Financial Statements

Unaudited consolidated income statement for the six months ended 30 September 2007

		Six months ended 30 September 2007			Six months ended 30 September 2006			Year ended 31 March 2007		
	Notes	**Before exceptional items £m**	**Exceptional items £m**	**Total £m**	Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items £m	Exceptional items £m	Total £m
Income: Group and share of joint ventures		**807.6**	**-**	**807.6**	853.9	-	853.9	1,722.7	-	1,722.7
Less: share of joint ventures' income	13	**(72.9)**	**-**	**(72.9)**	(39.5)	-	(39.5)	(81.6)	-	(81.6)
Group revenue	2	**734.7**	**-**	**734.7**	814.4	-	814.4	1,641.1	-	1,641.1
Costs	2	**(450.4)**	**-**	**(450.4)**	(515.1)	-	(515.1)	(1,046.2)	-	(1,046.2)
		284.3	-	**284.3**	299.3	-	299.3	594.9	-	594.9
Profit on disposal of non-current properties	2	**79.0**	**-**	**79.0**	33.6	-	33.6	118.2	-	118.2
Profit on disposal of a PPP project	2	**10.0**	**-**	**10.0**	-	-	-	-	-	-
Net surplus on revaluation of investment properties	2	**145.5**	**-**	**145.5**	896.7	-	896.7	1,307.6	-	1,307.6
Operating profit		**518.8**	**-**	**518.8**	1,229.6	-	1,229.6	2,020.7	-	2,020.7
Interest expense	3	**(142.3)**	**-**	**(142.3)**	(114.7)	-	(114.7)	(233.3)	-	(233.3)
Interest income	3	**8.5**	**-**	**8.5**	4.2	-	4.2	12.4	-	12.4
		385.0	**-**	**385.0**	1,119.1	-	1,119.1	1,799.8	-	1,799.8
Share of the (losses) / profits of joint ventures (post-tax)	13	**(9.8)**	**-**	**(9.8)**	59.1	-	59.1	81.3	98.0	179.3
Profit before tax	2	**375.2**	**-**	**375.2**	1,178.2	-	1,178.2	1,881.1	98.0	1,979.1
Income tax (expense) / credit	5	**(8.2)**	**-**	**(8.2)**	(318.4)	-	(318.4)	(445.0)	1,994.2	1,549.2
Profit for the financial period attributable to equity shareholders	25	**367.0**	**-**	**367.0**	859.8	-	859.8	1,436.1	2,092.2	3,528.3
Earnings per share *										
Basic earnings per share	7			78.57p			183.25p			753.59p
Diluted earnings per share	7			78.35p			182.51p			750.54p

* adjusted earnings per share are given in note 7

Unaudited consolidated statement of recognised income and expense for the six months ended 30 September 2007

	Six months ended 30 September 2007 £m	Six months ended 30 September 2006 £m	Year ended 31 March 2007 £m
Actuarial losses on defined benefit pension schemes	**(1.1)**	(3.5)	(1.3)
Deferred tax on actuarial losses on defined benefit pension schemes	**-**	1.0	1.0
Fair value movement on cash flow hedges taken to equity – Group	**0.2**	2.6	6.7
– joint ventures	**2.4**	1.9	11.8
Deferred tax on fair value movement on cash flow hedges taken to equity – Group	**-**	(0.7)	(1.6)
– joint ventures	**-**	(0.6)	(2.3)
Net gains recognised directly in equity	**1.5**	0.7	14.3
Profit for the financial period	**367.0**	859.8	3,528.3
Total recognised income and expense attributable to equity shareholders	**368.5**	860.5	3,542.6

Unaudited consolidated balance sheet at 30 September 2007

	Notes	30 September 2007 £m	30 September 2006 £m	31 March 2007 £m
Non-current assets				
Investment properties	9	**13,308.8**	12,852.6	12,891.7
Property, plant and equipment				
Property Partnerships properties	9	**1,106.6**	573.9	979.1
Other property, plant and equipment	9	**75.0**	75.4	78.2
	9	**14,490.4**	13,501.9	13,949.0
Net investment in finance leases	10	**296.2**	247.0	262.4
Goodwill	11	**129.6**	34.3	129.6
Investments in Public Private Partnership contracts	12	**21.0**	-	-
Investments in joint ventures	13	**1,361.2**	928.3	1,338.8
Total non-current assets		**16,298.4**	14,711.5	15,679.8
Current assets				
Trading properties and long-term development contracts	14	**175.2**	156.9	148.3
Trade and other receivables	15	**635.7**	577.9	641.8
Cash and short-term deposits	16	**31.4**	25.2	52.7
Total current assets (excluding non-current assets classified as held for sale)		**842.3**	760.0	842.8
Non-current assets classified as held for sale	17	**2,568.9**	-	2,420.3
Total current assets		**3,411.2**	760.0	3,263.1
Total assets		**19,709.6**	15,471.5	18,942.9
Current liabilities				
Short-term borrowings and overdrafts	18	**(1,258.7)**	(437.0)	(1,683.2)
Trade and other payables	19	**(956.1)**	(630.6)	(783.9)
Current tax liabilities		**(187.4)**	(229.0)	(535.8)
Total non-current liabilities (excluding liabilities directly associated with non-current assets classified as held for sale)		**(2,402.2)**	(1,296.6)	(3,002.9)
Liabilities directly associated with non-current assets classified as held for sale	17	**(1,655.9)**	-	(1,601.0)
Total current liabilities		**(4,058.1)**	(1,296.6)	(4,603.9)
Non-current liabilities				
Provisions	20	**(80.9)**	(57.3)	(80.7)
Borrowings	21	**(4,637.1)**	(3,689.0)	(3,457.4)
Net pension benefit obligations	22	**(6.2)**	(9.5)	(5.6)
Deferred tax liabilities	23	**(4.3)**	(2,227.4)	(4.0)
Total non-current liabilities		**(4,728.5)**	(5,983.2)	(3,547.7)
Total liabilities		**(8,786.6)**	(7,279.8)	(8,151.6)
Net assets		**10,923.0**	8,191.7	10,791.3
Equity				
Ordinary shares	25	**47.1**	47.0	47.0
Own shares	25	**(22.0)**	(18.6)	(14.5)
Share-based payments	25	**8.3**	8.9	7.9
Share premium	25	**52.9**	47.9	51.5
Capital redemption reserve	25	**30.5**	30.5	30.5
Retained earnings	25	**10,806.2**	8,076.0	10,668.9
Total shareholders' equity		**10,923.0**	8,191.7	10,791.3

The financial statements on pages 35 to 61 were approved by the Board of Directors on 14 November 2007 and were signed on its behalf by:

F W Salway　　　　M F Greenslade

Directors

Unaudited consolidated cash flow statement for the six months ended 30 September 2007

	Notes	30 September 2007 £m	30 September 2007 £m	30 September 2006 £m	30 September 2006 £m	31 March 2007 £m	31 March 2007 £m
Net cash generated from operations							
Cash generated from operations	26		**282.6**		335.3		682.4
Interest paid			**(163.9)**		(121.4)		(237.5)
Interest received			**8.5**		3.8		12.4
Funding pension scheme deficit			**(1.1)**		(1.6)		(3.9)
Taxation (includes REIT conversion charge)			**(356.3)**		(42.0)		(91.9)
Net cash (outflow) / inflow from operations			**(230.2)**		174.1		361.5
Cash flows from investing activities							
Investment property development expenditure		**(246.2)**		(158.2)		(429.4)	
Acquisition of investment properties		**(552.7)**		(473.4)		(523.7)	
Other investment property related expenditure		**(63.2)**		(35.9)		(77.2)	
Acquisition of properties by Property Partnerships		**(153.0)**		(12.4)		(416.5)	
Capital expenditure by Property Partnerships		**(9.5)**		(12.5)		(26.0)	
Capital expenditure on properties		**(1,024.6)**		(692.4)		(1,472.8)	
Disposal of non-current investment properties		**799.4**		319.5		841.0	
Disposal of non-current operating properties		**30.6**		14.7		28.8	
Net expenditure on properties		**(194.6)**		(358.2)		(603.0)	
Disposal of a PPP project		**25.3**		-		-	
Net expenditure on non-property related non-current assets		**(5.3)**		(9.1)		(18.8)	
Net cash outflow from capital expenditure		**(174.6)**		(367.3)		(621.8)	
Receivable finance leases acquired		**(35.8)**		(18.9)		(43.3)	
Receipts in respect of receivable finance leases		**1.4**		1.5		3.8	
Net loans (to) / from joint ventures and cash contributed		**(83.0)**		(45.3)		10.8	
Distributions from joint ventures		**53.2**		6.9		39.2	
Net cash advanced to disposal group		**(61.0)**		-		(372.6)	
Acquisitions of Group undertakings (net of cash acquired)		**-**		-		(521.4)	
Net cash used in investing activities			**(299.8)**		(423.1)		(1,505.3)
Cash flows from financing activities							
Issue of shares		**1.5**		4.8		8.4	
Purchase of own share capital		**(81.1)**		(35.7)		(36.2)	
Increase in debt		**693.5**		424.5		1,433.9	
Decrease in finance leases payable		**(1.0)**		(1.2)		(2.2)	
Dividends paid to ordinary shareholders		**(159.5)**		(133.8)		(223.0)	
Net cash inflow from financing activities			**453.4**		258.6		1,180.9
(Decrease) / increase in cash and cash equivalents for the period			**(76.6)**		9.6		37.1

Notes to the Financial Statements

1. Basis of preparation

The interim financial information comprises the consolidated balance sheets as at 30 September 2007, 30 September 2006 and 31 March 2007 and related consolidated statements of income, cash flow, and recognised income and expense and the related notes for periods then ended.

The interim financial information contained in this report is unaudited and does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The Annual Report and Accounts for the year ended 31 March 2007, which were prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union, received an unqualified auditors' report and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985 and have been filed with the Registrar of Companies. The unaudited interim financial information has been prepared in accordance with Disclosure and Transparency Rules of the Financial Services Authority and with IAS34 Interim Financial Reporting, as adopted by the EU, and on the basis of the accounting policies set out in the Group's Annual Report and Accounts for the year ended 31 March 2007. The Group's Annual Report and Accounts refers to new Standards, Amendments to Standards and Interpretations, none of which have had a material impact on these financial statements.

