

Business analysis

Our performance in detail

In this section we provide a detailed, transparent picture of our business performance. We include comprehensive information on our portfolio, occupiers and rental income. And we show our performance relative to the IPD industry benchmark.

Table 62

% Portfolio by value and number of property holdings at 31 March 2009

£m	Value %	Number of properties
0 – 9.99	3.6	87
10 – 24.99	5.8	34
25 – 49.99	13.2	36
50 – 99.99	18.8	26
100 – 149.99	17.0	13
150 – 199.99	12.7	7
200 +	28.9	9
Total	100.0	212

Includes share of joint venture properties

Table 65

Long-term performance versus IPD – ungeared total property returns to 31 March 2009

	Land Securities % pa	IPD % pa
3 years	(7.5)	(7.8)
5 years	2.8	1.9
10 years	6.2	6.2

Source: IPD Quarterly Universe

Table 68

Combined portfolio value by location

	Shopping centres and shops %	Retail warehouses and food stores %	Offices %	Other %	Total %
Central, inner and outer London	13.5	0.8	42.3	4.5	61.1
South-east and Eastern	3.7	3.7	–	1.3	8.7
Midlands	3.1	1.1	0.1	0.5	4.8
Wales and South-west	6.6	0.9	0.1	0.1	7.7
North, North-west, Yorkshire and Humberside	6.5	4.1	0.2	0.8	11.6
Scotland and Northern Ireland	4.5	1.3	–	0.3	6.1
Total	37.9	11.9	42.7	7.5	100.0

% figures calculated by reference to the combined portfolio value of £9.4bn

Table 63

Like-for-like reversionary potential at 31 March 2009

Reversionary potential	31/03/09 % of rent roll	31/03/08 % of rent roll
Gross reversions	7.0	15.5
Over-rented	(4.8)	(1.1)
Net reversionary potential	2.2	14.4

The reversion is calculated with reference to the gross secure rent roll after the expiry of rent-free periods on those properties which fall under the like-for-like definition as set out in the notes to the combined portfolio analysis. Reversionary potential excludes additional income from the letting of voids. Of the over-rented income, £14.4m is subject to a lease expiry or break clause in the next five years.

Table 66

One year performance versus IPD – ungeared total property returns to 31 March 2009

	Land Securities % pa	IPD % pa
Retail – Shopping centres and shops	(34.8)	(29.8)
Retail warehouses	(30.6)	(27.9)
Central London offices	(28.2)	(29.2)
Central London Retail	(12.0)	(16.8)
Total portfolio	(29.7)	(25.5)

Source: IPD Quarterly Universe

Table 64

Average rents at 31 March 2009

	Average rent £/m ²	Average ERV £/m ²
Retail		
Shopping centres and shops	n/a	n/a
Retail warehouses and food stores	203	207
Offices		
London office portfolio	373	342

