

ONE NEW CHANGE

Through developments like this we're shaping London for the better. In this case we're creating wonderful, contemporary office, retail and public space that will add new amenities to the City.



CUSTOMERS
FIRST!

RESHAPING
LONDON

THE POWER TO TRANSFORM!

London Portfolio

151,830m² of new developments completed and 94% let, including Bankside 2&3 let to RBS

No. 1 market share of London office development lettings

Total sales of £716.2m at 8.2% above valuation

Planning approval won for 20 Fenchurch Street, EC3

Timing of development pipeline well matched to demand



Mike Hussey, Managing Director
Land Securities London Portfolio

We are helping to reshape one of the world's great cities. Using our knowledge, understanding and scale, we develop and invest to create high quality office and retail space for world-class businesses and brands. We believe the spaces we provide enable organisations to enhance performance and improve day-to-day life for employees, shoppers and local residents.

“The market was demanding but we anticipated change early and achieved the lettings and sales needed to position the business favourably. We’re in good shape to compete and the timing of our development pipeline looks well matched to current market conditions.”

THE POWER TO TRANSFORM!

CUSTOMERS
FIRST

RESHAPING
LONDON!

NEW STREET SQUARE

We're revitalising London's Mid-town district with a cluster of new buildings. The contemporary look and excellent environmental performance of the development reflects our tenants' brand qualities, while the new shops, restaurants, bars and public spaces meet the needs of their employees.

London Portfolio

Our market

London is a world-class city with a growing population and excellent prospects for long-term business growth and employment. The capital's attraction as a place to live and work means households are set to increase by 15% (or 500,000) by 2021 and employment is expected to increase by 22% by 2026. [Source: London Draft Mayor's Housing Strategy September 2007, and GLA Economics].

In the short-term, our market has entered a period of slowdown after several years of very strong growth, and we now expect demand for new office space to reduce substantially. The credit crunch has accentuated these market dynamics. We did not predict the credit crunch but we did recognise the early signs of a slowdown some time ago and have adjusted our portfolio and development pipeline accordingly. The next two years will see our lowest development completions for a decade, while our existing portfolio is focused on high quality properties in thriving central locations.

Looking further ahead, we see a return to strong and sustainable growth in the London property sector. Our confidence in the London market is based on London's proven ability to attract people, businesses and international capital.

Our strategy

We invest substantial amounts of capital to create substantial value, using our expertise and scale to maximise growth and minimise risk. We believe that, in the London market, businesses thrive by taking decisive action on the timing and scope of key portfolio decisions.

We create value by:

- Ensuring we understand our customers' changing needs and expectations
- Investing early in the cycle to maximise value
- Focusing on major development projects located in a number of key central locations across London
- Using a mixed-use approach to create high quality properties that exceed people's expectations, thereby generating demand and improved rental performance.

Our performance

We have managed our strategy carefully over the last few years in order to time our delivery of developments and our sales and acquisition programme to the cyclical nature of the London office and commercial property market.

We have demonstrated elsewhere in this report the success of our development programme taking our overall schemes that completed this financial year from 78% to 94% let.

In addition, we sold £716.2m of assets at 8.2% average above March 2007 valuation. The majority of these sales reflected our belief that the assets had reached maturity in terms of their investment profile and could secure good prices in the strong investment market of 2007.

The combination of these two key areas of activity has resulted in a net outperformance of the IPD sector benchmark for London offices of 4.3%. This is a significant achievement.

Our asset management team has also performed well in the year and put us in good shape for the year ahead. For London offices we saw our voids drop from 5.7% to 1.8% in the year and we continue to benefit from the strength of our rental value growth, an 18.1% increase in like-for-like rental values and an increase in the reversionary potential from 6.7% to 20.5%. These factors have driven our underlying rental performance and our redevelopment of older secondary assets over the last three years is leading us into more difficult market conditions with a strong cashflow of well-let, newly developed assets that will come into our like-for-like portfolio next year.

Sales and acquisitions

Our objective is to create a balanced portfolio containing a strong blend of both investment assets and buildings offering medium and long-term development opportunities.

