LAND SECURITIES

Report and Financial Statements 31 March 1999

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FINANCIAL CALENDAR

1999

26 May	Preliminary Announcement
7 June	Ex-dividend date
11 June	Registration qualifying date for final dividend
14 July	Annual General Meeting
26 July	Final dividend payable
November	Announcement of interim results (unaudited)

2000

January	Interim dividend payable

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Corporate Statement

We are committed to providing our shareholders with sustainable and growing returns underpinned by secure and increasing income, together with capital appreciation.

We deliver these returns by developing and investing for the long term to create and enhance a portfolio of high quality commercial properties to meet the needs of our customers.

Financial Highlights

	31 March 1999	31 March 1998	Change %	Ten Year Compound Growth %
NET RENTAL INCOME	£427.5m	£414.1m	+3.2	+7.0
*REVENUE PROFIT (PRE-TAX)	£292.7m	£265.9m	+10.1	+7.0
PRE-TAX PROFIT	£293.3m	£266.0m	+10.3	+6.1
POST-TAX PROFIT	£216.4m	£196.7m	+10.0	+6.5
*ADJUSTED EARNINGS PER SHARE	39.11p	37.07p	+5.5	+6.4
*ADJUSTED DILUTED EARNINGS PER SHARE	38.86p	36.77p	+5.7	+6.4
DIVIDENDS PER SHARE	29.50p	28.00p	+5.4	+7.4
DIVIDEND COVER (times)	1.31	1.30		
DILUTED NET ASSETS PER SHARE	975p	910p	+7.1	+1.4
PROPERTIES	£6,910.5m	£6,435.7m		
BORROWINGS	£1,569.3m	£1,652.3m		
EQUITY SHAREHOLDERS' FUNDS	£5,470.4m	£5,001.5m		
GEARING	28.7%	33.0%		
‡GEARING (net)	19.8%	22.1%		
†INTEREST COVER (times)	3.03	2.72		

* Excludes results of property sales.
‡ Total borrowings less short term deposits, corporate bonds and cash, as a percentage of equity shareholders' funds.
† Number of times that interest payable is covered by operating profit and interest receivable.

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REVENUE PROFIT (PRE-TAX) £m	
95	241.3
96	238.7
97	235.7
98	265.9
99	**292.7**

ADJUSTED DILUTED EARNINGS PER SHARE pence	
95	34.3
96	33.7
97	32.9
98	36.8
99	**38.9**

DIVIDENDS PER SHARE pence	
95	25.0
96	26.0
97	27.0
98	28.0
99	**29.5**

DILUTED NET ASSETS PER SHARE pence	
95	691
96	688
97	774
98	910
99	**975**

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Valuation

The portfolio was valued by Knight Frank at over £6.9bn at 31 March 1999. After adjusting for sales, acquisitions and other expenditure, the value increased by 5.1%. A more detailed breakdown by sector is provided this year, including comprehensive analyses of the Group's valuation and rental income.

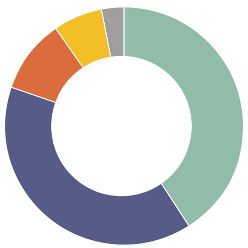
Last autumn, property yields were adversely affected by turmoil in the international markets and concerns about the rate of future economic growth in the UK. The subsequent improvement in sentiment has restored confidence and generally property yields strengthened, and this improvement has continued since 31 March. Within the portfolio, the best performance came from offices in the West End, shopping centres in the stronger towns and cities and in the relatively small leisure sector where we renegotiated the lease of the London Hilton on Park Lane. Retail warehouses, an outstanding performer for most of the 1990s, provided only a small valuation increase, as rental growth has been more subdued than for some time. Shops in the West End and Victoria, which had shown exceptional growth in the previous year, also experienced a year of consolidation, with rental levels in Oxford Street falling from the peak levels of early 1998, and other in-town shops produced little capital growth.

After excluding those properties in the schedule of developments and refurbishments on pages 10 and 11 which were producing less than half of their anticipated income at 31 March, together with other vacant pre-development holdings, the value of the portfolio at 31 March 1999 was £6.63bn. At the same date the annual rent roll, net of ground rents and excluding the same properties, was 6.6% of this figure. The lower yield on present income compared with the previous valuation mainly reflects an improvement in the reversionary potential of the portfolio.

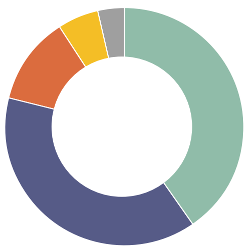
ANALYSIS OF VALUATION SURPLUS
% increase/(decrease) on prior year

OFFICES	
West End and Victoria	**10.0**
City and Midtown	**3.0**
Elsewhere	**3.9**
SHOPS AND SHOPPING CENTRES	
Shopping centres	**7.5**
Central London shops	**(0.1)**
Other in-town shops	**1.2**
RETAIL WAREHOUSES AND FOOD SUPERSTORES	
Parks	**1.7**
Other	**2.9**
WAREHOUSES AND INDUSTRIAL	**5.2**
HOTELS, LEISURE AND RESIDENTIAL	**15.5**
OVERALL SURPLUS	**5.1**

RENTAL INCOME BY TYPE
year ended 31 March 1999

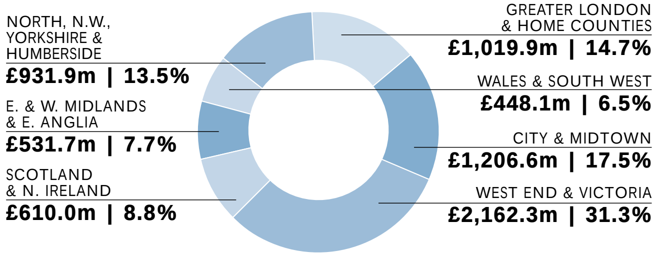


PORTFOLIO VALUATION BY TYPE
at 31 March 1999



Rental income by type		Portfolio valuation by type
41.1%	OFFICES	**40.3%**
39.2%	SHOPS AND SHOPPING CENTRES	**38.7%**
10.2%	RETAIL WAREHOUSES AND FOOD SUPERSTORES	**11.9%**
6.6%	WAREHOUSES AND INDUSTRIAL	**5.6%**
2.9%	HOTELS, LEISURE AND RESIDENTIAL	**3.5%**

PORTFOLIO VALUATION BY LOCATION
at 31 March 1999



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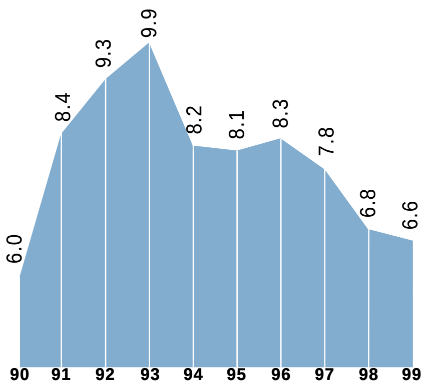
Portfolio valuation by tenure

at 31 March 1999

	Freehold	Leasehold: Over 50 years to run	Leasehold: Under 50 years to run	Total	Total
	£m	£m	£m	£m	%
OFFICES					
WEST END AND VICTORIA	1,347.5	82.9	6.9	1,437.3	20.8
CITY AND MIDTOWN	825.2	291.9	40.2	1,157.3	16.7
ELSEWHERE IN THE UNITED KINGDOM	152.5	38.8	–	191.3	2.8
SHOPS AND SHOPPING CENTRES					
SHOPPING CENTRES	809.4	399.5	–	1,208.9	17.5
CENTRAL LONDON SHOPS	411.3	161.2	3.6	576.1	8.4
OTHER IN-TOWN SHOPS	487.7	397.9	–	885.6	12.8
RETAIL WAREHOUSES AND FOOD SUPERSTORES					
PARKS	541.8	75.3	–	617.1	8.9
OTHER	203.5	4.1	–	207.6	3.0
WAREHOUSES AND INDUSTRIAL	383.3	6.0	0.1	389.4	5.6
HOTELS, LEISURE AND RESIDENTIAL	231.8	5.8	2.3	239.9	3.5
	5,394.0	**1,463.4**	**53.1**	**6,910.5**	
PERCENTAGE BY TENURE	**78.0**	**21.2**	**0.8**		**100.0**

Freeholds include £371.1m of leaseholds with unexpired terms in excess of 900 years.
Where properties include mixed uses, their values have been apportioned accordingly.