2. Segmental information

Income statements	Six months ended 30 September 2007 Retail Portfolio £m	London Portfolio £m	Other investment portfolio £m	Property Partnerships £m	Total £m	Six months ended 30 September 2006 Retail Portfolio £m	London Portfolio £m	Other investment portfolio £m	Property Partnerships £m	Total £m
Rental income	**129.9**	**156.2**	**4.8**	**-**	**290.9**	139.2	154.0	4.9	-	298.1
Service charge income	**22.3**	**22.3**	**0.2**	**-**	**44.8**	24.2	21.8	0.4	-	46.4
Property services income	**-**	**-**	**-**	**380.6**	**380.6**	-	-	-	395.5	395.5
Trading property sale proceeds	**-**	**-**	**-**	**-**	**-**	-	12.7	27.6	-	40.3
Long-term development contract income	**-**	**-**	**13.9**	**-**	**13.9**	-	-	29.5	-	29.5
Finance lease interest	**1.6**	**2.9**	**-**	**-**	**4.5**	1.7	2.9	-	-	4.6
Revenue	**153.8**	**181.4**	**18.9**	**380.6**	**734.7**	165.1	191.4	62.4	395.5	814.4
Rents payable	**(6.0)**	**(2.6)**	**-**	**(83.8)**	**(92.4)**	(5.6)	(2.7)	-	(88.3)	(96.6)
Other direct property or contract expenditure	**(30.4)**	**(29.9)**	**(0.5)**	**(210.7)**	**(271.5)**	(34.3)	(31.1)	(0.7)	(233.9)	(300.0)
Indirect property or contract expenditure	**(17.7)**	**(14.9)**	**(2.7)**	**(8.2)**	**(43.5)**	(17.6)	(16.0)	(2.4)	(6.3)	(42.3)
Long-term development contract expenditure	**-**	**-**	**(12.9)**	**-**	**(12.9)**	-	-	(20.1)	-	(20.1)
Bid costs	**-**	**-**	**-**	**(3.1)**	**(3.1)**	-	-	-	(1.4)	(1.4)
Cost of sales of trading properties	**-**	**-**	**-**	**-**	**-**	-	(10.7)	(20.8)	-	(31.5)
Depreciation	**(1.2)**	**(2.4)**	**(0.2)**	**(17.0)**	**(20.8)**	(0.8)	(2.5)	(0.2)	(13.8)	(17.3)
Underlying operating profit	**98.5**	**131.6**	**2.6**	**57.8**	**290.5**	106.8	128.4	18.2	51.8	305.2
Profit on disposal of non-current properties	**25.0**	**38.6**	**0.3**	**15.1**	**79.0**	4.1	20.9	0.1	8.5	33.6
Profit on disposal of a PPP project	**-**	**-**	**-**	**10.0**	**10.0**	-	-	-	-	-
Net (deficit) / surplus on revaluation of investment properties	**(126.9)**	**283.2**	**(2.0)**	**(8.8)**	**145.5**	283.9	611.3	1.2	0.3	896.7
Segment result	**(3.4)**	**453.4**	**0.9**	**74.1**	**525.0**	394.8	760.6	19.5	60.6	1,235.5
Unallocated expenses					**(6.2)**					(5.9)
Operating profit					**518.8**					1,229.6
Net finance costs					**(133.8)**					(110.5)
					385.0					1,119.1
Share of the (losses) / profits of joint ventures (post-tax)					**(9.8)**					59.1
Profit before tax from continuing activities					**375.2**					1,178.2

Included within rents payable is finance lease interest payable of **£0.9m** (30 September 2006: £1.0m; 31 March 2007: £1.9m) and **£1.5m** (30 September 2006: £1.6m; 31 March 2007: £3.1m) respectively for Retail Portfolio and London Portfolio.

Of the share of the results of joint ventures (post-tax) a loss of **£15.9m** (30 September 2006: profit £58.2m; 31 March 2007: profit £182.5m) is attributable to Retail Portfolio, profit of **£6.0m** (30 September 2006: £0.9m; 31 March 2007: £nil) is attributable to Other investment portfolio, and a profit of **£0.1m** (30 September 2006: £nil; 31 March 2007: loss £3.2m) is attributable to Property Partnerships.

All the Group's operations are in the UK and are organised into four main business segments against which the Group reports its primary segment information. These are Retail Portfolio, London Portfolio, Other investment portfolio and Property Partnerships.

2. Segmental information continued

Income statements	Retail Portfolio £m	London Portfolio £m	Other investment portfolio £m	Property Partnerships £m	Year ended 31 March 2007 Total £m
Rental income	279.2	311.6	8.7	-	599.5
Service charge income	46.8	48.6	0.3	-	95.7
Property services income	-	-	-	785.9	785.9
Trading property sale proceeds	-	33.1	29.0	1.7	63.8
Long-term development contract income	-	28.9	51.8	-	80.7
Finance lease interest	3.5	5.9	-	6.1	15.5
Revenue	329.5	428.1	89.8	793.7	1,641.1
Rents payable	(11.3)	(4.9)	-	(179.9)	(196.1)
Other direct property or contract expenditure	(67.7)	(62.1)	(0.8)	(469.0)	(599.6)
Indirect property or contract expenditure	(31.6)	(30.9)	(5.8)	(16.3)	(84.6)
Long-term development contract expenditure	-	(26.1)	(40.3)	-	(66.4)
Bid costs	-	-	-	(2.8)	(2.8)
Cost of sales of trading properties	(0.1)	(28.7)	(20.9)	(0.5)	(50.2)
Depreciation	(1.5)	(4.9)	(0.1)	(26.4)	(32.9)
Underlying operating profit	217.3	270.5	21.9	98.8	608.5
Profit on disposal of non-current properties	28.5	81.7	0.5	7.5	118.2
Net surplus / (deficit) on revaluation of investment properties	293.6	1,022.0	5.6	(13.6)	1,307.6
Segment result	539.4	1,374.2	28.0	92.7	2,034.3
Unallocated expenses					(13.6)
Operating profit					2,020.7
Net finance costs					(220.9)
					1,799.8
Share of the profit of joint ventures (post-tax)					179.3
Profit before tax from continuing activities					1,979.1

3. Net finance costs	Six months ended 30 September 2007 £m	Six months ended 30 September 2006 £m	Year ended 31 March 2007 £m
Interest expense			
Bond and debenture debt	**(97.9)**	(80.8)	(173.1)
Bank borrowings	**(65.0)**	(39.9)	(89.6)
Other interest payable	**(0.5)**	(2.1)	(1.2)
Fair value (losses) / profits on interest rate swaps	**(4.2)**	4.2	15.4
Provision discounting (note 20)	**(0.8)**	-	(1.0)
Amortisation of bond exchange de-recognition (note 21)	**(2.3)**	(8.6)	(17.1)
Expected return on pension scheme assets	**4.3**	4.4	8.6
Interest on pension scheme liabilities	**(3.9)**	(3.8)	(7.6)
Net financing income on pension scheme	**0.4**	0.6	1.0
	(170.3)	(126.6)	(265.6)
Interest capitalised in relation to properties under development	**28.0**	11.9	32.3
Total interest expense	**(142.3)**	(114.7)	(233.3)
Interest income			
Short-term deposits	**1.1**	0.4	1.5
Other interest receivable	**0.8**	2.0	2.4
Interest receivable from joint ventures	**6.6**	1.8	8.5
Total interest income	**8.5**	4.2	12.4
Net finance costs	**(133.8)**	(110.5)	(220.9)

Included within rents payable (note 2) is finance lease interest payable of **£2.4m** (30 September 2006: £2.6m; 31 March 2007: £5.0m).

4. Exceptional items	Six months ended 30 September 2007 £m	Six months ended 30 September 2006 £m	Year ended 31 March 2007 £m
Deferred taxation released within joint ventures on conversion to a Real Estate Investment Trust	**-**	-	98.0
Exceptional items before tax	**-**	-	98.0
Deferred taxation released on conversion to a Real Estate Investment Trust	**-**	-	2,309.2
Real Estate Investment Trust conversion charge	**-**	-	(315.0)
	-	-	2,092.2

On entering the REIT regime an entry charge equal to 2% of the aggregate market value of the properties associated with the qualifying rental business was payable. Deferred tax accrued at the date of conversion in respect of the assets and liabilities of the qualifying rental business was released to the income statement in the year ended 31 March 2007, as the relevant temporary differences would no longer be taxable on reversal. An equivalent release of deferred taxation was also made by the joint ventures, of which the Group share was £98.0m.

5. Income tax expense	Six months ended 30 September 2007 £m	Six months ended 30 September 2006 £m	Year ended 31 March 2007 £m
Current tax			
Corporation tax expense for the period	**6.7**	48.5	68.8
Adjustment in respect of prior periods	**1.2**	-	(0.6)
Corporation tax in respect of property disposals	**-**	10.3	32.0
Real Estate Investment Trust conversion charge	**-**	-	315.0
Total current tax expense	**7.9**	58.8	415.2
Deferred tax			
Origination and reversal of timing differences	**0.3**	15.0	32.9
Released in respect of property disposals	**-**	(24.4)	(18.8)
On valuation surplus	**-**	269.0	330.7
Released on conversion to a Real Estate Investment Trust	**-**	-	(2,309.2)
Total deferred tax expense / (credit)	**0.3**	259.6	(1,964.4)
Total income tax expense / (credit) in the income statement	**8.2**	318.4	(1,549.2)

The tax for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

Profit on activities before taxation	**375.2**	1,178.2	1,979.1
Profit on activities multiplied by rate of corporation tax in the UK of 30%	**112.6**	353.5	593.7
Effects of:			
Deferred tax released in respect of property disposals	**-**	(24.4)	(18.8)
Corporation tax on disposal of non-current assets	**-**	-	6.0
Joint venture accounting adjustments	**7.1**	(14.3)	(44.2)
Prior period corporation tax adjustments	**1.2**	-	(0.6)
Prior period deferred tax adjustments	**-**	-	1.1
Non-allowable expenses and non-taxable items	**9.6**	3.6	7.9
Real Estate Investment Trust conversion charge	**-**	-	315.0
Deferred tax released on conversion to a Real Estate Investment Trust	**-**	-	(2,309.2)
Exempt property rental profits in the six months ended 30 September 2007	**(99.6)**	-	-
Exempt property gains in the six months ended 30 September 2007	**(22.7)**	-	-
Exempt property rental profits in the three months ended 31 March 2007	**-**	-	(89.8)
Exempt property gains in the three months ended 31 March 2007	**-**	-	(10.3)
Total income tax expense / (credit) in the income statement (as above)	**8.2**	318.4	(1,549.2)

Land Securities Group PLC elected for group Real Estate Investment Trust (REIT) status with effect from 1 January 2007. As a result the Group no longer pays UK corporation tax on the profits and gains from qualifying rental business in the UK provided it meets certain conditions. Non-qualifying profits and gains of the Group continue to be subject to corporation tax as normal.

The calculation of the Group's tax expense and liability necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until a formal resolution has been reached with the relevant tax authorities. If all such issues are resolved in the Group's favour, provisions established in previous periods of up to £225.0m could be released in the future.

6. Dividends	Six months ended 30 September 2007 £m	Six months ended 30 September 2006 £m	Year ended 31 March 2007 £m
Ordinary dividends paid			
Final dividend for the year ended 31 March 2007 (34.00p per share)	**159.5**	-	-
Final dividend for the year ended 31 March 2006 (28.55p per share)	**-**	133.8	133.8
Interim dividend for the year ended 31 March 2007 (19.00p per share)	**-**	-	89.2
	159.5	133.8	223.0

The Board has proposed a second quarterly dividend of **16.00p** per share in addition to the first quarterly dividend of **16.00p** paid on 26 October 2007 (interim dividend for the year ended 31 March 2007: 19.00p). It will be paid on 7 January 2008 to shareholders who are on the Register of Members on 7 December 2007.