Our rationale for selling a particular asset is simple – we look to achieve the right price at the right time so we can recycle the capital into assets with greater growth potential. We have completed transactions valued at £1bn or more every year for the last four years and have now turned over more than 50% of our portfolio since 2004. This year we sold £716.2m of assets – an increase on previous years. A high level of turnover is not an end in itself, but our ability to achieve good liquidity from a very large portfolio shows that we have agility as well as scale.

Important sales this year included:

- **Greater London House, NW1**

We acquired this investment more than three years ago, achieved excellent rental growth, decided to crystallise the return on our investment in Spring 2007 and completed its sale in August 2007.

Chart 31

London Portfolio valuation breakdown £7.3bn

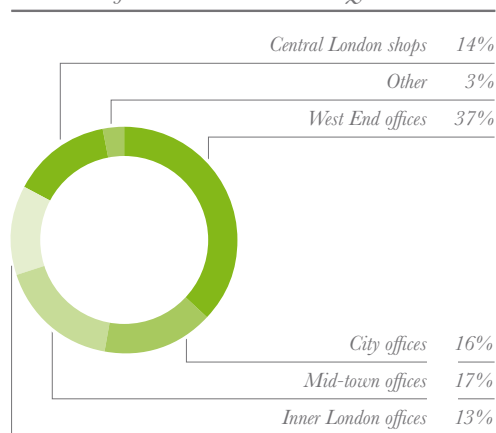
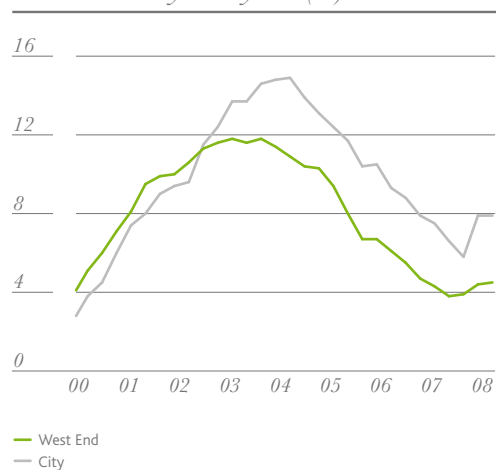


Chart 32

West End and City vacancy rates (%)



Source: Knight Frank

Table 33

London valuation and performance summary

	31/03/08 £m	31/03/07 £m
Combined portfolio valuation	7,351.1	7,461.3
Like-for-like		
Investment portfolio valuation	4,025.5	4,202.6
Rental income	213.4	211.1
Gross estimated rental value	262.2	231.9
Voids by estimated rental value	2.7	5.2
Gross income yield	5.2%	4.4%

London Portfolio

- **Blackfriars Road, SE1**
Having recognised its development potential we acquired this site in 2003. Having chosen to concentrate our South Bank activities at Bankside, for the time being, we opted to add substantial value by seeking planning permission for development and accepted a strong offer to sell in June 2007.
- **Lime Street Estate, EC3**
This series of buildings sits within the City's tall buildings zone and has medium-term development potential. It has performed well as an investment over many years and produced a good price on sale for us this year.

Important acquisitions this year included:

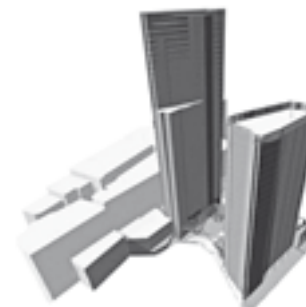
- **Thomas More Square, E1**
Located close to Tower Hill, this estate provides more than 52,000m² on a 1.7 hectare site, and we see excellent long-term development potential here. In November 2007 we entered into a 50% co-ownership agreement with Ontario Teachers' Pension Plan Board.
- **Times Square, EC4**
Here we completed the purchase of a further 50.5% interest in Times Square, EC4, taking our holding to 95%.
- **Harbour Exchange, E13**
We added 3 Harbour Exchange to our five neighbouring holdings.