% YIELD ON PRESENT INCOME
at 31 March



% YIELD ON PRESENT INCOME
by sector at 31 March 1999

OFFICES	**6.9**
SHOPS AND SHOPPING CENTRES	**6.3**
RETAIL WAREHOUSES AND FOOD SUPERSTORES	**6.0**
WAREHOUSES AND INDUSTRIAL	**8.2**
HOTELS, LEISURE AND RESIDENTIAL	**5.7**

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Chairman's Statement

I am pleased to make my first annual statement at a time when Land Securities is strongly positioned to enter a new phase of growth.

Land Securities enjoyed a year of positive growth. Pre-tax profits rose by 10.3% to £293.3m. Net assets increased from £5,001.5m to £5,470.4m following a valuation uplift of 5.1%. Diluted net assets per share increased by 65p to 975p per share. The Group generated cash flow for investing of £73.5m and has a strong balance sheet with capacity to take advantage of further opportunities. After taking into account the current strength of the Company, the Board recommends a final dividend of 21.65p per share, an increase of 6.1% over that for the previous year, making a total distribution for the year of 29.50p, an increase of 5.4%. The dividends paid and proposed will be covered 1.31 times.

We have made progress with our substantial development programme during the year and continue to expand it, while at the same time seeking to maximise returns from our existing portfolio. As many of our proposed developments are complex and require considerable commitment of time and resources, a strong balance sheet is essential to provide us with the financial flexibility to pursue long term programmes.

Following a period of considerable uncertainty, the UK economy is showing some signs of recovery and the property industry is generally in good shape. The supply and demand equation is in reasonable balance and there is currently relatively little speculative development in progress. While rental and capital growth may have disappointed some optimistic expectations of a year ago, the overall performance should be viewed in the context of a headline annual inflation rate of less than 2%. Property performance should not be judged in the short term and, measured by total returns, Land Securities was the only one of the top ten property stocks by market capitalisation to outperform the sector in each of the past 5, 10, 15 and 20 years*.

With the introduction of European Economic and Monetary Union, we have reviewed our investment policy but continue to believe that we can best serve the interests of our shareholders by operating exclusively in the UK market, where we can generate better returns and benefit from our specialist knowledge and experience.

We will maintain our focus on creating investments which we believe will provide the strongest growth; in particular, the provision of major city centre retail and mixed use schemes in anticipation of our customers' requirements. We will continue to rationalise our smaller holdings and concentrate on creating the larger investments which will achieve dominance in their catchment area, thereby attracting the strongest tenant demand. There is potential to add to shareholder value by further exploiting our existing portfolio and we will also use our considerable resources to take advantage of other opportunities that will provide our shareholders with a positive return.

My predecessor, John Hull, has been a director since 1976 and was Chairman from December 1997 until the Annual General Meeting in July 1998. His active involvement in the business, his knowledge of property and wise counsel over many years of change and growth will be much missed when he retires at this year's Annual General Meeting. My colleagues and I are most grateful to him for all he has done for the Group and wish him a long and happy retirement.

It is with great sadness that I have to report the death of Louis Freedman, who was the founding Chairman of Ravenseft Properties Limited and a long serving director of Land Securities. We owe much to his drive and enthusiasm.

I am most grateful to Ian Henderson and his management team for their support during my first year as Chairman. Land Securities is fortunate to have such professional and dedicated staff. I should like to thank them all on behalf of the shareholders for their contribution. The outlook is positive and I believe that Land Securities is well placed to continue to provide increasing shareholder value.

PETER G. BIRCH

*Source: Datastream

Right
Ian Henderson
and Peter Birch

Chief Executive's Review

Developing quality assets and creating value is our core strategy in the current low inflation environment.

The strong rental and capital growth which had been apparent from the beginning of 1998 continued during the first quarter of the period under review. However, the major economic problems in Asia, Russia and Brazil caused serious concern in the autumn and affected the confidence of investors and tenants alike. The worst prophecies, of a major contraction in demand for City offices, have proved unfounded but consolidation among financial institutions continues. Confidence has started to return but the slowdown in the UK economy, together with a low level of inflation, means that rental growth generally is likely to be subdued this year. Inflation will no longer flatter performance and, in the prevailing economic circumstances, we will continue to focus on those sectors where we expect to obtain the best returns.

Against this background, in the year under review we have extended our development programme from an estimated £650m to over £1,050m, providing some 6.3m ft^2 (585,000 m^2). Property additions amounted to £267.3m, of which £154.3m has been incurred on our development activity. We have also continued the rationalisation of our existing portfolio, with disposals of a further £125.4m. In the last three years proceeds from sales amounted to almost £600m and we have reduced the number of properties in the portfolio by almost 20%. We plan to make further disposals of properties which do not meet our investment criteria.

Developing quality assets and creating value is our core strategy in the current low inflation environment. The priority is to maximise the return from our £6.9bn portfolio and to pursue good long term opportunities. By maintaining a strong focus on working our portfolio, we can deliver an investment return not just on the new capital being introduced but also by enhancing the performance, and hence the yield, on our existing holdings. This policy should provide a significantly higher return than that which we could expect from acquiring completed investments.

The Group is concentrating on developments which will contribute to the regeneration of our town and city centres. Demand continues to polarise towards the dominant locations throughout the country. We anticipated this trend and are meeting occupiers' future requirements by exploiting our key holdings. We will extend the development programme accordingly. Town and city centres can provide a unique range of social, cultural and leisure facilities and we fully endorse Government policy supporting their revitalisation and the adoption of a wider mix of uses. In response to increasing competition and the potential impact of electronic retailing, city centres must provide an accessible, attractive and stimulating shopping environment.

We have started on site at Sunderland and Livingston and are making good progress with our central London developments. We recently announced The Birmingham Alliance, a limited partnership with Hammerson plc and Henderson Investors, in which we will jointly undertake a redevelopment to provide up to 2.7m ft^2 (250,840 m^2) of retail space in the city centre. This project will provide a cohesive strategy for the revitalisation of retailing in Birmingham. It will be a good long term investment in a city which is currently under-provided with adequate shopping. We report more fully on our development programme later in this review.

Major schemes, requiring complex site assembly and planning approval, particularly in sensitive city centres, are inevitably challenging to deliver. However, we are confident that we have the teams and

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balance sheet strength to take on these commitments. Most of the programme comprises city centre retail, where our policy is to commence development only when a substantial proportion of future income is secured by pre-letting. In addition to our enlarged programme, we are considering a number of significant potential schemes which could add substantially to our total expenditure.

Occupational demand remained strong for most of the year under review and we have achieved significant pre-lettings at our retail developments in Sunderland and at Tottenham Court Road W1. We have also pre-let the last 73,500 ft^2 (6,790 m^2) of offices at 2 Theobald's Court WC1.

The increase of 5.1% in the value of our portfolio this year means that valuation increases in the last three years have averaged nearly 9%, in a period when inflation averaged 2.7%. Our portfolio is underpinned by an average yield on present income at 31 March 1999 of 6.6% which compares favourably with current returns on long gilts, and is a source of strength during a period of low economic growth.

We have a strong management team to implement our development programme and manage our portfolio. We made a number of promotions to the boards of subsidiary companies which will further strengthen the Group and provide the new directors with the opportunity to widen their experience and develop their careers within the Group. We also completed the reorganisation of the management of our regional portfolio with the opening of our Leeds office last November.

I referred last year to the discussions concerning the creation of more liquid vehicles for property ownership. The debate continues and the outcome is dependent mainly on the granting of tax transparency. To be able to take advantage of a favourable result, it is important to retain our financial flexibility.

