

Our Chairman's message

This year we saw a correction in the property market, turbulence in the financial markets and uncertainty in the wider economy. Our Chairman, Paul Myners, assesses our response and discusses what changing conditions mean for the Company.



Paul Myners

Land Securities is a well-managed company that thrived during an extended run of good market conditions. This year there was a market correction. Property values have reflected changes in interest rates and risk premia margins. Our sector does not operate in isolation from the credit market and the wider economy.

We anticipated these changing conditions and have been preparing the Company accordingly. We limited acquisitions, accelerated sales, reduced our exposure to development risk and planned our funding conservatively. We keep an old fashioned focus on costs, spending only when necessary and productive. Our three businesses are in good shape as a result.

Successful companies respond early to change. The actions we took this year demonstrate strength. We will continue to be decisive and to make the most of our skills and competitive advantages in the current demanding conditions.

Land Securities has a long and proud history of managing itself well through a range of market conditions. We always look to move forward, even when progress demands bold decisions.

Back in the 1950s, under the leadership of Harold Samuel, we entered into the property sector's first convertible debenture agreement. This was criticised by some at the time but soon became common practice.

In the early 1970s we went against the prevailing trend in the sector and limited our borrowing, a decision that enabled us to bounce back from the property crash of 1974.

Looking at the Company in the early 1990s, we can see parallels with today. Chairman Peter Hunt wrote at the time: "The fundamental principles on which Land Securities has been built are helping us through the most difficult period for the property industry that I can remember."

Those principles still hold true. Once again we are being bold with our plans for demerger. Our diversified business model has served us well but we believe specialisation will become increasingly appealing.

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Investors value specialisation – they want to be absolutely clear on the specific risks and opportunities ahead. We believe that by demerging our businesses we can provide greater clarity and greater value through a step change in focus and flexibility. To use the jargon of professional investors, we will be more ambitious in our pursuit of portfolio alpha.*

Throughout the demerger process we will work hard to minimise costs and to communicate what we are doing and why. The Company strives to set high standards of disclosure. We will report key decisions quickly and clearly.

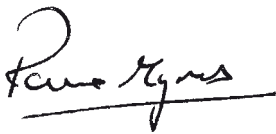
One principle will remain consistent throughout the process – we will only move to demerge when the conditions are right. We have no timetable to follow but our own.

During times of profound change you see the true calibre of a company's employees. I am impressed by what I have seen here this year. The demerger has not distracted anyone or anything. We recognise business conditions are placing great demands on our people at the moment and we thank them for their terrific response.

Win Bischoff left our Board recently after more than eight years of quite extraordinary service. He will be missed. We congratulate him on his appointment as Chairman of Citigroup. Christopher Bland, Rick Haythornthwaite and Kevin O'Byrne have been appointed to the Board as Non-executive Directors. They will be offering themselves for election by shareholders at our forthcoming Annual General Meeting. I encourage you to support their election.

Regardless of the demerger process and demanding market conditions, the Company continues to make corporate responsibility a priority. Rightly so. We want to be a provider and partner of choice, and our excellent track record across governance, sustainability and community affairs plays a vital role in this. It's quite simple – we want to be the sort of company people prefer to work with.

The Board thanks our colleagues, customers and suppliers for their tremendous support this year. With their help the Company remains in excellent shape and we look ahead with confidence to the next 12 months in Land Securities' remarkable history.



Paul Myners
Chairman

Chart 1
Land Securities returns (%)



Source: Organisation

Table 2
Total shareholder returns

	% return for year to 31/03/08	% return for five years to 31/03/08
Land Securities	(25.9)	148.0
FTSE 100	(6.3)	87.3
FTSE 350 Real Estate	(32.2)	147.1
FTSE All Share Real Estate	(33.3)	146.7

Source: Datastream

* Alpha is a measure of return on a portfolio generated by management actions and not market trends.