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

Table 67

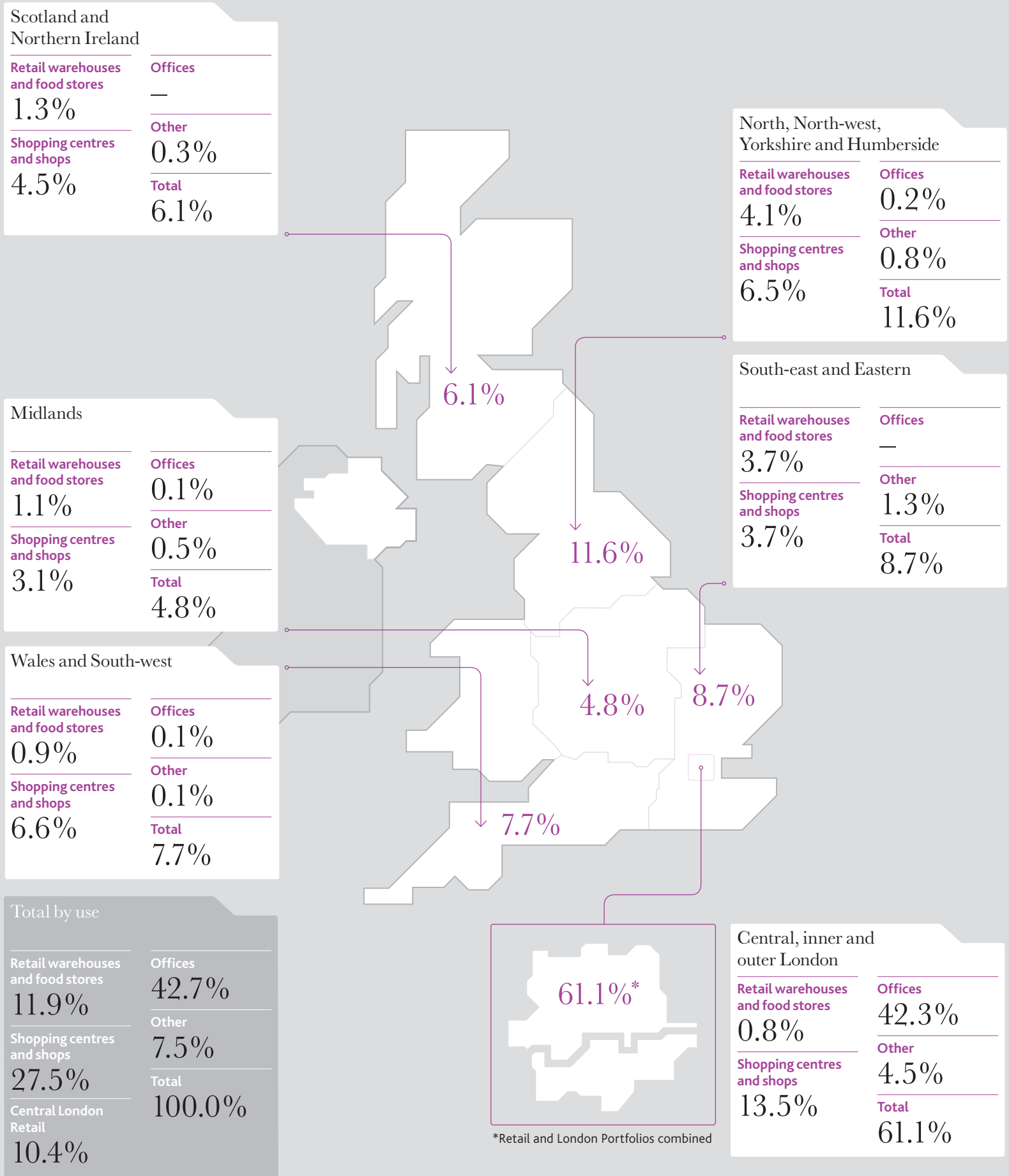
Top 12 occupiers

	Current gross rent roll %
Central Government	9.5
Accor Hotels	4.2
Royal Bank of Scotland	2.7
Deloitte	2.3
Arcadia Group	1.7
Boots	1.4
DSG	1.4
Mellon Bank	1.3
Marks & Spencer	1.2
J Sainsbury	1.2
Eversheds	1.1
Next	1.1
Total portfolio	29.1

Includes share of joint venture properties

Chart 69

Combined portfolio value by location



Summary income statement and balance sheet based on proportional consolidation

The following pro-forma information is unaudited and does not form part of the consolidated financial statements or the associated notes. They present the results of the Group, with the Group's share of joint ventures and associates proportionately consolidated on a line-by-line basis.