The issue of maintaining the competitive position of the UK remains of paramount importance. The introduction of European Economic and Monetary Union and the continuing process of consolidation within major business sectors increases pressure on London to provide, on competitive terms, the quality of space and flexibility of lease required by occupiers. In order to withstand competition from the other major European cities, it is essential that the Government limits the effects of any changes in Uniform Business Rate following the forthcoming revaluation, by adopting a graduated approach to such adjustments. Any further increase in stamp duty must also be strongly resisted, as it will reduce liquidity and the investment appeal of UK property.

In the prevailing environment of low inflation, correct sector and asset allocation is crucial. We shall continue to invest where the best growth will be achieved.

Ian Henderson

IAN J. HENDERSON

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The Group's Developments

The successful completion and letting of the major extension to our shopping centre at Bootle marked the end of our previous development programme.

We have added further projects to the current development programme, enlarging the overall size to some 6.3m ft^2 (585,000 m^2). The new projects, including the substantially revised proposals for Birmingham, are highlighted on the schedule opposite.

The estimated capital cost has increased from some £650m to over £1,050m exclusive of interest and the book value of those holdings in our portfolio prior to assembling this programme. This estimate includes some £40m relating to completed projects and about £185m to those in progress. A breakdown is given in columns 1 and 2 of the schedule opposite. By the year end we had spent approximately £180m on the programme with the balance to be expended over a number of years.

Many of the schemes are at the planning and design stages and will only proceed if they are viable. If all of the wholly owned schemes go ahead they would produce over:

- 1,769,000 ft^2 (164,340 m^2) of new shopping development
- 678,000 ft^2 (62,990 m^2) of shopping centre refurbishment
- 1,008,500 ft^2 (93,690 m^2) of central London offices
- 773,000 ft^2 (71,810 m^2) of leisure
- 481,500 ft^2 (44,730 m^2) of retail warehouses
- 480,300 ft^2 (44,620 m^2) of warehouses and industrial.

In addition, we will also have a one-third interest in The Birmingham Alliance projects of 2.68m ft^2 (248,970 m^2) and half interests in the 256,000 ft^2 (23,780 m^2) Designer Outlet and Leisure Centre in Livingston and the 193,600 ft^2 (17,990 m^2) leisure led mixed use development at Hungate, York.

A number of other potential developments, some of which are mentioned in this review, are also under consideration and if they proceed the estimated cost of the revised programme will increase substantially.

● Fully let or agreed to be let
✢ Part let or agreed to be let
£m refers to estimated capital expenditure

COMPLETED DURING THE YEAR ENDED 31 MARCH 1999

● STRAND CENTRE, BOOTLE
Multi-storey car park and 92,000 ft^2 (8,550 m^2) extension to existing shopping centre. Completed November 1998 (in previous development programme).

● TOWER CENTRE, BALLYMENA
175,000 ft^2 (16,260 m^2) shopping centre refurbishment. Completed August 1998. £2.4m.

● STRATFORD CENTRE, STRATFORD E15
290,000 ft^2 (26,940 m^2) shopping centre refurbishment. Completed August 1998. £5.3m.

● WILLIAMSON SQUARE, LIVERPOOL
55,000 ft^2 (5,110 m^2) retail development. Completed November 1998. £6.2m.

● GREAT BARR, BIRMINGHAM
83,500 ft^2 (7,760 m^2) hypermarket. Replacement of existing buildings. Completed April 1998. £3.5m.

● SLOUGH RETAIL PARK (FORMERLY TWINCHES LANE RETAIL PARK)
36,500 ft^2 (3,390 m^2) development of industrial holding to extend retail park. Completed May 1998. £4.9m.

● MIDDLETON ROAD, BANBURY
240,000 ft^2 (22,300 m^2) high bay warehousing/distribution space. Completed October 1998. £11.2m.

● PUMP LANE, HAYES
33,500 ft^2 (3,110 m^2) warehouse units. Completed December 1998. £1.7m.

CENTURION PARK, TAMWORTH PHASE II
141,800 ft^2 (13,170 m^2) high bay warehousing/distribution space. Completed January 1999. £4.2m.

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IN PROGRESS AT 31 MARCH 1999

* 2 TEMPLE AVENUE EC4
31,000 ft² (2,880 m²) air conditioned office refurbishment. Completion due May 1999. £9.2m.

● 1 THEOBALD'S COURT WC1 (FORMERLY ADASTRAL HOUSE)
124,000 ft² (11,520 m²) air conditioned offices. Completion due July 1999. £29.0m.

* 2 THEOBALD'S COURT WC1 (FORMERLY LACON HOUSE)
205,000 ft² (19,040 m²) air conditioned offices with 4,500 ft² (420 m²) retail and a further 6,000 ft² (560 m²) leisure facility. Completion due August 1999. £45.5m.

* 6/17 TOTTENHAM COURT ROAD W1
56,500 ft² (5,250 m²) retail, 2,500 ft² (230 m²) offices and nine residential units. Residential element sold April 1999. Completion due July 1999. £8.7m.

* CAXTONGATE PHASE II, NEW STREET AND CORPORATION STREET, BIRMINGHAM
40,000 ft² (3,720 m²) retail and residential accommodation. Completion due November 1999. £7.6m.

*● ALMONDVALE CENTRE, LIVINGSTON PHASE I
213,000 ft² (19,790 m²) shopping centre refurbishment. Completion due June 1999. £4.7m.

* ALMONDVALE CENTRE, LIVINGSTON – DESIGNER OUTLET CENTRE
180,000 ft² (16,720 m²) retail and 76,000 ft² (7,060 m²) leisure, including multiplex cinema (joint ownership with BAA McArthurGlen). Completion due August 2000. £38.0m.

* NUNEATON
13,000 ft² (1,210 m²) retail units. Completion due October 1999. £1.4m.

* THE BRIDGES, SUNDERLAND PHASE II
265,000 ft² (24,620 m²) retail. Completion due September 2000. £38.1m.

* MIDDLETON ROAD, BANBURY PHASE IV
65,000 ft² (6,040 m²) high bay warehousing/distribution space. Completed May 1999. £4.5m.

PROPOSED FUTURE DEVELOPMENTS

* ESSO HOUSE/GLEN HOUSE (INCLUDING 16 PALACE STREET) SW1
500,000 ft² (46,450 m²) air conditioned offices and 140,000 ft² (13,010 m²) retail.

GULF HOUSE W1
100,000 ft² (9,290 m²) air conditioned offices and 20,000 ft² (1,860 m²) additional retail.

†* ST ALBAN'S HOUSE SW1
46,000 ft² (4,270 m²) air conditioned office refurbishment.

CAXTONGATE PHASE III, NEW STREET AND CORPORATION STREET, BIRMINGHAM
70,000 ft² (6,500 m²) retail and mixed use.

THE BIRMINGHAM ALLIANCE
(Partnership with Hammerson plc and Henderson Investors:)

* BULL RING, BIRMINGHAM
1.2m ft² (111,480 m²) retail development.

* MARTINEAU GALLERIES PHASE I, BIRMINGHAM
180,000 ft² (16,720 m²) retail development.

* MARTINEAU GALLERIES PHASE II, BIRMINGHAM
Up to 1.3m ft² (120,770 m²) retail and leisure development.

WHITEFRIARS, CANTERBURY
400,000 ft² (37,160 m²) retail development with some residential accommodation.

PRINCESSHAY, EXETER
465,000 ft² (43,200 m²) retail development with some residential accommodation.

COPPERGATE CENTRE, YORK PHASE II
240,000 ft² (22,300 m²) retail development with some residential accommodation.

* EMPRESS STATE BUILDING SW6
560,000 ft² (52,030 m²) proposed conversion to a 504 bedroom hotel.

NEWGATE STREET, NEWCASTLE UPON TYNE
207,000 ft² (19,230 m²) leisure complex, including multiplex cinema.