Asset management

We have focused on two areas. First, maximising income from assets intended for redevelopment in the next cycle. Second, improving the performance of our Central London retail assets. We will continue to focus on our relationships with customers while driving efficiency in the portfolio, which will help to differentiate us in a period of reduced asset growth.

Joint ventures

Joint ventures enable us to pursue opportunities and diversify risk in the portfolio. In December we sold 50% of our holding at the corner of Oxford Street and Tottenham Court Road, W1, to Frogmore Real Estate Partners and entered into a joint venture through which we will define a long-term redevelopment strategy and Frogmore will manage the assets. This approach will combine the two companies' skills and experience and provide both parties with exposure to the investment and development markets.

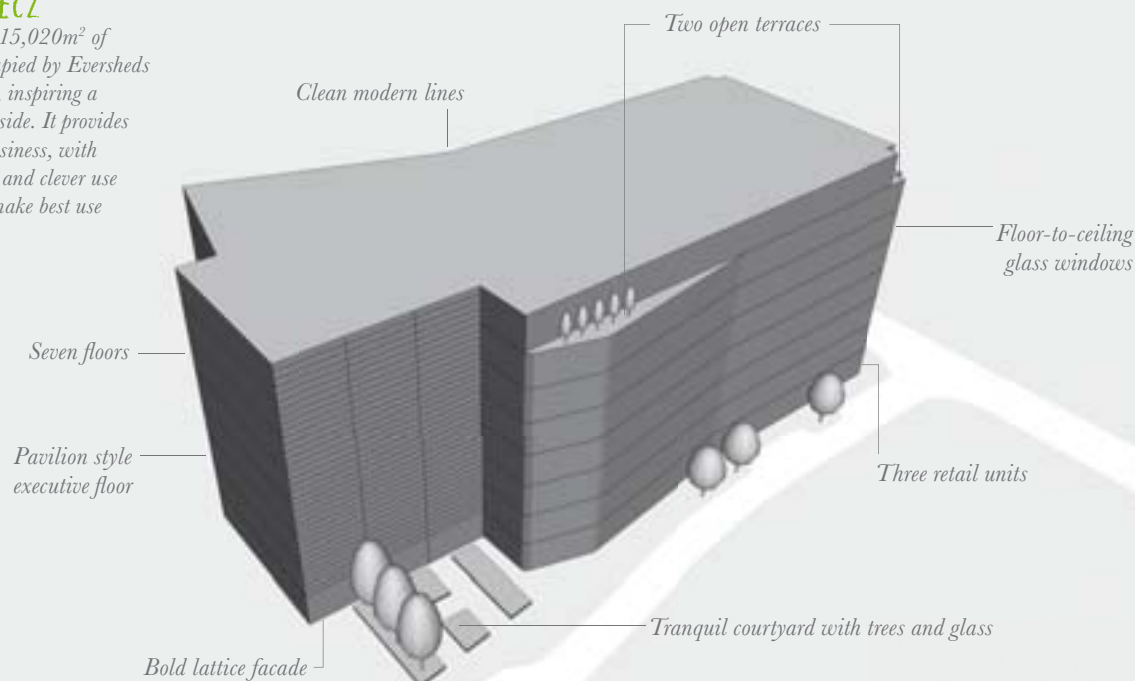


Blackfriars Road, SE1

We acquired this site in 2003, gained planning permission for development, and sold it in 2007 – achieving a good return on our investment.

ONE WOOD STREET, EC2

This development has created 15,020m² of flexible office space – now occupied by Eversheds – and 1,500m² of retail space, inspiring a shopping renaissance in Cheapside. It provides a wonderful atmosphere for business, with exceptional views, open spaces and clever use of glass and lattice shades to make best use of natural light.