Consolidated income statement

	Year ended 31/03/09			Year ended 31/03/08		
	Group (excl. JVs) £m	JVs £m	Total £m	Group (excl. JVs) £m	JVs £m	Total £m
Revenue	821.2	103.3	924.5	818.0	111.6	929.6
Costs	(326.4)	(37.3)	(363.7)	(317.4)	(47.3)	(364.7)
	494.8	66.0	560.8	500.6	64.3	564.9
(Loss)/profit on disposal of non-current properties	(130.8)	2.9	(127.9)	57.3	(7.1)	50.2
Impairment of trading properties	(92.3)	(12.3)	(104.6)	–	–	–
Net deficit on revaluation of investment properties	(4,113.4)	(630.3)	(4,743.7)	(1,158.4)	(134.2)	(1,292.6)
Operating loss	(3,841.7)	(573.7)	(4,415.4)	(600.5)	(77.0)	(677.5)
Net interest expense	(332.5)	(41.7)	(374.2)	(286.4)	(21.0)	(307.4)
Loss before tax	(4,174.2)	(615.4)	(4,789.6)	(886.9)	(98.0)	(984.9)
Income tax (expense)/credit	(0.5)	(1.3)	(1.8)	15.1	(3.1)	12.0
	(4,174.7)	(616.7)	(4,791.4)	(871.8)	(101.1)	(972.9)
Adjustment due to net liabilities	–	17.7	17.7	–	–	–
Loss for the year from continuing activities	(4,174.7)	(599.0)	(4,773.7)	(871.8)	(101.1)	(972.9)

Consolidated balance sheet

	At 31/03/09			At 31/03/08		
	Group £m	JVs £m	Total £m	Group £m	JVs £m	Total £m
Investment properties	7,929.4	1,208.0	9,137.4	12,296.7	1,579.0	13,875.7
Other tangible fixed assets	14.3	–	14.3	618.4	–	618.4
	7,943.7	1,208.0	9,151.7	12,915.1	1,579.0	14,494.1
Net debt	(3,923.6)	(459.4)	(4,383.0)	(5,384.5)	(253.5)	(5,638.0)
Investments in joint ventures*	930.8	(930.8)	–	1,410.6	(1,410.6)	–
Other net assets	(130.7)	182.2	51.5	641.7	85.1	726.8
Unadjusted net assets	4,820.2	–	4,820.2	9,582.9	–	9,582.9
Minority interest	3.3	–	3.3	–	–	–
EPRA adjustments	150.2	–	150.2	12.7	–	12.7
EPRA adjusted net assets	4,973.7	–	4,973.7	9,595.6	–	9,595.6
Reverse bond exchange de-recognition adjustment	(499.8)	–	(499.8)	(511.5)	–	(511.5)
Adjusted net assets attributable to equity shareholders	4,473.9	–	4,473.9	9,084.1	–	9,084.1
Gearing	81.4%	–	90.9%	56.2%	–	58.8%
Adjusted gearing (excluding JVs)	96.4%	–	–	64.9%	–	–
Adjusted gearing (including JVs)	–	–	105.9%	–	–	67.6%

*Excludes investments in associates of £nil (31 March 2008: £68.3m)

Reconciliation of net book value of the investment properties to the market value

	At 31/03/09			At 31/03/08		
	Group (excl. JVs) £m	JVs £m	Total £m	Group (excl. JVs) £m	JVs £m	Total £m
Net book value	7,929.4	1,208.0	9,137.4	12,296.7	1,579.0	13,875.7
Plus: amount included in prepayments in respect of lease incentives	189.3	31.6	220.9	180.6	6.6	187.2
Less: head leases capitalised	(57.9)	(4.9)	(62.8)	(67.3)	(4.4)	(71.7)
Plus: properties treated as finance leases	104.7	6.8	111.5	149.2	8.7	157.9
Market value	8,165.5	1,241.5	9,407.0	12,559.2	1,589.9	14,149.1