7. Earnings per share	Six months ended 30 September 2007 £m	Six months ended 30 September 2006 £m	Year ended 31 March 2007 £m
Profit for the financial period	**367.0**	859.8	3,528.3
Revaluation (surpluses) / deficits net of deferred taxation – Group	**(145.5)**	(627.7)	(976.9)
– joint ventures	**23.5**	(45.9)	(54.5)
(Profits) / losses on non-current property disposals after current and deferred tax – Group	**(79.0)**	(47.7)	(105.2)
– joint ventures	**7.3**	-	-
Profit on disposal of PPP projects	**(10.0)**	-	-
Mark-to-market adjustment on interest rate swaps (net of deferred tax)	**4.2**	(4.3)	(13.7)
Deferred tax arising from capital allowances on investment properties	**-**	6.7	11.7
Deferred tax arising from capitalised interest on investment properties	**-**	3.4	5.8
Real Estate Investment Trust conversion charge	**-**	-	315.0
Deferred tax released on conversion to a Real Estate Investment Trust – Group	**-**	-	(2,309.2)
– joint ventures	**-**	-	(98.0)
EPRA adjusted earnings	**167.5**	144.3	303.3
Eliminate effect of debt restructuring charges (net of taxation)	**1.0**	4.4	13.4
Eliminate effect of bond exchange de-recognition (net of deferred tax)	**2.3**	6.0	13.3
Adjusted earnings	**170.8**	154.7	330.0

	No. m	No. m	No. m
Weighted average number of ordinary shares	**470.4**	469.5	469.8
Effect of own shares and treasury shares	**(3.3)**	(0.3)	(1.6)
Weighted average number of ordinary shares after adjusting for own shares	**467.1**	469.2	468.2
Effect of dilutive share options	**1.3**	1.9	1.9
Weighted average number of ordinary shares adjusted for dilutive instruments	**468.4**	471.1	470.1

	pence	pence	pence
Basic earnings per share	**78.57**	183.25	753.59
Diluted earnings per share	**78.35**	182.51	750.54
Adjusted earnings per share	**36.57**	32.97	70.48
Adjusted diluted earnings per share	**36.46**	32.84	70.20
EPRA adjusted diluted earnings per share	**35.76**	30.63	64.52

Management have chosen to disclose adjusted earnings per share in order to provide an indication of the Group's underlying business performance. Accordingly, it excludes the effect of all exceptional items, debt restructuring charges and other items of a capital nature (excluding trading properties and long-term contract profits) as indicated above. In addition, the corporation tax charge arising from the conversion to a REIT, and the deferred tax released following the conversion to a REIT, have also been excluded due to their size and incidence. Further, prior to the conversion to a REIT, the deferred tax arising on capital allowances in respect of investment properties was eliminated as experience had shown that these allowances are not in practice repayable, and deferred tax on capitalised interest was also added back as this was effectively a permanent difference. An EPRA measure has been included to assist comparison between European property companies. Management believe our measure of adjusted diluted earnings per share is more indicative of underlying performance.

8. Net assets per share	30 September 2007 £m	30 September 2006 £m	31 March 2007 £m
Net assets attributable to equity shareholders	**10,923.0**	8,191.7	10,791.3
Cumulative mark-to-market adjustment on interest rate swaps (net of deferred tax) – Group	**(10.4)**	0.6	(14.4)
– joint ventures	**(4.1)**	0.5	(9.2)
Deferred tax arising on revaluation surpluses	**-**	2,007.7	-
Deferred tax arising from capital allowances on investment properties	**-**	119.9	-
Deferred tax arising from capitalised interest on investment properties	**-**	31.6	-
EPRA adjusted net assets	**10,908.5**	10,352.0	10,767.7
Reverse bond exchange de-recognition adjustment (net of deferred tax)	**(516.8)**	(369.3)	(519.1)
Adjusted net assets attributable to equity shareholders	**10,391.7**	9,982.7	10,248.6
Reinstate bond exchange de-recognition adjustment (net of deferred tax)	**516.8**	369.3	519.1
Cumulative mark-to-market adjustment on interest rate swaps (net of deferred tax) – Group	**10.4**	(0.6)	14.4
– joint ventures	**4.1**	(0.5)	9.2
Fair value of debt	**(341.4)**	(656.2)	(511.5)
EPRA triple net assets value	**10,581.6**	9,694.7	10,279.8

	No. m	No. m	No. m
Number of ordinary shares	**470.5**	469.9	470.4
Effect of own shares and treasury shares	**(6.9)**	(1.0)	(2.1)
Number of ordinary shares after adjusting for own shares	**463.6**	468.9	468.3
Effect of dilutive share options	**1.1**	1.8	1.6
Number of ordinary shares adjusted for dilutive instruments	**464.7**	470.7	469.9

	pence	pence	pence
Net assets per share	**2356**	1747	2304
Diluted net assets per share	**2351**	1740	2297
Adjusted net assets per share	**2242**	2129	2188
Adjusted diluted net assets per share	**2236**	2121	2181
EPRA measure – adjusted diluted net assets per share	**2347**	2199	2291
– diluted triple net assets per share	**2277**	2060	2188

Adjusted net assets per share excludes the deferred tax arising on revaluation surpluses, mark-to-market adjustments on financial instruments used for hedging purposes and the bond exchange de-recognition adjustment as management consider that this better represents the expected future cash flows of the Group. Prior to REIT entry, the deferred tax arising on capital allowances in respect of investment properties was excluded as experience had shown that these allowances do not in practice crystallise. Deferred tax on capitalised interest was also added back as this was effectively a permanent difference. This is no longer the case since the Group became a REIT on 1 January 2007. EPRA measures have been included to assist comparison between European property companies. We believe our measure of adjusted net assets attributable to equity shareholders is more indicative of underlying performance.

9. Non-current assets

	Property investment			Property Partnerships	Other	
	Portfolio management £m	Development programme £m	Total investment properties £m	Operating and investment properties £m	Other property, plant and equipment £m	Total £m
Net book value at 31 March 2006	**10,211.2**	**1,229.3**	**11,440.5**	**563.2**	**73.6**	**12,077.3**
Properties transferred from portfolio management into the development programme during the period (at 1 April 2006 valuation)	(6.4)	6.4	-	-	-	-
Developments completed, let and transferred from the development programme into portfolio management during the period	32.5	(32.5)	-	-	-	-
Property acquisitions	461.1	12.3	473.4	-	-	473.4
Capital expenditure	35.9	148.8	184.7	24.9	9.1	218.7
Capitalised interest	-	10.9	10.9	-	-	10.9
Disposals	(145.3)	(5.3)	(150.6)	(6.2)	-	(156.8)
Surrender premiums received	(1.0)	-	(1.0)	-	-	(1.0)
Depreciation	(1.7)	-	(1.7)	(8.3)	(7.3)	(17.3)
Surplus on revaluation	648.8	247.6	896.4	0.3	-	896.7
Net book value at 30 September 2006	**11,235.1**	**1,617.5**	**12,852.6**	**573.9**	**75.4**	**13,501.9**
Properties transferred from portfolio management into the development programme during the period (at 1 April 2006 valuation)	(212.6)	212.6	-	-	-	-
Developments completed, let and transferred from the development programme into portfolio management during the period	28.3	(28.3)	-	-	-	-
Property acquisitions	48.9	1.4	50.3	440.7	-	491.0
Capital expenditure	41.3	273.3	314.6	2.3	9.9	326.8
Capitalised interest	-	18.9	18.9	-	-	18.9
Disposals	(498.2)	(0.3)	(498.5)	(16.8)	(0.2)	(515.5)
Transfer to joint ventures	(266.5)	-	(266.5)	-	-	(266.5)
Surrender premiums received	(2.9)	-	(2.9)	-	-	(2.9)
Depreciation	(1.6)	-	(1.6)	(7.1)	(6.9)	(15.6)
Surplus / (deficit) on revaluation	235.6	189.2	424.8	(13.9)	-	410.9
Net book value at 31 March 2007	**10,607.4**	**2,284.3**	**12,891.7**	**979.1**	**78.2**	**13,949.0**
Properties transferred from portfolio management into the development programme during the period (at 1 April 2007 valuation)	(21.9)	21.9	-	-	-	-
Developments completed, let and transferred from the development programme into portfolio management during the period	1,230.5	(1,230.5)	-	-	-	-
Property acquisitions	546.2	-	546.2	153.0	-	699.2
Capital expenditure	62.7	301.7	364.4	12.4	5.3	382.1
Capitalised interest	-	26.6	26.6	-	-	26.6
Disposals	(652.2)	-	(652.2)	(17.5)	-	(669.7)
Surrender premiums received	(3.3)	-	(3.3)	-	-	(3.3)
Depreciation	(1.5)	-	(1.5)	(10.8)	(8.5)	(20.8)
Transferred to trading properties	-	(17.4)	(17.4)	(0.8)	-	(18.2)
(Deficit) / surplus on revaluation	(23.0)	177.3	154.3	(8.8)	-	145.5
Net book value at 30 September 2007	**11,744.9**	**1,563.9**	**13,308.8**	**1,106.6**	**75.0**	**14,490.4**

9. Non-current assets continued

The following table reconciles the net book value of the investment properties excluding those within Property Partnerships to their market value. The components of the reconciliation are included within their relevant balance sheet headings.

	Property investment		
	Portfolio management £m	Development programme £m	Total investment properties £m
Net book value at 30 September 2006	11,235.1	1,617.5	12,852.6
Plus: amount included in prepayments in respect of lease incentives	87.5	24.6	112.1
Less: head leases capitalised (note 24)	(64.4)	(8.4)	(72.8)
Plus: properties treated as finance leases	178.1	-	178.1
Market value at 30 September 2006 – Group	**11,436.3**	**1,633.7**	**13,070.0**
– plus: share of joint ventures (note 13)			1,369.8
Market value at 30 September 2006 – Group and share of joint ventures			**14,439.8**
Net book value at 31 March 2007	10,607.4	2,284.3	12,891.7
Plus: amount included in prepayments in respect of lease incentives	93.6	37.4	131.0
Less: head leases capitalised (note 24)	(61.6)	(9.4)	(71.0)
Plus: properties treated as finance leases	163.1	-	163.1
Market value at 31 March 2007 – Group	**10,802.5**	**2,312.3**	**13,114.8**
– plus: share of joint ventures (note 13)			1,637.7
Market value at 31 March 2007 – Group and share of joint ventures			**14,752.5**
Net book value at 30 September 2007	**11,744.9**	**1,563.9**	13,308.8
Plus: amount included in prepayments in respect of lease incentives	**144.8**	**15.0**	159.8
Less: head leases capitalised (note 24)	**(66.8)**	**(3.3)**	(70.1)
Plus: properties treated as finance leases	**151.6**	**-**	151.6
Market value at 30 September 2007 – Group	**11,974.5**	**1,575.6**	**13,550.1**
– plus: share of joint ventures (note 13)			1,493.1
Market value at 30 September 2007 – Group and share of joint ventures			**15,043.2**

	30 September 2007 £m	30 September 2006 £m	31 March 2007 £m
Capital commitments	**229.7**	312.2	726.6

10. Net investment in finance leases	30 September 2007 £m	30 September 2006 £m	31 March 2007 £m
Non-current			
Finance leases – gross receivables	**621.4**	582.0	603.9
Unearned finance income	**(351.7)**	(364.4)	(368.0)
Unguaranteed residual value	**26.5**	29.4	26.5
	296.2	247.0	262.4
Current			
Finance leases – gross receivables	**16.6**	14.7	14.6
Unearned finance income	**(12.3)**	(10.8)	(10.9)
	4.3	3.9	3.7
Total net investment in finance leases	**300.5**	250.9	266.1
Gross receivables from finance leases:			
Not later than one year	**16.6**	14.7	14.6
Later than one year but not more than five years	**127.1**	109.8	116.7
More than five years	**494.3**	472.2	487.2
	638.0	596.7	618.5
Unearned future finance income	**(364.0)**	(375.2)	(378.9)
Unguaranteed residual value	**26.5**	29.4	26.5
Net investment in finance leases	**300.5**	250.9	266.1

The Group has leased out a number of investment properties under finance leases ranging between 15 and 100 years in duration. These are accounted for as finance lease receivables rather than investment properties. The fair value of the Group's finance lease receivables approximates to the carrying amount.