* HUNGATE, YORK
193,600 ft² (17,990 m²) leisure and mixed use development (joint ownership with Evans of Leeds PLC).

†* KINGSWAY RETAIL PARK, DUNDEE
220,000 ft² (20,440 m²) partial redevelopment and extension to retail warehouse park.

† QUEENS ROAD RETAIL PARK, MANCHESTER
95,000 ft² (8,830 m²) retail warehousing.

* LAKESIDE RETAIL PARK, THURROCK
46,500 ft² (4,320 m²) extension to retail warehouse park.

* Added or significantly changed during 1998/99
† Included in capital commitments

Offices

- *In central London limited supply supports rental levels*
- *Strong demand in West End and Victoria*
- *1 and 2 Theobald's Court offices pre-let*

Our portfolio is principally in the City, Midtown, West End and Victoria areas of London where we expect good long term growth.

The valuation reflected the stronger market in the West End and Victoria where restrictions on the creation of new supply supported higher levels of rental growth and an improvement in yields compared with the City and Midtown.

Our major refurbishments at 1 and 2 Theobald's Court WC1 and 2 Temple Avenue EC4 are progressing well and we have continued with our rolling programme of refurbishment at Portland House SW1.

1 Theobald's Court is pre-let to Warner Bros. and since the year end the first eight floors have been handed over on time. The offices at 2 Theobald's Court are pre-let and are due to be completed in August. 2 Temple Avenue is attracting tenant interest ahead of our proposed marketing campaign. American Express now have leases on 93,500 ft^2 (8,690 m^2) at Portland House, having taken a further 44,000 ft^2 (4,090 m^2) during the year.

In the West End and Victoria, we have applied for planning permission for the substantial rebuilding of Gulf House W1 and are preparing plans for a major office and retail development of 640,000 ft^2 (59,460 m^2) on the sites of the existing Esso and Glen Houses and 16 Palace Street SW1.

VALUATION AT 31 MARCH 1999
£2,785.9m

RENTAL INCOME FOR YEAR ENDED 31 MARCH 1999
£186.2m

% OF GROUP VALUATION
40.3

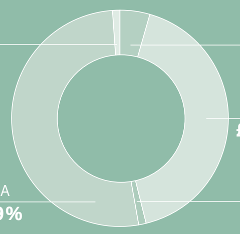
VALUATION %

CITY & MIDTOWN	WEST END & VICTORIA	ELSEWHERE
41.5	51.6	6.9

RENTAL INCOME %

CITY & MIDTOWN	WEST END & VICTORIA	ELSEWHERE
45.0	45.8	9.2

VALUATION BY LOCATION



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Offices continued

Since the year end we have purchased the freehold of Elliot House, Bressenden Place SW1, which is adjacent to some of our key holdings in the area. This investment has the benefit of a planning permission for a new 90,000 ft^2 (8,360 m^2) office building.

We acquired the long leasehold interest in Chatham Place, East Harding Street EC4 which we propose to incorporate in the potential redevelopment of our adjacent New Fetter Lane holdings; meanwhile we have secure income from the property.

In order to extend our holdings in the immediate vicinity, we purchased a 28,100 ft^2 (2,610 m^2) office investment at 7/8 Essex Street WC2.

We also bought the freehold of Dashwood House, Old Broad Street EC2 to consolidate our interest in this property.

At Bowater House, Knightsbridge SW1, prior to the expiry of Rexam PLC's lease in June 2000, we are in discussion with the sub-tenants with a view to granting new relatively short term leases to enable a redevelopment to be planned to suit our overall development programme. Terms have been agreed for approximately 55% of the space at rents considerably in excess of the income received under the existing lease, which does not provide for reviews.

The planning application for a change of use of Empress State Building SW6, from offices to an hotel, is still under consideration by the local authority.

We continue to seek opportunities to upgrade the office portfolio whenever possible and maintain a high standard of service to our customers. During the year we have let or agreed to let some 217,000 ft^2 (20,160 m^2) in the City and Midtown and 321,400 ft^2 (29,860 m^2) in the West End and Victoria, reducing our office voids to 1.5% by rental value. Increased estimated rental values have reduced the level of over-renting and also allowed us to benefit from rent reviews on a number of our properties.

During the last calendar year there was a record level of take up of office space in central London which is unlikely to be repeated this year. Despite the lower rate of economic growth, there is relatively little supply available to meet new demand, particularly in the West End and Victoria. However, the potential for increased development both in the City and Canary Wharf may affect future rental and capital growth in those areas.

Above
Dashwood House,
Old Broad Street EC2

Right
7/8 Essex Street WC2

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1 and 2 Theobald's Court WC1

Shops and Shopping Centres

- *Encouraging rental growth in strong centres*
- *Development programme located principally in towns and cities which dominate their catchment area*
- *Commitment to urban regeneration through a wide range of public and private sector partnerships*
- *Continuing rationalisation through sales of secondary centres and high street shops*

Despite mixed messages from recent trading statements issued by retailers and limited growth in consumer expenditure, we are encouraged by the strength of demand for the best retail units in the strongest locations. This experience confirms our belief that by creating the dominant centres in major cities we should achieve long term outperformance. Our current development programme is therefore mainly in towns and cities where we can add value to our existing shopping centres.

At Bootle, our Strand Centre now totals some 400,000 ft^2 (37,160 m^2), following the successful completion of the 92,000 ft^2 (8,550 m^2) second phase, together with a new multi-storey car park and bus station.

In Liverpool, we concluded the purchase of the 55,000 ft^2 (5,110 m^2) Williamson Square retail scheme which is fully let and adjoins our St Johns Centre, where we have agreed to let the Beacon tower to Liverpool Radio City for their new operational headquarters. Planning permission has been obtained for the erection of a skyline advertising display which will offer a unique opportunity for a major international brand.

VALUATION AT 31 MARCH 1999
£2,670.6m

RENTAL INCOME FOR YEAR ENDED 31 MARCH 1999
£177.6m

% OF GROUP VALUATION
38.7

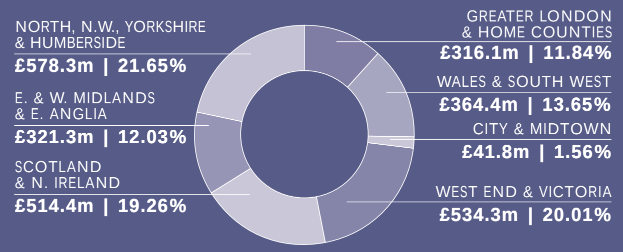
VALUATION %

SHOPPING CENTRES	CENTRAL LONDON SHOPS	OTHER IN-TOWN SHOPS
45.3	21.6	33.1

RENTAL INCOME %

SHOPPING CENTRES	CENTRAL LONDON SHOPS	OTHER IN-TOWN SHOPS
44.9	18.2	36.9

VALUATION BY LOCATION



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Shops and Shopping Centres continued

The Bridges Sunderland – Phase II

In central London our 56,500 ft^2 (5,250 m^2) development at 6/17 Tottenham Court Road W1 will be completed later this summer. Over 83% of the rent roll for these shops has either been secured or is agreed subject to completion of lease documentation, and the residential content has been forward sold. In Victoria we have exchanged contracts to let the ground floor of Saga Petroleum House to J Sainsbury for a new “Local” format store.

We have begun construction in Sunderland on the 265,000 ft^2 (24,620 m^2) extension to The Bridges which, when combined with our existing shops, will create a centre of 515,000 ft^2 (47,850 m^2). Some 75% of the additional rent is secured or agreed subject to completion of lease documentation.

At Livingston we will complete the refurbishment of Almondvale Phase I later this year, which will complement the Phase II development, providing a fully integrated shopping centre of 520,000 ft^2 (48,310 m^2). Construction has also commenced on the 256,000 ft^2 (23,780 m^2) designer outlet shopping centre, being developed in association with BAA McArthurGlen, in which we have a 50% interest. Opening is planned for the summer of 2000. Following its completion, Livingston will provide a regional centre for shopping and leisure of some 1m ft^2 (92,900 m^2), of which 76% will be in our ownership.