London Portfolio

Table 34
Top 12 properties



Top 12 Properties

- a Cardinal Place, SW1**
Landmark offices, with ground floor retail anchored by Marks & Spencer.
- b New Street Square, EC4**
Innovative offices around a public square, with retail and restaurants.
- c 50 Queen Anne's Gate, SW1**
Refurbished former Home Office building now occupied by Ministry of Justice.
- d Portland House, SW1**
Offices in Victoria let to American Express, Government and others.
- e Bankside 2&3, SE1**
Contemporary office, retail and leisure space in thriving Southbank.
- f Times Square, EC4**
We now hold a 95% interest in this substantial City office asset.
- g Portman House, W1**
Prime retail space in the heart of the West End with modern offices above.
- h Empress State Building, SW6**
Office tower building, with Metropolitan Police as tenant.
- i Piccadilly Circus Lights, W1**
Offices, retail, leisure and a world famous advertising landmark.
- j Eland House, SW1**
Victoria offices benefiting from Cardinal Place redevelopment.
- k 455/475 Oxford Street, W1**
Our Park House development will create a mixed-use scheme in the West End.
- l Ashdown House, SW1**
Office and retail space in prominent Victoria location.

Top London Portfolio properties Over £100m by location



- EC2**
 - 1. One Wood Street
 - 2. Dashwood House*
 - EC3**
 - 3. 20 Fenchurch Street*
 - EC4**
 - 4. New Street Square*
 - 5. One New Change*
 - 6. 50 Ludgate Hill and 26 Old Bailey
 - 7. Hill House
 - 8. Times Square
 - E1**
 - 9. Thomas More Square Estate
 - E14**
 - 10. 3-9 Harbour Exchange
 - SW1**
 - 11. New Scotland Yard
 - 12. 50 Queen Anne's Gate*
 - 13. Portland House
 - 14. Eland House
 - 15. Kingsgate House
 - 16. Cardinal Place
 - 17. Ashdown House
 - SE1**
 - 18. Bankside 2&3
 - SW6**
 - 19. Empress State building[†]
 - WC2**
 - 20. 40 Strand
 - 21. Arundel Great Court*
 - W1**
 - 22. 2/50 Oxford Street
 - 23. 6/17 Tottenham Court Road
 - 24. 455/475 and 475/497 Oxford Street and Park House*
 - 25. Portman House
 - 26. Piccadilly Circus Lights
 - W2**
 - 26. 10/20/30/40/50 Eastbourne Terrace*
- *In the development pipeline
[†] Landflex building

THE POWER TO TRANSFORM

FRESHENING
CUSTOMERS
FIRST



BANKSIDE

We're helping to transform this under-valued location into a place where people want to work, live and play. Unveiled last year, our Monument to the Unknown Artist interactive sculpture is proving a big hit with visitors and those working in our Bankside 1,2 & 3 office development

London Portfolio

Development programme

This year we completed 151,830m² of development space of which 94% is now fully let – an excellent performance that has put us in a strong position in a challenging market. Highlights included:

- **Bankside 2&3, SE1**
Completed in 2007, these two buildings are now fully let to Royal Bank of Scotland, providing them with 35,172m² of high quality space in an increasingly popular and vibrant location.
- **New Street Square, EC4**
Completed in April 2008 and now 87% let, our development has set record rents for the Mid-town market, helping to establish this location as a leading destination for the legal and professional community.
- **One Wood Street, EC2**
Completed in September 2007, this development has now been handed over to its occupier, Eversheds.

In addition, the offices at Cardinal Place, SW1, are now fully let to occupiers, including 3i, Microsoft, EDF and Experian and Victoria continues to grow its position as one of the most attractive commercial centres in London.

For some time we have managed our development pipeline with one eye on the possibility of lower levels of demand. While the industry as a whole was increasing supply for completion in 2008/09, we opted to hold back. Over the next two years we have just 25,500m² of office developments coming on to the market.