11. Goodwill	30 September 2007 £m	30 September 2006 £m	31 March 2007 £m
At the beginning of the period	**129.6**	34.3	34.3
Arising on acquisitions during the period	**-**	-	83.2
Transferred on acquisition of a joint venture (note 13)	-	-	12.1
At the end of the period	**129.6**	34.3	129.6
Represented by:			
Gross goodwill recognised	**214.5**	119.2	214.5
Total accumulated impairment losses	**(84.9)**	(84.9)	(84.9)
	129.6	34.3	129.6

12. Investments in Public Private Partnership contracts	30 September 2007 £m	30 September 2006 £m	31 March 2007 £m
At the beginning of the period	**-**	-	-
Investments during the period	**21.0**	-	-
At the end of the period	**21.0**	-	-

During the six months ended 30 September 2007 a number of PPP contracts were acquired independent from the disposal group. These PPP contracts relate to assets currently under construction.

13. Investments in joint ventures

Six months ended 30 September 2007 and at 30 September 2007

Summary financial information of Group's share of joint ventures	Scottish Retail Property Limited Partnership £m	Metro Shopping Fund LP £m	Buchanan Partnership £m	St David's Limited Partnership £m	The Martineau Galleries Limited Partnership £m	The Bull Ring Limited Partnership £m	Bristol Alliance £m	Fen Farm Developm'ts Limited £m	Other [1] £m	Total £m
Income statement										
Rental income	7.6	6.8	4.8	2.5	0.8	7.4	1.7	-	0.8	32.4
Service charge income	1.6	1.5	0.3	0.4	0.2	1.3	-	-	0.1	5.4
Property services income	-	-	-	-	-	-	-	-	0.1	0.1
Trading property sale proceeds	-	-	-	-	-	-	-	35.0	-	35.0
Revenue	9.2	8.3	5.1	2.9	1.0	8.7	1.7	35.0	1.0	72.9
Rents payable	(0.1)	-	-	-	-	-	-	-	-	(0.1)
Other direct property expenditure	(3.0)	(1.8)	(0.7)	(0.6)	(0.4)	(2.2)	(0.1)	(0.1)	(0.2)	(9.1)
Indirect property expenditure	(0.6)	(0.5)	-	-	-	-	-	-	-	(1.1)
Cost of sales of trading properties	-	-	-	-	-	-	-	(26.8)	-	(26.8)
	5.5	6.0	4.4	2.3	0.6	6.5	1.6	8.1	0.8	35.8
(Loss) / profit on disposal of non-current properties	(7.7)	-	-	-	0.4	-	-	-	-	(7.3)
Net (deficit) / surplus on revaluation of investment properties	(10.9)	(5.1)	2.0	-	(0.1)	(5.1)	(2.9)	-	(1.4)	(23.5)
Operating (loss) / profit	(13.1)	0.9	6.4	2.3	0.9	1.4	(1.3)	8.1	(0.6)	5.0
Net finance (costs) / income	(4.2)	(6.4)	(1.7)	0.3	-	-	-	0.3	(0.1)	(11.8)
(Loss) / profit before tax	(17.3)	(5.5)	4.7	2.6	0.9	1.4	(1.3)	8.4	(0.7)	(6.8)
Income tax expense	-	(0.6)	-	-	-	-	-	(2.4)	-	(3.0)
(Loss) / profit after tax	(17.3)	(6.1)	4.7	2.6	0.9	1.4	(1.3)	6.0	(0.7)	(9.8)
Balance sheet										
Investment properties [2]	143.8	298.3	187.8	239.7	31.4	314.9	236.9	-	31.7	1,484.5
Current assets	15.6	9.0	7.0	127.1	2.4	10.6	15.1	18.4	32.8	238.0
	159.4	307.3	194.8	366.8	33.8	325.5	252.0	18.4	64.5	1,722.5
Current liabilities	(3.5)	(7.2)	(4.6)	(20.9)	(0.6)	(9.6)	(15.6)	(5.1)	(6.2)	(73.3)
Non-current liabilities	(61.8)	(210.1)	-	(0.2)	(0.6)	-	(2.4)	(12.9)	-	(288.0)
	(65.3)	(217.3)	(4.6)	(21.1)	(1.2)	(9.6)	(18.0)	(18.0)	(6.2)	(361.3)
Net assets	**94.1**	**90.0**	**190.2**	**345.7**	**32.6**	**315.9**	**234.0**	**0.4**	**58.3**	**1,361.2**
Capital commitments	**0.2**	**1.0**	**1.4**	**50.5**	**0.7**	**53.0**	**7.4**	**0.2**	**-**	**114.4**
Market value of investment properties [2]	**142.6**	**296.5**	**192.0**	**239.8**	**30.8**	**320.0**	**239.8**	**-**	**31.6**	**1,493.1**
Net investment										
At 1 April 2007	145.8	95.3	188.6	308.1	27.4	321.1	198.6	-	53.9	1,338.8
Cash contributed	-	1.5	0.3	-	4.3	-	-	-	5.2	11.3
Share of post-tax results	(17.3)	(6.1)	4.7	2.6	0.9	1.4	(1.3)	6.0	(0.7)	(9.8)
Distributions	(37.5)	-	(3.4)	-	-	-	-	(5.6)	(0.1)	(46.6)
Fair value movement on cash flow hedges taken to equity	3.1	(0.7)	-	-	-	-	-	-	-	2.4
Loan advances	-	-	-	35.0	-	-	38.4	-	-	73.4
Loan repayments	-	-	-	-	-	(6.6)	(1.7)	-	-	(8.3)
At 30 September 2007	**94.1**	**90.0**	**190.2**	**345.7**	**32.6**	**315.9**	**234.0**	**0.4**	**58.3**	**1,361.2**

Notes:

1. Other principally includes the Martineau Limited Partnership, the Ebbsfleet Limited Partnership, the A2 Limited Partnership, Parc Tawe and Investors in the Community (IIC).
2. The difference between the book value and the market value is the amount included in prepayments in respect of lease incentives, head leases capitalised and properties treated as finance leases.
3. The proportion of ownership of the joint ventures are as stated in the Annual Report for the year ended 31 March 2007, which is available from www.landsecurities.com.

13. Investments in joint ventures continued

Six months ended 30 September 2006 and at 30 September 2006

Summary financial information of Group's share of joint ventures	Scottish Retail Property Limited Partnership £m	Metro Shopping Fund LP £m	Buchanan Partnership £m	St David's Limited Partnership £m	The Martineau Galleries Limited Partnership £m	The Bull Ring Limited Partnership £m	Bristol Alliance £m	Fen Farm Developm'ts Limited £m	Other [1] £m	Total £m
Income statement										
Rental income	10.8	6.5	4.6	-	0.8	7.4	1.7	-	0.9	32.7
Service charge income	2.0	1.5	0.8	-	0.1	1.1	-	-	0.2	5.7
Property services income	-	-	-	-	-	-	-	-	1.1	1.1
Revenue	12.8	8.0	5.4	-	0.9	8.5	1.7	-	2.2	39.5
Rents payable	(0.1)	-	-	-	-	-	-	-	-	(0.1)
Other direct property expenditure	(4.2)	(2.0)	(1.3)	-	(0.5)	(2.0)	(0.1)	-	(2.0)	(12.1)
Indirect property expenditure	(1.0)	(0.1)	-	-	-	(0.1)	(0.1)	-	(0.4)	(1.7)
	7.5	5.9	4.1	-	0.4	6.4	1.5	-	(0.2)	25.6
Net surplus on revaluation of investment properties	10.2	18.4	10.8	-	2.5	18.7	4.4	-	0.7	65.7
Operating profit / (loss)	17.7	24.3	14.9	-	2.9	25.1	5.9	-	0.5	91.3
Net finance (costs) / income	(5.8)	(4.3)	(1.8)	-	-	0.1	0.1	-	(0.1)	(11.8)
Profit before tax	11.9	20.0	13.1	-	2.9	25.2	6.0	-	0.4	79.5
Income tax expense	(3.1)	(6.1)	(3.2)	-	(0.8)	(5.6)	(1.3)	-	(0.3)	(20.4)
Profit after tax	8.8	13.9	9.9	-	2.1	19.6	4.7	-	0.1	59.1
Balance sheet										
Investment properties [2]	356.0	294.7	184.7	-	25.4	314.4	155.6	-	33.3	1,364.1
Current assets	12.8	6.3	4.4	30.9	2.5	11.9	12.2	-	39.9	120.9
	368.8	301.0	189.1	30.9	27.9	326.3	167.8	-	73.2	1,485.0
Current liabilities	(14.1)	(5.7)	(2.1)	(8.6)	(0.6)	(5.3)	(6.5)	-	(5.7)	(48.6)
Non-current liabilities	(221.5)	(184.3)	-	-	-	-	(2.4)	-	(0.3)	(408.5)
Deferred tax	(17.2)	(16.0)	(6.5)	-	(2.1)	(49.2)	(8.2)	-	(0.4)	(99.6)
	(252.8)	(206.0)	(8.6)	(8.6)	(2.7)	(54.5)	(17.1)	-	(6.4)	(556.7)
Net assets	**116.0**	**95.0**	**180.5**	**22.3**	**25.2**	**271.8**	**150.7**	**-**	**66.8**	**928.3**
Capital commitments	**0.5**	**0.2**	**0.4**	**-**	**0.1**	**0.9**	**110.0**	**-**	**0.2**	**112.3**
Market value of investment properties [2]	**349.8**	**292.9**	**188.5**	**-**	**26.6**	**320.0**	**158.7**	**-**	**33.3**	**1,369.8**
Net investment										
At 1 April 2006	105.2	81.0	173.0	0.8	23.1	259.3	118.5	-	68.6	829.5
Cash contributed	-	0.8	-	21.5	-	-	-	-	-	22.3
Share of post-tax results	8.8	13.9	9.9	-	2.1	19.6	4.7	-	0.1	59.1
Distributions	-	-	(2.4)	-	-	-	-	-	(4.5)	(6.9)
Fair value movement on cash flow hedges taken to equity	2.0	(0.7)	-	-	-	-	-	-	-	1.3
Loan advances	-	-	-	-	-	-	29.8	-	2.6	32.4
Loan repayments	-	-	-	-	-	(7.1)	(2.3)	-	-	(9.4)
At 30 September 2006	**116.0**	**95.0**	**180.5**	**22.3**	**25.2**	**271.8**	**150.7**	**-**	**66.8**	**928.3**

Notes:
1. Other principally includes the Martineau Limited Partnership, the Ebbsfleet Limited Partnership, the A2 Limited Partnership, Parc Tawe and Investors in the Community (IIC).
2. The difference between the book value and the market value is the amount included in prepayments in respect of lease incentives, head leases capitalised and properties treated as finance leases.
3. The proportion of ownership of the joint ventures are as stated in the Annual Report for the year ended 31 March 2007, which is available from www.landsecurities.com.