Combined portfolio reconciliation

	Retail Portfolio £m	London Portfolio £m	Other £m	31/03/09 £m	Retail Portfolio £m	London Portfolio £m	Other £m	31/03/08 £m
Income statement – gross rental income reconciliation								
Combined portfolio	374.5	306.1	46.8	727.4	373.5	282.1	57.5	713.1
Central London shops (excluding Metro Shopping Fund LP)	(42.8)	42.8	–	–	(45.4)	45.4	–	–
Inner London offices in Metro Shopping Fund LP	0.8	(0.8)	–	–	0.8	(0.8)	–	–
Rest of UK offices	1.5	0.2	(1.7)	–	2.3	–	(2.3)	–
Other	40.6	4.5	(45.1)	–	39.4	15.8	(55.2)	–
	374.6	352.8	–	727.4	370.6	342.5	–	713.1
Less finance lease adjustment	(2.7)	(5.3)	–	(8.0)	(2.9)	(5.9)	–	(8.8)
Total rental income for combined portfolio	371.9	347.5	–	719.4	367.7	336.6	–	704.3
Open market value reconciliation								
Combined portfolio	4,687.3	3,969.0	750.7	9,407.0	6,851.9	6,124.0	1,046.7	14,022.6
Central London shops (excluding Metro Shopping Fund LP)	(939.2)	939.2	–	–	(1,008.0)	1,008.0	–	–
Inner London offices in Metro Shopping Fund LP	9.8	(9.8)	–	–	18.0	(18.0)	–	–
Rest of UK offices	51.1	–	(51.1)	–	79.6	–	(79.6)	–
Other	508.6	191.0	(699.6)	–	731.8	235.3	(967.1)	–
Per business unit	4,317.6	5,089.4	–	9,407.0	6,673.3	7,349.3	–	14,022.6
Gross estimated rental value reconciliation								
Combined portfolio	455.5	325.6	53.6	834.7	451.6	431.6	63.5	946.7
Central London shops (excluding Metro Shopping Fund LP)	(85.7)	85.7	–	–	(70.1)	70.1	–	–
Inner London offices in Metro Shopping Fund LP	0.9	(0.9)	–	–	1.0	(1.0)	–	–
Rest of UK offices	5.0	–	(5.0)	–	5.7	–	(5.7)	–
Other	40.1	8.5	(48.6)	–	46.3	11.5	(57.8)	–
Per business unit	415.8	418.9	–	834.7	434.5	512.2	–	946.7

Development pipeline financial summary

	Cumulative movements on the development programme to 31/03/09					Total scheme details					Valuation deficit for year ended 31/03/09 ¹ £m
	Market value at start of scheme £m	Capital expenditure incurred to date £m	Capitalised interest to date £m	Revaluation (deficit)/surplus to date ² £m	Disposals, SIC 15 rent and other adjustments £m	Market value at 31/03/09 £m	Estimated total capital expenditure ⁴ £m	Estimated total capitalised interest £m	Estimated total cost less residential ² £m	Net income/ERV ³ £m	
Development programme transferred or sold											
Retail warehouses	11.9	6.7	0.1	(6.7)	0.2	12.2	6.7	0.1	18.7	1.1	(4.6)
London Portfolio	16.0	152.0	10.6	55.7	2.2	236.5	157.1	10.6	183.7	16.7	(24.9)
	27.9	158.7	10.7	49.0	2.4	248.7	163.8	10.7	202.4	17.8	(29.5)
Development programme completed, approved or in progress											
Shopping centres and shops	52.5	622.2	38.3	(315.9)	5.5	402.6	752.6	43.7	811.7	44.4	(289.9)
London Portfolio	441.7	564.5	52.7	(321.3)	67.4	805.0	1,019.6	103.8	1,456.5	95.2	(453.7)
	494.2	1,186.7	91.0	(637.2)	72.9	1,207.6	1,772.2	147.5	2,268.2	139.6	(743.6)
Movement on proposed developments for the year ended 31/03/09											
Proposed developments											
Shopping centres and shops	207.0	36.2	11.6	(161.8)	(8.0)	85.0	260.1	30.1	375.2	27.5	(161.8)
London Portfolio	426.8	46.9	2.4	(228.2)	28.9	276.8	1,181.2	158.5	1,165.0	97.8	(228.2)
	633.8	83.1	14.0	(390.0)	20.9	361.8	1,441.3	188.6	1,540.2	125.3	(390.0)

Notes:

- Includes profit realised on the disposal of property.
- 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 2009 is included in the estimated total cost. Estimated total cost is stated net of the cost of residential properties for Shopping Centres and shops of £37.1m for developments in progress. The London Portfolio development programme and proposed developments are stated net of the cost of residential properties of £108.6m and £451.5m respectively. Allowances for rent-free periods are excluded from cost.
- Net headline annual rental payable on let units plus net ERV at 31 March 2009 on unlet units.
- For Proposed Development properties the estimated total capital expenditure represents the outstanding costs required to complete the scheme as at 31 March 2009.

