareholders for the period, including both realised and unrealised gains and losses on the value of our investment properties as well as exceptional items. In the first six months of the year, this fell slightly by 0.5% to £1,178.2m, notwithstanding the fact that the prior period included an exceptional profit of £293.0m on the disposal of our interest in the Telereal joint venture. The principal drivers behind this change are set out in Table A.

Table A – Principal changes in profit before tax and revenue profit

	Profit before tax £m	Revenue profit £m
Six months ended 30 September 2005	1,184.4	195.9
Valuation surplus (A)	200.6	–
Profit on disposal of Telereal (B)	(293.0)	–
Distributions received from Telereal (C)	(11.7)	–
Impact of Telereal sale 30 September 2005 (D)	–	(16.1)
Profit on disposal of non-current properties	17.1	–
Profit on sale of trading properties	1.1	–
Decrease in capitalised interest	(3.5)	(3.5)
Amortisation of bond de-recognition (E)	4.7	–
Long-term development contract profits (F)	(1.3)	–
Goodwill impairment (G)	64.5	–
Property outsourcing profit (H)	13.8	13.8
Net rental and service charge income(I)	35.7	35.7
Indirect costs (J)	(8.2)	(8.2)
Interest on increased debt	(24.5)	(24.5)
Debt restructuring charges	(6.3)	–
Other	4.8	–
Six months ended 30 September 2006	1,178.2	193.1

A. The valuation surplus was £200.6m higher than the first six months last year as described in the Investment Property Business review.

B. The disposal of our interest in the Telereal joint venture was completed on 30 September 2005.

C. Distributions from Telereal ceased on 30 September 2005 following its disposal.

D. The impact of the sale of Telereal has been partially offset by operating profit of £7.0m on the Telereal II contract which is included as part of the property outsourcing profit, Note H. Additionally, £7.5m of interest income was earned on the disposal proceeds which is part of the net change in interest .

E. The debt instruments issued as part of the refinancing in November 2004 do not meet the requirements of IAS 39 as they are not deemed to be substantially different from the debt they replaced. As a result, the book value of the new instruments is reduced to the book value of the debt it replaced and the difference is amortised over the life of the new instruments. The decrease in amortisation over the comparable period is a reflection of the maturity profile of debt replaced.

F. Lower levels of activity, with the recognition of profits on the development contract at Broadcasting House being below the profit recognised on Bankside1 in the comparable period.

G. Goodwill arising on the acquisition of Tops Estates PLC in June 2005 was impaired in the comparable period. There was no goodwill impairment in the current period.

H. Inclusion of Telereal II contract for the first time and better performance on DWP contract.

I. Increase in rental income offset by greater service charge under recovery is largely driven by acquisitions. Higher volume of vacant properties and increase in marketing costs have also impacted the result.

J. Primarily due to higher staff costs for existing employees and increased employee numbers following acquisitions.

Revenue profit

Revenue profit is the financial measure we use internally to assess our underlying results and includes the pre-tax results of our joint ventures but excludes capital and other one-off items such as the valuation surplus, long-term contract income and gains on disposals, including trading properties. Revenue profit for the six months was 1.4% lower, falling to £193.1m from £195.9m in the comparable period. The main reasons for this change are detailed in Table A.

A reconciliation between profit before tax and revenue profit is shown in Table B.

Table B – Reconciliation of profit before tax to revenue profit

	6 months ended 30/9/06 £m	6 months ended 30/9/05 £m
Profit before tax	1,178.2	1,184.4
Revaluation surpluses – Group	(896.7)	(726.0)
– joint ventures	(65.7)	(35.8)
Non-current property disposals	(33.6)	(17.4)
Goodwill impairment	–	64.5
Mark-to-market adjustment on interest rate swaps	(6.2)	7.9
Eliminate effect of bond exchange de-recognition	8.6	13.3
Debt restructuring charges	6.3	–
Profit on disposal of Telereal joint venture	–	(293.0)
Adjustment to restate the Group’s share of Telereal earnings from a distribution basis to an equity basis	–	5.0
Joint venture tax adjustment	20.4	15.6
Profit on sale of trading properties	(8.8)	(11.9)
Long-term development contract profits	(9.4)	(10.7)
Revenue profit	193.1	195.9

Earnings per share

Basic earnings per share grew by 3.4% to 183.25p (30/9/05: 177.26p), the change being mainly attributable to the same factors as set out for profit before tax in Table A. The growth in earnings per share compared to the slight decline in revenue profit is due to a decrease in the tax rate for the current period. Reasons for the change in tax rate are set out in the section on taxation.

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 figure. Adjusted earnings are based on our revenue profit after tax but also include long-term development contract profits and profit on the sale of trading properties. The adjustments made to our profit for the financial period to arrive at adjusted earnings are set out in Note 7 to the financial statements. As a result of lower revenue profits, a slight decline in long-term contract and trading profits and a small increase in the weighted average number of shares, adjusted diluted earnings per share declined to 32.84p per share in the first six months of the year from 34.35p per share for the same period in 2005, a 4.4% decrease.

Dividend

We are paying an interim dividend of 19.00p per share, an increase of 4.7% compared to the 18.15p paid for the same period in 2005.

The interim dividend will be paid on 8 January 2007 to shareholders on the register on 8 December 2006. The shares will trade ex-dividend from 6 December 2006.

Net assets

At 30 September 2006, net asset value per share was 1747p, an increase of 150p from 31 March 2006. In common with other property companies, we also calculate an adjusted measure of net assets, which we believe better reflects the underlying net assets attributable to shareholders. The adjustments required to arrive at our adjusted diluted net assets per share are listed in Table C and also set out in Note 8 to the financial statements.

The adjusted diluted net assets per share were 2121p at 30 September 2006, an increase of 209p or 10.9% since the last financial year end.

Table C – Net assets

	6 months 30/9/06 £m	6 months 31/3/06 £m	6 months 30/9/05 £m
Net assets at beginning of period	7,493.9	6,726.4	6,050.3
Profit after tax	859.8	846.7	829.2
Dividends paid	(133.8)	(85.1)	(153.8)
Other	(28.2)	5.9	0.7
Net assets at end of period	8,191.7	7,493.9	6,726.4
Deferred tax on investment properties	151.5	145.0	151.4
Deferred tax on net revaluation surpluses	2,007.7	1,739.7	1,470.7
Mark-to-market on interest rate hedges	1.1	8.6	17.9
Debt adjusted to nominal value	(369.3)	(375.3)	(385.7)
Adjusted net assets at end of period	9,982.7	9,011.9	7,980.7

Cash flow and net debt

During the six months, cash receipts from investment property disposals were £319.5m. In total we spent £667.5m on our investment properties including £473.4m on acquisitions and £158.2m on developments. We also invested a net £38.4m in our joint ventures. At 30 September 2006, the Group’s net debt was £4,100.8m, an increase of £414.9m over the position at 31 March 2006. The factors contributing to this increase are shown in Table D.

Table D – Cash flow and net debt

	6 months ended 30/9/06 £m	6 months ended 31/3/06 £m	6 months ended 30/9/05 £m
Operating cash inflow after interest and tax	174.1	213.8	162.1
Dividends paid	(133.8)	(85.1)	(153.8)
Property acquisitions	(473.4)	(632.9)	(1,375.4)
Development and refurbishment capital expenditure	(219.0)	(222.2)	(122.9)
Investment in properties	(692.4)	(855.1)	(1,498.3)
Other capital expenditure	(9.1)	(14.8)	(12.1)
Total capital expenditure	(701.5)	(869.9)	(1,510.4)
Disposals (including Telereal in 2005)	334.2	245.8	726.8
Joint ventures	(38.4)	(67.8)	201.6
Other movements	(49.5)	(40.5)	(70.4)
Increase in net debt	(414.9)	(603.7)	(644.1)
Opening net debt	(3,685.9)	(3,082.2)	(2,438.1)
Closing net debt	(4,100.8)	(3,685.9)	(3,082.2)

Despite the 11.3% increase in our net debt since 31 March 2006, gearing levels have barely changed. The main reason for this is that the valuation uplift during the period has resulted in increased net assets which have offset the growth in net debt. Details of the Group's gearing are set out in Table E, which includes the effects of our share of joint venture debt, although the lenders to our joint ventures have no recourse to the Group for repayment.

Table E – Gearing

	At 30/9/06 %	At 31/3/06 %
Gearing – on book value of balance sheet debt	50.1	49.2
Adjusted gearing *	46.4	46.9
Adjusted gearing * – as above plus notional share – of joint venture debt	50.2	51.1

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

Funding and hedging

In the six month period, we issued a £300m 17 year sterling bond within the secured funding structure through our £6bn note programme. The debt carries a coupon of 4.875% and was issued at a yield to maturity of 4.939%. We also took the opportunity to replace the £2bn five year secured group bank facility with a seven year £1.5bn agreement. This has allowed us to consolidate our banking group, extend the facility's maturity and to reduce ongoing interest margins.

We use derivative products to manage our interest rate exposure and have a hedging policy which seeks to have at least 80% of our existing debt plus our net committed capital expenditure at fixed interest rates for the coming five years. Specific hedges are also used in geared joint ventures to fix the interest exposure on limited recourse debt. At the period end we had £1,048.2m of interest rate swaps in place, and our debt was 92% fixed.

Consequently, based on 30 September 2006 debt levels, a 1% rise in interest rates would increase full year interest charges by only £3.3m.

Taxation

The tax charge for the period is £318.4m, giving an effective rate of 27.0% (30/9/05: 30.0%). The lower tax rate in 2006 is primarily due to larger deferred tax releases on property disposals and the absence of non-tax deductible goodwill impairment.

IFRS requires that full provision is made for the deferred tax liability associated with the revaluation of investment properties. Accordingly, the tax charge includes deferred tax of £269.0m on revaluation gains arising in the period (30/9/05: £217.7m).

The current or 'cash' tax charge for the period, before property disposals, is £48.5m. If we adjust this to reflect our definition of revenue profit, we have an effective current tax rate of 23.0% (30/9/05: 13.6%). This rate reflects the benefits of approximately £24m of gross capital allowances on developments as well as tax deductions available for capitalised interest. The equivalent rate for 2005 is not directly comparable due to the use of losses generated by the Group refinancing in the prior period.

Investment Property Business

The performance of our £14.4bn combined investment portfolio is the responsibility of our Retail and London Portfolio businesses. The day-to-day responsibility for the performance of the London retail properties, with the exception of £251.3m of retail and £15.1m of office assets held in the Metro Shopping Fund, is with the London Portfolio business.

However, to assist comparison with our performance against the Investment Property Databank ('IPD'), we include the performance of our London retail properties under Retail in order to disclose our portfolio valuation statistics according to the IPD categories.

Performance

The combined investment portfolio was revalued at £14.4bn at 30 September 2006 as compared to £12.9bn at 31 March 2006 and £11.5bn at 30 September 2005.

Table F – Combined investment portfolio performance summary

	Open market value 30/9/06 £m	Open market value 31/3/06 £m	Open market value 30/9/05 £m	Valuation surplus (1) %	Rental income 6 months 30/9/06 (1) £m	Rental income 6 months 31/3/06 (1) £m	Rental income 6 months 30/9/05 (1) £m
Retail							
Shopping centres and shops	**3,115.1**	**2,910.5**	**2,699.2**	6.5	79.8	76.0	80.9
Retail warehouses	**1,601.6**	**1,534.4**	**1,404.5**	3.8	33.0	31.9	30.0
London retail	**959.6**	**911.3**	**840.3**	5.3	28.1	31.5	22.2
London offices	**3,456.2**	**3,176.7**	**2,891.3**	8.4	97.9	100.3	93.5
Other	**394.4**	**375.8**	**351.2**	4.8	9.0	7.6	7.8
Like-for-like investment portfolio (2)	**9,526.9**	**8,908.7**	**8,186.5**	6.5	247.8	247.3	234.4
Completed developments	**314.3**	**306.2**	**278.5**	1.6	6.8	4.6	5.9
Purchases	**2,872.0**	**2,277.9**	**1,540.2**	4.9	66.0	51.2	21.1
Disposals and restructured interests	**–**	**147.9**	**564.8**	–	1.7	11.6	18.5
Development programme (3)	**1,726.6**	**1,252.2**	**924.2**	17.3	14.8	12.2	7.2
Combined investment portfolio	**14,439.8**	**12,892.9**	**11,494.2**	7.3	337.1	326.9	287.1
Adjustment for finance leases	**–**	**–**	**–**	–	(6.3)	(6.8)	(6.4)
Combined investment portfolio	**–**	**–**	**–**	–	330.8	320.1	280.7

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

On the like-for-like portfolio the valuation surplus was 6.5% and we saw the strongest performance from London offices with a surplus of 8.4%, followed by a 6.9% surplus from shopping centres.

In addition our ongoing extensive development programme, currently valued at £1.7bn, has continued to be a significant differentiator in terms of performance, with a valuation surplus of 17.3% for the six months.

The overall valuation surplus from our combined investment portfolio over the last six months, including acquisitions and developments, was £962.1m or 7.3% and the total property return (including income) was 10.0%.

Our contribution to performance

In terms of ungeared total property return, our investment portfolio outperformed the UK commercial property market, as represented by the IPD Quarterly benchmark by 1.0% on a relative basis, as a result of our exposure to London offices and the scale and success of our development activities.

While yield shift has again contributed to the overall portfolio performance we illustrate below how the application of our skills can drive the creation of excess value. Table G details the top six performing properties in each sector by revaluation increase together with an explanation of the key drivers of that performance. This table also demonstrates clearly the strong contribution from London development.

Table G – Top six performing properties by business unit

Retail	Valuation surplus (%)		London Portfolio	Valuation surplus (%)	
Lewisham Shopping Centre	15.3	Rental value growth and yield compression	Dashwood House, EC2	54.4	Proposed refurbishment and extension
Gunwharf Quays, Portsmouth	12.0	Rental value growth and yield compression	New Street Square, EC4	38.2	Development
Princesshay, Exeter	11.0	Development	Bankside 2&3, SE1	23.3	Development
Greyhound Retail Park, Chester	10.5	Yield compression and new lettings	1 Wood Street, EC2	21.1	Development
The Mall, Stratford	10.1	Reconfiguration and new lettings	10/20/30 Eastbourne Terrace, W2	19.7	Potential refurbishment opportunity
The Bridges, Sunderland	9.5	Rental value growth and yield compression	Cardinal Place, SW1	17.0	Development

At 30 September 2006 the net reversionary potential of the like-for-like portfolio was 9.7%, markedly higher than the 6.8% six months ago. Growth in rental values for London offices, together with the impact of reversionary London office acquisitions now moving into the like-for-like portfolio, account for most of this change. Our London office portfolio now has a positive net reversionary potential of 4.5% (even after off-setting residual over-renting of 5.9%). In addition, the reversionary potential on our retail assets has moved up slightly from 12.3% to 12.9%. Set against this positive news on rental growth, voids on the like-for-like portfolio have increased from their historically low levels to 5.3%, although a significant proportion are strategic voids where we are keeping units vacant prior to redevelopment.

Table H – Investment and development portfolio valuation movements

	Investment £m	Development £m	Total £m
Net book value at 1/4/06	10,211.2	1,229.3	11,440.5
Purchases	461.1	12.3	473.4
Disposals	(145.3)	(5.3)	(150.6)
Transfers into development	(6.4)	6.4	–
Transfers out of development	32.5	(32.5)	–
Surrender premiums received	(1.0)	–	(1.0)
Capital expenditure	35.9	148.8	184.7
Valuation surplus *	648.8	247.6	896.4
Capitalised interest	–	10.9	10.9
Depreciation	(1.7)	–	(1.7)
Net book value at 30/9/06	11,235.1	1,617.5	12,852.6
Combined investment portfolio at 30/9/06	12,713.2	1,726.6	14,439.8

* Excludes joint ventures

Investment

As previously stated, levels of activity during the first half of the year were lower. We have sold £175.7m of property (net of sale costs) out of the combined investment portfolio, generating a profit of £25.1m (16.7% above book value). Including our share of joint ventures, we purchased £477.9m of investment properties. The average yield on the properties sold was 3.7% and the average initial yield on the assets acquired was 4.5%. Some 75% of the purchase activity was accounted for by the acquisitions in London of Arundel Great Court, WC2 and 22 Kingsway, WC2.

Development

Our development programme produced a valuation surplus of £250.2m, including our share of joint ventures and those properties completed and let in the six months.

Including our share of joint ventures and land acquisitions we spent £243m (excluding capitalised interest) on the development pipeline projects including New Street Square, EC4, Bankside 2&3, SE1 and 50 Queen Anne's Gate, SW1 and shopping centre developments in Bristol, Cardiff, Exeter and Corby. We have an estimated further spend of £692m on the projects currently underway which, when complete and fully let, will produce £144m of annual cash income (using today's estimated rental value for the available space). Further capital expenditure on proposed developments could total £1,321m if we proceed with these schemes, which are held as part of the combined investment portfolio and have a current carrying value of £546m.

The figures given above for capital expenditure represent the Group's actual or forecast cash outlays on developments. Including land values and capitalised interest, the total development cost for the full development pipeline is £3.7bn, of which £1.8bn relates to our current development programme.

We have been undertaking two developments on behalf of the BBC. We handed over the new headquarters for BBC Scotland at Pacific Quay in Glasgow in August 2006, having completed the project on programme and within budget. The much larger development of Broadcasting House has been more complex than originally envisaged, but the first phase was handed over earlier this year and we have now recognised a profit on this. The final phase is now underway and is scheduled for completion in 2010.