13. Investments in joint ventures continued

Year ended 31 March 2007 and at 31 March 2007

Summary financial information of Group's share of joint ventures	Scottish Retail Property Limited Partnership £m	Metro Shopping Fund LP £m	Buchanan Partnership £m	St David's Limited Partnership £m	The Martineau Galleries Limited Partnership £m	The Bull Ring Limited Partnership £m	Bristol Alliance £m	Fen Farm Developm'ts Limited £m	Other [1] £m	Total £m
Income statement										
Rental income	20.6	13.3	10.2	2.0	1.4	15.1	3.3	-	1.7	67.6
Service charge income	4.5	3.2	1.4	0.2	0.3	2.6	-	-	0.2	12.4
Property services income	-	-	-	-	-	-	-	-	1.6	1.6
Revenue	25.1	16.5	11.6	2.2	1.7	17.7	3.3	-	3.5	81.6
Rents payable	(0.2)	-	-	-	(0.1)	-	-	-	-	(0.3)
Other direct property expenditure	(8.4)	(4.3)	(2.4)	(0.4)	(0.8)	(4.5)	(0.2)	-	(3.8)	(24.8)
Indirect property expenditure	(1.4)	(1.0)	(0.1)	-	-	(0.2)	(0.1)	-	(0.9)	(3.7)
Depreciation	-	-	-	-	-	-	-	-	(0.1)	(0.1)
	15.1	11.2	9.1	1.8	0.8	13.0	3.0	-	(1.3)	52.7
Profit on disposal of non-current properties	-	-	-	-	-	-	-	-	0.2	0.2
Net surplus on revaluation of investment properties	6.3	23.0	10.2	2.6	2.0	23.8	6.9	-	0.3	75.1
Operating profit / (loss)	21.4	34.2	19.3	4.4	2.8	36.8	9.9	-	(0.8)	128.0
Net finance (costs) / income	(11.7)	(10.9)	(3.4)	0.2	0.2	0.1	0.4	-	(0.4)	(25.5)
Profit / (loss) before tax	9.7	23.3	15.9	4.6	3.0	36.9	10.3	-	(1.2)	102.5
Income tax (expense) / credit										
- ordinary	(2.7)	(6.2)	(3.5)	(1.2)	(0.6)	(5.6)	(1.1)	-	(0.3)	(21.2)
- exceptional	17.7	16.9	6.9	1.2	1.9	44.9	8.1	-	0.4	98.0
Profit / (loss) after tax	24.7	34.0	19.3	4.6	4.3	76.2	17.3	-	(1.1)	179.3
Balance sheet										
Investment properties [2]	357.2	301.0	185.1	213.2	25.0	319.6	197.3	-	32.9	1,631.3
Current assets	15.2	9.8	7.5	116.3	3.0	10.7	15.5	-	27.1	205.1
	372.4	310.8	192.6	329.5	28.0	330.3	212.8	-	60.0	1,836.4
Current liabilities	(4.5)	(5.2)	(4.0)	(21.2)	(0.6)	(9.2)	(11.8)	-	(5.3)	(61.8)
Non-current liabilities	(222.1)	(210.3)	-	(0.2)	-	-	(2.4)	-	(0.8)	(435.8)
	(226.6)	(215.5)	(4.0)	(21.4)	(0.6)	(9.2)	(14.2)	-	(6.1)	(497.6)
Net assets	**145.8**	**95.3**	**188.6**	**308.1**	**27.4**	**321.1**	**198.6**	**-**	**53.9**	**1,338.8**
Capital commitments	**0.6**	**1.1**	**1.3**	**1.9**	**-**	**-**	**129.3**	**-**	**-**	**134.2**
Market value of investment properties [2]	**351.4**	**299.3**	**189.3**	**213.3**	**26.2**	**325.0**	**200.5**	**-**	**32.7**	**1,637.7**
Net investment										
At 1 April 2006	105.2	81.0	173.0	0.8	23.1	259.3	118.5	-	68.6	829.5
Properties contributed	-	-	-	267.6	-	-	-	-	-	267.6
Cash contributed	9.5	6.8	1.4	35.1	-	0.3	-	-	2.5	55.6
Cost of acquisition	-	-	-	-	-	-	-	-	0.5	0.5
Share of post-tax results	24.7	34.0	19.3	4.6	4.3	76.2	17.3	-	(1.1)	179.3
Distributions	-	(29.6)	(5.1)	-	-	-	-	-	(4.5)	(39.2)
Fair value movement on cash flow hedges taken to equity	6.4	3.1	-	-	-	-	-	-	-	9.5
Transferred to goodwill	-	-	-	-	-	-	-	-	(12.1)	(12.1)
Loan advances	-	-	-	-	-	-	67.0	-	-	67.0
Loan repayments	-	-	-	-	-	(14.7)	(4.2)	-	-	(18.9)
At 31 March 2007	**145.8**	**95.3**	**188.6**	**308.1**	**27.4**	**321.1**	**198.6**	**-**	**53.9**	**1,338.8**

Notes:
1. Other principally includes the Martineau Limited Partnership, the Ebbsfleet Limited Partnership, the A2 Limited Partnership, Parc Tawe and Investors in the Community (IIC).
2. The difference between the book value and the market value is the amount included in prepayments in respect of lease incentives, head leases capitalised and properties treated as finance leases.
3. The proportion of ownership of the joint ventures are as stated in the Annual Report for the year ended 31 March 2007, which is available from www.landsecurities.com.

14. Trading properties and long-term development contracts	30 September 2007 £m	30 September 2006 £m	31 March 2007 £m
Trading properties	**175.2**	140.0	148.3
Amount recoverable under long-term development contracts less payments on account	**-**	16.9	-
	175.2	156.9	148.3
The amounts for contracts in progress at the balance sheet date are as follows:			
Contract revenue recognised as revenue in the period	**13.9**	29.5	80.7
Contract costs incurred and recognised profits (less recognised losses) to date	**239.7**	448.1	494.8
Advances received	**(249.8)**	(440.9)	(504.1)
	(10.1)	7.2	(9.3)
Plus: gross amount due to customers for contract work (included in accruals and deferred income)	**10.1**	9.7	9.3
Gross amount due from customers for contract work	**-**	16.9	-

15. Trade and other receivables	30 September 2007 £m	30 September 2006 £m	31 March 2007 £m
Trade receivables – Property investment	**57.4**	60.2	26.4
– Property Partnerships	**78.0**	94.4	96.2
Property sales receivables	**17.0**	6.4	78.6
Other receivables	**113.2**	93.2	100.5
Prepayments and accrued income	**365.8**	319.8	336.4
Finance leases receivable within one year (note 10)	**4.3**	3.9	3.7
	635.7	577.9	641.8

Trade receivables are net of provisions for doubtful debts of **£21.6m** (30 September 2006: £17.3m; 31 March 2007: £26.6m).

16. Cash and short-term deposits	30 September 2007 £m	30 September 2006 £m	31 March 2007 £m
Cash at bank and in hand	**28.9**	15.5	32.4
Short-term deposits	**2.5**	9.7	20.3
	31.4	25.2	52.7
For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise the following:			
Cash at bank and in hand	**28.9**	15.5	32.4
Short-term deposits	**2.5**	9.7	20.3
Bank overdraft (note 18)	**(55.3)**	-	-
	(23.9)	25.2	52.7

The effective interest rate on short-term deposits was **5.6%** (30 September 2006: 4.4%; 31 March 2007: 8.0%) and the deposits have an average maturity of **3** days (30 September 2006: 3 days; 31 March 2007: 30 days).

17. Non-current assets classified as held for sale	30 September 2007 £m	30 September 2006 £m	31 March 2007 £m
Non-current assets classified as held for sale	**2,568.9**	-	2,420.3
Liabilities directly associated with non-current assets classified as held for sale	**(1,655.9)**	-	(1,601.0)
	913.0	-	819.3

SMIF was acquired on 5 February 2007 for £517.0m. SMIF includes a number of PPP contracts which the Group acquired exclusively with a view to being resold to third-party investors, while maintaining a minority share. The Group announced at the time of the acquisition that these PPP contracts would be sold, and an Investment Bank has been appointed to execute the disposal strategy. The PPP contracts are available for immediate sale in their present condition, although a new fund or similar vehicle will be created for the purposes of the disposal. The divestment is expected to complete prior to 31 March 2008. Accordingly, these PPP contracts have been designated as a disposal group. The net carrying value of the disposal group is based on its fair value less costs to sell at the date of acquisition, as adjusted to reflect cash advanced to the disposal group to enable it to repay external debt (£397.6m) and net cash invested in the disposal group (£118.7m). The disposal group represents a discontinued operation, and the Group has not recognised any profits or losses in respect of this discontinued operation for the period from acquisition to 30 September 2007. SMIF is held in the Property Partnerships segment.

18. Short-term borrowings and overdrafts

	30 September 2007 £m	30 September 2006 £m	31 March 2007 £m
Bank overdraft (note 21)	**55.3**	-	-
Borrowings falling due within one year (note 21)	**1,212.5**	447.4	1,687.4
Bond exchange de-recognition adjustment falling due within one year (note 21)	**(11.2)**	(12.5)	(6.3)
Amounts payable under finance leases falling due within one year (notes 21 and 24)	**2.1**	2.1	2.1
	1,258.7	437.0	1,683.2

19. Trade and other payables

	30 September 2007 £m	30 September 2006 £m	31 March 2007 £m
Trade payables	**38.8**	29.8	26.7
Capital payables	**131.4**	75.8	77.9
Other payables	**49.1**	68.9	37.7
Accruals and deferred income	**621.8**	456.1	526.6
Loans from joint venture	**115.0**	-	115.0
	956.1	630.6	783.9

Capital payables represent amounts due under contracts to purchase properties, which were unconditionally exchanged at the period end, and for work completed on investment properties but not paid for at the financial period end. Deferred income principally relates to rents received in advance.

20. Provisions

	Dilapidations	Onerous leases	Other	Total
At 1 April 2006	23.1	19.8	15.3	58.2
Charged to income statement for the period	0.1	0.5	5.9	6.5
Utilised in the period	(5.0)	(2.4)	-	(7.4)
At 30 September 2006	**18.2**	**17.9**	**21.2**	**57.3**
Charged / (credited) to income statement for the period	5.8	(1.0)	1.2	6.0
Release of discount charged to net finance costs (note 3)	-	1.0	-	1.0
Utilised in the period	(3.1)	(2.3)	(2.4)	(7.8)
On acquisition of Royal Mail property portfolio	-	24.2	-	24.2
At 31 March 2007	**20.9**	**39.8**	**20.0**	**80.7**
Charged to income statement for the period	0.3	-	4.3	4.6
Release of discount charged to net finance costs (note 3)	-	0.8	-	0.8
Utilised in the period	-	(5.2)	-	(5.2)
At 30 September 2007	**21.2**	**35.4**	**24.3**	**80.9**

Dilapidations
Provision for dilapidations is made in respect of certain leasehold properties where the Group anticipates incurring future expenditure at the end of the lease. The provision is calculated on those leases that expire within the next five years or where the lease has already expired and the liability has not yet been settled. The amounts provided are based on the current estimate of the future costs determined on the basis of the present condition of the relevant properties. Settlement of the amounts provided occurs once agreement is reached with the parties to the lease.