Combined portfolio analysis

The like-for-like portfolio²

	Open market value ^a		Valuation deficit ¹		Gross rental income		Annual net rent ⁹		Annual net estimated rental value ¹⁰	
	31/03/09 £m	31/03/08 £m	31/03/09 £m	31/03/09 %	31/03/09 £m	31/03/08 £m	31/03/09 £m	31/03/08 £m	31/03/09 £m	31/03/08 £m
Shopping centres and shops										
Shopping centres and shops	1,883.8	2,951.1	(1,089.2)	(36.8)	192.1	192.0	168.2	170.3	182.9	191.4
Central London shops	622.3	693.7	(77.8)	(11.1)	35.0	32.2	35.9	30.2	39.5	38.2
	2,506.1	3,644.8	(1,167.0)	(31.9)	227.1	224.2	204.1	200.5	222.4	229.6
Retail warehouses										
Retail warehouses and food stores	1,018.2	1,538.1	(543.5)	(35.5)	79.5	76.6	81.3	80.1	87.1	91.5
Total retail	3,524.3	5,182.9	(1,710.5)	(33.0)	306.6	300.8	285.4	280.6	309.5	321.1
London offices										
West End	999.3	1,500.0	(511.4)	(34.3)	85.7	84.9	80.8	80.8	79.0	104.6
City	414.9	670.9	(263.8)	(38.9)	36.7	36.3	37.6	37.1	33.3	40.0
Mid-town	306.5	462.3	(147.4)	(37.8)	25.5	24.1	26.2	25.5	25.5	31.4
Inner London	197.0	289.3	(92.5)	(32.0)	16.8	15.8	17.2	16.2	17.5	18.8
Total London offices	1,917.7	2,922.5	(1,015.1)	(35.6)	164.7	161.1	161.8	159.6	155.3	194.8
Rest of UK	42.1	67.1	(25.3)	(37.4)	1.4	1.4	4.2	3.6	4.8	5.0
Total offices	1,959.8	2,989.6	(1,040.4)	(35.7)	166.1	162.5	166.0	163.2	160.1	199.8
Other	223.8	295.2	(77.9)	(26.1)	11.0	10.5	15.2	14.4	16.9	16.3
Like-for-like portfolio²	5,707.9	8,467.7	(2,828.8)	(33.7)	483.7	473.8	466.6	458.2	486.5	537.2
Proposed developments ³	361.8	662.7	(390.0)	(52.3)	18.2	28.4	16.0	29.7	26.7	37.6
Completed developments ⁴	1,352.7	1,782.1	(458.8)	(26.4)	95.9	59.1	77.3	57.1	87.9	102.0
Acquisitions ⁵	777.0	863.4	(322.5)	(29.2)	66.3	46.5	63.3	55.2	69.9	68.2
Sales and restructured interests ⁶	–	723.3	–	–	23.2	80.9	–	41.1	–	46.4
Development programme ⁷	1,207.6	1,523.4	(743.6)	(39.3)	40.1	24.4	32.4	9.6	141.4	137.5
Combined portfolio	9,407.0	14,022.6	(4,743.7)	(34.2)	727.4	713.1	655.6	650.9	812.4	928.9
Properties treated as finance leases					(8.0)	(8.8)				
Combined portfolio					719.4	704.3				

