

# Report of the Month

ReportWatch e.com

May 2007

## Land Securities

London, United Kingdom

### Annual Report '06



## Report Facts

**Company name:** Land Securities Group PLC

**Fiscal year end:** March 31, 2006

**Report title:** -

**Chairman:** Peter Birch

**Group Chief Executive:** Francis Salway

**Number of books** (Received): 1

**Volume:** 160 pages

**Auditors:** PricewaterhouseCoopers LLP

**Designers:** SAS and BOB Design

**E-mail:** [investor.relations@landsecurities.com](mailto:investor.relations@landsecurities.com)

**Report Rating:** ★★★★★

(Rating scale overleaf)

**Profile-Mission** (Excerpts, as from the report)

*Remaining the number one property company in the UK means thinking creatively, spotting new opportunities and keeping an open mind.*

(p 16)

*Six years ago we set out a new strategic direction and embarked upon a series of business initiatives aimed at the transformation of the Group. The ambition was to create a modern, dynamic property business with a strategic focus on the customer and on income as well as asset value growth. We have also invested in our property outsourcing business... creating the market-leading property solutions provider.* (Chairman's Statement, p 22)

**Group revenue:** £ 1,828.7 million

**Gross property income:** £ 1,988.2 million

**Net profit after tax:** £ 1,537.4 million

**Earnings per share:** 357.95p (+ 57.5%)

**Return on equity:** 26.4%

**Gearing:** 49.2%

(Source: annual report 2006 only –figures not found through a report scan are considered NA. All figures for fiscal year 2006)

## Report Rating: ★★★★★

### Strongest

- > A brilliant feat of design from front to back covers, *with a little help from six hundred children from 14 towns across Britain (sent) into their local surroundings to draw...* And an almost perfect example of designing not just for the sake of it but for conveying a strong message, weaving the business story, and making a convincing case for readers, analysts and investors. Besides its worthwhile summary purpose, the **Selected Page** (see below) also shows how design can be used effectively to decode numbers.
- > Drawings, as well as full-page photos, maps and diagrams, animate most of the hefty (°) book.
- > *Business Analysis* of major properties rich in facts and figures, and including development pipelines and like-for-like portfolio analysis.

### Good too

- > *Operating and financial review* backed with tables and charts, with a good analysis of the funding structure, cash flows and debt profile.
- > Detailed remuneration report.
- > Comprehensive *Glossary* and practical *Index*.

### Green?

- > Talking the walk? *When it comes to recycling we don't just stop at paper*, depicts p 31. The caption: *New Street Square, London. We recycled 93% of the waste that was created when we demolished the original building and gave 180 tonnes of carpet tiles to social projects.* Other indicators and facts may be found, too.

### Buts

- > (°) Heavy stuff –and a recycling issue (pun intended): 160 pages of thick paper rigidly bound.
- > The chart showing compared ROE and ROCE inverts the nearby measures stated by the Chairman. Which one is correct?
- > Links to captions (as shown in the selected page) could have been used more extensively.

.....

#### Rating Scale

★★★★★: World-class ★★★★★(★): First-rate ★★★★★: Excellent ★★★(★): Fine ★★\*: Average

★★(★): Uneven ★★: Ordinary ★(★): Deficient ★: Unsatisfactory (★): Uncompetitive

The rating is based on ReportWatch internal desk research and does not take into account the independent Rating Panel's judgment.

---

*How does the company report in key areas? What are the main report pluses and minuses?  
The **Report Scan** gives an overview of strengths and weaknesses, and scores each item.*

*Contact [e.com@reportwatch.net](mailto:e.com@reportwatch.net)*

---

# Understanding our numbers under IFRS

Since this is the first time that we report our full year's results under IFRS, we have reproduced our guide "Understanding our numbers under IFRS" which we provided at the half year.

### What is IFRS?

From 1 January 2005, all groups in the European Union that are listed on a regulated stock exchange are required to report their financial figures using IFRS.

### What impact has this had on Land Securities?

The most important point is that IFRS affects accounting only. There is no impact on the underlying business or its cash flows. The main numerical impacts on the financial statements are that:

- a. The surplus and deficits arising on the revaluation of the investment property portfolio will now appear in the income statement (the IFRS term for the profit and loss account) and not as a movement on the revaluation reserve.
- b. Revaluation surplus on those properties held for the long term and at an appropriate rate for the revaluation, and the tax related to the surplus period appears in the income statement. There will be no change to the amounts of tax we actually have to pay.
- c. There is no longer a distinction between joint ventures and J.V.E.s (joint arrangements that are not entities) and both are now reported under one line in the income statement and balance sheet.
- d. We have had to restate how we accounted for the bond refinancing described as the bond exchange de-recognition adjustment, which took place in November 2004. We originally presented this as a repayment of the existing bonds and the issue of new bonds, but, under IFRS, we need to restate the value of our old bonds and gradually

increase our liability up to the nominal value of our new bonds. This gradual increase occurs over the life of the bonds and is charged through the interest line in the income statement. There will be no change to the amounts of interest we actually pay.

- e. IFRS requires that we only recognise dividends once they are approved at the Annual General Meeting for the final dividend or by the Board for the interim. Therefore proposed dividends are no longer shown as a liability in the Group balance sheet, and the change recognised in equity represents the dividend approved in the year.

### How have the numbers changed?

The following summary picks out the significant changes from how our results would have been presented under UK GAAP to how they are now presented under IFRS. The reference to Notes a to e refer to the items listed above.

### Key financial impacts of IFRS

UK GAAP description	UK GAAP £m	revaluation surplus (net of tax) £m	deferred tax £m	change in accounting for joint ventures £m	debt extinguishment £m	amortisation of bond exchange de-recognition £m	dividend £m	other £m	IFRS £m	IFRS description
Group property income	1,462.3	-	-	(104.1)	-	-	-	0.7	1,458.7	GROUP REVENUE
Profit before interest and taxation	1,088.2	1,078.2	-	(104.1)	(64.1)	-	-	14.0	2,413.4	Operating profit
Profit before taxation	866.4	1,078.2	-	8.1	(64.1)	(64.1)	-	14.4	2,013.2	Profit before tax
Profit after taxation	488.3	1,078.2	(67.0)	14.1	(64.1)	(107.7)	-	(14.7)	1,447.8	Profit for the financial period
Basic earnings per share (£)	148.88	337.34	(20.27)	3.07	(19.74)	(32.7)	-	(4.57)	337.81	Basic earnings per share
Shareholders' funds	8,718.2	(1,464.2)	(107.7)	(107.7)	-	373.3	(144.0)	(14.7)	7,483.8	total shareholder equity

this represents the revaluation surplus over the 12 months to 31 March 2005.

in total column, the deferred tax reflects the change for the revaluation surplus in the profit, while under standard UK equity it represents the cumulative charge for the standard.

our acquisition of operations requires us to provide disclosure of the requirements to provide deferred tax on all future acquisitions. this charge represents our decision to provide against this goodwill.

this change shows the effect of the amortisation of gradually increasing the value of our old bonds to the nominal value of our new bonds.

represents the final dividend payable in July 2004.

We also include a more detailed reconciliation of equity and profit in note 35 to the financial statements.



---