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

Francis Salway Chief Executive

Chart 13

Net assets per share (p)

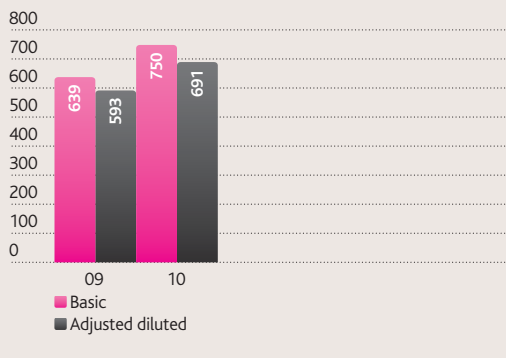
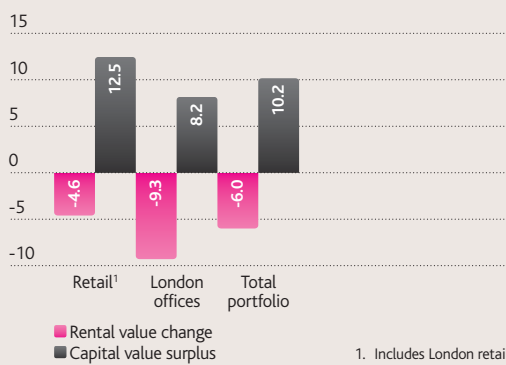


Chart 14

Rental and capital value trends
 Like-for-like portfolio

12 months ended 31 March 2010



Performance

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

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

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

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

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

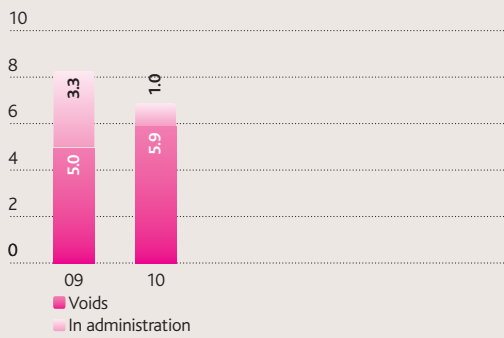
Our pre-tax profit for the year was £1,069.3m (2009: £4,773.2m loss). This figure includes the valuation surplus on our investment portfolio of £863.8m. Our measure of recurring income profit is revenue profit, which excludes the revaluation surplus. Revenue profit was £251.8m, down 20.0% on the prior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

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

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

Table 15

Voids and units in administration Total like-for-like portfolio



Focus on lettings

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

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

On development projects, our target was to achieve £17m of lettings and we significantly exceeded this, securing as much as £23m of new lettings. In partnership with Capital Shopping Centres, we opened the St David's 2 Shopping Centre in Cardiff in October, and the scheme is now 74% let or in solicitors' hands with good footfall and retail trading figures. In London, our largest completed development is at Dashwood, EC2 in the City, which moved from being 9% let in March 2009 to 88% let now.

Also in London, we continued our track record of success on mixed-use developments with One New Change, next to St. Paul's Cathedral. This scheme is due for completion in autumn 2010 and was named both Overall and Mixed Use Winner in the 2010 MIPIM European Architectural Review Future Projects Award. Our tactics on leasing One New Change, EC4 illustrate our priorities in current market conditions – patience and flexibility. During the year we focused on the importance of having the retail element let and trading by the opening date and the retail space is now 90% spoken for in terms of space let or in solicitors' hands. On the office side, we have taken a longer-term approach. The rapid recovery in the London office market, together with the increasingly tangible quality of the development, gives us confidence we will gain more attractive lease agreements with office occupiers as we move towards full launch in autumn 2010.

Balance sheet strength

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

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

Business positioned to exploit opportunities

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

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

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

In contrast, our tactics on retail development will be to secure a significant level of pre-letting before commencing projects. At our major 70,000m² shopping centre development at Leeds Trinity, we have either concluded pre-lettings or are at an advanced stage of negotiations with sufficient retailers to meet our pre-letting threshold. Assuming these negotiations are successfully concluded, we expect to start this scheme during 2010. We also plan a number of smaller retail developments in edge-of-town and out-of-town locations with the sound foundations of pre-lettings to supermarket operators and other leading retail brands. During 2009, we delivered the first store for John Lewis at home in Poole, and we now have planning consent, or resolution to grant consent, for three developments with J Sainsbury.

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

We have made a small number of selective acquisitions in the retail sector, each of which offer future asset management or development opportunities. We purchased a prime retail development site in the centre of Glasgow from a receiver acting on behalf of Lloyds Bank. And since our financial year end, we have acquired the O2 Centre, Finchley Road, NW3, a London suburban shopping centre, a market segment we favour, and also a 50% interest in a shopping centre with redevelopment potential in the middle of Oxford.

Land Securities' proposition

- Clear plan for delivering value
- Portfolio with extensive organic opportunities – and a balance sheet to deliver them
- Focus on rebuilding revenue profit growth in medium term
- Disciplined capital recycling
—good asset liquidity
- Underpinned by strong management team
—committed to capital recycling
—committed to strong occupier relationships

Stakeholder engagement

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

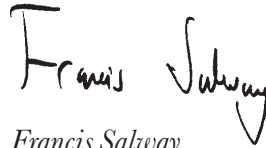
We are working closely with customers in the increasingly important area of sustainability. The UK is due to reduce CO₂ emissions by 34% by 2020; commercial property accounts for 18% of these emissions currently, so the challenges here are substantial and collaboration vital. Land Securities have long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

Outlook

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

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

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



Francis Salway
Chief Executive