Business Unit Review

Retail

We own 1.9 million m² of retail accommodation including 30 shopping centres and 31 retail parks which represent a 5.8% share of the UK's retail commercial property market (excluding high street shops). We have over 1,600 occupiers across this portfolio. Many of our retail properties form the central shopping districts of major cities and towns across the UK and, over a year, we estimate that some 332 million visits are made by consumers to our locations. We are also investing £0.9bn to create the next generation of retail locations through a 360,000m² development pipeline.

Market conditions have remained broadly constant since we reported at the year end. However, demand from retailers across the UK continues to be patchy as a result of fragile consumer confidence and rising costs, and retailers are seeking greater incentives in terms of rent free periods and capital contributions. Despite these market conditions, we have been successful in letting or agreeing terms for nearly 140,000m² of retail floor space, creating future cash rental income of approximately £29m per annum.

Table I – Retail valuation and performance summary

	30/9/06	31/3/06	30/9/05
Total retail*			
Combined investment portfolio valuation	**£7,315.6m**	£6,877.7m	£6,291.9m
Like-for-like investment portfolio valuation	**£5,025.4m**	£4,783.3m	£4,372.7m
Rental income	**£124.5m**	£123.3m	£114.8m
Gross estimated rental value	**£288.3m**	£284.0m	£274.3m
Voids by estimated rental value	**£11.8m**	£9.8m	£5.1m
Gross income yield	**4.8%**	5.0%	5.3%
Shopping centres			
Combined investment portfolio valuation	**£4,114.6m**	£3,816.5m	£3,352.6m
Like-for-like investment portfolio valuation	**£2,820.8m**	£2,628.6m	£2,434.5m
Rental income	**£74.4m**	£70.6m	£74.8m
Gross estimated rental value	**£174.2m**	£171.5m	£164.1m
Voids by estimated rental value	**£6.0m**	£5.3m	£3.3m
Gross income yield	**5.2%**	5.5%	5.9%
Retail warehouses			
Combined investment portfolio valuation	**£2,405.3m**	£2,298.8m	£2,102.6m
Like-for-like investment portfolio valuation	**£1,601.6m**	£1,534.4m	£1,404.5m
Rental income	**£33.0m**	£32.3m	£29.6m
Gross estimated rental value	**£77.7m**	£76.7m	£74.7m
Voids by estimated rental value	**£3.3m**	£1.9m	£0.3m
Gross income yield	**4.1%**	4.2%	4.5%

Combined investment portfolio and by reference to the Reconciliation Tables (in the Business Analysis Section).

* Retail includes shopping centres, retail warehouses, shops outside London, shops held through the Metro Shopping Fund LP, regional offices and sundry other properties outside London

In terms of valuation the retail portfolio continues to perform well. On a like-for-like basis this portfolio increased in value to £5.0bn with a 5.6% valuation surplus over the six months. The strongest performance was in shopping centres with a 6.9% valuation surplus. Retail warehouse returns have reduced from the very high levels of recent years but still showed a 3.8% surplus over the six month period. The valuation uplifts were driven largely by yield shift with low levels of rental value growth. Our focus has been on improving the tenant mix and overall attractiveness of our shopping centres and retail parks, the success of which is evidenced by data showing increased footfall across our shopping centres.

The portfolio is 13.5% reversionary and void levels remain low at 4.1% within the like-for-like portfolio.

Activity Update

Asset Management

The success of our asset management activities is evidenced by the performance of some of our larger shopping centres. White Rose Centre, Leeds, Lewisham Shopping Centre, London and Gunwharf Quays, Portsmouth have all performed well in the first six months. In particular Gunwharf Quays saw strong like-for-like sales growth and numerous asset management initiatives. New tenants attracted to this property include Guess UK, The Works, L'Occitane, Elle and Lee Cooper.

One of our largest retail parks, Lakeside Retail Park, Thurrock also benefited from the recent opening of the new ILVA store and the letting of a 2,000m^2 store to Next. In addition our recently purchased Greyhound Retail Park, Chester also demonstrated a strong valuation uplift as a result of yield compression and new lettings ahead of assumed rental value at purchase.

Development

We made good progress with our development programme which will create 228,680m^2 of new predominantly retail and leisure accommodation over the next three years. We also have a further 131,750m^2 of proposed developments in the pipeline. In the first six months of the year we completed or agreed terms for £10.3m of lettings across the development programme.

At Exeter, a 44,600m^2 scheme scheduled to open next year, our lettings programme is on target with 64% of the retail accommodation already let or in solicitors' hands. At Bristol, a 140,000m^2 partnership development with Hammerson plc, due to complete in autumn 2008, 45% of the retail accommodation is let or in solicitors' hands. Christ's Lane, Cambridge, a 7,150m^2 mixed-use scheme, comprising eight shops, a café overlooking Christ's Pieces and 15 residential apartments, is 76% let and on target to open in autumn 2007.

We have now secured a number of pre-lettings at our scheme in Cardiff, the St Davids 2 development, which we are carrying out in partnership with Capital Shopping Centres. We awarded the construction contract to Bovis Lend Lease and will be starting on site in January. The scheme, which will bring the first John Lewis department store to Wales, comprises 106,400m^2 of new accommodation in Cardiff's city centre.

We also received planning consent for our proposals at Livingston to create an additional 32,000m^2 of new retail space, 5,670m^2 of leisure space, 28 flats, including affordable housing and new public spaces in the town centre. We were very pleased to announce that we have secured M&S and Debenhams as anchors to the scheme. We are also making good progress at Willow Place, Corby where we are progressing 16,260m^2 of retail accommodation in 27 units and we now have 35% of the retail accommodation let or in solicitors' hands.

We are also progressing with 33,730m^2 of development across our retail park portfolio with schemes underway in Peterborough and due to commence in Plymouth and Thanet. At Peterborough we have pre-let 91% of the scheme to Matalan and B&Q.

London Portfolio

Our London Portfolio comprises 930,000m^2 of office accommodation and 81,000m^2 of retail floor space. Our office portfolio represents approximately 4% of London's total office floor space with over 600 occupiers accommodating more than 45,000 people. We are investing £1.9bn on development, responding to our customers' needs with innovative, relevant buildings and top quality customer service.

Availability levels continue to decline for Central London offices. As a result, rental value growth has emerged strongly in the City and continues in the West End and Mid-town. Retail sales levels in London are also now showing stronger growth than the rest of the UK. At the same time demand from investors remains buoyant.

Table J – London Portfolio valuation and performance

	30/9/06	31/3/06	30/9/05
London Portfolio*			
Combined investment portfolio valuation	**£7,039.8m**	£5,932.5m	£5,069.4m
Like-for-like investment portfolio valuation	**£4,438.9m**	£4,109.1m	£3,753.7m
Rental income	**£121.4m**	£121.9m	£117.5m
Gross estimated rental value	**£261.5m**	£253.3m	£248.3m
Voids by estimated rental value	**£17.2m**	£7.9m	£9.9m
Gross income yield	**4.8%**	5.5%	5.9%
London offices			
Combined investment portfolio valuation	**£5,731.9m**	£4,788.3m	£4,068.1m
Like-for-like investment portfolio valuation	**£3,441.8m**	£3,163.1m	£2,878.5m
Rental income	**£98.0m**	£100.2m	£93.6m
Gross estimated rental value	**£208.1m**	£200.5m	£195.3m
Voids by estimated rental value	**£14.6m**	£6.4m	£8.8m
Gross income yield	**4.9%**	5.7%	6.1%
London shops			
Combined investment portfolio valuation	**£1,121.2m**	£1,053.8m	£918.9m
Like-for-like investment portfolio valuation	**£907.5m**	£863.5m	£797.5m
Rental income	**£21.5m**	£20.0m	£21.8m
Gross estimated rental value	**£48.3m**	£48.1m	£48.0m
Voids by estimated rental value	**£2.5m**	£1.5m	£1.0m
Gross income yield	**4.6%**	4.8%	5.3%

Combined investment portfolio and by reference to the Reconciliation Table (in the Business Analysis Section).
*The London Portfolio includes London offices, London shops (with the exception of shops held through the Metro Shopping Fund LP) and sundry other properties in London.

We continue to deliver strong performance across the London Portfolio which, on a like-for-like basis, increased in value to £4.4bn representing a 7.7% valuation surplus for the first half of the year. Our development activity made a significant contribution to performance with a valuation surplus of 21.4%.

As a result of growth in rental values, like-for-like London office investments now have a 4.5% net reversionary potential. London office voids have risen to 7.0% on a like-for-like basis. This is primarily attributable to a number of substantial pre-development properties falling vacant, including 20 Fenchurch Street, EC3 and One New Change, EC4. London retail is 9.3% reversionary and void levels are 5.2% on a like-for-like basis.

Activity update

Asset management

The strong valuation increase of those properties purchased over the past three years demonstrates the success of the portfolio restructuring and our asset management activities. Times Square, EC4, purchased some 18 months ago, is now fully let and has achieved rental value growth of 9.5%. At Holborn Gate, WC1, both yield shift and rental value growth contributed to a strong valuation increase of 15.7%.

Development

We are also making excellent progress with our development programme, which is generating substantial value to shareholders. Over the first six months of the year the surplus created by our development activities was £234.3m. Developments currently on site will provide 143,050m^2 of new office accommodation together with some 7,650m^2 of retail floor space. Our future pipeline of projects will provide another 115,130m^2 of offices and 31,590m^2 of retail, together with 39 residential units. We are delighted that we achieved the first or second largest lettings in each of our core markets of City, Mid-town and West End, with the lettings to Eversheds, Taylor Wessing and Microsoft.

At Cardinal Place, SW1 only 33% of the office accommodation is now available to let and we continue to see good demand for the remaining space. The retail element, which is trading above expectations, is 98% occupied. At New Street Square, the scheme is now 61% pre-let and construction of the four buildings continues according to plan with completion due on a phased basis between June 2007 and March 2008. Since 30 September 2006 we have pre-let another 16,000m^2 in the 21,370m^2 office building, 5 New Street Square, to Taylor Wessing. The final building, a 17-storey 18,000m^2 office block which we intend to multi-let, is already receiving strong interest from a number of occupiers. We continue to make good progress with Bankside 2&3, where we are creating some 35,550m^2 of speculative office accommodation together with 3,170m^2 of retail accommodation in two buildings, which are due for completion in August 2007. This is in addition to Bankside 1 which is a 46,350m^2 office building previously sold to IPC Media.

We announced that we have decided to proceed with our development at One New Change on the basis of a 50/50 joint venture with Beacon Capital Partners LLC. The Jean Nouvel designed scheme close to St Paul's Cathedral will provide 31,660m^2 of office accommodation and 19,830m^2 of retail floor space.

We were also very pleased to receive outline planning consent at three further schemes, totalling 101,180m^2 of accommodation, namely Park House, W1, 20 Fenchurch Street, EC3 and Dashwood House, EC2. At Park House we received approval for 31,200m^2 mixed used scheme incorporating retail, office and residential accommodation, designed by Hamilton Associates. Two schemes in the City, 20 Fenchurch Street, EC3 the Raphael Vinoly designed 55,370m^2 office tower and our 14,610m^2 refurbishment scheme at Dashwood House, EC2 designed by Fletcher Priest, have also received approval.

Property Outsourcing – Land Securities Trillium

Land Securities Trillium produced 17% of the Group's underlying profit in the six months under review. This business has a commercial portfolio totalling 2.87 million m^2 and six clients for whom it provides business accommodation services to 175,000 people.

Our performance

Land Securities Trillium has had a good first half, producing a segment profit of £60.6m. This is lower than the corresponding period last year which included the exceptional profit on the disposal of our Telereal joint venture.

Table K – Land Securities Trillium financial results

	6 months ended 30/9/06 £m	6 months ended 31/3/06 £m	6 months ended 30/9/05 £m
Contract level operating profit			
– Barclays	1.2	1.2	1.3
– BBC	3.3	0.5	–
– Driver and Vehicle Licensing Agency ('DVLA')	0.7	0.7	0.3
– Department for Work and Pensions ('DWP')	42.8	56.0	41.7
– Norwich Union	3.9	3.8	1.2
– Telereal II	7.0	6.9	–
Bid costs	(1.4)	(4.6)	(2.8)
Central costs	(5.7)	(4.8)	(4.8)
Underlying profit	51.8	59.7	36.9
Profit on sale of non-current properties	8.5	1.2	(0.2)
Net surplus on revaluation of investment property	0.3	1.6	0.3
Profit on disposal of joint venture (Telereal)	–	–	293.0
Segment profit	60.6	62.5	330.0
Share of loss from Investors in the Community ('IIC') joint venture	(1.1)	–	–
Distribution received from Telereal	–	–	11.7

Underlying profit is stronger at £51.8m compared to £36.9m for the six months ended 30 September 2005. Profit on disposal of non-current properties was £8.5m compared to a small loss in the six months ended 30 September 2005. The increase in operating profit is driven by three key factors:

i) the inclusion of the Telereal II contract which commenced on 1 October 2005
ii) improved contributions from both DVLA and Norwich Union as a result of the refurbishment programmes starting to generate income
iii) conclusion of the BBC contract in June 2006 with lower exit costs than previously provided for

Notwithstanding increased utilisation of its vacation allowances by the DWP, profits from that contract remained stable because the loss of some £15m of income following vacations was offset by indexation increases, the addition of new facilities and successful asset management of head rent liabilities.

Activity update

Existing contracts

We continue to work with the DWP to reduce costs to meet its Government efficiency and Comprehensive Spending Review targets. These targets include the rationalisation of the DWP estate. In the six months to 30 September 2006, the DWP vacated 73,800m^2 of flexible space, and served notice to vacate a further 85,360m^2. Vacant property is managed through the Corporate Real Estate Group's specialist disposals team who seek to mitigate leasehold liabilities through lettings and surrenders and to maximise the proceeds on freehold disposals. Advantage is also taken of head lease expiries and tenant lease break opportunities. Where possible, through working closely with the DWP, opportunities are identified where mutual capital value gains or risk mitigation can be achieved.

We are now 67% through the refurbishment programme for the DVLA in Swansea and are currently running slightly ahead of schedule. In August we signed an extension to this contract to provide a new 4,800m^2 print facility in Swansea. This is scheduled for completion in autumn 2007 and will then be provided with full services as in the original agreement running until 31 March 2025. In August, we also started providing services to a new 2,800m^2 building known as the Shared Services Centre on the Swansea Estate.

Our other major refurbishment is for Norwich Union on their Norwich Headquarters. We have now delivered 40% of that scheme with the customer responding very positively to the refurbished accommodation. In September we also completed the 7,000m^2 refurbishment of the Colegate building in Norwich, which was an addition to the original contract.

New business

We continue to make good progress on potential new business, with a record pipeline and a number of opportunities at an advanced stage of development

This month, in competition with three other parties, we submitted our bid for the Northern Ireland Civil Service ('NICS') Workplace 2010 contract. This 20 year partnership aims to transform the NICS office estate by improving the working environment for staff and facilitating new ways of working across 309,000m^2 of accommodation.

In January we formed the Investors in the Community ('IIC') joint venture with the Mill Group. Since then, and in line with our plans, we have developed its resource base and almost doubled staff numbers to 52. During the current financial period, IIC has closed three transactions (Bristol Building Schools for the Future ('BSF'), Peterborough Schools and Barnet and Enfield Street Lighting) and reached preferred bidder status on the £25m Redcar & Cleveland Street Lighting project. IIC is actively bidding on five projects including three BSF contracts. As in all competitive markets some bids are unsuccessful. We were disappointed on the Leeds BSF where we were down to the final two but were not chosen as preferred bidder.

We also expect to hear imminently from Government on the outcome of its Defence Training Review ('DTR'). The DTR is being procured by the MoD in two packages, with a combined estimated total value of about £13bn over a 25 year term. Package One is primarily technical training, including aeronautical engineering and communications and information systems. Package Two incorporates logistics, joint personnel administration, security, languages, intelligence and photography as well as supply training. We are bidding for both elements as part of Metrix , which is a special purpose 50/50 joint venture company between ourselves and our training partner QinetiQ. If successful, we will be providing Metrix with 570,000m^2 of accommodation and maintenance and facilities management services for 25 years. Metrix is the only provider shortlisted in both packages.

.

Urban Community Development

Kent Thameside

In Kent Thameside, our focus continues to move away from an emphasis on strategic planning towards the delivery of development.

We completed the sale of our remaining interests in Crossways Business Park to Legal & General generating some £17.7m of proceeds and a profit of £5.5m.

We are working with Countryside Properties on two residential development joint ventures. The first, Waterstone Park, is now approximately 40% complete with some 254 apartments and houses completed and sold out of the 650 new homes approved. The construction of a further 186 apartments and houses is currently underway. The second joint venture, at Springhead, has outline planning permission for 600 new houses and received detailed planning permission for the first phase of 388 new homes in September 2006. Work on delivering the site infrastructure has started, with the first sales of the completed new homes due to take place in late 2007.

We have now named the adjoining developments at Ebbsfleet and Eastern Quarry, Ebbsfleet Valley. Earlier this year we officially opened our new marketing centre, The Observatory, which has generated a very favourable reaction from our partners, in the Ebbsfleet project, including the local authorities.

In relation to our outline planning application at Eastern Quarry, we have made good progress towards resolving the remaining issues with respect to our planning gain obligations and we continue discussions around solutions to the strategic highways issues. In the meantime, this spring, we awarded the earth moving contract for this site and the works to create the new landscape to accommodate development at the eastern end of Eastern Quarry is nearing completion.

This summer we submitted our application for the Station Quarter South master plan at Ebbsfleet, where we have a 48.5% interest. This comprises some 250,000m^2 and the proposals include plans for up to 1,300 new homes as well as office accommodation, hotel and retail space. A decision on this is expected towards the end of the year.