In the medium-term the picture looks somewhat different. We see a return to strong growth for high quality buildings and have invested in a major development pipeline of 235,720m². We believe these developments have the potential to deliver significant returns beyond 2010. Key developments include:

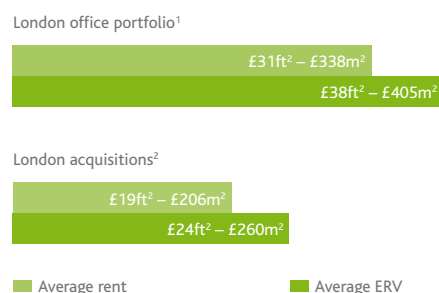
- **One New Change, EC4**
Our innovative development will bring excellent offices, retail and public space to a historic site opposite St Paul's Cathedral and is due for completion in late 2010. In October 2007 we exchanged contracts with K&L Gates on the pre-letting of 35% of the office space for a minimum term of 15.5 years.
- **Park House, W1**
Due for completion in 2011, this mixed-use scheme will offer some of the largest floor plates in the West End and add premium retail and residential units to an exceptional site.
- **20 Fenchurch Street, EC3**
We won planning permission this year following an arduous public enquiry and much debate. This stunning development could be delivered by 2012.

Our outlook

Short-term, market conditions will be challenging with deteriorating employment levels in the financial services sector. However, we are well positioned to compete and can use our balance sheet strength to take advantage of opportunities. Over the medium-term, we see a return to strong demand for high quality space and we are timing our substantial and imaginative future development programme in line with this view. Long-term, we believe continued strong economic and commercial growth within London will support our diverse mixed-use portfolio, enabling us to enhance our standing as a market leader in a world-class capital.

Chart 35

London office portfolio



1. Excluding voids and properties in the current development programme.
2. Acquisitions completed between 1 April 2007 and 31 March 2008 and excludes properties purchased for development.

Table 36

Customer satisfaction survey – London offices

London Office	2005 Actual	2006 Actual	2007 Actual
Understanding the need of the business	3.52	3.44	3.72
Communications	3.26	3.71	3.81
Willingness to recommend us	94%	81%	91%
Responsiveness	3.66	3.45	3.51
Overall Customer Service	n/a	3.57	3.82









Park House, W1

On schedule for completion in 2011 this site covers an entire city block. It includes retail space, offices and apartments, with views across Mayfair.

London Portfolio

Table 37

Development pipeline

					
2008	2008	2011	2011	2013	2013
Dashwood House, EC2 Comprehensive office redevelopment, due November 2008.	10 Eastbourne Terrace, W2 Comprehensive refurbishment including external envelope, due summer 2008.	One New Change, EC4 Landmark development adjacent to St Paul's.	Park House, W1 Redevelopment to create mixed-use scheme.	Arundel Great Court, WC2 Major island site with proposals for mix of offices, retail, hotel and residential.	20 Fenchurch Street, EC3 Rafael Viñoly-designed City tower.

London development pipeline at 31 March 2008

Property	Description of use	Ownership interest %	Size m ²	Planning status	Letting status %	Net income/ ERV £m	Estimated/ actual completion date	Total development costs to date £m	Forecast total development cost £m
Developments, let and transferred or sold									
Cardinal Place, SW1	Offices Retail	100	51,130 9,420	–	100 97	37	Completed Jan 2006	388	388
Bankside 2&3, SE1	Offices Retail/Leisure	100	35,550 3,170	–	100 72	17	Completed Aug 2007	163	163
One Wood Street, EC2	Offices Retail	100	15,020 1,500	–	100 100	8	Completed Sep 2007	110	110
Developments approved and those in progress									
New Street Square, EC4	Offices Retail	100	62,340 2,980	–	87 87	35	Apr 2008	347	383
50 Queen Anne's Gate, SW1	Offices	100	30,140	–	100	13	May 2008	137	142
10 Eastbourne Terrace, W2	Offices	100	6,150	–	73	3	Jun 2008	37	43
Dashwood House, EC2	Offices Retail	100	13,870 740	–	–	9	Nov 2008	90	113
30 Eastbourne Terrace, W2	Offices	100	4,470	–	–	2	May 2009	13	35
One New Change, EC4	Offices Retail	100	31,660 19,830	–	34 12	32	Sep 2010	220	537
Park House, W1	Offices Retail Residential	100	15,550 8,470 5,380	–	11	25	Feb 2011	218	347
Proposed developments									
Arundel Great Court & Howard Hotel, WC2	Offices Retail Residential	100	42,600 3,830 25,720	–	n/a	n/a	2012	n/a	n/a
Selborne House, SW1	Offices Retail	100	23,340 3,970	–	n/a	n/a	2012	n/a	n/a
20 Fenchurch Street, EC3	Offices Retail	100	54,810 560	PR	n/a	n/a	2013	n/a	n/a