Total portfolio analysis

Shopping centres and shops										
Shopping centres and shops	2,587.6	3,987.3	(1,675.0)	(39.7)	233.8	229.3	212.4	196.7	256.5	257.0
Central London shops	976.1	1,060.8	(125.9)	(11.4)	45.7	48.0	47.4	40.4	86.6	73.0
	3,563.7	5,048.1	(1,800.9)	(33.9)	279.5	277.3	259.8	237.1	343.1	330.0
Retail warehouses										
Retail warehouses and food stores	1,123.6	1,803.8	(603.7)	(35.6)	95.0	96.2	87.7	93.9	96.1	108.1
Total retail	4,687.3	6,851.9	(2,404.6)	(34.3)	374.5	373.5	347.5	331.0	439.2	438.1
London offices										
West End	1,841.7	2,745.6	(849.9)	(32.2)	141.0	126.5	132.7	124.0	126.7	185.8
City	732.7	1,155.5	(516.7)	(41.7)	53.9	52.5	51.5	51.8	76.0	87.3
Mid-town	783.2	1,272.0	(463.2)	(40.5)	62.4	52.1	40.6	50.4	66.5	88.9
Inner London	611.4	950.9	(267.7)	(31.3)	48.8	51.0	30.3	35.1	50.5	65.5
Total London offices	3,969.0	6,124.0	(2,097.5)	(35.7)	306.1	282.1	255.1	261.3	319.7	427.5
Rest of UK	51.1	79.6	(28.6)	(34.4)	1.7	2.3	4.2	3.9	4.9	5.5
Total offices	4,020.1	6,203.6	(2,126.1)	(35.7)	307.8	284.4	259.3	265.2	324.6	433.0
Other	699.6	967.1	(213.0)	(23.4)	45.1	55.2	48.8	54.7	48.6	57.8
Combined portfolio	9,407.0	14,022.6	(4,743.7)	(34.2)	727.4	713.1	655.6	650.9	812.4	928.9
Properties treated as finance leases					(8.0)	(8.8)				
Combined portfolio					719.4	704.3				
Represented by:										
Investment portfolio	8,165.5	12,432.7	(4,113.4)	(34.2)	649.7	646.9	569.1	582.7	693.5	807.6
Share of joint ventures	1,241.5	1,589.9	(630.3)	(34.3)	77.7	66.2	86.5	68.2	118.9	121.3
Combined portfolio	9,407.0	14,022.6	(4,743.7)	(34.2)	727.4	713.1	655.6	650.9	812.4	928.9

Combined portfolio analysis continued

The like-for-like portfolio²

	Gross income yield ¹¹		Equivalent yield ¹²		Annual gross estimated rental value ¹³		Voids (by ERV) ¹⁴		Lease length at 31/03/09 ¹⁵	
	31/03/09 %	31/03/08 %	31/03/09 %	31/03/08 %	31/03/09 £m	31/03/08 £m	31/03/09 %	31/03/08 %	Median years (i)	Mean years (ii)
Shopping centres and shops										
Shopping centres and shops	8.9	5.8	8.1	5.7	193.3	202.6	7.0	4.8	6.5	7.6
Central London shops	5.8	4.4	5.8	5.0	39.7	38.5	0.8	7.0	4.3	5.8
	8.1	5.5	7.5	5.5	233.0	241.1	6.0	5.1	5.9	7.3
Retail warehouses										
Retail warehouses and food stores	8.0	5.2	8.1	5.5	87.8	92.3	0.9	2.7	11.2	11.6
Total retail	8.1	5.4	7.7	5.5	320.8	333.4	4.6	4.5	7.5	8.6
London offices										
West End	8.1	5.4	7.5	6.1	79.4	105.0	7.2	1.4	5.3	7.1
City	9.1	5.5	8.0	6.3	35.4	42.1	3.0	2.9	1.8	3.6
Mid-town	8.5	5.5	7.6	6.0	26.2	31.8	0.5	0.9	3.8	7.4
Inner London	8.7	5.6	8.4	7.6	17.5	18.8	1.9	1.5	4.9	5.7
Total London offices	8.4	5.5	7.7	6.1	158.5	197.7	4.6	1.7	4.0	6.2
Rest of UK	10.0	5.4	9.8	7.0	4.9	5.1	12.6	12.6	3.3	3.8
Total offices	8.5	5.5	7.8	6.2	163.4	202.8	4.8	1.9	4.0	6.1
Other	6.8	4.9	7.8	5.8	16.9	16.3	2.1	2.6	12.9	12.5
Like-for-like portfolio²	8.2	5.4	7.7	5.8	501.1	552.5	4.6	3.5	5.8	7.8
Proposed developments ³	3.0	4.5	5.3	6.1	26.7	37.6	44.1	9.1	0.8	7.1
Completed developments ⁴	5.8	3.2	6.7	5.9	89.8	103.0	1.0	3.6	12.5	12.9
Acquisitions ⁵	8.1	6.4	7.2	6.2	70.4	68.5	7.3	6.1	9.6	9.8
Sales and restructured interests ⁶	–	5.7	–	–	–	46.7	n/a	n/a	n/a	n/a
Development programme ⁷	3.1	0.6	7.5	5.4	146.7	138.4	n/a	n/a	n/a	n/a
Combined portfolio	7.0	4.6	7.5	5.7	834.7	946.7	n/a	n/a	n/a	n/a

