



“We have the leadership qualities required to compete and win in a fast-moving market. And we have the financial firepower needed to make telling investments.”

Alison Carnwath Chairman

Share price increased to £6.78 by the end of the financial year

▲ 55.1%

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

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

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

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

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

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

Table 12
Total shareholder returns*

	Over one year to 31 March 2010 (£)	Over five years to 31 March 2010 (£)
Land Securities	166.33	72.05
FTSE 100	152.20	136.11
FTSE 350 Real Estate	160.43	74.65

*Historical TSR performance in the value of a hypothetical £100
Source: Datastream

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

Corporate Responsibility is central to our agenda. A desire to define new standards across sustainability, community relations and employee development sets us apart as a landlord, partner and employer. Innovations such as our use of geothermal technology at One New Change, EC4 – which should save over 900 tonnes of carbon dioxide emissions annually – are driven by a determination to find long-term solutions to the most pressing issues facing customers and communities.

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

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

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

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



Alison Carnwath
Chairman

For a comprehensive review of our performance this year, please read our Chief Executive's report [p24–26](#) and the Financial review [p27–32](#)