We have continued refurbishing our shopping centres and have completed schemes at Stratford E15 and Ballymena. Works are also underway to remodel retail space at Ballymena to create ten new shops, five of which are pre-let subject to completion of lease documentation.

In Birmingham we continue our development of Caxtongate. Phase I is fully let and Phase II, which includes a residential conversion of the upper floors, is under construction. Over 50% of the shop rent roll has been secured by lettings to leading fashion retailers and we have agreed terms to dispose of the residential content by way of a long lease.

Following our announcement in February of the formation of The Birmingham Alliance to develop the new Bull Ring and Martineau Galleries shopping centres, we are in the process of concluding legally binding documentation with Hammerson plc and Henderson Investors. The partnership arrangements provide the Group with one-third interests in both developments.

The Birmingham Alliance will be working closely with the City Council to renew and regenerate the eastern side of the city. The partnership has been established to maximise the values of the founders’ property interests through the development and management of the largest city centre retail regeneration project ever undertaken in Europe. This will provide an opportunity to create two major shopping centres totalling almost 2.7m ft^2 (250,840 m^2).

We propose to start Phase I of Martineau Galleries in April 2000 with completion one year thereafter. At the Bull Ring, work on the new market hall is planned to start this summer following which the site will be cleared and the redevelopment will commence in the autumn of 2000 with completion programmed for the autumn of 2003. The development of Martineau Galleries Phase II is planned to follow the completion of the Bull Ring.

In York, we are working with the Council to revise our proposals, with the intention of submitting a new planning application for a 240,000 ft^2 (22,300 m^2) extension to the Coppergate Centre this summer.

At Canterbury, following the grant of detailed planning permission for the 400,000 ft^2 (37,160 m^2) Whitefriars development, we are awaiting the outcome of the compulsory purchase inquiry for

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site assembly. We are finalising proposals with Fenwick for their new department store, and with Marks & Spencer and Boots for their new space requirements. Terms have been agreed with Canterbury City Council for our new ground lease. Subject to completion of the development agreement and confirmation of the compulsory purchase order, we anticipate starting on site towards the end of this year.

We continue to progress our plans at Exeter, in association with the City Council, for the 465,000 ft^2 (43,200 m^2) Princesshay scheme. Revised proposals have been submitted which, following extensive public consultation, will be formally determined by the Council this autumn.

Other projects under consideration include a major scheme in the centre of Bristol, where the City Council has appointed us to undertake a detailed viability study for a 680,000 ft^2 (63,170 m^2) retail scheme. We are also investigating the feasibility of schemes involving our ownerships in Reading and East Kilbride.

We continue to focus on working and refining the portfolio to secure maximum future growth. At the year end, void properties available to let, excluding those being held for development, represented 1.4% of rental value. During the year we sold shopping centres at Eccles, Knightswood and Leith and 51 other retail properties comprising over 200 shops. While we will continue to rationalise our in-town shopping, almost 80% by value is located in the top 100 towns and cities in the UK.

Acquisitions adjacent to existing ownerships have been completed in a number of locations including Canterbury and Exeter.

At St David's Centre, Cardiff we completed the purchase of the City Council's remaining financial interest following which we now receive all the income from the centre.

In strengthening our relationships with retailers and their agents, our in-house leasing team continues to maintain market awareness and to let shops through our 'Talk Direct' campaign. We have recently opened our new marketing suite in Mayfair Place W1 to complement these activities.

The benefit of working closely with our tenants to meet their occupational requirements is demonstrated by the transaction completed with Hennes & Mauritz in Oxford Street for the expansion of their existing Marble Arch unit. This involved the acquisition of the leases of two adjoining shop premises to create this flagship store of 16,500 ft^2 (1,530 m^2).

We continue to participate in many Town Centre Management initiatives throughout the United Kingdom and in the work of the British Council of Shopping Centres, the English Historic Towns Forum and the British Urban Regeneration Association. These activities support the Government's declared objective to promote the urban regeneration of towns and cities.

There are a number of new factors which are likely to affect the future performance of shopping centres and retail investments, including the Government's latest guidelines on retail and transportation policy. The potential effects of electronic shopping, in its various applications, will also influence retailers' preferences for type and location of property. While it is premature to assess the long term effects of this new technology on shopping patterns, it is likely to have a greater impact on the sale of convenience goods than on comparison shopping. Our objective is to increase the appeal of our centres by making shopping a more enjoyable activity.

481-485 Oxford Street W1

Our development programme will create major retail centres in towns and cities which will dominate their catchment areas and which should deliver good future growth.

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Retail Warehouses and Food Superstores

- *Current planning policies should enhance future values*
- *Enlarging and re-configuring parks improves retail mix and increases value*
- *75% by value in parks*

The 4.9m ft^2 (455,220 m^2) portfolio contains over 2.8m ft^2 (260,130 m^2) with open A1 non-food or completely open retail consent. Our portfolio mainly consists of parks for which there continues to be a healthy demand and as a result we have only 27,800 ft^2 (2,580 m^2) vacant and available for letting. All our holdings comply with our criteria of main road prominence, easy access and good car parking provision.

The strong rate of rental growth experienced at the beginning of 1998 was not sustained and this is reflected in the annual valuation. The recent slowdown in the economy has affected certain occupiers. However, a number of retailers, particularly in the DIY and electrical sectors, continue to pursue acquisition programmes, generally with increased store size requirements. Growth will be stimulated by demand from those high street retailers which are unable to satisfy their requirements for larger stores in their traditional locations.

Our objective is to enhance the value of our holdings by increasing their size and improving the retail offer. Full rental value on review can only be unlocked by securing evidence of open market lettings in the same park or immediate vicinity. We therefore seek to create new letting opportunities by negotiating the surrender of existing leases, extending or dividing units or by constructing new units.

VALUATION AT 31 MARCH 1999
£824.7m

RENTAL INCOME FOR YEAR ENDED 31 MARCH 1999
£46.6m

% OF GROUP VALUATION
11.9

VALUATION %

PARKS	OTHER
74.8	25.2

RENTAL INCOME %

PARKS	OTHER
68.5	31.5

VALUATION BY LOCATION


Wickes

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Retail Warehouses and Food Superstores continued

Above
Retail and Leisure Park, Bexhill

Right
Lakeside Retail Park, West Thurrock

Following the surrender of a large unit at Bexhill we completed the letting of 30,000 ft^2 (2,790 m^2) to Currys and PC World. The park has been enhanced further by reletting the former Currys store of 10,000 ft^2 (930 m^2) to Boots. We completed the extension and upgrading of the J Sainsbury foodstore at Wakefield and are about to start construction on a 15,000 ft^2 (1,390 m^2) unit at Chadwell Heath, pre-let to Currys.

We acquired a further 15 acres of land at Dundee which has the benefit of outline planning permission for retail use. We plan to increase our existing park, which will adjoin a proposed 110,000 ft^2 (10,220 m^2) Tesco store, from 186,800 ft^2 (17,350 m^2) to 320,000 ft^2 (29,730 m^2) to create a new regional centre.

Terms have been agreed, subject to planning consent, to purchase land adjoining our parks at Chesterfield and Gloucester for the construction of additional units. At Erdington, Birmingham we will be carrying out a comprehensive upgrading to our park of 154,000 ft^2 (14,310 m^2). We have also secured consent, subject to completion of a planning agreement, to enlarge Lakeside Retail Park, West Thurrock to 360,000 ft^2 (33,450 m^2).

We have disposed of properties at Beeston, Bolton, Christchurch, Coventry and Weston-super-Mare where we believe growth potential is limited.

Current Government planning policy restricting further out of town development will reduce future supply which, together with reviving demand and our policy of exploiting opportunities to improve our holdings, should enhance the value of our existing investments.

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Hotels, Leisure and Residential

We continue to progress our leisure projects and to consider a number of new town centre schemes.