Planning status for proposed developments

PR – Planning Received

Total development cost (£m)

Total development cost refers to the book value of the land at the commencement of the project, 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, together with finance charges less residential proceeds. 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 31 March 2008. Trading property development schemes are excluded from the development pipeline. Cost figures for proposed schemes are not given as these could still be subject to material change prior to final approval.

Net income/ERV

Net income/ERV represents net headline annual rental payable on let units plus ERV at 31 March 2008 on unlet units.

Urban Community Development

Urban Community Development creates value through the transformation of under-used land into thriving places and communities. Our work is both supporting and benefiting from London's long-term economic and population growth.

Kent Thameside

Our regeneration programme at Ebbsfleet Valley in Kent is a 20-25 year project that will transform 420 hectares of land into a vibrant mix of residential, business, retail, leisure and public space. We are working at two main development sites – Eastern Quarry and Ebbsfleet – within which are 10 'villages' or development areas. This year we achieved excellent progress on planning permission and made a good start on development and marketing. Highlights included:

■ Planning

We gained planning permission for Eastern Quarry, enabling us to focus on developing the 870,000m² project. We have since gained approval for our site-wide and area masterplans together with 18 other submissions for infrastructure and landscaping. We have also completed the masterplan for the central core of Ebbsfleet, comprising some 506,000m², with a team from Arup Urban Design. We have submitted these plans to Dartford and Gravesham Borough Councils.

■ Construction, marketing and sales

We started construction of phase one at Springhead Park with our partner, Countryside Properties. The marketing suite and first show homes were launched in March 2008 and more than 50% of the first phase was reserved within two weeks. First occupations will take place in September 2008. The final development will provide more than 600 homes together with a church and community centre, health centre and sports centre. We continue to achieve good sales at Waterstone Park, a further joint development with Countryside Properties next to Bluewater.

■ Transport connections

In November 2007 Eurostar launched its services from Ebbsfleet International station to Paris, Brussels and Lille, with Paris just over two hours away. High-speed domestic services to London will be launched in late 2009 with a journey time of just 17 minutes to St Pancras International. Fastrack, the award winning Bus Rapid Transit network serving Kent Thameside, has flourished, carrying significantly more passengers than expected.

■ Culture

In conjunction with London and Continental Railways and Eurostar, we launched the Ebbsfleet Landmark, a £2m project to create a major public artwork to help put Ebbsfleet Valley on the map. Artists Daniel Buren, Richard Deacon, Christopher Le Brun, Mark Wallinger and Rachel Whiteread have submitted models of their ideas and the final selection will be made in late summer.

Harrow and Wealdstone

In January 2008 we formed a partnership with Kodak Ltd to find new uses for 24 hectares of redundant land around its production plant in Harrow and Wealdstone. Our approach will enable Kodak to continue production while devising ways to maximise the land's future potential.

Milton Keynes

Working with joint venture partner Gazeley Limited, we completed the development of a 60,400m² distribution centre. This was pre-let to John Lewis and we have now sold the asset, generating a profit of £8.1m.

Harlow

In April 2008 we formed a 50:50 joint venture with Places for People and set out our plan to acquire more than 970 hectares of land to the north of Harlow, to help meet much-needed housing and employment in the area. The purchase is subject to the site's inclusion in the final East of England Plan.

Our outlook

Ebbsfleet Valley is making the vital step from planning to implementation successfully, and we expect to make substantial further progress on construction of infrastructure, landscaping and buildings, residential sales and community facilities over the next year, particularly at Springhead Park. Meanwhile, we are seeking out new opportunities to help the UK meet growing demand for housing and mixed-use space.

EBBSFLEET VALLEY

The completed development will provide:

10,000

new homes

645,560 m²

of offices

322,800 m²

of mixed-use space in total