Total portfolio analysis

Shopping centres and shops				
Shopping centres and shops	8.2	4.9	7.9	5.6
Central London shops	4.9	3.8	5.8	5.0
	7.3	4.7	7.4	5.5
Retail warehouses				
Retail warehouses and food stores	7.8	5.2	8.0	5.5
Total retail	7.4	4.8	7.5	5.5
London offices				
West End	7.2	4.5	7.2	5.9
City	7.0	4.5	7.8	6.2
Mid-town	5.2	4.0	7.4	5.8
Inner London	5.0	3.7	7.7	7.6
Total London offices	6.4	4.3	7.4	6.0
Rest of UK	8.2	4.9	9.6	7.0
Total offices	6.5	4.3	7.4	6.0
Other	7.0	5.7	7.1	5.9
Combined portfolio	7.0	4.6	7.5	5.7
Represented by:				
Investment portfolio	6.7	4.3	7.5	5.8
Share of joint ventures	8.6	7.5	7.2	5.4
Combined portfolio	7.0	4.6	7.5	5.7

Notes:

- The valuation deficit is stated after adjusting for the effect of SIC 15 under IFRS, but before restating for finance leases.
- The like-for-like portfolio includes all properties which have been in the portfolio since 1 April 2007 but excluding those which were acquired, sold or included in the development programme at any time during that period. Capital expenditure on refurbishments, acquisitions of headleases and similar capital expenditure has been allocated to the like-for-like portfolio in preparing this table. Changes in valuation from period-to-period reflect this capital expenditure as well as the disclosed valuation deficits.
- Proposed developments are properties which have not yet received final Board approval or are still subject to main planning conditions being satisfied.
- Completed developments represent those properties previously included in the development programme, which have been completed, let and removed from the development programme since 1 April 2007.
- Includes all properties acquired in the period since 1 April 2007.
- 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 2007.
- Ongoing developments are properties in the development programme. They exclude completed developments as defined in note 4 above. For the statutory accounts, Park House has been transferred back to Portfolio Management at 31 March 2009 following deferral of this scheme. For comparative purposes, Park House has been included in the development programme in the combined portfolio analysis and will be transferred on 1 April 2009.
- The open market value figures include the Group's share of the various joint ventures.
- Annual net rent is annual cash rents at 31 March 2009 (including units in administration where leases have not yet been disclaimed) after deduction of ground rents. It excludes the value of voids and current rent-free periods.
- 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.
- The gross income yield represents the annual cash net rent (including units in administration where leases have not yet been disclaimed) expressed as a percentage of the market value ignoring costs of purchase or sale.
- 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.
- Annual gross estimated rental value is calculated in the same way as net estimated rental value before the deduction of ground rents.
- 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 note 13 above.
- The definition for the figures in each column is:
 - Median is the number of years until half of income is subject to lease expiry/break clauses.
 - Mean is the rent-weighted average remaining term on leases subject to lease expiry/break clauses.