Stansted

Easton Park, our 650-hectare landholding adjoining Stansted Airport, has continued to be actively managed and we are promoting the site as a development opportunity within the East of England Regional Spatial Strategy and the Uttlesford Local Development Framework. Following completion of the option agreement with Aggregate Industries, work is well advanced on the submission of a planning application for the excavation of up to 4.0 million tonnes of sand and gravel reserves which is identified in the Essex Mineral Plan.

Cambridge

Having completed the commercial element at Coldhams Lane, Cambridge we have decided to sell the residual land and will start marketing this in the period leading up to Christmas 2006.

Milton Keynes

We have now exercised our options to acquire the land at Magna Park, Milton Keynes, with our joint venture partner Gazeley Limited where, following receipt of planning consent, we have the potential to develop up to 315,000m^2 of accommodation as a sustainable logistics park in two phases. We were delighted to initiate the development with a pre-letting to John Lewis for a new 60,400m^2 automated distribution centre.

Financial Statements

Unaudited consolidated income statement for the six months ended 30 September 2006

		Six months ended 30/9/06			Six months ended 30/9/05			Year ended 31/3/06		
	Notes	**Before exceptional items £m**	**Exceptional items £m**	**Total £m**	Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items £m	Exceptional items £m	Total £m
Income: Group and share of joint ventures		**853.9**	**–**	**853.9**	1,007.1	–	1,007.1	1,988.2	–	1,988.2
Less: share of joint ventures income	12	**(39.5)**	**–**	**(39.5)**	(122.6)	–	(122.6)	(159.5)	–	(159.5)
Group revenue	2	**814.4**	**–**	**814.4**	884.5	–	884.5	1,828.7	–	1,828.7
Costs	2	**(515.1)**	**–**	**(515.1)**	(624.8)	–	(624.8)	(1,267.8)	–	(1,267.8)
		299.3	**–**	**299.3**	259.7	–	259.7	560.9	–	560.9
Profit on disposal of non-current properties	2	**33.6**	**–**	**33.6**	16.3	–	16.3	74.5	–	74.5
Net surplus on revaluation of investment properties	2	**896.7**	**–**	**896.7**	726.0	–	726.0	1,579.5	–	1,579.5
Goodwill impairment	2,4	**–**	**–**	**–**	–	(64.5)	(64.5)	–	(64.5)	(64.5)
Profit on disposal of joint venture (Telereal)	2,4	**–**	**–**	**–**	–	293.0	293.0	–	293.0	293.0
Operating profit		**1,229.6**	**–**	**1,229.6**	1,002.0	228.5	1,230.5	2,214.9	228.5	2,443.4
Interest expense	3	**(114.7)**	**–**	**(114.7)**	(99.7)	–	(99.7)	(201.8)	–	(201.8)
Interest income	3	**4.2**	**–**	**4.2**	4.5	–	4.5	7.3	–	7.3
		1,119.1	**–**	**1,119.1**	906.8	228.5	1,135.3	2,020.4	228.5	2,248.9
Share of the profit of joint ventures (post-tax)	12	**59.1**	**–**	**59.1**	37.4	–	37.4	98.6	–	98.6
Distribution received from joint venture (Telereal)	12	**–**	**–**	**–**	11.7	–	11.7	11.7	–	11.7
Profit before tax	2	**1,178.2**	**–**	**1,178.2**	955.9	228.5	1,184.4	2,130.7	228.5	2,359.2
Income tax expense	5	**(318.4)**	**–**	**(318.4)**	(265.2)	(90.0)	(355.2)	(593.3)	(90.0)	(683.3)
Profit for the financial period	23	**859.8**	**–**	**859.8**	690.7	138.5	829.2	1,537.4	138.5	1,675.9

	Notes	Six months ended 30/9/06	Six months ended 30/9/05	Year ended 31/3/06
Basic earnings per share*	7	**183.25p**	177.26p	357.95p
Diluted earnings per share*	7	**182.51p**	176.46p	356.50p
Dividend per share	6	**19.00p**	18.15p	46.70p

*adjusted earnings per share is given in note 7

Unaudited consolidated statement of recognised income and expense for the six months ended 30 September 2006

	Six months ended 30/9/06 £m	Six months ended 30/9/05 £m	Year ended 31/3/06 £m
Actuarial (losses) / profits on defined benefit pension schemes	**(3.5)**	5.2	(5.0)
Deferred tax on actuarial losses / (profits) on defined benefit pension schemes	**1.0**	(1.6)	1.5
Fair value movement on cash flow hedges taken to equity – Group	**2.6**	(5.3)	(2.2)
– joint ventures	**1.9**	(7.3)	(2.7)
Deferred tax on fair value movement on cash flow hedges taken to equity – Group	**(0.7)**	1.6	0.6
– joint ventures	**(0.6)**	2.2	0.8
Net gains / (losses) recognised directly in equity	**0.7**	(5.2)	(7.0)
Profit for the financial period	**859.8**	829.2	1,675.9
Total recognised income and expense	**860.5**	824.0	1,668.9

Unaudited consolidated balance sheet at 30 September 2006

	Notes	30/9/06 £m	30/9/05 £m	31/3/06 £m
Non-current assets				
Investment properties	9	**12,852.6**	10,140.4	11,440.5
Property, plant and equipment				
Property outsourcing properties	9	**573.9**	554.9	563.2
Other property, plant and equipment	9	**75.4**	64.9	73.6
	9	**13,501.9**	10,760.2	12,077.3
Net investment in finance leases	10	**247.0**	221.5	233.9
Goodwill	11	**34.3**	34.3	34.3
Investment in joint ventures	12	**928.3**	697.3	829.5
Total non-current assets		**14,711.5**	11,713.3	13,175.0
Current assets				
Trading properties and long-term development contracts	13	**156.9**	220.2	255.9
Trade and other receivables	14	**577.9**	409.3	578.9
Cash and cash equivalents	15	**25.2**	28.2	15.6
Total current assets		**760.0**	657.7	850.4
Total assets		**15,471.5**	12,371.0	14,025.4
Current liabilities				
Short-term borrowings	16	**(316.8)**	(55.4)	(46.7)
Trade and other payables	17	**(630.6)**	(559.0)	(585.0)
Current tax liabilities		**(229.0)**	(179.9)	(212.5)
Total current liabilities		**(1,176.4)**	(794.3)	(844.2)
Non-current liabilities				
Provisions	18	**(57.3)**	(76.8)	(58.2)
Borrowings	19	**(3,809.2)**	(3,055.0)	(3,654.8)
Pension benefits	20	**(9.5)**	(4.9)	(6.5)
Deferred tax liabilities	21	**(2,227.4)**	(1,713.6)	(1,967.8)
Total non-current liabilities		**(6,103.4)**	(4,850.3)	(5,687.3)
Total liabilities		**(7,279.8)**	(5,644.6)	(6,531.5)
Net assets		**8,191.7**	6,726.4	7,493.9
Equity				
Ordinary shares	23	**47.0**	46.9	46.9
Own shares	23	**(18.6)**	(4.0)	(3.4)
Share-based payments	23	**8.9**	4.5	6.3
Share premium	23	**47.9**	37.9	43.2
Capital redemption reserve	23	**30.5**	30.5	30.5
Retained earnings	23	**8,076.0**	6,610.6	7,370.4
Total shareholders' equity		**8,191.7**	6,726.4	7,493.9

The financial statements on pages 19 to 39 were approved by the Board of Directors on 15 November 2006 and were signed on its behalf by:

F W Salway **M F Greenslade**
Directors

Unaudited consolidated cash flow statement for the six months ended 30 September 2006

	Notes	**30/9/06 £m**	30/9/05 £m	31/3/06 £m
Net cash generated from operations				
Cash generated from operations	24	**335.3**	244.5	591.5
Interest paid		**(121.4)**	(92.1)	(187.7)
Interest received		**3.8**	4.5	7.3
Funding pension scheme deficit		**(1.6)**	(2.6)	(4.9)
Taxation (corporation tax (paid) / received)		**(42.0)**	7.8	(30.3)
Net cash inflow from operations		**174.1**	162.1	375.9
Cash flows from investing activities				
Investment property development expenditure		**(158.2)**	(88.0)	(236.6)
Acquisition of investment properties		**(473.4)**	(796.3)	(1,429.2)
Other investment property related expenditure		**(35.9)**	(18.4)	(78.8)
Capital expenditure associated with property outsourcing		**(24.9)**	(16.5)	(29.7)
Capital expenditure on properties		**(692.4)**	(919.2)	(1,774.3)
Disposal of non-current investment properties		**319.5**	432.6	675.5
Disposal of non-current operating properties		**14.7**	1.2	4.1
Net expenditure on properties		**(358.2)**	(485.4)	(1,094.7)
Net expenditure on non-property related fixed assets		**(9.1)**	(12.1)	(26.9)
Net cash outflow from capital expenditure		**(367.3)**	(497.5)	(1,121.6)
Receivable finance leases acquired		**(18.9)**	(60.6)	(84.8)
Receipts in respect of receivable finance leases		**1.5**	1.1	2.3
Net loans made to joint ventures		**(45.3)**	(5.3)	(72.8)
Distributions from joint ventures		**6.9**	206.9	206.6
Proceeds from disposal of joint venture (Telereal)		**–**	293.0	293.0
Acquisitions of Group undertakings (net of cash acquired)		**–**	(321.2)	(321.2)
Net cash used in investing activities		**(423.1)**	(383.6)	(1,098.5)
Cash flows from financing activities				
Issue of shares		**4.8**	6.6	11.9
Purchase of own share capital		**(35.7)**	(1.9)	(1.9)
Increase in debt		**424.5**	652.1	1,221.2
Debt repaid on acquisition of Tops Estates PLC		**–**	(257.9)	(257.9)
Decrease in finance leases payable		**(1.2)**	(0.4)	(1.2)
Dividend paid to ordinary shareholders		**(133.8)**	(153.8)	(238.9)
Net cash from financing activities		**258.6**	244.7	733.2
Increase in cash and cash equivalents at end of the period		**9.6**	23.2	10.6

1. Basis of preparation

The interim financial information comprises the consolidated balance sheets as at 30 September 2006, 30 September 2005 and 31 March 2006 and related consolidated statements of income, cash flow, and recognised income and expense and the related notes for periods then ended.

The interim financial information contained in this report is unaudited and does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The Annual Report and Accounts for the year ended 31 March 2006, which were prepared under IFRS as adopted by the European Union, received an unqualified auditors' report and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985 and have been filed with the Registrar of Companies. The unaudited interim financial information has been prepared in accordance with the Listing Rules of the Financial Services Authority. The accounting policies adopted are consistent with those set out in the Group's Annual Report and Accounts for the year ended 31 March 2006, as amended to reflect the adoption of the new standards, amendments to standards, and interpretations described below.

There are a number of new Standards, Amendments to Standards and Interpretations which are mandatory for the year ending 31 March 2007. In most cases, these new requirements are not relevant for the Group. This is the case for the Amendments to IAS 39, IAS 21, and IFRS 4, to the new Standard IFRS 6, and to the new Interpretations IFRIC 5 and IFRIC 6. In accordance with the requirements of IFRIC 4 'Determining whether an arrangement contains a lease', the Group has reviewed its sales and purchase arrangements to ascertain whether any of them effectively contain a lease with the Group acting as either lessor or lessee. No changes to the accounting treatments of the Group's sales and purchase arrangements have been necessary.

The following new Standards and Interpretations have been issued but are not effective for the year ending 31 March 2007, and have not been adopted early: IFRIC 7, IFRIC 8, IFRIC 9, IFRIC 10 and IFRS 7. Management are currently assessing the impact of these new requirements.

.

2. Segmental information

	Six months ended 30/9/06					Six months ended 30/9/05				
	Retail £m	London Portfolio £m	Other Investment Portfolio £m	Property Outsourcing £m	Total £m	Retail £m	London Portfolio £m	Other Investment Portfolio £m	Property Outsourcing £m	Total £m
Income statements										
Rental income	**139.2**	**154.0**	**4.9**	**–**	**298.1**	118.4	132.8	2.2	–	253.4
Service charge income	**24.2**	**21.8**	**0.4**	**–**	**46.4**	20.2	19.5	0.1	–	39.8
Property services income	**–**	**–**	**–**	**395.5**	**395.5**	–	–	–	439.2	439.2
Trading property sale proceeds	**–**	**12.7**	**27.6**	**–**	**40.3**	–	41.7	3.6	–	45.3
Long-term development contract income	**–**	**–**	**29.5**	**–**	**29.5**	–	52.6	49.1	–	101.7
Finance lease interest	**1.7**	**2.9**	**–**	**–**	**4.6**	3.0	2.1	–	–	5.1
Revenue	**165.1**	**191.4**	**62.4**	**395.5**	**814.4**	141.6	248.7	55.0	439.2	884.5
Rents payable	**(5.6)**	**(2.7)**	**–**	**(88.3)**	**(96.6)**	(4.6)	(2.5)	–	(91.0)	(98.1)
Other direct property or contract expenditure	**(34.3)**	**(31.1)**	**(0.7)**	**(233.9)**	**(300.0)**	(26.9)	(22.4)	(0.4)	(293.2)	(342.9)
Indirect property or contract expenditure	**(17.6)**	**(16.0)**	**(2.4)**	**(6.3)**	**(42.3)**	(14.4)	(11.2)	(1.7)	(4.0)	(31.3)
Long-term development contract expenditure	**–**	**–**	**(20.1)**	**–**	**(20.1)**	–	(42.4)	(48.6)	–	(91.0)
Bid costs	**–**	**–**	**–**	**(1.4)**	**(1.4)**	–	–	–	(2.8)	(2.8)
Cost of sales of trading properties	**–**	**(10.7)**	**(20.8)**	**–**	**(31.5)**	–	(34.9)	(2.7)	–	(37.6)
Depreciation	**(0.8)**	**(2.5)**	**(0.2)**	**(13.8)**	**(17.3)**	(1.0)	(1.5)	–	(11.3)	(13.8)
	106.8	**128.4**	**18.2**	**51.8**	**305.2**	94.7	133.8	1.6	36.9	267.0
Profit on disposal of non-current properties	**4.1**	**20.9**	**0.1**	**8.5**	**33.6**	2.2	14.5	(0.2)	(0.2)	16.3
Net surplus on revaluation of investment properties	**283.9**	**611.3**	**1.2**	**0.3**	**896.7**	312.4	412.7	0.6	0.3	726.0
Goodwill impairment	**–**	**–**	**–**	**–**	**–**	(64.5)	–	–	–	(64.5)
Profit on disposal of joint venture (Telereal)	**–**	**–**	**–**	**–**	**–**	–	–	–	293.0	293.0
Segment result	**394.8**	**760.6**	**19.5**	**60.6**	**1,235.5**	344.8	561.0	2.0	330.0	1,237.8
Credit arising from change in pension scheme benefits					**–**					–
Unallocated expenses					**(5.9)**					(7.3)
Operating profit					**1,229.6**					1,230.5
Net financing costs					**(110.5)**					(95.2)
					1,119.1					1,135.3
Share of the profit of joint ventures (post-tax)					**59.1**					37.4
Distribution received from joint venture (Telereal)					**–**					11.7
Profit before tax					**1,178.2**					1,184.4

Included within rents payable for Retail and London Portfolio is finance lease interest payable of **£1.0m** (30 September 2005: £0.6m; 31 March 2006: £1.8m) and **£1.6m** (30 September 2005: £1.5m; 31 March 2006: £2.8m) respectively.

Of the share of the profit of joint ventures (post-tax) **£58.2m** (30 September 2005: £37.4m; 31 March 2006: £98.6m) is attributable to Retail, and **£0.9m** (30 September 2005: £nil; 31 March 2006: £nil) is attributable to Other Investment Portfolio.

The distribution received from the joint venture (Telereal) for the six months ended 30 September 2005 and year ended 31 March 2006 of £11.7m was attributable to Property Outsourcing.

2. Segmental information continued

	Retail £m	London Portfolio £m	Other Investment Portfolio £m	Property Outsourcing £m	Year ended 31/3/06 Total £m
Income statement					
Rental income	255.9	278.5	4.3	–	538.7
Service charge income	38.3	40.0	0.2	–	78.5
Property services income	–	–	–	924.8	924.8
Trading property sale proceeds	–	93.8	5.9	–	99.7
Long-term development contract income	–	95.7	78.4	–	174.1
Finance lease interest	4.4	6.0	–	2.5	12.9
Revenue	298.6	514.0	88.8	927.3	1,828.7
Rents payable	(12.0)	(4.1)	–	(183.9)	(200.0)
Other direct property or contract expenditure	(59.7)	(47.9)	(0.9)	(610.1)	(718.6)
Indirect property or contract expenditure	(32.7)	(28.7)	(4.8)	(8.8)	(75.0)
Long-term development contract expenditure	–	(74.7)	(77.5)	–	(152.2)
Bid costs	–	–	–	(7.4)	(7.4)
Cost of sales of trading properties	–	(78.0)	(4.2)	–	(82.2)
Depreciation	(1.0)	(4.1)	(0.1)	(20.5)	(25.7)
	193.2	276.5	1.3	96.6	567.6
Profit on disposal of non-current properties	40.1	33.2	0.2	1.0	74.5
Net surplus on revaluation of investment properties	636.9	935.5	5.2	1.9	1,579.5
Goodwill impairment	(64.5)	–	–	–	(64.5)
Profit on disposal of joint venture (Telereal)	–	–	–	293.0	293.0
Segment result	805.7	1,245.2	6.7	392.5	2,450.1
Credit arising from change in pension scheme benefits					8.3
Unallocated expenses					(15.0)
Operating profit					2,443.4
Net financing costs					(194.5)
					2,248.9
Share of the profit of joint ventures (post-tax)					98.6
Distribution received from joint venture (Telereal)					11.7
Profit before tax					2,359.2

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

3. Net finance costs

	Six months ended 30/9/06 £m	Six months ended 30/9/05 £m	Year ended 31/3/06 £m
Interest expense			
Bond and debenture debt	**(80.8)**	(72.4)	(143.1)
Bank borrowings	**(39.9)**	(21.1)	(56.8)
Other interest payable	**(2.1)**	(0.6)	(1.3)
Fair value gains / (losses) on interest rate swaps	**4.2**	(7.9)	(2.2)
Amortisation of bond exchange de-recognition (note 19)	**(8.6)**	(13.3)	(26.6)
Bond exchange de-recognition adjustment written off on redemption of bonds (note 19)	**–**	–	(1.5)
Expected return on pension scheme assets	**4.4**	3.9	7.3
Interest on pension scheme liabilities	**(3.8)**	(3.7)	(7.2)
Net financing income on pension scheme	**0.6**	0.2	0.1
	(126.6)	(115.1)	(231.4)
Interest capitalised in relation to properties under development	**11.9**	15.4	29.6
Total interest and similar charges payable	**(114.7)**	(99.7)	(201.8)
Interest income			
Short-term deposits	**0.4**	0.2	1.0
Other interest receivable	**2.0**	1.7	1.7
Interest receivable from joint ventures	**1.8**	2.6	4.6
Total interest receivable	**4.2**	4.5	7.3
Net finance costs	**(110.5)**	(95.2)	(194.5)

Included within rents payable (note 2) is finance lease interest payable of **£2.6m** (30 September 2005: £2.1m; 31 March 2006: £4.6m).