At Newcastle upon Tyne we have received planning consent for a 207,000 ft^2 (19,230 m^2) scheme to include a multiplex cinema, restaurants, themed attractions and related retail. In association with the City Council, we are proceeding with a compulsory purchase inquiry to complete site assembly. We anticipate starting early next year with completion in the summer of 2002.

In York, in joint ownership with Evans of Leeds PLC, we are planning a new leisure quarter within the city walls. The development will regenerate an underutilised area of the city and we are working with the City Council in formulating the planning brief for the site.

We granted a new 35 year lease on the London Hilton, Park Lane W1, at an enhanced rent, to enable the hotelier to carry out a substantial refurbishment programme including an extension at first floor level.

London Hilton
on Park Lane W1

'Tiger Tiger',
Haymarket House SW1

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Warehouses and Industrial

- *Rents increasing in areas of strong economic activity*
- *80% let to warehouse and service sector users*
- *73% by value in south east*

We are improving the 7.7m ft^2 (715,350 m^2) portfolio through land acquisition, development and sales. During the year we completed the construction of 415,300 ft^2 (38,580 m^2) of warehouse and industrial accommodation.

At Banbury we developed and let 240,000 ft^2 (22,300 m^2) in two high bay warehouses. A further 65,000 ft^2 (6,040 m^2) warehouse was completed in May. This 22.8 acre estate adjacent to Junction 11, M40 now comprises some 403,900 ft^2 (37,520 m^2).

At Centurion Park, Tamworth we have built and are marketing a second high bay warehouse of 141,800 ft^2 (13,170 m^2). This estate comprises 262,900 ft^2 (24,420 m^2) on 13.2 acres adjacent to Junction 10, M42.

Our three-unit scheme of 33,500 ft^2 (3,110 m^2) in Pump Lane, Hayes, Middlesex is complete with two units let and the remaining 7,450 ft^2 (690 m^2) agreed to be let subject to concluding legal documentation.

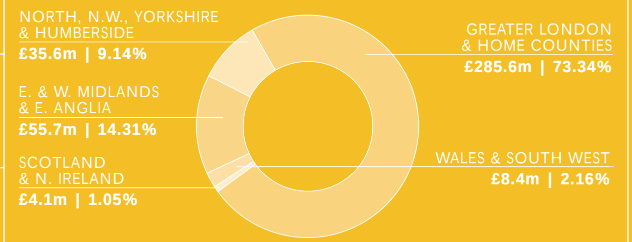
We took advantage of the stronger investment market in this sector to dispose of a number of secondary properties totalling 448,000 ft^2 (41,620 m^2). These were located in the Glasgow suburbs, Weston-super-Mare, Caldicot, Horwich, Chester and Uxbridge.

VALUATION AT 31 MARCH 1999
£389.4m

RENTAL INCOME FOR YEAR ENDED 31 MARCH 1999
£30.0m

% OF GROUP VALUATION
5.6

VALUATION BY LOCATION



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Warehouses and Industrial continued

Middleton Road, Banbury

Excluding properties under development, voids represented 3.9% by value at 31 March.

In a joint venture with Gazeley Properties Limited, we hold options on some 300 acres at Milton Keynes, adjacent to the M1 motorway, and are in active discussion with the local authority to develop this land.

We appreciate the need to respond to customer requirements for shorter leases and greater flexibility in the provision of space. There are some encouraging indications that rents can be varied to reflect a range of lease options.

Rental growth in this sector is likely to remain limited, although we anticipate increases in areas of strong economic activity and restricted land supply.

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Financial Review

RESULTS

Pre-tax profit increased from £266.0m to £293.3m. After excluding the results of property sales, revenue profit for the year increased by 10.1% to £292.7m. The increase of £5.3m in pre-tax revenue profit in the second half of the year, compared with the first half, was almost entirely due to higher levels of rental income.

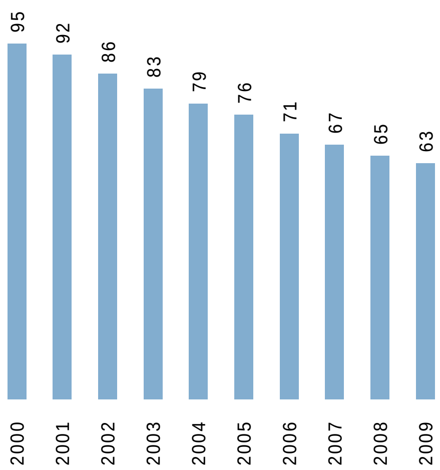
Taking into account the effect of the annual valuation, shareholders' funds increased by £468.9m, compared with the previous year, and diluted net assets per share increased by 7.1% to 975p per share. After including the interim and proposed final gross dividends, there was a 13.5% increase in shareholders' funds. The return on equity was 11.2% and the average return over the last three years has been 16.9%.

Rental income increased from £438.9m to £453.6m despite a net loss of income from the continuing rationalisation of the portfolio. After adjusting for the effect of acquisitions and sales during the last two financial years, rental income on properties owned throughout the period under review increased by £21.2m. First lettings provided an additional £13.3m, mainly from the recently completed development programme, and increases from rent reviews contributed a further £7.6m.

Looking forward, rental income of £9.3m from our recently completed development programme had been secured but not received at 31 March 1999. At the same date, we had secured £26.6m of annual rental income from the investment portfolio which is subject to rent-free periods. However, rental income in the current year will show the effect of property sales, less acquisitions, completed in the year under review of some £6.5m, new voids in the portfolio and an estimated loss of £4.3m from properties which will cease to be income-producing in anticipation of redevelopment or refurbishment. In addition, at 31 March we had secured further income of £20.2m relating to the current development programme which had not yet been received. This income will flow from developments which are either currently in progress or very recently completed.

Improving rental levels during the year have resulted in the portfolio, excluding voids, being 6.0% reversionary, although there are still some central London offices which are significantly over-rented. Leases for the majority of these buildings still have several years to expiry and almost 63% of our total rent roll is secured on good covenants and on long leases without breaks and with upward only rent reviews for more than 10 years.

% OF RENT ROLL SECURED TO 25 MARCH



We reduced the Group's net irrecoverable property outgoings by a further £0.6m to £7.5m which is less than 1.7% of rent roll net of ground rents. This reflects a level of voids in the portfolio of 1.6% of rent roll. The shortfall includes the running costs of properties that have been emptied pending redevelopment or refurbishment.

The increase in property management and administration expenses includes initial depreciation of the new computer finance system and the first award under the Group's long term incentive plan which replaced the 1984 Executive Share Option Scheme.

PORTFOLIO STATUS at 31 March 1999 — % of rent roll

	Offices	Shops, Shopping Centres and Leisure	Retail Warehouses and Food Superstores	Warehouses and Industrial	Total
Voids by rental value	1.5	1.4	0.7	3.9	1.6
Reversionary/(over-rented)	(1.9)	13.0	14.7	(3.9)	6.0

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Financial Review continued

Revenue profit benefited from a fall in net interest costs of £14.3m. The major reduction in interest payable resulted from conversions of convertible bonds during the previous accounting period and a further £83.2m of conversions of 7% Convertible Stock 2008 during the period under review. Interest receivable increased by £4.4m.

The tax charge, equivalent to 26.2% of revenue profit, reflects the benefit of capital allowances from developments, refurbishments and acquisitions. Following the latest annual property valuation, there is an estimated potential capital gains tax liability in the region of £430m.

Adjusted earnings per share increased from 37.07p to 39.11p after taking into account the increase in share capital largely resulting from bond conversions. These figures have been calculated assuming all conversions took place immediately interest ceased to accrue on the relevant convertible stock.

Earnings growth, a positive cash flow and sizeable cash balance, together with a dividend cover of 1.31 times, have enabled the Directors to propose a final dividend of 21.65p, making an increase of 5.4% for the year. After all financing costs, dividends and taxation, the Group produced cash flow for investment of £73.5m.

Expenditure on properties amounted to £267.3m, of which £154.3m was incurred on development and refurbishment. £129.5m of this relates to costs associated with the current development programme. £106.2m was spent on investment acquisitions, many with future development in mind, showing an initial return of 6.2%.