Onerous leases
An onerous lease provision is established in respect of leasehold properties that are unoccupied or the expected future rental income is not expected to meet the Group's rental obligations. The provisions are based on assumptions about expected future rentals and voids. This provision will be settled as the net rental obligations develop. The provision may vary based on reassessment of the relevant assumptions as circumstances change and new obligations are established.

Other
Other provisions include liabilities arising from the contractual arrangements with clients that include specific performance measurement targets and life cycle capital expenditure requirements. Settlement of the amounts provided follows agreement with the clients. It is expected that most of the other provisions will be utilised within the next three years.

21. Borrowings

At 30 September 2007

	Nominal value [7] £m	Book value Secured £m	Unsecured £m	Total £m	Fixed / floating [9]	Effective interest rate %	Weighted average time for which interest rate is fixed Years	Fair value [10] £m	Excess of fair value over book value £m
Sterling									
4.625 per cent Notes due 2013 [1]	300.0	299.7	-	299.7	Fixed	4.6	5.4	287.1	(12.6)
5.292 per cent Notes due 2015 [1]	391.5	390.8	-	390.8	Fixed	5.3	8.2	378.8	(12.0)
4.875 per cent Notes due 2019 [1]	400.0	395.9	-	395.9	Fixed	4.9	12.1	366.4	(29.5)
5.425 per cent Notes due 2022 [1]	255.3	254.5	-	254.5	Fixed	5.4	14.5	245.6	(8.9)
4.875 per cent Notes due 2025 [1]	300.0	297.0	-	297.0	Fixed	4.9	17.5	271.4	(25.6)
5.391 per cent Notes due 2026 [1]	210.7	209.8	-	209.8	Fixed	5.4	18.4	200.9	(8.9)
5.391 per cent Notes due 2027 [1]	611.3	608.4	-	608.4	Fixed	5.4	19.5	582.2	(26.2)
5.376 per cent Notes due 2029 [1]	317.9	316.3	-	316.3	Fixed	5.4	22.0	303.5	(12.8)
5.396 per cent Notes due 2032 [1]	322.9	321.0	-	321.0	Fixed	5.4	24.9	307.2	(13.8)
5.125 per cent Notes due 2036 [1]	500.0	498.5	-	498.5	Fixed	5.1	28.4	464.3	(34.2)
Bank facility due 2010	15.5	15.5	-	15.5	Floating	6.5	0.1	15.5	-
Euro Commercial Paper [2]	29.7	-	29.7	29.7	Floating	6.1	0.5	29.7	-
DWP term loan [3]	134.1	134.1	-	134.1	Floating	6.1	0.5	134.1	-
Syndicated bank debt [4]	1,380.0	1,380.0	-	1,380.0	Floating	6.2	0.1	1,380.0	-
Bilateral facility [5]	855.6	855.6	-	855.6	Floating	6.3	-	855.6	-
Acquisition loan notes [6]	112.7	-	112.7	112.7	Floating	4.6	-	112.7	-
Bank overdraft	55.3	-	55.3	55.3	Floating	-	-	55.3	-
Money market borrowings	89.2	89.2	-	89.2	Floating	6.2	0.2	89.2	-
	6,281.7	6,066.3	197.7	6,264.0				6,079.5	(184.5)
Euro									
Syndicated bank debt	27.4	27.4	-	27.4	Floating	4.4	0.3	27.4	-
Bilateral facility	27.9	27.9	-	27.9	Floating	4.5	-	27.9	-
Euro Commercial Paper [2]	29.3	-	29.3	29.3	Floating	6.6	0.1	29.3	-
	84.6	55.3	29.3	84.6				84.6	-
US Dollars									
Euro Commercial Paper [2]	5.4	-	5.4	5.4	Floating	6.0	-	5.4	-
Amounts payable under finance leases	70.1	70.1	-	70.1	Fixed	5.5	87.8	79.2	9.1
	6,441.8	6,191.7	232.4	6,424.1				6,248.7	(175.4)
Fair value of derivative instruments									
Interest rate swaps									
Qualifying hedges	168.2	-	(2.6)	(2.6)		5.1	5.9	(2.6)	-
Non-qualifying hedges	1,565.0	-	(7.8)	(7.8)		5.1	3.1	(7.8)	-
Foreign currency swaps – qualifying hedges	34.7	-	(1.1)	(1.1)		6.5	0.1	(1.1)	-
	1,767.9	-	(11.5)	(11.5)				(11.5)	-
Bond exchange de-recognition		(516.8)	-	(516.8)				-	516.8
Total borrowings		5,674.9	220.9	5,895.8				6,237.2	341.4
Less: bank overdraft (note 18)				(55.3)					
Less: borrowings falling due within one year [4] (note 18)				(1,212.5)					
Plus: bond exchange de-recognition falling due within one year (note 18)				11.2					
Less: amounts payable under finance leases falling due within one year (notes 18 and 24)				(2.1)					
Non-current borrowings				4,637.1					

During the six months ended 30 September 2007 the Group issued £22,952.0m and repaid £22,076.7m of debt securities.

21. Borrowings continued

At 30 September 2006

	Nominal value [7] £m	Book value Secured £m	Book value Unsecured £m	Book value Total £m	Fixed / floating [9]	Effective interest rate %	Weighted average time for which interest rate is fixed Years	Fair value [10] £m	Excess of fair value over book value £m
Sterling									
5.016 per cent Notes due 2007 [1]	181.7	181.7	-	181.7	Fixed	5.0	0.6	181.5	(0.2)
4.625 per cent Notes due 2013 [1]	300.0	299.5	-	299.5	Fixed	4.6	6.4	293.6	(5.9)
5.292 per cent Notes due 2015 [1]	391.5	390.6	-	390.6	Fixed	5.3	9.2	395.6	5.0
4.875 per cent Notes due 2019 [1]	400.0	395.5	-	395.5	Fixed	4.9	13.1	393.5	(2.0)
5.425 per cent Notes due 2022 [1]	255.3	254.4	-	254.4	Fixed	5.4	15.5	266.1	11.7
4.875 per cent Notes due 2025 [1]	300.0	296.8	-	296.8	Fixed	4.9	18.5	296.8	-
5.391 per cent Notes due 2026 [1]	210.7	209.7	-	209.7	Fixed	5.4	19.4	223.4	13.7
5.391 per cent Notes due 2027 [1]	611.3	608.3	-	608.3	Fixed	5.4	20.5	649.7	41.4
5.376 per cent Notes due 2029 [1]	317.9	316.2	-	316.2	Fixed	5.4	23.0	341.3	25.1
5.396 per cent Notes due 2032 [1]	322.9	320.9	-	320.9	Fixed	5.4	25.9	350.2	29.3
Bank facility due 2010	15.5	15.4	-	15.4	Floating	5.4	0.1	15.4	-
DWP term loan [3]	245.4	235.0	-	235.0	Floating	5.2	0.5	245.4	10.4
Syndicated bank debt [4]	800.0	800.0	-	800.0	Floating	5.1	-	800.0	-
Acquisition loan notes [5]	120.7	-	120.7	120.7	Floating	4.1	-	120.7	-
Money market borrowings	135.2	-	135.2	135.2	Floating	5.0	-	135.2	-
	4,608.1	4,324.0	255.9	4,579.9				4,708.4	128.5
Amounts payable under finance leases	72.8	72.8	-	72.8	Fixed	5.5	86.2	90.6	17.8
	4,680.9	4,396.8	255.9	4,652.7				4,799.0	146.3
Fair value of derivative instruments									
Interest rate swaps									
Qualifying hedges	243.2	-	1.7	1.7		5.1	7.1	1.7	-
Non-qualifying hedges	805.0	-	(0.8)	(0.8)		4.9	2.9	(0.8)	-
	1,048.2	-	0.9	0.9				0.9	-
Bond exchange de-recognition		(527.6)	-	(527.6)				-	527.6
Total borrowings		3,869.2	256.8	4,126.0				4,799.9	673.9
Less: borrowings falling due within one year [4] (note 18)				(447.4)					
Plus: bond exchange de-recognition falling due within one year (note 18)				12.5					
Less: amounts payable under finance leases falling due within one year (notes 18 and 24)				(2.1)					
Non-current borrowings				3,689.0					

21. Borrowings continued

At 31 March 2007

	Nominal value [7] £m	Book value Secured £m	Book value Unsecured £m	Book value Total £m	Fixed / floating [9]	Effective interest rate %	Weighted average time for which interest rate is fixed Years	Fair value [10] £m	Excess of fair value over book value £m
Sterling									
5.016 per cent Notes due 2007 [1]	181.7	181.7	-	181.7	Fixed	5.0	0.1	181.6	(0.1)
4.625 per cent Notes due 2013 [1]	300.0	299.6	-	299.6	Fixed	4.6	5.9	288.5	(11.1)
5.292 per cent Notes due 2015 [1]	391.5	390.7	-	390.7	Fixed	5.3	8.7	384.3	(6.4)
4.875 per cent Notes due 2019 [1]	400.0	395.7	-	395.7	Fixed	4.9	12.6	379.1	(16.6)
5.425 per cent Notes due 2022 [1]	255.3	254.4	-	254.4	Fixed	5.4	15.0	255.4	1.0
4.875 per cent Notes due 2025 [1]	300.0	296.9	-	296.9	Fixed	4.9	18.0	286.2	(10.7)
5.391 per cent Notes due 2026 [1]	210.7	209.8	-	209.8	Fixed	5.4	18.9	213.2	3.4
5.391 per cent Notes due 2027 [1]	611.3	608.3	-	608.3	Fixed	5.4	20.0	614.8	6.5
5.376 per cent Notes due 2029 [1]	317.9	316.2	-	316.2	Fixed	5.4	22.5	324.5	8.3
5.396 per cent Notes due 2032 [1]	322.9	321.0	-	321.0	Fixed	5.4	25.4	331.3	10.3
5.125 per cent Notes due 2036 [1]	500.0	498.4	-	498.4	Fixed	5.1	28.9	498.0	(0.4)
Bank facility due 2010	15.5	15.5	-	15.5	Floating	5.7	0.1	15.5	-
Euro Commercial Paper [2]	139.2	-	139.2	139.2	Floating	5.4	-	139.2	-
DWP term loan [3]	173.1	173.1	-	173.1	Floating	5.7	0.5	173.1	-
Syndicated bank debt [4]	183.0	183.0	-	183.0	Floating	5.5	-	183.0	-
Bilateral facility [5]	885.6	885.6	-	885.6	Floating	5.9	0.4	885.6	-
Acquisition loan notes [6]	114.4	-	114.4	114.4	Floating	4.4	0.5	114.4	-
Money market borrowings	192.0	-	192.0	192.0	Floating	5.5	0.1	192.0	-
	5,494.1	5,029.9	445.6	5,475.5				5,459.7	(15.8)
Euro									
Bilateral facility	26.9	26.9	-	26.9	Floating	4.0	0.2	26.9	-
Euro Commercial Paper [2]	41.1	-	41.1	41.1	Floating	5.6	0.3	41.1	-
	68.0	26.9	41.1	68.0				68.0	-
Swiss Francs									
Euro Commercial Paper [2]	21.0	-	21.0	21.0	Floating	5.5	-	21.0	-
Yen									
Euro Commercial Paper [2]	38.8	-	38.8	38.8	Floating	5.4	-	38.8	-
Amounts payable under finance leases	71.0	71.0	-	71.0	Fixed	5.5	86.9	79.2	8.2
	5,692.9	5,127.8	546.5	5,674.3				5,666.7	(7.6)
Fair value of derivative instruments									
Interest rate swaps									
Qualifying hedges	195.6	-	(2.4)	(2.4)		4.9	3.2	(2.4)	-
Non-qualifying hedges	1,205.0	-	(12.0)	(12.0)		5.1	10.1	(12.0)	-
Foreign currency swaps – qualifying hedges	100.9	-	(0.2)	(0.2)		5.8	0.3	(0.2)	-
	1,501.5	-	(14.6)	(14.6)				(14.6)	-
Bond exchange de-recognition		(519.1)	-	(519.1)				-	519.1
Total borrowings		4,608.7	531.9	5,140.6				5,652.1	511.5
Less: borrowings falling due within one year [4] (note 18)				(1,687.4)					
Plus: bond exchange de-recognition falling due within one year (note 18)				6.3					
Less: amounts payable under finance leases falling due within one year (notes 18 and 24)				(2.1)					
Non-current borrowings				3,457.4					