4. Exceptional items

	Six months ended 30/9/06 £m	Six months ended 30/9/05 £m	Year ended 31/3/06 £m
Profit on disposal of joint venture (Telereal)	**–**	(293.0)	(293.0)
Goodwill impairment	**–**	64.5	64.5

On 30 September 2005 the Group sold its interest in the Telereal joint venture for £293.0m (net of costs), resulting in an exceptional profit of £293.0m, as the book value of the joint venture was £nil. The tax charge arising on the disposal was £90.0m. Where goodwill arises as a result of recognising deferred tax on a business combination, the goodwill is written off immediately to the income statement. The goodwill impairment arose on the acquisition of Tops Estates PLC on 10 June 2005. Exceptional items are defined in note 1(s) of the 2006 Annual Report.

5. Income tax expense

	Six months ended 30/9/06 £m	Six months ended 30/9/05 £m	Year ended 31/3/06 £m
Current tax			
Corporation tax charge for the period	**48.5**	123.4	181.6
Adjustment in respect of prior years	**–**	(0.6)	(14.7)
Corporation tax in respect of property disposals	**10.3**	10.3	38.0
Total current tax charge	**58.8**	133.1	204.9
Deferred tax			
Origination and reversal of timing differences	**15.0**	21.9	34.6
Released in respect of property disposals	**(24.4)**	(17.5)	(30.1)
On valuation surplus	**269.0**	217.7	473.9
Total deferred tax charge	**259.6**	222.1	478.4
Total income tax charge in the income statement	**318.4**	355.2	683.3

Income tax expense is recognised based on managements' best estimate of the expected tax rate for the full year. However, no account has been taken of any reduction in the full year's rate if the Group was to convert to a REIT.

5. Income tax expense continued

	Six months ended 30/9/06 £m	Six months ended 30/9/05 £m	Year ended 31/3/06 £m
The tax for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:			
Profit on activities before taxation	**1,178.2**	1,184.4	2,359.2
Profit on activities multiplied by rate of corporation tax in the UK of 30%	**353.5**	355.3	707.8
Effects of:			
Deferred tax released in respect of property disposals	**(24.4)**	(17.5)	(34.7)
Corporation tax on disposal of non-current assets	**–**	5.9	23.0
Goodwill impairment	**–**	19.3	19.4
Joint venture accounting adjustments	**(14.3)**	(8.0)	(26.5)
Prior year corporation tax adjustments	**–**	(0.6)	(14.7)
Prior year deferred tax adjustments	**–**	–	0.8
Non-allowable expenses and non-taxable items	**3.6**	0.8	8.2
Total income tax expense in the income statement (as above)	**318.4**	355.2	683.3

The calculation of the Group's tax charge and liability necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until a formal resolution has been reached with the relevant tax authorities. If all such issues are resolved in the Group's favour, provisions established in previous periods of up to £225.0m could be released in the future.

6. Dividends

	Six months ended 30/9/06 £m	Six months ended 30/9/05 £m	Year ended 31/3/06 £m
Ordinary dividends paid			
Final dividend for the year ended 31 March 2005 (32.85p per share)	**–**	153.8	153.8
Interim dividend for the year ended 31 March 2006 (18.15p per share)	**–**	–	85.1
Final dividend for the year ended 31 March 2006 (28.55p per share)	**133.8**	–	–
	133.8	153.8	238.9

The Board has proposed an interim dividend of **19.00p** per share (interim dividend for the year ended 31 March 2006: 18.15p) which will result in a further distribution of **£89.1m**. It will be paid on 8 January 2007 to shareholders who are on the register of members on 8 December 2006.

7. Earnings per share

	Six months ended 30/9/06 £m	Six months ended 30/9/05 £m	Year ended 31/3/06 £m
Profit for the financial period	**859.8**	829.2	1,675.9
Revaluation surpluses net of deferred taxation – Group	**(627.7)**	(508.3)	(1,105.6)
– joint ventures	**(45.9)**	(25.1)	(73.8)
Non-current property disposals after current and deferred tax	**(47.7)**	(24.6)	(66.5)
Goodwill impairment on Tops Estates PLC	**–**	64.5	64.5
Deferred tax arising from capital allowances on investment properties	**6.7**	4.5	12.2
Mark-to-market adjustment on interest rate swaps (net of deferred tax)	**(4.3)**	5.5	1.5
Eliminate effect of bond exchange de-recognition (net of deferred tax)	**6.0**	9.3	19.7
Eliminate effect of debt restructuring charges (net of taxation)	**4.4**	–	–
Deferred tax arising from capitalised interest on investment properties	**3.4**	4.4	7.2
Credit arising from change in pension scheme benefits (net of deferred tax)	**–**	–	(5.8)
Profit on disposal of joint venture (net of taxation)	**–**	(203.0)	(203.0)
Adjustment to restate the Group's share of Telereal's earnings from a distribution to an equity basis	**–**	5.0	5.0
Adjusted earnings	**154.7**	161.4	331.3

	Six months ended 30/9/06 No. m	Six months ended 30/9/05 No. m	Year ended 31/3/06 No. m
Weighted average number of ordinary shares	**469.5**	468.1	468.5
Effect of own shares	**(0.3)**	(0.3)	(0.3)
Weighted average number of ordinary shares after adjusting for own shares	**469.2**	467.8	468.2
Effect of dilutive share options	**1.9**	2.1	1.9
Weighted average number of ordinary shares adjusted for dilutive instruments	**471.1**	469.9	470.1

	Six months ended 30/9/06 pence	Six months ended 30/9/05 pence	Year ended 31/3/06 pence
Basic earnings per share	**183.25**	177.26	357.95
Diluted earnings per share	**182.51**	176.46	356.50
Adjusted earnings per share	**32.97**	34.50	70.76
Adjusted diluted earnings per share	**32.84**	34.35	70.47

Management have chosen to disclose adjusted earnings per share in order to provide an indication of the Group's underlying business performance. Accordingly, it excludes the effect of all exceptional items, debt restructuring charges, the one-off benefit from the pension scheme changes and other items of a capital nature (excluding trading properties and long-term contract profits) as indicated above. In addition, the deferred tax arising on capital allowances in respect of investment properties has been eliminated as experience has shown that these allowances are not in practice repayable. Deferred tax on capitalised interest is also added back as this is effectively a permanent difference.

8. Net assets per share

	30/9/06 £m	30/9/05 £m	31/3/06 £m
Net assets attributable to equity shareholders	**8,191.7**	6,726.4	7,493.9
Deferred tax arising on revaluation surpluses – Group	**1,829.1**	1,332.8	1,580.9
– joint ventures	**95.3**	54.6	75.5
– acquired	**83.3**	83.3	83.3
Cumulative mark-to-market adjustment on interest rate swaps (net of deferred tax) – Group	**0.6**	11.5	5.4
– joint ventures	**0.5**	6.4	3.2
Deferred tax arising from capital allowances on investment properties	**119.9**	125.8	116.8
Deferred tax arising from capitalised interest on investment properties	**31.6**	25.6	28.2
Reverse bond exchange de-recognition adjustment (net of deferred tax)	**(369.3)**	(385.7)	(375.3)
Adjusted net assets attributable to equity shareholders	**9,982.7**	7,980.7	9,011.9

	30/9/06 No. m	30/9/05 No.m	31/3/06 No. m
Number of ordinary shares	**469.9**	468.6	469.3
Effect of own shares	**(1.0)**	(0.3)	(0.3)
Number of ordinary shares after adjusting for own shares	**468.9**	468.3	469.0
Effect of dilutive share options	**1.8**	2.4	2.1
Number of ordinary shares adjusted for dilutive instruments	**470.7**	470.7	471.1

	30/9/06 pence	30/9/05 pence	31/3/06 pence
Net assets per share	**1747**	1435	1597
Diluted net assets per share	**1740**	1428	1590
Adjusted net assets per share	**2129**	1703	1920
Adjusted diluted net assets per share	**2121**	1694	1912

8. Net assets per share continued

Adjusted net assets per share excludes the deferred tax arising on revaluation surpluses, mark-to-market adjustments on financial instruments used for hedging purposes and the bond exchange de-recognition adjustment as management consider that this better represents the expected future cash flows of the Group. In addition, the deferred tax arising on capital allowances in respect of investment properties is excluded as experience has shown that these allowances do not in practice crystallise. Deferred tax on capitalised interest is also added back as this is effectively a permanent difference. The adjusted net assets per share does not take into account managements' estimate of the tax on property disposals as referred to in note 21.

9. Non-current assets

	Property investment			Property outsourcing	Other	
	Investment properties			Operating and investment properties	Other property, plant and equipment	
	Portfolio management £m	Development programme £m	Total £m	£m	£m	Total £m
Net book value at 31 March 2005	**7,484.5**	**755.6**	**8,240.1**	**546.3**	**57.9**	**8,844.3**
Properties transferred from portfolio management into the development programme during the year (at 1 April 2005 valuation)	(102.4)	102.4	–	–	–	–
Developments completed, let and transferred from the development programme into portfolio management during the year	271.6	(271.6)	–	–	–	–
Property acquisitions	1,414.1	24.7	1,438.8	–	–	1,438.8
Acquisitions through business combinations	592.6	–	592.6	–	–	592.6
Capital expenditure	78.8	239.3	318.1	29.7	27.4	375.2
Capitalised interest	–	24.5	24.5	–	–	24.5
Disposals	(641.8)	(7.8)	(649.6)	(3.1)	(0.5)	(653.2)
Transfer to trading properties	(84.7)	–	(84.7)	–	–	(84.7)
Surrender premiums received	(14.0)	–	(14.0)	–	–	(14.0)
Depreciation	(2.9)	–	(2.9)	(11.6)	(11.2)	(25.7)
	8,995.8	867.1	9,862.9	561.3	73.6	10,497.8
Surplus on revaluation	1,215.4	362.2	1,577.6	1.9	–	1,579.5
Net book value at 31 March 2006	**10,211.2**	**1,229.3**	**11,440.5**	**563.2**	**73.6**	**12,077.3**
Properties transferred from portfolio management into the development programme during the period (at 1 April 2006 valuation)	(6.4)	6.4	–	–	–	–
Developments completed, let and transferred from the development programme into portfolio management during the period	32.5	(32.5)	–	–	–	–
Property acquisitions	461.1	12.3	473.4	–	–	473.4
Capital expenditure	35.9	148.8	184.7	24.9	9.1	218.7
Capitalised interest	–	10.9	10.9	–	–	10.9
Disposals	(145.3)	(5.3)	(150.6)	(6.2)	–	(156.8)
Surrender premiums received	(1.0)	–	(1.0)	–	–	(1.0)
Depreciation	(1.7)	–	(1.7)	(8.3)	(7.3)	(17.3)
	10,586.3	1,369.9	11,956.2	573.6	75.4	12,605.2
Surplus on revaluation	648.8	247.6	896.4	0.3	–	896.7
Net book value at 30 September 2006	**11,235.1**	**1,617.5**	**12,852.6**	**573.9**	**75.4**	**13,501.9**

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.

	Investment properties		
	Portfolio management £m	Development programme £m	Total £m
Net book value at 30 September 2006	11,235.1	1,617.5	12,852.6
Plus: amount included in prepayments in respect of lease incentives	87.5	24.6	112.1
Less: head leases capitalised (note 22)	(64.4)	(8.4)	(72.8)
Plus: properties treated as finance leases	178.1	–	178.1
Market value at 30 September 2006 – Group	11,436.3	1,633.7	13,070..0
– plus: share of joint ventures (note 12)			1,369.8
Market value at 30 September 2006 – Group and share of joint ventures			**14,439.8**

	Investment properties Portfolio management £m	Investment properties Development programme £m	Total £m
Net book value at 30 September 2005	9,244.9	895.5	10,140.4
Plus: amount included in prepayments in respect of lease incentives	62.0	7.6	69.6
Less: head leases capitalised (note 22)	(57.3)	–	(57.3)
Plus: properties treated as finance leases	191.9	–	191.9
Market value at 30 September 2005 – Group	9,441.5	903.1	10,344.6
– plus: share of joint ventures (note 12)			1,149.6
Market value at 30 September 2005 – Group and share of joint ventures			**11,494.2**
Net book value at 31 March 2006	10,211.2	1,229.3	11,440.5
Plus: amount included in prepayments in respect of lease incentives	76.8	4.6	81.4
Less: head leases capitalised (note 22)	(66.1)	(8.5)	(74.6)
Plus: properties treated as finance leases	171.7	–	171.7
Market value at 31 March 2006 – Group	**10,393.6**	**1,225.4**	11,619.0
– plus: share of joint ventures (note 12)			1,273.9
Market value at 31 March 2006 – Group and share of joint ventures			**12,892.9**

10. Net investment in finance leases

	30/9/06 £m	30/9/05 £m	31/3/06 £m
Non–current			
Finance leases – gross receivables	**582.0**	576.1	595.6
Unearned finance income	**(364.4)**	(387.8)	(391.1)
Unguaranteed residual value	**29.4**	33.2	29.4
	247.0	221.5	233.9
Current			
Finance leases – gross receivables	**14.7**	13.2	14.8
Unearned finance income	**(10.8)**	(10.5)	(10.6)
	3.9	2.7	4.2
Total net investment in finance leases	**250.9**	224.2	238.1
Gross receivables from finance leases:			
Not later than one year	**14.7**	13.2	14.8
Later than one year but not more than five	**109.8**	70.8	72.5
More than five years	**472.2**	505.4	523.1
	596.7	589.4	610.4
Unearned future finance income	**(375.2)**	(398.4)	(401.7)
Unguaranteed residual value	**29.4**	33.2	29.4
Net investment in finance leases	**250.9**	224.2	238.1

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

11. Goodwill

	30/9/06 £m	30/9/05 £m	31/3/06 £m
At beginning of period	**34.3**	34.3	34.3
Arising on acquisitions during the period	**–**	64.5	64.5
Impaired during the period	**–**	(64.5)	(64.5)
At end of period	**34.3**	34.3	34.3
Represented by:			
Gross goodwill recognised	**119.2**	119.2	119.2
Total accumulated impairment losses	**(84.9)**	(84.9)	(84.9)
	34.3	34.3	34.3