Portfolio activity (£m) Year ended 31 March 1999	Acquisitions/ developments	Sales proceeds
Retail/Leisure	112.4	113.0
Offices	137.6	2.9
Warehouses and Industrial	17.3	10.1
	267.3	126.0

In the same period, net proceeds from sales of properties amounted to £126.0m. The properties sold yielded 9.7% after deducting all our costs. Sales realised a small surplus, before tax, over book value and exceeded costs to the Group by £75.7m.

BALANCE SHEET

Following conversions into equity and some small repayments, total borrowings amounted to £1,569.3m at the year end. Short term investments and cash of £486.6m was a seasonally high amount following receipt of March rentals. The Group also had £250m of committed bilateral standby facilities available on competitive terms should further funds be required. Prior to investment in property, funds are invested to achieve the best returns within rigorous controls which are reviewed regularly by the Board. In all investment decisions careful consideration is given to creditworthiness and deposit limits to minimise exposure to a single institution. As at 31 March 1999 the Group had no outstanding interest rate swaps or other derivatives.

At the year end, outstanding expenditure on the current £1,050m development programme amounted to some £870m. Capital creditors at 31 March 1999 amounted to £65.1m and capital commitments were £158.6m. In addition, we have many further potential development opportunities which are not yet sufficiently far advanced to be listed in the schedule of Group developments on page 11. The most relevant measure of gearing, interest cover, was some 3.03 times and balance sheet gearing, taking net debt as a percentage of net assets, was 19.8% at 31 March 1999. The Group also views its development programme as a form of gearing and therefore estimates of balance sheet gearing should take this into account.

We are confident that we will be able to capitalise on our balance sheet strength by developing and acquiring additional property assets in accordance with our strategy, but in the event that we cannot fully use that strength then we will consider alternative methods of exploiting our balance sheet strength for the benefit of shareholders.

Property development and investment is a long term capital intensive activity and the

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Group has sought to minimise the risk of fluctuations in finance costs as a result of changes in interest rates by using long term fixed rate debt to match its property commitments. In common with many mature UK property investment companies, the current average cost of debt is high, as the majority of borrowings were raised during a period of much higher interest rates and investment returns.

During the year, the Financial Reporting Standard 13, "Derivatives and Other Financial Instruments", was introduced and the additional disclosures required by the Standard are shown in Note 25 on pages 60 and 61. The note shows the market value, defined as the fair value, of the Group's borrowings including convertible bonds. The fair values as at 31 March 1999 exceeded the book values of the Group's borrowings by £723.9m, reflecting £680.1m in respect of a reduction in long term interest rates since the borrowings were originally taken out and £43.8m in respect of equity conversion terms of the convertible bonds. The adjustment to fair value would reduce reported diluted net assets per share by 115p and would increase balance sheet gearing. However, after taking account of tax relief, the adjustment to net assets would be 79p per share.

There is no obligation or present intention to redeem or retire the borrowings, other than at maturity when their redemption would be made at par. The only cash outflows arising from the Group's borrowings are the future fixed interest payments and the redemption at par of those borrowings that do not convert into ordinary shares. These outflows are unaffected by the fair values referred to above. In particular, the impact of the exercise of equity conversion terms of the convertible bonds on the fair values will not result in any cash outflow by the Group, as conversion is a non-cash transaction.

Market values are affected by a number of external factors, including strength of covenant and, ironically, the stronger the company, the narrower the trading margin over the relevant Government gilt and consequently the higher the market value of debt. It is also worth noting that the current strength of our balance sheet affords us the ability to raise finance for acquisitions and further developments at current interest rates.

GOING CONCERN

After reviewing detailed profit projections, taking into account the available bank facilities and making such further enquiries as they consider appropriate, the Directors are satisfied that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

ACCOUNTING ISSUES

In addition to FRS 13, several new accounting standards and discussion papers were published during the year. FRS 14 "Earnings per Share" has had no material effect on the financial statements but its application has required mandatory disclosure of diluted earnings per share. FRS 15 "Tangible Fixed Assets" was issued in February but investment properties have been exempted from its provisions and are still to be accounted for under Statement of Standard Accounting Practice 19 "Accounting for Investment Properties". The International Accounting Standards Committee (IASC) is currently reviewing accounting for investment properties and is expected to report later this year. The implementation of the new financial reporting standards has had no effect on the profit or net assets attributable to shareholders in these financial statements.

Discussions on harmonising the accounting for deferred taxation and pensions continue and the recommended methods of accounting are expected to be issued shortly. A discussion paper on a revised method of accounting for lease arrangements is also anticipated later this year.

The issue of recording the fair values of derivatives and other financial instruments in financial statements is currently under active consideration by the IASC. The inclusion of such information in the

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Financial Review continued

balance sheet, especially when debt is intended to be held to maturity, will be strongly resisted. The proposal, included in the exposure draft on tangible fixed assets, for revising FRS 3 "Reporting Financial Performance" to exclude from the profit and loss account profits or losses arising on sales of investment properties, was not implemented in the published standard. However, consideration is being given to the replacement of the profit and loss account and other primary statements with a single statement incorporating all movements in shareholders' funds. We favour this approach to accounting for the results of property investment companies.

We continue to hold firmly to the view expressed last year that the UK's accounting standards should not be compromised in circumstances where general business practice in the United Kingdom would be adversely affected by the application of an international accounting standard. We will continue to uphold this position in our discussions with the Accounting Standards Board in the best interests of our shareholders and the property industry.

THE FUTURE

The Group's strategy of increasing shareholder value by development or refurbishment and by acquiring assets which can be worked to increase growth potential requires long term commitment. As we do not capitalise interest as part of the cost of development, a substantial development programme inevitably affects profits during the expenditure period. We do, however, reflect the changing value of our developments in progress by obtaining annual valuations of all the property assets in our portfolio. It is also necessary continually to review and alter the balance of the portfolio to anticipate the effects of changes in technology and demographics. The pace of rationalisation of the portfolio through judicious sales has increased in recent years and we will continue to make disposals. This process often involves an initial loss of income as we dispose of properties which are unlikely to provide future growth. Although the assets we acquire, usually with development potential, will provide increasing income and capital growth for shareholders in the future, there is likely to be a short term cost. Falling short term interest rates will also reduce the return from the temporary deployment of funds prior to investment in property.

While property values can benefit from a favourable movement in valuation yields, usually resulting from particularly strong prospects for rental growth or reflecting favourable returns compared with other forms of investment, improvements in revenue profit depend on sustainable rental growth. The Group's balance sheet strength, significant cash balances and long term future growth prospects underpin the Board's decision to increase the rate of dividend for the year. A low inflation environment should discourage some of the excesses which have damaged the UK property industry in the past and led to significant cyclical fluctuations. The prospects of less volatility together with the Group's prudent accounting policies support a lower level of dividend cover than was maintained in periods of higher inflation when a cover of about 1.5 times was considered appropriate.

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MILLENNIUM AND EURO ISSUES

The Group is continuing with the programme of activities mentioned in last year's report to achieve compliance with year 2000 requirements. Its objective is to ensure that the business of the Group continues without interruption during the millennium period. As confirmation of our commitment, we have signed up to Pledge 2000™ launched by the Department of Trade and Industry to encourage co-operation in the resolution of problems associated with the year 2000.

The Group has established a team to implement its year 2000 compliance programme. The team comprises in-house engineering, computer and management staff and external consultants to provide specialist skills where necessary.

Regular reports are made to the Board and the Computer Steering Committee so that all senior levels of the Group are kept fully informed of the scope of the exercise. Our staff are also briefed on the importance of giving priority to this issue.

As a result of these initiatives, and following specific checks and tests, we are satisfied that our internal computer systems will be year 2000 compliant in time. As this exercise has been carried out in conjunction with projects to replace the mainframe computer with client server technology and to change the Group's property and accounting systems, much of the cost of achieving compliance has been absorbed within these larger projects and has been capitalised within fixed assets. Other associated costs have not been significant.