21. Borrowings continued

1. The Notes and the committed bank facilities are secured on a fixed and floating pool of assets (the Security Group). This grants the Group's investors security over a pool of investment properties valued at **£12.4bn** at 30 September 2007 (30 September 2006: £10.9bn; 31 March 2007: £11.6bn). The amount borrowed against these assets was **£5,964.2m** (30 September 2006: £4,396.8m; 31 March 2007: £5,126.9m). The secured debt structure has a tiered covenant regime which gives the Group substantial operational flexibility when the loan to value and interest rate cover in the Security Group are less than 65% and more than 1.45 times respectively. If these limits are exceeded, operational restrictions increase significantly and could act as an incentive to reduce gearing.
2. Euro Commercial Paper is unsecured. However, the amount drawn is required to be supported by an unutilised committed bank facility, which is a secured facility.
3. The DWP term loan was refinanced in December 2006 and expires in December 2017. It is secured on the freehold and long leasehold properties acquired from the Department of Work and Pensions. The carrying amount of the properties concerned was **£363.4m** at 30 September 2007 (30 September 2006: £391.8m; 31 March 2007: £380.4m).
4. At 30 September 2007, the Group had a £1.5bn syndicated bank facility. In August 2006, the Group refinanced its syndicated bank facility with the effect of extending its maturity to August 2013. The facility is committed and secured on the assets of the Security Group. The maturity profile is calculated on the basis that it is the Group's intention to retain the existing loans or that the existing loans will be refinanced or rescheduled with the same financial institutions under the terms of the facility.
5. In December 2006 the Group entered into a £1.0bn bilateral facility relating to the acquisition of SMIF, which is due to mature in December 2007, although the Group has an option to extend it by a further year.
6. The acquisition loan notes were issued by Retail Property Holdings Trust Limited, a subsidiary of the Group, as partial consideration for the purchase of Tops Estates PLC and the LxB portfolio. The notes are unsecured, however, they have the benefit of a commercial bank guarantee. Interest is calculated with reference to six month LIBOR. The notes are due to be redeemed in 2015, although the holders of the notes can request redemption in full at the next interest payment date with at least 30 days notice. Accordingly, the notes have been classified as current liabilities.
7. For foreign currency amounts, the nominal/notional value is the Sterling equivalent of the principal amount at the period end date.
8. On 3 November 2004, a debt refinancing was completed resulting in the Group exchanging all of its outstanding bond and debenture debt for new Notes. The new Notes do not meet the IAS 39 requirement to be substantially different from the debt that it replaced. Consequently the book value of the new Notes is reduced to the book value of the original debt ('the bond exchange de-recognition adjustment'). The adjustment will be amortised to zero over the life of the new Notes.
9. Before the effect of derivative instruments.
10. The Group's Notes are listed on the Irish Stock Exchange and their fair values are based on their respective market prices. The fair value of interest rate swaps is based on the market price of comparable instruments at the balance sheet date. The fair values of short-term deposits, loans and overdrafts are assumed to approximate to their book values, as are the values of longer-term, floating rate bank loans.

The interest rate and currency profiles of the Group's borrowings, after taking into account the effect of the foreign currency swaps and interest rate swaps, are set out below:

		30 September 2007 £m			30 September 2006 £m			31 March 2007 £m	
	Fixed rate £m	**Floating rate £m**	**Total £m**	Fixed rate £m	Floating rate £m	Total £m	Fixed rate £m	Floating rate £m	Total £m
Sterling	**5,395.2**	**973.6**	**6,368.8**	4,204.4	448.3	4,652.7	5,439.8	207.6	5,647.4
Euro	**-**	**55.3**	**55.3**	-	-	-	-	26.9	26.9
	5,395.2	**1,028.9**	**6,424.1**	4,204.4	448.3	4,652.7	5,439.8	234.5	5,674.3

The maturity profiles of the Group's borrowings are as follows:

		30 September 2007 £m			30 September 2006 £m			31 March 2007 £m	
	Fixed rate £m	**Floating rate £m**	**Total £m**	Fixed rate £m	Floating rate £m	Total £m	Fixed rate £m	Floating rate £m	Total £m
One year or less, or on demand	**243.0**	**1,028.9**	**1,271.9**	193.4	255.9	449.3	1,457.2	234.5	1,691.7
More than one year but no more than two years	**2.2**	**-**	**2.2**	15.8	-	15.8	2.3	-	2.3
More than two years but no more than five years	**22.0**	**-**	**22.0**	65.8	-	65.8	22.0	-	22.0
More than five years	**5,128.0**	**-**	**5,128.0**	3,929.4	192.4	4,121.8	3,958.3	-	3,958.3
	5,395.2	**1,028.9**	**6,424.1**	4,204.4	448.3	4,652.7	5,439.8	234.5	5,674.3

The expiry periods of the Group's undrawn committed borrowing facilities are:

	30 September 2007 £m	30 September 2006 £m	31 March 2007 £m
More than two years but no more than five years	**2.1**	702.0	2.0
More than five years	**743.0**	-	1,317.0
	745.1	702.0	1,319.0

21. Borrowings continued

The maturity profiles of the Group's derivative instruments are as follows:

	30 September 2007 £m			30 September 2006 £m			31 March 2007 £m		
	Interest rate swaps £m	**Foreign currency swaps £m**	**Total £m**	Interest rate swaps £m	Foreign currency swaps £m	Total £m	Interest rate swaps £m	Foreign currency swaps £m	Total £m
One year or less, or on demand	**299.4**	**34.7**	**334.1**	29.5	-	29.5	274.9	100.9	375.8
More than one year but no more than two years	**171.6**	**-**	**171.6**	283.0	-	283.0	178.9	-	178.9
More than two years but no more than five years	**1,183.5**	**-**	**1,183.5**	610.8	-	610.8	867.3	-	867.3
More than five years	**78.7**	**-**	**78.7**	124.9	-	124.9	79.5	-	79.5
	1,733.2	**34.7**	**1,767.9**	1,048.2	-	1,048.2	1,400.6	100.9	1,501.5

Financial risk management

Financial risk factors
The Group's operations and debt financing expose it to a variety of financial risks that include the effects of changes in debt market prices, credit risks, liquidity and interest rates.

Interest rate risk
The Group uses interest rate swaps and similar instruments (forward rate agreements, forward starting swaps, and gilt locks) to manage its interest rate exposure. With property and interest rate cycles typically of four to seven years duration, the Group's target is to have a minimum of 80% of anticipated debt at fixed rates of interest and 20% floating over this timeframe. Due to a combination of factors, principally the high level of certainty required under IAS 39 'Financial Instruments: Recognition and Measurement', hedging instruments used in this context often do not qualify for hedge accounting.

Credit risk
The Group's principal financial assets are bank balances and cash, trade and other receivables, finance lease receivables and short-term investments. The Group's credit risk is primarily attributable to its trade and finance lease receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables concerned. The credit risk on liquid funds and derivative financial instruments is limited due to the Group's policy of monitoring counterparty exposures. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties.

Liquidity risk
The Group actively maintains a mixture of long-term and short-term committed facilities that are designed to ensure that the Group has sufficient available funds for operations and planned future investments.

22. Net pension benefit obligations	**30 September 2007 £m**	30 September 2006 £m	31 March 2007 £m
Analysis of the movement in the balance sheet deficit			
At the beginning of the period	**5.6**	6.5	6.5
Charge to operating profit	**1.0**	1.7	2.7
Expected return on plan assets	**(4.3)**	(4.4)	(8.6)
Interest on schemes' liabilities	**3.9**	3.8	7.6
Employer contributions	**(1.1)**	(1.6)	(3.9)
Actuarial losses	**1.1**	3.5	1.3
At the end of the period	**6.2**	9.5	5.6

23. Deferred taxation

	Accelerated tax depreciation £m	Capitalised interest £m	Revaluation surplus £m	Other £m	Total £m
Deferred tax liabilities					
At 1 April 2006	(147.9)	(26.5)	(1,664.2)	(154.7)	(1,993.3)
Net (charge) / credit to income statement for the period	(9.2)	(3.6)	(269.0)	3.1	(278.7)
Released in respect of property disposals during the period	3.6	-	20.8	-	24.4
Deferred tax on acquisition of a company	-	-	-	(0.3)	(0.3)
At 30 September 2006	**(153.5)**	**(30.1)**	**(1,912.4)**	**(151.9)**	**(2,247.9)**
Net charge to income statement for the period	(8.5)	(2.5)	(61.7)	(2.3)	(75.0)
(Charged) / released in respect of property disposals during the period	(2.5)	-	11.7	-	9.2
Released on conversion to a Real Estate Investment Trust	160.1	31.7	1,962.4	155.1	2,309.3
At 31 March 2007	**(4.4)**	**(0.9)**	**-**	**0.9**	**(4.4)**
Net charge to income statement for the period	(0.3)	-	-	-	(0.3)
At 30 September 2007	**(4.7)**	**(0.9)**	**-**	**0.9**	**(4.7)**

	Tax losses £m	Hedges £m	Pension deficit £m	Other £m	Total £m
Deferred tax assets					
At 1 April 2006	12.2	2.3	2.0	9.0	25.5
Net charge to income statement for the period	(3.6)	(1.3)	(0.4)	-	(5.3)
(Credited) / charged to equity	-	(0.7)	1.0	-	0.3
At 30 September 2006	**8.6**	**0.3**	**2.6**	**9.0**	**20.5**
Net charge to income statement for the period	(2.8)	(1.8)	-	-	(4.6)
Released in respect of property disposals during the period	(5.8)	-	-	(9.0)	(14.8)
Released on conversion to a Real Estate Investment Trust	-	2.4	(2.2)	-	0.2
Credited to equity	-	(0.9)	-	-	(0.9)
At 31 March 2007 and at 30 September 2007	**-**	**-**	**0.4**	**-**	**0.4**

	30 September 2007 £m	30 September 2006 £m	31 March 2007 £m
Deferred tax is provided as follows:			
Excess of capital allowances over depreciation – investment properties	**-**	119.9	-
– operating properties	**4.7**	33.6	4.4
Capitalised interest – investment properties	**-**	27.3	-
– operating properties	**0.9**	2.8	0.9
Revaluation surpluses – own	**-**	1,829.1	-
– acquired	**-**	83.3	-
Tax losses	**-**	(8.6)	-
Other temporary differences	**(1.3)**	140.0	(1.3)
Total deferred tax	**4.3**	2,227.4	4.0

24. Obligations under finance leases	30 September 2007 £m	30 September 2006 £m	31 March 2007 £m
The minimum lease payments under finance leases fall due as follows:			
Not later than one year	**6.9**	7.0	6.9
Later than one year but not more than five years	**26.4**	27.2	26.7
More than five years	**423.5**	432.6	425.9
	456.8	466.8	459.5
Future finance charges on finance leases	**(386.7)**	(394.0)	(388.5)
Present value of finance lease liabilities (notes 9 and 21)	**70.1**	72.8	71.0

The present value of finance lease liabilities is as follows:			
Not later than one year (notes 18 and 21)	**2.1**	2.1	2.1
Later than one year but not more than five years	**8.7**	8.8	8.8
More than five years	**59.3**	61.9	60.1
	70.1	72.8	71.0

The fair value of the Group's lease obligations, using a discount rate of 5.5%, is **£79.2m** (30 September 2006: £90.6m; 31 March 2007: £79.2m).