12. Investment in joint ventures

Six months ended 30/9/06 and at 30/9/06

Summary financial information of Group's share of joint ventures	Scottish Retail Property Limited Partnership £m	Metro Shopping Fund LP £m	Buchanan Galleries Limited Partnership £m	Parc Tawe £m	Martineau Galleries Limited Partnership £m	Bullring Limited Partnership £m	Bristol Alliance £m	Other* £m	Telereal £m	Total £m
Income statement										
Rental income	10.8	6.5	4.6	0.6	0.8	7.4	1.7	0.3	–	32.7
Service charges income	2.0	1.5	0.8	0.2	0.1	1.1	–	–	–	5.7
Property services income	–	–	–	–	–	–	–	1.1	–	1.1
Trading property sale proceeds	–	–	–	–	–	–	–	–	–	–
Revenue	12.8	8.0	5.4	0.8	0.9	8.5	1.7	1.4	–	39.5
Rents payable	(0.1)	–	–	–	–	–	–	–	–	(0.1)
Other direct property expenditure	(4.2)	(2.0)	(1.3)	(0.2)	(0.5)	(2.0)	(0.1)	(1.8)	–	(12.1)
Indirect property expenditure	(1.0)	(0.1)	–	–	–	(0.1)	(0.1)	(0.4)	–	(1.7)
Cost of sales of trading properties	–	–	–	–	–	–	–	–	–	–
Depreciation	–	–	–	–	–	–	–	–	–	–
	7.5	5.9	4.1	0.6	0.4	6.4	1.5	(0.8)	–	25.6
Profit on disposal of non-current properties	–	–	–	–	–	–	–	–	–	–
Net surplus / (deficit) on revaluation of investment properties	10.2	18.4	10.8	0.5	2.5	18.7	4.4	0.2	–	65.7
Operating profit	17.7	24.3	14.9	1.1	2.9	25.1	5.9	(0.6)	–	91.3
Net finance (expense) / income	(5.8)	(4.3)	(1.8)	–	–	0.1	0.1	(0.1)	–	(11.8)
Profit before tax	11.9	20.0	13.1	1.1	2.9	25.2	6.0	(0.7)	–	79.5
Income tax (expense) / credit	(3.1)	(6.1)	(3.2)	(0.2)	(0.8)	(5.6)	(1.3)	(0.1)	–	(20.4)
Profit after tax	8.8	13.9	9.9	0.9	2.1	19.6	4.7	(0.8)	–	59.1
Adjustment due to net liabilities	–	–	–	–	–	–	–	–	–	–
Share of profits of joint ventures after tax	**8.8**	**13.9**	**9.9**	**0.9**	**2.1**	**19.6**	**4.7**	**(0.8)**	**–**	**59.1**
Distribution received from Telereal									–	–
Balance sheet										
Investment properties **	356.0	294.7	184.7	21.9	25.4	314.4	155.6	11.4	–	1,364.1
Current assets	12.8	6.3	4.4	0.3	2.5	11.9	12.2	70.5	–	120.9
	368.8	301.0	189.1	22.2	27.9	326.3	167.8	81.9	–	1,485.0
Current liabilities	(14.1)	(5.7)	(2.1)	(0.2)	(0.6)	(5.3)	(6.5)	(14.1)	–	(48.6)
Non-current liabilities	(221.5)	(184.3)	–	–	–	–	(2.4)	(0.3)	–	(408.5)
Deferred tax	(17.2)	(16.0)	(6.5)	(0.2)	(2.1)	(49.2)	(8.2)	(0.2)	–	(99.6)
	(252.8)	(206.0)	(8.6)	(0.4)	(2.7)	(54.5)	(17.1)	(14.6)	–	(556.7)
Net assets	**116.0**	**95.0**	**180.5**	**21.8**	**25.2**	**271.8**	**150.7**	**67.3**	**–**	**928.3**
Market value of investment properties **	**349.8**	**292.9**	**188.5**	**21.9**	**26.6**	**320.0**	**158.7**	**11.4**	**–**	**1,369.8**
Net investment										
At 1 April 2006	105.2	81.0	173.0	24.9	23.1	259.3	118.5	44.5	–	829.5
Properties contributed	–	–	–	–	–	–	–	–	–	–
Cash contributed	–	0.8	–	–	–	–	–	21.5	–	22.3
Cost of acquisition	–	–	–	–	–	–	–	–	–	–
Share of post-tax results	8.8	13.9	9.9	0.9	2.1	19.6	4.7	(0.8)	–	59.1
Adjustment to restate the Group's share of Telereal's earnings from an equity to a distribution basis	–	–	–	–	–	–	–	–	–	–
Distributions	–	–	(2.4)	(4.0)	–	–	–	(0.5)	–	(6.9)
Fair value movement on cash flow hedges taken to equity	2.0	(0.7)	–	–	–	–	–	–	–	1.3
Loan advances	–	–	–	–	–	–	29.8	2.6	–	32.4
Loan repayments	–	–	–	–	–	(7.1)	(2.3)	–	–	(9.4)
At 30 September 2006	**116.0**	**95.0**	**180.5**	**21.8**	**25.2**	**271.8**	**150.7**	**67.3**	**–**	**928.3**

* Other principally includes the St Davids Limited Partnership, the Ebbsfleet Limited Partnership, the A2 Limited Partnership and Investors in the Community.

** 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.

Six months ended 30/9/05 and at 30/9/05

Summary financial information of Group's share of joint ventures	Scottish Retail Property Limited Partnership £m	Metro Shopping Fund LP £m	Buchanan Galleries Limited Partnership £m	Parc Tawe £m	Martineau Galleries Limited Partnership £m	Bullring Limited Partnership £m	Bristol Alliance £m	Other* £m	Telereal £m	Total £m
Income statement										
Rental income	9.3	5.1	4.2	–	0.5	6.1	1.9	0.2	–	27.3
Service charges income	3.4	1.0	1.1	–	0.2	3.3	–	–	–	9.0
Property services income	–	–	–	–	–	–	–	–	80.8	80.8
Trading property sale proceeds	–	–	–	–	–	–	–	–	5.5	5.5
Revenue	12.7	6.1	5.3	–	0.7	9.4	1.9	0.2	86.3	122.6
Rents payable	(0.1)	–	–	–	–	–	–	–	(17.1)	(17.2)
Other direct property expenditure	(4.5)	(1.2)	(1.2)	–	(0.4)	(3.2)	(0.2)	–	–	(10.7)
Indirect property expenditure	(0.4)	(0.4)	(0.1)	–	(0.1)	(0.4)	–	–	(7.6)	(9.0)
Cost of sales of trading properties	–	–	–	–	–	–	–	–	(1.3)	(1.3)
Depreciation	–	–	–	–	–	–	–	–	(7.1)	(7.1)
	7.7	4.5	4.0	–	0.2	5.8	1.7	0.2	53.2	77.3
Profit on disposal of non-current properties	–	–	–	–	–	–	–	0.2	0.9	1.1
Net surplus / (deficit) on revaluation of investment properties	13.1	7.4	2.5	–	(0.4)	13.7	(0.4)	(0.1)	–	35.8
Operating profit	20.8	11.9	6.5	–	(0.2)	19.5	1.3	0.3	54.1	114.2
Net finance (expense) / income	(5.1)	(4.0)	(2.5)	–	–	–	–	–	(32.9)	(44.5)
Profit before tax	15.7	7.9	4.0	–	(0.2)	19.5	1.3	0.3	21.2	69.7
Income tax (expense) / credit	(3.9)	(2.4)	(0.8)	–	0.1	(4.2)	0.1	–	(4.5)	(15.6)
Profit after tax	11.8	5.5	3.2	–	(0.1)	15.3	1.4	0.3	16.7	54.1
Adjustment due to net liabilities	–	–	–	–	–	–	–	–	(16.7)	(16.7)
Share of profits of joint ventures after tax	**11.8**	**5.5**	**3.2**	**–**	**(0.1)**	**15.3**	**1.4**	**0.3**	**–**	**37.4**
Distribution received from Telereal									11.7	11.7
Balance sheet										
Investment properties **	328.2	257.8	161.8	–	22.4	278.3	87.0	23.6	–	1,159.1
Current assets	16.0	10.1	5.2	–	2.6	9.4	7.9	1.5	–	52.7
	344.2	267.9	167.0	–	25.0	287.7	94.9	25.1	–	1,211.8
Current liabilities	(14.3)	(9.9)	(3.4)	–	(0.6)	(4.1)	(3.0)	(4.9)	–	(40.2)
Non-current liabilities	(228.5)	(187.2)	–	–	–	–	(2.3)	–	–	(418.0)
Deferred tax	(10.0)	(5.0)	0.2	–	(1.3)	(38.1)	(2.1)	–	–	(56.3)
	(252.8)	(202.1)	(3.2)	–	(1.9)	(42.2)	(7.4)	(4.9)	–	(514.5)
Net assets	**91.4**	**65.8**	**163.8**	**–**	**23.1**	**245.5**	**87.5**	**20.2**	**–**	**697.3**
Market value of investment properties **	**319.8**	**256.0**	**165.7**	**–**	**23.4**	**284.5**	**89.6**	**10.6**	**–**	**1,149.6**
Net investment										
At 1 April 2005	293.6	39.6	163.5	–	23.5	238.2	82.0	14.5	–	854.9
Properties contributed	–	–	–	–	–	–	–	–	–	–
Cash contributed	–	19.8	–	–	–	–	–	–	–	19.8
Cost of acquisition	–	–	–	–	–	–	–	6.7	–	6.7
Share of post-tax results	11.8	5.5	3.2	–	(0.1)	15.3	1.4	0.3	16.7	54.1
Adjustment to restate the Group's share of Telereal's earnings from an equity to a distribution basis	–	–	–	–	–	–	–	–	(5.0)	(5.0)
Distributions	(190.1)	–	(2.9)	–	(0.9)	–	–	(1.3)	(11.7)	(206.9)
Fair value movement on cash flow hedges taken to equity	(4.0)	(1.1)	–	–	–	–	–	–	–	(5.1)
Loan advances	–	2.0	–	–	0.6	–	7.1	–	–	9.7
Loan repayments	(19.9)	–	–	–	–	(8.0)	(3.0)	–	–	(30.9)
At 30 September 2005	**91.4**	**65.8**	**163.8**	**–**	**23.1**	**245.5**	**87.5**	**20.2**	**–**	**697.3**

* Other principally includes the Martineau Limited Partnership, the Ebbsfleet Limited Partnership and the A2 Limited Partnership.

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

12. Investment in joint ventures continued

Year ended 31/3/06 and at 31/3/06

Summary financial information of Group's share of joint ventures	Scottish Retail Property Limited Partnership £m	Metro Shopping Fund LP £m	Buchanan Galleries Limited Partnership £m	Parc Tawe £m	Martineau Galleries Limited Partnership £m	Bullring Limited Partnership £m	Bristol Alliance £m	Other* £m	Telereal £m	Total £m
Income statement										
Rental income	20.8	11.8	9.1	0.5	1.3	14.6	3.5	0.5	–	62.1
Service charges income	4.8	2.3	1.5	–	0.4	2.1	–	–	–	11.1
Property services income	–	–	–	–	–	–	–	–	80.8	80.8
Trading property sale proceeds	–	–	–	–	–	–	–	–	5.5	5.5
Revenue	25.6	14.1	10.6	0.5	1.7	16.7	3.5	0.5	86.3	159.5
Rents payable	–	–	–	–	(0.1)	–	–	–	(17.1)	(17.2)
Other direct property expenditure	(8.8)	(3.2)	(2.5)	(0.1)	(1.2)	(4.0)	(0.5)	–	–	(20.3)
Indirect property expenditure	(1.0)	(0.6)	(0.1)	–	–	(0.3)	(0.3)	–	(7.6)	(9.9)
Cost of sales of trading properties	–	–	–	–	–	–	–	–	(1.3)	(1.3)
Depreciation	–	–	–	–		–	–	–	(7.1)	(7.1)
	15.8	10.3	8.0	0.4	0.4	12.4	2.7	0.5	53.2	103.7
(Loss) / profit on disposal of non-current properties	–	–	–	–	–	(0.2)	–	0.1	0.9	0.8
Net surplus / (deficit) on revaluation of investment properties	20.7	23.2	14.4	0.1	(0.3)	31.3	15.7	0.4	–	105.5
Operating profit	36.5	33.5	22.4	0.5	0.1	43.5	18.4	1.0	54.1	210.0
Net finance (expense) / income	(10.8)	(9.4)	(4.3)	–	0.1	0.1	0.3	(0.3)	(32.9)	(57.2)
Profit before tax	25.7	24.1	18.1	0.5	0.2	43.6	18.7	0.7	21.2	152.8
Income tax (expense) / credit	(6.5)	(7.8)	(4.3)	–	0.1	(9.7)	(4.7)	(0.1)	(4.5)	(37.5)
Profit after tax	19.2	16.3	13.8	0.5	0.3	33.9	14.0	0.6	16.7	115.3
Adjustment due to net liabilities	–	–	–	–	–	–	–	–	(16.7)	(16.7)
Share of profits of joint ventures after tax	**19.2**	**16.3**	**13.8**	**0.5**	**0.3**	**33.9**	**14.0**	**0.6**	**–**	**98.6**
Distribution received from Telereal									11.7	11.7
Balance sheet										
Investment properties **	345.3	275.9	173.9	21.4	22.8	297.2	120.7	11.2	–	1,268.4
Current assets	12.0	7.8	6.6	3.9	2.0	10.6	16.3	39.0	–	98.2
	357.3	283.7	180.5	25.3	24.8	307.8	137.0	50.2	–	1,366.6
Current liabilities	(17.7)	(8.5)	(4.2)	(0.4)	(0.4)	(4.9)	(9.2)	(5.6)	–	(50.9)
Non–current liabilities	(221.2)	(184.0)	–	–	–	–	(2.4)	–	–	(407.6)
Deferred tax	(13.2)	(10.2)	(3.3)	–	(1.3)	(43.6)	(6.9)	(0.1)	–	(78.6)
	(252.1)	(202.7)	(7.5)	(0.4)	(1.7)	(48.5)	(18.5)	(5.7)	–	(537.1)
Net assets	**105.2**	**81.0**	**173.0**	**24.9**	**23.1**	**259.3**	**118.5**	**44.5**	**–**	**829.5**
**Market value of investment properties ** **	339.2	274.1	177.5	21.4	23.8	303.0	123.7	11.2	–	1,273.9
Net investment										
At 1 April 2005	293.6	39.6	163.5	–	23.5	238.2	82.0	14.5	–	854.9
Properties contributed	–	–	–	–	–	–	–	6.4	–	6.4
Cash contributed	–	24.7	–	24.8	–	–	–	0.8	–	50.3
Cost of acquisition	–	–	–	–	–	–	–	26.5	–	26.5
Share of post-tax results	19.2	16.3	13.8	0.5	0.3	33.9	14.0	0.6	16.7	115.3
Adjustment to restate the Group's share of Telereal's earnings from an equity to a distribution basis	–	–	–	–	–	–	–	–	(5.0)	(5.0)
Distributions	(185.9)	(1.5)	(4.3)	(0.4)	(1.5)	–	–	(1.3)	(11.7)	(206.6)
Fair value movement on cash flow hedges taken to equity	(1.8)	(0.1)	–	–	–	–	–	–	–	(1.9)
Loan advances	–	2.0	–	–	0.8	–	27.5	–	–	30.3
Loan repayments	(19.9)	–	–	–	–	(12.8)	(5.0)	(3.0)	–	(40.7)
At 31 March 2006	**105.2**	**81.0**	**173.0**	**24.9**	**23.1**	**259.3**	**118.5**	**44.5**	**–**	**829.5**

* Other principally includes the Martineau Limited Partnership, the Ebbsfleet Limited Partnership, the A2 Limited Partnership and Investors in the Community.

** 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

13. Trading properties and long-term development contracts

	30/9/06 £m	30/9/05 £m	31/3/06 £m
Trading properties	**140.0**	132.2	163.5
Amount recoverable under long-term development contracts less payments on account	**16.9**	88.0	92.4
	156.9	220.2	255.9
The amounts for contracts in progress at the balance sheet date are as follows:			
Contract revenue recognised as revenue in the period	**29.5**	101.7	174.1
Contract costs incurred and recognised profits (less recognised losses) to date	**448.1**	353.0	414.0
Advances received	**(440.9)**	(278.7)	(339.0)
	7.2	74.3	75.0
Plus: gross amount due to customers for contract work (included in accruals and deferred income)	**9.7**	13.7	17.4
Gross amount due from customers for contract work	**16.9**	88.0	92.4

14. Trade and other receivables

	30/9/06 £m	30/9/05 £m	31/3/06 £m
Trade receivables – property investment	**60.2**	35.5	27.1
– property outsourcing	**94.4**	98.7	107.4
Property sales receivables	**6.4**	3.2	145.2
Other receivables	**93.2**	61.6	61.4
Prepayments and accrued income	**319.8**	207.6	233.6
Finance leases receivable within one year (note 10)	**3.9**	2.7	4.2
	577.9	409.3	578.9

Trade receivables are net of provisions for doubtful debts of **£17.3m** (30 September 2005: £9.8m; 31 March 2006: £12.6m).

15. Cash and cash equivalents

	30/9/06 £m	30/9/05 £m	31/3/06 £m
Cash at bank and in hand	**15.5**	20.0	5.1
Short–term deposits	**9.7**	8.2	10.5
	25.2	28.2	15.6

The effective interest rate on short-term deposits was **4.4%** (30 September 2005: 4.6%; 31 March 2006: 4.6%) and the deposits have an average maturity of **3 days** (30 September 2005: 3 days; 31 March 2006: 2 days).

16. Short-term borrowings and overdrafts

	30/9/06 £m	30/9/05 £m	31/3/06 £m
Borrowings falling due within one year (note 19)	**327.2**	76.3	59.2
Bond exchange de-recognition adjustment falling due within one year (note 19)	**(12.5)**	(21.8)	(15.6)
Amounts payable under finance leases falling due within one year (notes 19 and 22)	**2.1**	0.9	3.1
	316.8	55.4	46.7

17. Trade and other payables

	30/9/06 £m	30/9/05 £m	31/3/06 £m
Trade payables	**29.8**	39.5	42.9
Capital payables	**75.8**	119.4	85.2
Other payables	**68.9**	37.1	28.2
Accruals and deferred income	**456.1**	363.0	428.7
	630.6	559.0	585.0

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

18. Provisions

	Dilapidations £m	Onerous leases £m	Other £m	Total £m
At 1 April 2005	22.7	–	19.3	42.0
Charged to income statement for year	1.9	25.0	8.9	35.8
Utilised in year	(1.5)	(5.2)	(12.9)	(19.6)
At 31 March 2006	**23.1**	**19.8**	**15.3**	**58.2**
Charged to income statement for period	0.1	0.5	5.9	6.5
Utilised in period	(5.0)	(2.4)	–	(7.4)
At 30 September 2006	**18.2**	**17.9**	**21.2**	**57.3**

19. Borrowings

	30/9/06 £m	30/9/05 £m	31/3/06 £m
Unsecured			
Amounts payable under finance leases (note 22)	**72.8**	57.3	74.6
Acquisition loan notes 2015	**120.7**	129.8	122.8
Money market borrowings	**135.2**	70.4	43.6
	328.7	257.5	241.0
Secured			
5.016 per cent Notes due 2007	**181.7**	181.6	181.6
4.625 per cent Notes due 2013	**299.5**	–	299.5
5.292 per cent Notes due 2015	**390.6**	392.4	390.6
4.875 per cent Notes due 2019	**395.5**	–	395.4
5.425 per cent Notes due 2022	**254.4**	256.3	254.3
4.875 per cent Notes due 2023	**296.8**	–	–
5.391 per cent Notes due 2026	**209.7**	209.6	209.7
5.391 per cent Notes due 2027	**608.3**	610.5	608.2
5.376 per cent Notes due 2029	**316.2**	316.1	316.2
5.396 per cent Notes due 2032	**320.9**	321.3	320.9
Bank facility due 2010	**15.4**	–	15.4
Syndicated bank debt	**800.0**	848.2	748.4
DWP term loan	**235.0**	251.4	248.8
	4,324.0	3,387.4	3,989.0
	4,652.7	3,644.9	4,230.0
Bond exchange de-recognition adjustment	**(527.6)**	(551.0)	(536.2)
Fair value of interest rate swaps – qualifying hedges	**1.7**	7.4	4.3
– non-qualifying hedges	**(0.8)**	9.1	3.4
Total borrowings	**4,126.0**	3,110.4	3,701.5
Less: borrowings falling due within one year (note 16)	**(327.2)**	(76.3)	(59.2)
Plus: bond exchange de-recognition falling due within one year (note 16)	**12.5**	21.8	15.6
Less: amounts payable under finance leases falling due within one year (notes 16 and 22)	**(2.1)**	(0.9)	(3.1)
Falling due after one year	**3,809.2**	3,055.0	3,654.8

All borrowings are denominated in Sterling.

On 3 November 2004 a debt refinancing was completed resulting in the Group exchanging all of its outstanding bond and debenture debt for new Notes. The new Notes do not meet the IAS 39 requirement to be substantially different from the debt that it replaced. Consequently the book value of the new Notes is reduced to the book value of the original debt ('the bond exchange de-recognition adjustment'). The adjustment will be amortised to zero over the life of the new Notes.

The Notes and the committed bank facilities are secured on a fixed and floating pool of assets ('the Security Group'). This grants the Group's investors security over a pool of investment properties valued at **£10.9bn** at 30 September 2006 (30 September 2005: £8.8bn; 31 March 2006: £9.4bn). The secured debt structure has a tiered covenant regime which gives the Group substantial operational flexibility when the loan to value and interest cover ratio in the Security Group are less than 65% and more than 1.45 times respectively. If these limits are exceeded, operational restrictions increase significantly and could act as an incentive to reduce gearing.

The acquisition loan notes were issued by Retail Property Holdings Trust Limited, a subsidiary of the Group, as partial consideration for the purchase of Tops Estates PLC and the LxB portfolio. The notes are unsecured, however, they have the benefit of a commercial bank guarantee. Interest is calculated with reference to six month LIBOR.

The DWP term loan is a syndicated term loan due to expire in December 2017 and is secured on the freehold and long leasehold properties acquired from the Department of Work and Pensions. The carrying amount of the properties concerned was **£391.8m** at 30 September 2006 (30 September 2005: £386.4m; 31 March 2006: £388.1m).

The Group had interest rate swaps outstanding with a notional principal of **£805.0m** (30 September 2005: £390.0m; 31 March 2006: £615.0m) which do not qualify for hedge accounting and which terminate over the period 2007 to 2011. The contracts have fixed interest payments at an average rate of 4.9% and have floating interest receipts at LIBOR.

In addition, there were interest rate swaps outstanding with a notional principal of **£243.2m** (30 September 2005: £235.6m; 31 March 2006: £243.2m) which qualify for hedge accounting and which terminate over the period 2009 to 2017. The contracts have fixed interest payments at an average rate of 5.1% and have floating interest receipts at LIBOR.

The fair value of interest rate swaps is based on the market price of comparable instruments at the balance sheet date. The fair values of short-term deposits, loans and overdrafts are assumed to approximate to their book values, as are the values of longer-term, floating rate bank loans. The Group's Notes are listed on the Irish Stock Exchange and their fair values are based on their respective market prices.

	Borrowings			Undrawn committed facilities		
	30/9/06 £m	30/9/05 £m	31/3/06 £m	**30/9/06 £m**	30/9/05 £m	31/3/06 £m
The maturity profiles of the Group's borrowings and the expiry periods of its undrawn committed borrowing facilities are:						
One year or less, or on demand	**316.8**	55.4	46.7	–	–	–
More than one year but no more than two years	**14.1**	180.5	185.7	–	–	–
More than two years but no more than five years	**819.0**	861.8	780.8	702.0	1,150.0	1,252.0
More than five years	**2,976.1**	2,012.7	2,688.3	–	–	–
	4,126.0	3,110.4	3,701.5	702.0	1,150.0	1,252.0

	30/9/06 £m	30/9/05 £m	31/3/06 £m
The fair value of the Group's borrowings are:			
Book value	**4,126.0**	3,110.4	3,701.5
Fair value	**4,782.2**	3,808.2	4,426.0
Excess of fair value over book value	**(656.2)**	(697.8)	(724.5)

Of the excess of fair value over book value, **£527.6m** (30 September 2005: £551.0m; 31 March 2006: £536.2m) is the bond exchange de-recognition adjustment.

20. Pension benefits

	30/9/06 £m	30/9/05 £m	31/3/06 £m
Analysis of the movement in the balance sheet deficit			
At beginning of period	**6.5**	10.9	10.9
Charge / (credit) to operating profit	**1.7**	2.0	(4.4)
Expected return on plan assets	**(4.4)**	(3.9)	(7.3)
Interest on schemes liabilities	**3.8**	3.7	7.2
Employer contributions	**(1.6)**	(2.6)	(4.9)
Actuarial losses / (gains)	**3.5**	(5.2)	5.0
At end of period	**9.5**	4.9	6.5

21. Deferred taxation

	Accelerated tax depreciation £m	Capitalised interest £m	Revaluation surplus £m	Other £m	Total £m
Deferred tax liabilities					
At 1 April 2005	(135.6)	(28.9)	(1,136.9)	(158.7)	(1,460.1)
Net (charge) / credit to income statement for the year	(20.4)	(8.9)	(473.9)	8.1	(495.1)
Released in respect of property disposals during the year	17.8	11.3	10.9	(4.6)	35.4
Deferred tax on acquisition of a company	(9.7)	–	(64.3)	0.5	(73.5)
At 31 March 2006	(147.9)	(26.5)	(1,664.2)	(154.7)	(1,993.3)
Net (charge) / credit to income statement for the period	(9.2)	(3.6)	(269.0)	3.1	(278.7)
Released in respect of property disposals during the period	3.6	–	20.8	–	24.4
Deferred tax on acquisition of a company	–	–	–	(0.3)	(0.3)
At 30 September 2006	**(153.5)**	**(30.1)**	**(1,912.4)**	**(151.9)**	**(2,247.9)**

	Tax losses £m	Hedges £m	Pension deficit £m	Other £m	Total £m
Deferred tax assets					
At 1 April 2005	37.8	1.0	3.3	–	42.1
Net (charge) / credit to income statement for the year	(20.3)	0.7	(2.8)	9.0	(13.4)
Released in respect of property disposals during the year	(5.3)	–	–	–	(5.3)
Charged to equity	–	0.6	1.5	–	2.1
At 31 March 2006	12.2	2.3	2.0	9.0	25.5
Net charge to income statement for the period	(3.6)	(1.3)	(0.4)	–	(5.3)
Released in respect of property disposals during the period	–	–	–	–	–
Charged to equity	–	(0.7)	1.0	–	0.3
At 30 September 2006	**8.6**	**0.3**	**2.6**	**9.0**	**20.5**

	30/9/06 £m	30/9/05 £m	31/3/06 £m
Deferred tax is provided as follows:			
Excess of capital allowances over depreciation – investment properties	**119.9**	125.8	116.8
– operating properties	**33.6**	26.0	31.1
Capitalised interest – investment properties	**27.3**	21.3	23.9
– operating and trading properties	**2.8**	1.0	2.6
Revaluation surpluses – own	**1,829.1**	1,332.8	1,580.9
– acquired	**83.3**	83.3	83.3
Tax losses	**(8.6)**	(23.1)	(12.2)
Other differences	**140.0**	146.5	141.4
Total deferred tax	**2,227.4**	1,713.6	1,967.8
Tax on capital gains that would become payable by the Group if it were to dispose of all of its investment properties at the amount stated in the balance sheet	**1,196.8**	773.1	991.2
Potential reduction in tax on contingent capital gains if properties were sold within their owning companies	**(25.1)**	(31.6)	(28.3)
Tax on contingent capital gains assuming no further mitigation	**1,171.7**	741.5	962.9

It has not been possible to determine the amounts that will crystallise within one year as required by IFRS as it is not possible to determine which properties, if any, will be sold in the next financial period.

It is the current intention of the Group to hold investment assets for the long-term and the deferred tax provision has been calculated on this basis.

22. Obligations under finance leases

	30/9/06 £m	30/9/05 £m	31/3/06 £m
The minimum lease payments under finance leases fall due as follows:			
Not later than one year	**7.0**	5.3	7.2
Later than one year but not more than five	**27.2**	19.5	27.7
More than five years	**432.6**	454.9	438.4
	466.8	479.7	473.3
Future finance charges on finance leases	**(394.0)**	(422.4)	(398.7)
Present value of finance lease liabilities (notes 9 and 19)	**72.8**	57.3	74.6
The present value of finance lease liabilities is as follows:			
Not later than one year (notes 16 and 19)	**2.1**	0.9	3.1
Later than one year but not more than five	**8.8**	2.8	5.6
More than five years	**61.9**	53.6	65.9
	72.8	57.3	74.6

The fair value of the Group's lease obligations, using a discounting rate of 5.5%, is **£90.6m** (30 September 2005: £77.7m; 31 March 2006: £92.7m).

23. Total shareholders' equity

	Ordinary shares £m	Own shares £m	Share–based payments £m	Share premium £m	Capital redemption reserve £m	Retained earnings* £m	Total £m
At 1 April 2005	46.8	(2.1)	3.3	31.4	30.5	5,940.4	6,050.3
Exercise of options	0.1	–	–	6.5	–	–	6.6
Fair value movement on cash flow hedges – Group	–	–	–	–	–	(3.7)	(3.7)
– joint ventures	–	–	–	–	–	(5.1)	(5.1)
Fair value of share–based payments	–	–	1.2	–	–	–	1.2
Own shares acquired	–	(1.9)	–	–	–	–	(1.9)
Actuarial losses on defined benefit pension schemes	–	–	–	–	–	3.6	3.6
Dividend paid (note 6)	–	–	–	–	–	(153.8)	(153.8)
Profit for the financial period	–	–	–	–	–	829.2	829.2
At 30 September 2005	**46.9**	**(4.0)**	**4.5**	**37.9**	**30.5**	**6,610.6**	**6,726.4**
Exercise of options	–	–	–	5.3	–	–	5.3
Fair value movement on cash flow hedges – Group	–	–	–	–	–	2.1	2.1
– joint ventures	–	–	–	–	–	3.2	3.2
Fair value of share–based payments	–	–	2.4	–	–	–	2.4
Cost of shares awarded to employees	–	0.6	(0.6)	–	–	–	–
Actuarial losses on defined benefit pension schemes	–	–	–	–	–	(7.1)	(7.1)
Dividend paid (note 6)	–	–	–	–	–	(85.1)	(85.1)
Profit for the financial period	–	–	–	–	–	846.7	846.7
At 31 March 2006	**46.9**	**(3.4)**	**6.3**	**43.2**	**30.5**	**7,370.4**	**7,493.9**
Exercise of options	0.1	–	–	4.7	–	–	4.8
Fair value movement on cash flow hedges – Group	–	–	–	–	–	1.9	1.9
– joint ventures	–	–	–	–	–	1.3	1.3
Fair value of share–based payments	–	–	2.6	–	–	–	2.6
Own shares acquired	–	(15.2)	–	–	–	(21.1)	(36.3)
Actuarial losses on defined benefit pension schemes	–	–	–	–	–	(2.5)	(2.5)
Dividend paid (note 6)	–	–	–	–	–	(133.8)	(133.8)
Profit for the financial period	–	–	–	–	–	859.8	859.8
At 30 September 2006	**47.0**	**(18.6)**	**8.9**	**47.9**	**30.5**	**8,076.0**	**8,191.7**

* Included within retained earnings is **£0.3m** (30 September 2005: £nil; 31 March 2006: £3.5m) of losses in respect of cash flow hedges.

Own shares represents the cost of shares purchased in Land Securities Group PLC by the Employee Share Ownership Plan ('ESOP') which is operated by the Group in respect of its commitment to the Deferred Bonus scheme. The number of shares held by the ESOP at 30 September 2006 was **961,057** (30 September 2005: 296,101; 31 March 2006: 292,703).

In addition, the Group has acquired shares in Land Securities Group PLC to be held in Treasury.

24. Cash flow from operating activities

Reconciliation of profit to net cash inflow from operating activities:

	30/9/06 £m	30/9/05 £m	31/3/06 £m
Cash generated from operations			
Profit for the financial period	**859.8**	829.2	1,675.9
Income tax expense	**318.4**	355.2	683.3
Profit before tax	**1,178.2**	1,184.4	2,359.2
Distribution received from joint venture (Telereal)	**–**	(11.7)	(11.7)
Share of the profits of joint ventures (post-tax)	**(59.1)**	(37.4)	(98.6)
	1,119.1	1,135.3	2,248.9
Interest income	**(4.2)**	(4.5)	(7.3)
Interest expense	**114.7**	99.7	201.8
Operating profit	**1,229.6**	1,230.5	2,443.4
Adjustments for:			
Depreciation	**17.3**	13.8	25.7
Profit on disposal of non-current properties	**(33.6)**	(16.3)	(74.5)
Profit on disposal of joint venture (Telereal)	**–**	(293.0)	(293.0)
Net surplus on revaluation of investment properties	**(896.7)**	(726.0)	(1,579.5)
Goodwill impairment	**–**	64.5	64.5
Pension scheme charge / (credit)	**1.7**	2.0	(4.4)
Changes in working capital:			
Decrease / (increase) in trading properties and long-term development contracts	**100.0**	(37.6)	(2.1)
(Increase) / decrease in receivables	**(135.7)**	45.9	23.0
Increase / (decrease) in payables	**52.7**	(39.3)	(11.6)
Net cash generated from operations	**335.3**	244.5	591.5

Independent review report to Land Securities Group PLC

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 September 2006 which comprises the consolidated interim balance sheet as at 30 September 2006 and the related consolidated interim statements of income, cash flows and recognised income and expense for the six months then ended and related notes. We have read the other information contained in the interim report and considered whether it contains 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.

This interim report has been prepared in accordance with the basis set out in note 1.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. 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 disclosed accounting policies have been applied. 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 and therefore provides a lower level of assurance. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 2006.

PricewaterhouseCoopers LLP
Chartered Accountants
London
15 November 2006

Notes:

(a) The maintenance and integrity of the Land Securities Group PLC web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the web site.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Business Analysis

Portfolio valuation

The market value of the investment property interests in the combined portfolio, including a pro-rata share of our property joint ventures totalled £14,439.8m at 30 September 2006 (31/3/06: £12,892.9m). Detailed breakdowns by sector, including comprehensive analyses of the Group's valuation, rental income and yield profiles follow in the investment portfolio analysis. The aggregate of the market values of those investment properties held by the Group, excluding joint ventures, as at 30 September 2006 was £13,070.0m (31/03/06: £11,619.0m).

The valuation of the freehold and leasehold investment properties at 30 September 2006 was undertaken by Knight Frank LLP as External Valuer. The valuations were in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Standards and the International Valuation Standards. The valuation of each property was on the basis of market value, subject to the assumptions that investment properties would be sold subject to any existing leases and that properties held for development would be sold with vacant possession in existing condition. The External Valuer's opinion of market value was primarily derived using comparable recent market transactions on arm's length terms.