25. Total shareholders' equity	Ordinary shares £m	Own shares £m	Share-based payments £m	Share premium £m	Capital redemption reserve £m	Retained earnings * £m	Total £m
At 1 April 2006	46.9	(3.4)	6.3	43.2	30.5	7,370.4	7,493.9
Exercise of options	0.1	-	-	4.7	-	-	4.8
Fair value movement on cash flow hedges – Group	-	-	-	-	-	1.9	1.9
– joint ventures	-	-	-	-	-	1.3	1.3
Fair value of share-based payments	-	-	2.6	-	-	-	2.6
Own shares acquired	-	(15.2)	-	-	-	(21.1)	(36.3)
Actuarial losses on defined benefit pension schemes	-	-	-	-	-	(2.5)	(2.5)
Dividend paid (note 6)	-	-	-	-	-	(133.8)	(133.8)
Profit for the financial period	-	-	-	-	-	859.8	859.8
At 30 September 2006	**47.0**	**(18.6)**	**8.9**	**47.9**	**30.5**	**8,076.0**	**8,191.7**
Exercise of options	-	-	-	3.6	-	-	3.6
Fair value movement on cash flow hedges – Group	-	-	-	-	-	3.2	3.2
– joint ventures	-	-	-	-	-	8.2	8.2
Fair value of share-based payments	-	-	3.0	-	-	-	3.0
Own shares acquired	-	0.1	-	-	-	-	0.1
Cost of shares awarded to employees	-	4.0	(4.0)	-	-	-	-
Actuarial gains on defined benefit pension schemes	-	-	-	-	-	2.2	2.2
Dividend paid (note 6)	-	-	-	-	-	(89.2)	(89.2)
Profit for the financial period	-	-	-	-	-	2,668.5	2,668.5
At 31 March 2007	**47.0**	**(14.5)**	**7.9**	**51.5**	**30.5**	**10,668.9**	**10,791.3**
Exercise of options	**0.1**	**-**	**-**	**1.4**	**-**	**-**	**1.5**
Fair value movement on cash flow hedges – Group	**-**	**-**	**-**	**-**	**-**	**0.2**	**0.2**
– joint ventures	**-**	**-**	**-**	**-**	**-**	**2.4**	**2.4**
Fair value of share-based payments	**-**	**-**	**2.3**	**-**	**-**	**-**	**2.3**
Own shares acquired	**-**	**(9.4)**	**-**	**-**	**-**	**(71.7)**	**(81.1)**
Cost of shares awarded to employees	**-**	**1.9**	**(1.9)**	**-**	**-**	**-**	**-**
Actuarial losses on defined benefit pension schemes	**-**	**-**	**-**	**-**	**-**	**(1.1)**	**(1.1)**
Dividend paid (note 6)	**-**	**-**	**-**	**-**	**-**	**(159.5)**	**(159.5)**
Profit for the financial period	**-**	**-**	**-**	**-**	**-**	**367.0**	**367.0**
At 30 September 2007	**47.1**	**(22.0)**	**8.3**	**52.9**	**30.5**	**10,806.2**	**10,923.0**

* Included within retained earnings is **£17.2m** (30 September 2006: £0.3m loss; 31 March 2007: £14.6m gain) of gains in respect of cash flow hedges.

25. Total shareholders' equity continued

Own shares represent the cost of shares purchased in Land Securities Group PLC by the Employee Share Ownership Plan (ESOP) which is operated by the Group in respect of its commitment to the Deferred Bonus Shares Scheme. The number of shares held by the ESOP at 30 September 2007 was **1,320,086** (30 September 2006: 961,057; 31 March 2007: 895,771).

In July 2006 and 2007 the shareholders at the Annual General Meeting authorised the acquisition of shares issued by the Company representing up to 10% of its share capital to be held as treasury shares. At 30 September 2007 the Group owned **5,446,000** (30 September 2006: 1,225,000; 31 March 2007: 1,225,000) shares with a market value of **£91.7m** (30 September 2006: £24.1m; 31 March 2007: £25.9m).

26. Cash flow from operating activities

Reconciliation of operating profit to net cash inflow from operating activities:

	30 September 2007 £m	30 September 2006 £m	31 March 2007 £m
Cash generated from operations			
Profit for the financial period	**367.0**	859.8	3,528.3
Income tax expense / (credit)	**8.2**	318.4	(1,549.2)
Profit before tax	**375.2**	1,178.2	1,979.1
Share of losses / (profits) of joint ventures (post-tax)	**9.8**	(59.1)	(179.3)
	385.0	1,119.1	1,799.8
Interest income	**(8.5)**	(4.2)	(12.4)
Interest expense	**142.3**	114.7	233.3
Operating profit	**518.8**	1,229.6	2,020.7
Adjustments for:			
Depreciation	**20.8**	17.3	32.9
Profit on disposal of non-current properties	**(79.0)**	(33.6)	(118.2)
Profit on disposal of a PPP project	**(10.0)**	-	-
Net surplus on revaluation of investment properties	**(145.5)**	(896.7)	(1,307.6)
Pension scheme charge	**1.0**	1.7	2.7
Changes in working capital:			
(Increase) / decrease in trading properties and long-term development contracts	**(7.3)**	100.0	110.1
Increase in receivables	**(52.6)**	(135.7)	(121.6)
Increase in payables and provisions	**36.4**	52.7	63.4
Net cash generated from operations	**282.6**	335.3	682.4

27. Related party transactions

Subsidiaries
In accordance with IAS 27 'Consolidated and Separate Financial Statements', transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Joint ventures
As disclosed in note 13, the Group has investments in a number of joint ventures. Details of transactions and balances between the Group and its joint ventures are disclosed as follows:

27. Related party transactions continued

	Period ended 30 September 2007 and at 30 September 2007				Period ended 30 September 2006 and at 30 September 2006			
	Revenues £m	Net investments into joint ventures £m	Amounts owed by joint ventures £m	Amounts owed to joint ventures £m	Revenues £m	Net investments into joint ventures £m	Amounts owed by joint ventures £m	Amounts owed to joint ventures £m
Scottish Retail Property Limited Partnership	**0.4**	**(37.5)**	**-**	**(3.5)**	0.9	-	0.3	(3.8)
Metro Shopping Fund LP	**0.1**	**1.5**	**-**	**(2.6)**	0.1	0.8	-	(1.8)
Buchanan Galleries Partnership	**1.8**	**(3.1)**	**0.1**	**-**	1.8	(2.4)	0.2	-
St David's Limited Partnership	**2.4**	**35.0**	**-**	**(126.6)**	0.4	21.5	16.5	-
Martineau Galleries Limited Partnership	**0.1**	**4.3**	**0.1**	**-**	0.1	-	0.3	-
The Bull Ring Limited Partnership	**-**	**(6.6)**	**-**	**-**	-	(7.1)	-	-
Bristol Alliance	**3.9**	**36.7**	**-**	**(1.4)**	1.6	27.5	-	(1.9)
Martineau Limited Partnership	**-**	**-**	**-**	**-**	-	(0.5)	-	-
A2 Limited Partnership	**-**	**(0.1)**	**-**	**-**	-	-	-	-
Parc Tawe	**-**	**-**	**-**	**-**	-	(4.0)	-	-
Hungate	**-**	**1.8**	**-**	**-**	-	-	-	-
Countryside	**-**	**3.4**	**-**	**-**	-	-	-	-
Investors in the Community	**-**	**-**	**-**	**-**	-	2.6	-	-
Ebbsfleet Limited Partnership	**-**	**-**	**0.2**	**-**	-	-	-	-
Fen Farm Developments Limited	**-**	**(5.6)**	**15.4**	**-**	-	-	-	-
	8.7	**29.8**	**15.8**	**(134.1)**	4.9	38.4	17.3	(7.5)

	Year ended 31 March 2007 and at 31 March 2007			
	Revenues £m	Net investments into joint ventures £m	Amounts owed by joint ventures £m	Amounts owed to joint ventures £m
Scottish Retail Property Limited Partnership	1.5	9.5	0.2	(7.6)
Metro Shopping Fund LP	0.5	(22.8)	-	(0.1)
Buchanan Galleries Partnership	3.6	(3.7)	0.3	-
St David's Limited Partnership	1.9	302.7	20.6	(115.5)
Martineau Galleries Limited Partnership	0.2	-	0.1	-
The Bull Ring Limited Partnership	-	(14.5)	-	-
Bristol Alliance	5.1	62.8	4.3	(1.9)
Martineau Limited Partnership	-	(0.5)	-	-
A2 Limited Partnership	-	-	-	-
Parc Tawe	-	(4.0)	-	-
Hungate	-	1.6	-	-
Countryside	-	0.9	-	-
Investors in the Community	-	(4.7)	-	-
Ebbsfleet Limited Partnership	-	-	-	-
Fen Farm Developments Limited	-	-	-	-
	12.8	327.3	25.5	(125.1)

Further detail of the above transactions and balances can be seen in note 13.

Remuneration of key management personnel
The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the applicable categories specified in IAS 24 'Related Party Disclosures':

	30 September 2007 £m	30 September 2006 £m	31 March 2007 £m
Short-term employee benefits	**1.4**	1.5	6.1
Post-employment benefits	**0.3**	0.3	0.9
Share-based payments	**1.1**	1.3	2.4
Compensation for loss of office	**-**	-	0.7
	2.8	3.1	10.1

The amount shown as compensation for loss of office represents the maximum potential amount assuming no mitigation.

28. Events after the balance sheet date

Subsequent to 30 September 2007, the Group completed the acquisition of a number of PPP contracts from AMEC following the expiry of joint venture partners pre-emption rights for £89.4m.