Combined portfolio analysis

Top 12 property holdings

Total value £3.9bn (27.2% of combined portfolio)
Values in excess of £200m
Cardinal Place, London
White Rose Centre, Leeds
New Street Square, London
Queen Anne's Mansions, London
Bullring, Birmingham
Arundel Great Court, London
St David's Centre, Cardiff
Gunwharf Quays, Portsmouth
Almondvale and Designer Outlet Livingston
Devonshire House, London
Retail World, Team Valley, Gateshead
The Bridges, Sunderland

Investment property business valuation analysis

Combined portfolio reconciliation

Profit and loss – gross rental income reconciliation

	Retail £m	London Portfolio £m	Other Investment Portfolio £m	Six months ended 30/9/06 £m	Retail £m	London Portfolio £m	Other Investment Portfolio £m	Six months ended 31/3/06 £m	Retail £m	London Portfolio £m	Other Investment Portfolio £m	Six months ended 30/9/05 £m
Combined portfolio	196.2	130.7	9.1	336.0	195.0	123.2	8.3	326.5	166.6	112.0	7.2	285.8
Central London shops (excl. Metro Shopping Fund LP)	(25.3)	25.3	–	–	(24.9)	24.9	–	–	(22.2)	22.2	–	–
Inner London offices in Metro Shopping Fund LP	–	–	–	–	–	–	–	–	–	–	–	–
Rest of UK offices	1.1	–	–	1.1	0.3	–	0.1	0.4	1.3	–	–	1.3
Allocation of other	2.1	2.1	(4.2)	–	2.8	3.5	(6.3)	–	4.2	0.8	(5.0)	–
	174.1	158.1	4.9	337.1	173.2	151.6	2.1	326.9	149.9	135.0	2.2	287.1
Less finance lease adjustment	(2.2)	(4.1)	–	(6.3)	(0.9)	(5.9)	–	(6.8)	(4.2)	(2.2)	–	(6.4)
Total rental income	171.9	154.0	4.9	330.8	172.3	145.7	2.1	320.1	145.7	132.8	2.2	280.7

Open market value reconciliation

	Retail £m	London Portfolio £m	Other Investment Portfolio £m	As at 30/9/06 £m	Retail £m	London Portfolio £m	Other Investment Portfolio £m	As at 31/3/06 £m	Retail £m	London Portfolio £m	Other Investment Portfolio £m	As at 30/9/05 £m
Combined portfolio	8,069.1	5,750.8	528.5	14,348.4	7,590.2	4,806.5	408.2	12,804.9	6,907.5	4,085.3	414.8	11,407.6
Central London shops (excl. Metro Shopping Fund LP)	(1,121.2)	1,121.2	–	–	(1,053.8)	1,053.8	–	–	(918.9)	918.9	–	–
Inner London offices in Metro Shopping Fund LP	19.0	(19.0)	–	–	18.3	(18.3)	–	–	17.2	(17.2)	–	–
Rest of UK offices	90.8	–	0.6	91.4	87.4	–	0.6	88.0	86.6	–	–	86.6
Allocation of other	257.9	186.8	(444.7)	–	235.6	90.5	(326.1)	–	199.5	82.4	(281.9)	–
Combined portfolio	7,315.6	7,039.8	84.4	14,439.8	6,877.7	5,932.5	82.7	12,892.9	6,291.9	5,069.4	132.9	11,494.2

Gross estimated rental value reconciliation

	Retail £m	London Portfolio £m	Other Investment Portfolio £m	Six months ended 30/9/06 £m	Retail £m	London Portfolio £m	Other Investment Portfolio £m	Six months ended 31/3/06 £m	Retail £m	London Portfolio £m	Other Investment Portfolio £m	Six months ended 30/9/05 £m
Combined portfolio	479.7	374.0	23.4	877.1	471.1	344.4	25.5	841.0	451.7	315.9	22.3	789.9
Central London shops (excl. Metro Shopping Fund LP)	(58.3)	58.3	–	–	(57.5)	57.5	–	–	(55.4)	55.4	–	–
Inner London Offices in Metro Shopping Fund LP	0.9	(0.9)	–	–	1.0	(1.0)	–	–	1.0	(1.0)	–	–
Rest of UK offices	5.2	–	0.1	5.3	4.9	–	0.1	5.0	5.5	–	0.1	5.6
Allocation of other	12.5	5.5	(18.0)	–	13.5	6.8	(20.3)	–	10.6	7.3	(17.9)	–
Combined portfolio	440.0	436.9	5.5	882.4	433.0	407.7	5.3	846.0	413.4	377.6	4.5	795.5

Combined portfolio valuation

Top 12 occupiers	Current gross rent roll %
Central Government	9.8
J Sainsbury PLC	2.1
Dixons Group	2.1
Deloitte	1.9
Allen & Overy	1.8
Arcadia Group	1.6
The Boots Company PLC	1.5
Argos and Homebase	1.3
M&S Group PLC	1.1
Metropolitan Police Authority	1.1
Lloyds TSB Group PLC	1.0
Mothercare PLC	1.0
Total	26.3

% Portfolio by value and number of property holdings as at 30 September 2006

£m	Value %	No of properties
0 – 9.99	1.6	65
10 – 24.99	3.3	28
25 – 49.99	11.3	43
50 – 99.99	17.6	39
100 – 149.99	17.1	21
150 – 199.99	11.5	10
Over 200	37.6	19
Total	100.0	225

Note: Includes share of joint venture properties.

Combined portfolio value by location

% figures calculated by reference to the combined portfolio value of £14.4bn

	Shopping centres and shops %	Retail warehouses %	Offices %	Other %	Total %
Central inner and outer London	10.8	0.6	42.1	0.5	54.0
South East and Eastern	6.2	4.0	–	0.6	10.8
Midlands	3.6	2.3	–	–	5.9
Wales and South West	4.7	1.4	0.1	–	6.2
North, North West, Yorkshire and Humberside	8.3	6.8	0.2	0.5	15.8
Scotland and Northern Ireland	5.5	1.7	–	0.1	7.3
Total	39.1	16.8	42.4	1.7	100.0

Average rents as at 30 September 2006

Excludes properties in the development programme

	Average rent £/m²	Average ERV £/m²
Retail		
Shopping centres and shops	323	371
Retail warehouses (including supermarkets)	171	207
Offices		
Central and inner London	301	377
Rest of UK	206	240

Source IPD
Notes: This is not a like-for-like analysis with the previous year. The shopping centres and shops average rent is an overall rent and are not Zone A rents.

Like-for-like reversionary potential as at 30 September 2006

Reversionary potential (ignoring additional income from the letting of voids)	30/9/06 % of rent roll	31/3/06 % of rent roll
Gross reversions	12.4	10.6
Over-rented	(2.7)	(3.8)
Net reversionary potential	9.7	6.8

Notes:
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 combined portfolio analysis.
Of the over-rented income, 86.6% is subject to a lease expiry or break clause in the next five years

Combined portfolio analysis

6 months ended 30 September 2006

		Open Market Value (7)			Valuation Surplus		P&L basis: Gross Rental Income Six months ended:			Annual Net Rent (8)		Annual Net Estimated Rental Value (9)		Gross Income Yield (10)		Net Nominal Equivalent Yield (11)		Annual Gross Estimated Rental Value (12)			Voids (by ERV) (13)			Lease Length as at 30 September 2006 (14)	
		30/9/06	31/3/06	30/9/05	Surp/(def)	Surp/(def)	30/9/06	31/3/06	30/9/05	30/9/06	31/3/06	30/9/06	31/3/06	30/9/06	31/3/06	30/9/06	31/3/06	30/9/06	31/3/06	30/9/05	30/9/06	31/3/06	30/9/05	Median	Mean
		£m	£m	£m	£m	%	£m	£m	£m	£m	£m	£m	£m	%	%	%	%	£m	£m	£m	%	%	%	Years (i)	Years (ii)
The like for like portfolio	(2)																								
Shopping centres & shops																									
Shopping centres		2,820.8	2,628.6	2,434.5	180.8	6.9%	74.4	70.6	74.8	146.6	143.9	165.3	162.9	5.2%	5.5%	5.0%	5.3%	174.1	171.5	164.1	3.4%	3.0%	2.0%	7.8	8.9
Central London shops		959.6	911.3	840.3	48.0	5.3%	28.1	31.5	22.2	44.1	44.2	50.9	49.9	4.6%	4.9%	4.9%	5.1%	51.3	51.1	50.8	4.9%	2.9%	2.0%	5.5	7.5
Other in-town shops		294.3	281.9	264.7	8.5	3.1%	5.4	5.4	6.1	13.7	13.5	17.0	16.3	4.7%	4.8%	5.0%	5.2%	18.6	18.1	17.8	7.5%	5.0%	3.4%	7.8	12.8
		4,074.7	3,821.8	3,539.5	237.3	6.2%	107.9	107.5	103.1	204.4	201.6	233.2	229.1	5.0%	5.3%	5.0%	5.3%	244.0	240.7	232.7	4.1%	3.2%	2.1%	7.3	8.9
Retail warehouses																									
Retail parks		1,418.9	1,356.9	1,237.1	54.1	4.1%	28.3	28.6	24.9	57.1	56.0	68.5	67.3	4.0%	4.1%	4.6%	4.7%	68.5	67.4	65.1	3.9%	2.8%	0.5%	12.8	12.3
Other		182.7	177.5	167.4	3.0	1.7%	4.7	3.3	5.1	7.9	8.0	9.2	9.2	4.3%	4.5%	4.8%	4.9%	9.2	9.2	9.7	6.5%	-	-	14.8	13.1
		1,601.6	1,534.4	1,404.5	57.1	3.8%	33.0	31.9	30.0	65.0	64.0	77.7	76.5	4.1%	4.2%	4.6%	4.7%	77.7	76.6	74.8	4.2%	2.5%	0.4%	12.8	12.4
Total retail		5,676.3	5,356.2	4,944.0	294.4	5.5%	140.9	139.4	133.1	269.4	265.6	310.9	305.6	4.7%	5.0%	4.9%	5.1%	321.7	317.3	307.5	4.1%	3.0%	1.7%	8.5	9.7
London offices																									
West End		1,832.0	1,696.5	1,531.5	128.3	7.6%	48.4	47.6	44.9	90.7	90.4	107.1	101.9	5.0%	5.3%	5.2%	5.5%	108.2	103.3	99.4	3.5%	3.0%	5.6%	5.3	9.6
City		771.4	687.0	636.8	80.5	11.6%	29.8	31.2	29.4	41.4	53.7	49.1	48.8	5.4%	7.8%	5.6%	5.9%	51.1	49.9	49.4	20.9%	6.4%	6.1%	1.5	2.0
Midtown		364.0	341.6	316.5	17.1	6.3%	6.5	6.8	6.6	19.4	19.3	19.5	18.6	5.3%	5.6%	5.0%	5.2%	19.9	19.1	18.5	-	-	0.5%	2.8	10.6
Inner London		488.8	451.6	406.5	32.7	7.5%	13.2	14.7	12.6	16.7	16.6	29.9	29.1	3.4%	3.7%	5.5%	5.8%	29.9	29.1	28.9	0.7%	1.0%	0.3%	6.5	5.4
Total London offices		3,456.2	3,176.7	2,891.3	258.6	8.4%	97.9	100.3	93.5	168.2	180.0	205.6	198.4	4.9%	5.7%	5.3%	5.6%	209.1	201.4	196.2	7.0%	3.3%	4.5%	4.3	7.4
Rest of UK		57.6	55.6	52.2	1.7	3.1%	1.0	0.3	1.3	3.6	3.8	4.9	4.8	6.3%	6.8%	6.3%	7.7%	5.1	4.9	4.7	17.6%	20.4%	10.6%	2.3	7.5
Total offices		3,513.8	3,232.3	2,943.5	260.3	8.3%	98.9	100.6	94.8	171.8	183.8	210.5	203.2	4.9%	5.7%	5.3%	5.6%	214.2	206.3	200.9	7.3%	3.7%	4.6%	4.3	7.4
Other		336.8	320.2	299.0	16.1	5.1%	8.0	7.3	6.5	16.4	15.4	18.0	17.8	4.9%	4.8%	5.7%	6.1%	18.0	17.9	18.3	1.7%	3.9%	4.4%	10.5	14.0
Like-for-like portfolio		**9,526.9**	**8,908.7**	**8,186.5**	**570.8**	**6.5%**	**247.8**	**247.3**	**234.4**	**457.6**	**464.8**	**539.4**	**526.6**	**4.8%**	**5.2%**	**5.1%**	**5.3%**	**553.9**	**541.5**	**526.7**	**5.3%**	**3.3%**	**2.9%**	**6.5**	**9.0**
Completed developments	(3)	314.3	306.2	278.5	4.8	1.6%	6.8	4.6	5.9	14.2	10.7	16.8	17.1	4.5%	3.5%	4.9%	4.9%	18.0	17.7	14.9	6.7%	3.4%	8.7%	13.0	13.7
Total		**9,841.2**	**9,214.9**	**8,465.0**	**575.6**	**6.3%**	**254.6**	**251.9**	**240.3**	**471.8**	**475.5**	**556.2**	**543.7**	**4.8%**	**5.2%**	**5.1%**	**5.3%**	**571.9**	**559.2**	**541.6**	**5.3%**	**3.3%**	**3.0%**	**6.8**	**9.2**
Acquisitions	(4)	2,872.0	2,277.9	1,540.2	134.0	4.9%	66.0	51.2	21.1	124.9	103.7	157.6	131.9	4.3%	4.6%	5.1%	5.3%	161.4	133.4	94.6	8.2%	6.4%	8.9%	9.8	11.3
Sales and restructured interests	(5)	-	147.9	564.8	-	-	1.7	11.6	18.5	-	9.5	-	10.0	-	6.4%	-	5.0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total development programme (Including Kent Thameside)	(6)	1,726.6	1,252.2	924.2	252.5	17.3%	14.8	12.2	7.2	10.7	9.4	148.7	142.6	0.6%	0.8%	3.9%	5.3%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total investment portfolio		**14,439.8**	**12,892.9**	**11,494.2**	**962.1**	**7.3%**	**337.1**	**326.9**	**287.1**	**607.4**	**598.1**	**862.5**	**828.2**	**4.2%**	**4.6%**	**5.0%**	**5.3%**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
Properties treated as finance leases					**(11.5)**	**n/a**	**(6.3)**	**(6.8)**	**(6.4)**																
Total investment portfolio as per IFRS					**950.6**	**7.3%**	**330.8**	**320.1**	**280.7**																

Total portfolio analysis

	Open Market Value (7)			Valuation Surplus		P&L basis: Gross Rental Income			Annual Net Rent (8)		Annual Net Estimated Rental Value (9)		Gross Income Yield (10)		Net Nominal Equivalent Yield (11)	
	30/9/06	31/3/06	30/9/05	Surp/(def)	Surp/(def)	30/9/06	31/3/06	30/9/05	30/9/06	31/3/06	30/9/06	31/3/06	30/9/06	31/3/06	30/9/06	31/3/06
	£m	£m	£m	£m	%	£m	£m	£m	£m	£m	£m	£m	%	%	%	%
Shopping centres & shops																
Shopping centres	4,114.6	3,816.5	3,352.6	236.0	6.1%	105.4	103.4	91.1	199.1	194.0	259.7	255.5	4.8%	5.1%	4.9%	5.3%
Central London shops	1,173.2	1,101.6	961.7	65.0	5.9%	31.8	36.2	22.6	52.2	51.3	60.3	58.9	4.4%	4.7%	4.9%	5.1%
Other in-town shops	359.8	357.5	490.7	12.1	3.6%	7.2	6.9	13.8	17.0	17.1	22.6	23.2	4.7%	4.8%	5.1%	5.2%
	5,647.6	5,275.6	4,805.0	313.1	5.9%	144.4	146.5	127.5	268.3	262.4	342.6	337.6	4.8%	5.0%	4.9%	5.3%
Retail warehouses																
Retail parks	2,013.4	1,904.9	1,691.6	77.0	4.1%	40.9	37.5	31.6	79.1	75.4	97.3	95.7	3.9%	4.0%	4.6%	4.8%
Other	408.1	409.7	410.9	10.5	2.8%	10.9	11.0	7.5	17.4	17.5	26.5	23.9	4.3%	4.3%	4.7%	4.9%
	2,421.5	2,314.6	2,102.5	87.5	3.9%	51.8	48.5	39.1	96.5	92.9	123.8	119.6	4.0%	4.0%	4.6%	4.8%
Total retail	8,069.1	7,590.2	6,907.5	400.6	5.3%	196.2	195.0	166.6	364.8	355.3	466.4	457.2	4.5%	4.7%	4.8%	5.1%
London offices																
West End	2,966.0	2,416.4	2,058.3	232.3	8.5%	63.1	54.9	47.9	105.8	101.3	168.1	160.9	3.6%	4.2%	5.1%	5.5%
City	1,154.4	1,059.7	1,102.7	125.1	12.1%	39.4	45.1	43.6	53.1	74.8	79.4	78.5	4.6%	7.1%	5.4%	5.6%
Midtown	848.2	654.8	436.0	125.2	19.6%	10.1	6.8	6.7	34.3	19.5	66.2	48.5	4.0%	3.0%	5.1%	5.4%
Inner London	782.2	675.6	488.3	69.1	10.0%	18.1	16.4	13.8	25.9	25.6	53.9	52.8	3.3%	3.8%	5.4%	5.8%
Total London offices	5,750.8	4,806.5	4,085.3	551.7	10.8%	130.7	123.2	112.0	219.1	221.2	367.6	340.7	3.8%	4.6%	5.2%	5.5%
Rest of UK	91.4	88.0	86.6	2.0	2.3%	1.1	0.4	1.3	3.8	3.9	5.2	4.9	4.2%	4.4%	7.1%	7.4%
Total offices	5,842.2	4,894.5	4,171.9	553.7	10.7%	131.8	123.6	113.3	222.9	225.1	372.8	345.6	3.8%	4.6%	5.3%	5.6%
Other	528.5	408.2	414.8	7.8	1.5%	9.1	8.3	7.2	19.7	17.7	23.3	25.4	3.7%	4.3%	5.7%	5.9%
Total investment portfolio	**14,439.8**	**12,892.9**	**11,494.2**	**962.1**	**7.3%**	**337.1**	**326.9**	**287.1**	**607.4**	**598.1**	**862.5**	**828.2**	**4.2%**	**4.6%**	**5.0%**	**5.3%**
Properties treated as finance leases				**(11.5)**	**n/a**	**(6.3)**	**(6.8)**	**(6.4)**								
Total investment portfolio as per IFRS				**950.6**	**7.3%**	**330.8**	**320.1**	**280.7**								
Represented by:																
Total investment portfolio	13,070.0	11,619.0	10,344.5	885.5	7.5%	298.1	285.3	253.4	541.2	533.6	771.4	739.0	4.1%	4.6%	5.1%	5.3%
Total share of joint ventures	1,369.8	1,273.9	1,149.7	65.1	5.1%	32.7	34.8	27.3	66.2	64.5	91.1	89.2	4.8%	5.1%	4.7%	5.2%
Total combined portfolio as per IFRS	**14,439.8**	**12,892.9**	**11,494.2**	**950.6**	**7.3%**	**330.8**	**320.1**	**280.7**	**607.4**	**598.1**	**862.5**	**828.2**	**4.2%**	**4.6%**	**5.0%**	**5.3%**

Notes

(1) The valuation surplus and rental income values are stated after adjusting for the effect of SIC 15 under IFRS, but before restating for finance leases.

(2) The like-for-like portfolio includes all properties which have been in the portfolio since 1 April 2005 but excluding those which were acquired, sold or included in the development programme at any time during that period. Capital expenditure on refurbishments, acquisition of headleases and similar capital expenditure has been allocated to the like-for-like portfolio in preparing this table. Changes in valuation from period-to-period reflect this capital expenditure as well as the disclosed valuation surpluses.

(3) Completed developments represent those properties, previously included in the development programme, which have been completed, let and removed from the development programme in the period since 1 April 2005.

(4) Includes all properties acquired in the period since 1 April 2005.

(5) Includes all properties sold (other than directly out of the development programme), or where the ownership interest has been restructured, in the period since 1 April 2005.

(6) Ongoing developments are properties in the development programme and Kent Thameside. They exclude completed developments as defined in note (3) above.

(7) The open market value figures include the group share of the various joint ventures and exclude properties owned by Land Securities Trillium and Telereal.

(8) Annual net rent is annual rents in payment at 30 September 2006 after deduction of ground rents. It excludes the value of voids and current rent free periods.

(9) Annual net estimated rental value includes vacant space, rent-frees and future estimated rental values for properties in the development programme and is calculated after deducting expected ground rents.

(10) The gross income yield represents the annual net rent expressed as a percentage of the market value ignoring costs of purchase or sale.

(11) The net nominal equivalent yield has been calculated on the gross outlays for a purchase of the property (including purchase costs) and assuming that rent is received annually in arrears.

(12) Annual gross estimated rental value is calculated in the same way as net estimated rental value before the deduction of ground rents.

(13) Voids represent all unlet space in the properties, including voids where refurbishment work is being carried out and voids in respect of pre-development properties. Voids are calculated based on their gross estimated rental value as defined in (12) above.

(14) The definition for the figures in each column is:
(i) Median is the number of years until half of income is subject to lease expiry / break clauses.
(ii) Mean is rent-weighted average remaining term on leases subject to lease expiry/break clauses.

Development pipeline schedule

Planning – PR = planning received; AS = application submitted; RG = resolution to grant; PI = planning inquiry; OPR = outline planning received

RETAIL

Property	Description of use	Size	Status Planning	Letting	Estimated/ actual completion date	Cost £m
SHOPPING CENTRES AND SHOPS						
Developments approved and those in progress						
Broadmead, Bristol	Retail	83,610m²		38%	Sept 2008	215
The Bristol Alliance - a limited partnership with	Leisure	9,000m²				
Hammerson plc.	Offices	28,000m²				
	Residential	18,740m²				
Christ’s Lane Cambridge	Retail	5,800m²		76%	Dec 2007	27
	Residential	1,350m²				
Princesshay, Exeter	Retail	37,360m²		58%	July 2007	150
	Residential	7,200m²				
Willow Place, Corby	Retail	16,260m²		22%	Oct 2007	34
Proposed developments						
St David's Cardiff – St David's Partnership	Retail/leisure	89,900m²	PR	9%	2009	
- a partnership with Capital Shopping Centres	Residential	16,500m²				
Almondvale Centre Phase III,	Retail	32,000m²	PR	14%	2008	
Livingston	Leisure	5,670m²				
RETAIL WAREHOUSE						
Developments, let and transferred or sold						
Kingsway Retail Park, Dundee,	Retail	8,650m²		64%	May 2004	16
Phase II						
Developments completed						
Commerce Centre, Poole	Retail	19,100m²		54%	Aug 2006	22
Developments approved and those in progress						
Maskew Avenue, Peterborough	Retail	13,380m²		91%	Sept 2007	32
Friary Retail Park, Plymouth	Retail	7,200m²			Dec 2007	8
Thanet Leisure, Thanet	Leisure	8,970m²		38%	June 2007	24
Proposed developments						
Almondvale South, Livingston Phase ll b,	Retail	4,180m²	PR		2007	

LONDON PORTFOLIO

Property	Description of use	Size	Status Planning	Status Letting	Estimated/ actual completion date	Cost £m
Developments approved and those in progress						
Cardinal Place, SW1	Offices	51,130m²		67%	Jan 2006	263
	Retail	9,420m²		98%		
Bankside 2&3, SE1	Offices	35,550m²			Aug 2007	121
	Retail/Leisure	3,170m²				
1 Wood Street , EC2	Offices	15,020m²		100%	Sep 2007	102
	Retail	1,500m²		–		
New Street Square, EC4	Offices	62,340m²		61%(*)	Mar 2008	312
* 26% of the letting was achieved after 30 Sept 2006	Retail/Leisure	2,980m²				
50 Queen Anne's Gate, SW1	Offices	30,140m²		100%	Dec 2007	127
Proposed developments						
Dashwood House, EC2	Office	13,870m²	RG		2008	
	Retail	740m²				
One New Change, EC4	Office	31,660m²	PR		2010	
	Retail	19,830m²				
Park House, W1	Office	15,330m²	RG		2010	
	Retail	9,920m²				
	Residential	5,950m²				
20 Fenchurch Street, EC3	Office/Retail	55,370m²	RG		2011	

Cost (£m) refers to 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. Finance charges are excluded from cost. 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 30 September 2006. Trading property development schemes are excluded from the development pipeline.

Development pipeline – financial summary

	Cumulative movements on the development programme to 30/9/06						Total scheme details				
	Market value at start of scheme £m	Capital expenditure incurred to date £m	Capitalised interest to date £m	Revaluation surplus/ (deficit) to date (note 1) £m	Disposals, SIC15 rent and other adjustments £m	Market value at 30/9/06 £m	Estimated total capital expenditure (note4) £m	Estimated total capitalised interest £m	Estimated total cost less proceeds (note 2) £m	Net income/ ERV (note 3) £m	Valuation surplus/ (deficit) for 6 months ended 30/9/06 (note1) £m
Development programme let, transferred or sold											
Retail warehouses	5	16	1	11	–	33	16	1	22	2	(2)
Development programme completed, approved or in progress											
Shopping centres and shops	90	147	9	41	(5)	282	426	32	508	34	21
Retail warehouses	55	45	1	1	–	102	86	3	144	9	(3)
London Portfolio	188	553	42	533	27	1,343	925	69	1,182	101	234
	333	745	52	575	22	1,727	1,437	104	1,834	144	252
	Movement on proposed developments for the six months ended 30/9/06										
Proposed developments											
Shopping centres and shops	21	6	–	(5)	–	22	420	31	442	28	(5)
Retail warehouses	6	–	–	–	–	6	4	–	10	1	–
London Portfolio	464	8	–	46	–	518	967	92	1,401	97	46
	491	14	–	41	–	546	1,391	123	1,853	126	41

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 2006 is included in the estimated total cost. Estimated total cost is stated net of residential proceeds for Shopping Centres and shops of £40m and £30m for developments in progress and proposed developments respectively. The London Portfolio proposed developments are stated net of residential proceeds of £122m. Allowances for rent free periods are excluded from cost.

3) Net headline annual rental payable on let units plus net ERV at 30/9/06 on unlet units.

4) For those schemes transferred or sold, completed or in progress the cost for each scheme is shown on the preceding pages. The costs of the Proposed Development properties are not shown on a scheme by scheme basis as the schemes have not yet been finalised and could still be subject to material change. For Proposed Development properties the estimated total capital expenditure represents the outstanding costs required to complete the scheme as at 31/3/06 together with pre-development costs incurred prior to that date if the benefit of that expenditure has been excluded from the valuation as at 31/3/06. Such pre-development costs are included in the accounts as prepayments and are not included in the property additions

.

Property Outsourcing – Land Securities Trillium

Contract analysis

For year to 30/9/06	Contract DWP	BBC	Norwich Union	DVLA	Barclays	Telereal II	Other	Total	IIC (50%)
Contract length									
Term (1)	20 yrs	5 yrs	25 yrs	20 yrs	20 yrs	4.5 yrs			
Expiry date	Mar 2018	Jun 2006	Jun 2029	Mar 2025	Dec 2024	Mar 2010			
Income	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Unitary charge	259.0	16.4	6.4	4.0	0.8	–	–	**286.6**	–
Third party (sublet) income	3.3	–	0.5	–	0.8	–	0.5	**5.1**	–
Capital projects	54.2	9.9	0.2	1.1	–	–	0.5	**65.9**	–
Other revenue	6.6	6.5	0.4	0.4	–	21.4	–	**35.3**	1.1
Finance lease income	–	–	2.2	0.4	–	–	–	**2.6**	–
Gross property income	323.1	32.8	9.7	5.9	1.6	21.4	1.0	**395.5**	1.1
Costs									
Rent payable	(85.7)	–	(1.8)	(0.8)	–	–	–	**(88.3)**	–
Service partners (maintenance, facilities etc)	(77.4)	(10.5)	(1.8)	(1.8)	–	–	(0.5)	**(92.0)**	–
Life cycle maintenance costs	(13.5)	–	(0.7)	(0.4)	–	–	–	**(14.6)**	–
Capital projects	(53.4)	(8.7)	(0.1)	(0.9)	–	–	(0.5)	**(63.6)**	–
Other costs, including overheads	(37.1)	(10.3)	(1.0)	(1.3)	(0.4)	(14.4)	(5.5)	**(70.0)**	(1.8)
Bid costs	–	–	–	–	–	–	(1.4)	**(1.4)**	(0.4)
Depreciation and amortisation of goodwill	(13.2)	–	(0.4)	–	–	–	(0.2)	**(13.8)**	–
Contract level operating profit	42.8	3.3	3.9	0.7	1.2	7.0	(7.1)	**51.8**	(1.1)
Profit on sale of fixed assets	3.9	4.6	–	–	–	–	–	**8.5**	–
Net surplus on revaluation of investment property	–	–	–	–	0.3	–	–	**0.3**	–
Segment profit	46.7	7.9	3.9	0.7	1.5	7.0	(7.1)	**60.6**	(1.1)
Capital expenditures									
Life cycle maintenance costs capitalised	(7.8)	–	–	–	–	–	–	**(7.8)**	–
Estates capitalised	(4.4)	–	–	–	–	–	(0.2)	**(4.6)**	–
Book value of assets at 30 September 2006									
Investment in associate	–	–	–	–	–	–	21.3	**21.3**	–
Investment properties	–	–	–	–	27.4	–	–	**27.4**	–
Operating properties	429.7	–	44.6	–	–	–	–	**474.3**	–

(1) For Barclays contract, this is the sale and leaseback term.

Land Securities Trillium contract analysis at 30/9/06

	DWP	Norwich Union	DVLA	Barclays	Telereal II	Total
Floorspace	000m²	000m²	000m²	000m²	000m²	000m²
Client occupied	2,085.3	107.0	16.2	11.4	–	2,219.9
Third party (sublet)	61.1	5.3	–	16.6	–	83.0
Vacant	226.0	2.7	–	9.3	–	238.0
Total	2,372.4	115.0	16.2	37.3	–	2,540.9
Freeholds/ valuable leaseholds	846.5	40.0	–	11.3	–	897.8
Leaseholds	1,525.9	75.0	16.2	26.0	–	1,643.1
Total	2,372.4	115.0	16.2	37.3	–	2,540.9
Estate managed but not transferred	93.1	22.1	81.9	–	150.0	347.1

Vacation allowance and portfolio activity – DWP

000m²	31/3/06	Acquisitions	Vacations*	Lettings	Disposals	30/9/06
Client occupied	2,216.2	0.3	(131.2)	–	–	2,085.3
Third party (sublet)	66.4	–	(9.0)	3.7	–	61.1
Vacant	163.5	–	140.2	(3.7)	(74.0)	226.0
Total	2,446.1	0.3	–	–	(74.0)	2,372.4
Freeholds/valuable leaseholds	861.5	–	–	–	(15.0)	846.5
Leaseholds	1,584.6	0.3	–	–	(59.0)	1,525.9
Total	2,446.1	0.3	–	–	(74.0)	2,372.4
Estate managed but not transferred	93.1					93.1
Vacation allowance used to date	234.1					309.6
Available allowance	289.1					213.6
Future allowance	198.2					198.2

* Includes core vacations

Vacation allowance and portfolio activity – Barclays

000m²	31/3/06	Acquisitions	Vacations	Lettings	Disposals	30/9/06
Client occupied	11.4	–	–	–	–	11.4
Third party (sublet)	14.8	–	(0.2)	2.0	–	16.6
Vacant	23.9	–	0.2	(2.0)	(12.8)	9.3
Total	50.1	–	–	–	(12.8)	37.3
Freeholds/valuable leaseholds	11.3	–	–	–	–	11.3
Leaseholds	38.8	–	–	–	(12.8)	26.0
Total	50.1				(12.8)	37.3

Note The 'Disposals' column includes - lease surrenders, lease expiries and disposals.

Regional breakdown by contract as at 30/9/06

000m²	DWP	NU	DVLA	Barclays	Telereal II	Total
London, South East and West England	803	67	10	24	150	**1,054**
Northern England	888	32	6	1	–	**927**
Scotland	289	38	2	–	–	**329**
Midlands and Wales	486	0	80	12	–	**578**
Total	2,466	137	98	37	150	**2,888**

Number of people by occupation

as at 30/09/06	Total
Asset management	42
Call centre	74
Capital projects	137
Quality assurance	29
Facilities management	376
HR/finance/business development	120
Total	**778**

Service partner agreements as at 30/9/06

Service partner	Service element	Estimate of proportion of service providers' turnover
Compass	Catering	<5%
Dalkia	Building maintenance	<5%
Group 4	Security	<5%
GS Hall	Building maintenance	20-25%
ISS	Cleaning	<5%
Amaryllis / MiB	Furniture	15-20%
MITIE	Cleaning	<5%
Norland	Facilities Management	<5%
OCS	Cleaning	<5%
Securitas	Security	<5%
Wilson James	Security	20-25%

Average contract length of above service partners:	11 yrs
Average contract time remaining of above service partners:	6 yrs
Average annual contract value of above service partners:	£18m

Glossary of terms

Adjusted diluted net asset value per share
NAV per share adjusted to add back deferred tax associated with investment properties and capitalised interest, the adjustment arising from the de-recognition of the bond exchange, together with the cumulative mark-to-market adjustment arising on interest swaps and similar instruments used for hedging purposes.

Adjusted earnings per share
Earnings per share based on revenue profit plus profits on trading properties and long-term development contracts.

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

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

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

Exceptional items
An item of income or expense that is deemed to be sufficiently material to require separate disclosure.

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

Initial yield
Annualised net rents on investment properties expressed as a percentage of the valuation, excluding properties acquired for development purposes.

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

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

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

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 of the investment property portfolio.

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

Vacation allowance
Allowance agreed between a property outsourcing client and Land Securities Trillium, to vacate a given amount of floor space or to expand over the life of the contract.

Investor Information

The report and financial statements, share price information, company presentations, primary financial statements as excel downloads, the financial calendar, corporate governance, contact details and other debt and equity investor information on the Group are available through the internet on www.landsecurities.com/investorrelations.

Registrar

All general enquiries concerning holdings of ordinary shares in Land Securities Group PLC, should be addressed to:
Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA.
Telephone: 0870 600 3972
Textphone: 0870 600 3950
Website: www.shareview.co.uk

E-communication

An online share management service is available, enabling shareholders to access details of their Land Securities shareholdings electronically. Shareholders wishing to view this information should visit the online shareholder centre at www.landsecurities.com/investorrelations or www.shareview.co.uk.

UK shareholders may elect to receive communications electronically. Shareholders who opt to receive electronic communications can also submit their proxy votes electronically. To register for this service, shareholders should visit the online shareholder centre at www.landsecurities.com/investorrelations or www.shareview.co.uk.

Payment of dividends

Shareholders whose dividends are not currently paid to mandated accounts may wish to consider having their dividends paid directly into their bank or building society account. If shareholders would like their future dividends to be paid in this way, they should complete a mandate instruction available from the registrars. Under this arrangement tax vouchers are sent to the shareholder's registered address.

Dividend reinvestment plan (DRIP)

The Company offers shareholders the option to participate in a DRIP. This enables shareholders to reinvest their cash dividends in Land Securities Group PLC shares.

For further details, contact:
The Share Dividend Team,
Lloyds TSB Registrars,
The Causeway, Worthing,
West Sussex BN99 6DA
Telephone: 0870 241 3018
International dialling: +44 121 415 7049

For participants in the plan, key dates can be found in the online financial calendar at www.landsecurities.com/investorrelations.

Low cost share dealing facilities

Shareview provides both existing and prospective UK shareholders with simple, low cost ways of buying and selling Land Securities Group PLC ordinary shares by telephone, internet or post.

For telephone dealing, call 0870 850 0852 between 8.30am and 4.30pm Monday to Friday.
For internet dealing, log on to www.shareview.co.uk/dealing
For postal dealing, call 0870 242 4244 for full details and a form.

Existing shareholders will need to provide the account/shareholder reference number, shown on the share certificate.

Sharegift

Shareholders with a small number of shares, the value of which makes it uneconomic to sell them, may wish to consider donating them to the charity ShareGift, (registered charity 1052686) which specialises in using such holdings for charitable benefit. A ShareGift Donation form can be obtained from Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA.

Further information about ShareGift is available at www.sharegift.org.

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 242 4244.

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.

The appropriate values to be used as base costs in respect of shares in Land Securities Group PLC issued under the Scheme of Arrangement in September 2002 are:
Ordinary shares – 769p
B shares – 101p
so that the new ordinary shares and the B shares received in respect of the old ordinary shares in Land Securities PLC will attract 86.99% and 13.01% respectively of the base cost in those old ordinary shares.

Registered office

5 Strand, London WC2N 5AF
Registered in England and Wales
No. 4369054

Offices

5 Strand, London WC2N 5AF
and at
140 London Wall, London EC2Y 5DN
1 City Walk, Leeds S11 9DX
120 Bath Street, Glasgow G2 2EN

Land Securities Group PLC
5 Strand, London WC2N 5AF

T: +44 (0)20 7413 9000
E: investor.relations@landsecurities.com
www.landsecurities.com