The review of building services within our properties is also well advanced. We have completed surveys and risk assessments and we expect to complete mock millennium testing of systems, where necessary, this summer. We have advised our tenants of those properties which are let on full repairing terms of the potential problems and requested their confirmation that measures are being taken to deal with the matter. We have also contacted our key suppliers and trading partners to seek assurances that they will continue to provide uninterrupted service during the millennium period and we will monitor the situation.

We appreciate the importance of the year 2000 problem and consider that we have taken all reasonable steps to mitigate its likely effects. Excluding the use of internal resources, the anticipated revenue cost of our programme of activities is unlikely to exceed £100,000.

Despite the Group's efforts to deal with the year 2000 issue, there can be no assurances that the steps taken will eliminate all the problems associated with the year change. We are therefore preparing contingency plans, which will comprise arrangements required to be in place at or around the millennium date, to deal with any problems that may arise from unexpected events.

The working party appointed to investigate the likely impact of the euro on our business continues to monitor the latest developments. We commissioned a report on the implementation of the euro within the business and are ready to take the appropriate action if the Government commits the United Kingdom to entry. We do not intend to expend additional shareholder funds until a decision is made and, together with many other businesses, have pressed the Government to ensure that sufficient time is allowed for businesses to amend internal systems prior to entry to the European Economic and Monetary Union.

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Environment and Health & Safety

ENVIRONMENT

Land Securities recognises the importance of good environmental management and performance both in terms of protecting the local and global environment and in minimising risks to protect the interests of our investors. The Group fully supports the Government's aims for sustainable development and it continued to advance its own environmental initiatives during the past year.

We are committed to an annual review of our energy and environmental policies. This year, without significantly altering the substance of the environmental policy, we have modified it to allow clear objectives and targets to emerge more easily. We have a management structure that supports the implementation of our policy. Last summer our new environmental manual was introduced to all members of staff through a series of presentations which stressed the importance which we place upon this aspect of our business. All staff have electronic access to this manual.

Training is an important area and we have held a series of staff seminars to provide instruction on a range of subjects. We have also set up an internal environment panel to interpret the objectives of our policy to those who have to implement it.

The Group has joined the Property and Environment Group. It is encouraging that the overall performance of the property sector showed a marked improvement in 1998 and Land Securities remains amongst those organisations leading the way. We have played a full part in the review of Part L of the Building Regulations which the Government has identified as an important mechanism for helping to meet its target for reducing the UK's level of carbon dioxide emissions.

We set ourselves a target of 20 energy audits to be carried out over the course of the year and completed 22. Several opportunities have been identified for reducing energy consumption without impacting upon performance.

The chilled ceiling system being used in the developments at 1 and 2 Theobald's Court is at the commissioning stage and we are confident that both properties will score very well under the Building Research Establishment Environmental Assessment system. The two new warehouse units at Slough Retail Park both achieved "good" ratings.

Comprehensive environmental impact assessments are carried out on all of our proposed major city centre retail developments.

At the Olympia Centre in East Kilbride replacing low voltage tungsten lighting with compact fluorescent lamps has enhanced the appearance of the lighting scheme and greatly reduced running costs. At our request, a lighting manufacturer developed new dual technology fittings to enable the replacement of 700w exterior floodlights with multivapour lamps at the Ards Centre, Newtownards. This should produce a 75% saving in energy consumption.

HEALTH & SAFETY

We employ a Health & Safety Officer who has direct accountability to the Board for the implementation of our health and safety policy. Assisted by the appropriate staff and external consultants, he ensures that comprehensive risk assessments and analyses are carried out both at existing investments and in relation to developments in order to ensure that safety standards are maintained.

'Big Painting Sculpture' by Patrick Heron – Stag Place, Victoria SW1

Corporate Governance

THE COMBINED CODE – PRINCIPLES OF GOOD GOVERNANCE AND CODE OF BEST PRACTICE (DERIVED FROM THE CADBURY, GREENBURY AND HAMPEL COMMITTEE REPORTS).

As required by the Combined Code, the Board is reporting on how it applies the principles contained in the Code. Throughout the year ended 31 March 1999, the Company has generally been in compliance with the provisions of the Code. Areas where the Company has not complied fully with the Code are detailed in the following review. While strongly endorsing the importance of accountability, the Board supports the view expressed in the final report issued by the Hampel Committee that “the board’s first responsibility is to enhance the prosperity of the business over time”. It is your Board’s responsibility to ensure good governance but this process cannot be an end in itself.

DIRECTORS

The Board normally meets at least eight times a year. Its principal task is to formulate strategy and to monitor and control operating and financial performance in pursuit of the Group’s strategic objectives. It operates in accordance with a formal schedule of matters reserved to the Board for decision. These matters include property developments, refurbishments, acquisitions and disposals in excess of £30 million, fund raising, loan repayments and treasury policy. They also include the appointment or removal of Directors and the Company Secretary and the introduction of any significant changes to employee share or pension schemes. All Directors have access to the Company Secretary who is responsible for ensuring that Board procedures are complied with and who advises the Board on corporate governance and compliance matters. The Board has resolved that directors may seek independent professional advice at the Group’s expense in the furtherance of their duties as directors.

The roles of chairman and chief executive are split and there exists a strong Non-executive element on the Board which currently consists of four Executive and four Non-executive Directors. The Board considers that all the Non-executive Directors should be regarded as being independent. The senior Non-executive Director other than the Chairman is John Hull who is Deputy Chairman. The Board believes that the present balance and composition of the Board is appropriate in the light of prevailing circumstances.

The Board is supplied with comprehensive management information on a regular and timely basis, principally by means of a monthly Board Report and detailed reviews of rental income and financial projections every six months. The Group’s cash management and treasury activities are reviewed at each Board Meeting.

In view of the size of the Board, it has not been considered appropriate to establish a Nomination Committee; instead the entire Board acts as a Nomination Committee and is responsible for the selection and approval of candidates for appointment to the Board.

In accordance with the Companies Acts and the Articles of Association of the Company, all Directors are required to submit themselves to shareholders for re-election to the Board at the first Annual General Meeting following their appointment and at regular intervals thereafter. A resolution will be proposed at the 1999 Annual General Meeting to amend the Company’s Articles of Association so that in future every Director is required to stand for re-election every three years (under the Articles of Association as currently worded, there may in certain circumstances be a four-year interval between the re-election of Directors and the Company did not comply with this provision of the Code in the year under review). Non-executive Directors are appointed for an initial period of three years which is extendable upon mutual agreement. John Hull, who is Deputy Chairman, has served as a Director since 1976; he will retire from the Board on 14 July 1999.

Directors are provided with training and induction into the responsibilities of a director prior to, or immediately following, their appointment to the Board, if that appointment is the first occasion that they have been appointed to the Board of a listed company. The training needs of Directors are reviewed periodically to ensure that they are kept up to date on relevant new legislation and changing commercial risks.

Corporate Governance continued

DIRECTORS' REMUNERATION

Details of the Company's Remuneration Committee and Directors' remuneration are contained in the Report on page 35.

RELATIONS WITH SHAREHOLDERS

The Company values dialogue with institutional and private shareholders, and the Chief Executive together with the Finance Director hold regular meetings with institutional shareholders to discuss strategic and other issues within the constraints imposed to ensure the protection of price sensitive information which has not already been made available generally to the Company's shareholders. The Board welcomes moves towards a more constructive use of Annual General Meetings and regards the Annual General Meeting as the principal opportunity to meet private shareholders. In future, details of proxy voting will be disclosed on each resolution after it has been dealt with by a show of hands; the Company did not comply with this provision of the Code in respect of the 1998 Annual General Meeting.

The Chairmen of the Audit and Remuneration Committees normally attend each Annual General Meeting in order to answer any questions relating to the activities of these Committees.

The Company supports the concept of individual resolutions on each substantially separate issue at General Meetings and will continue to propose a separate resolution relating to the Report and Financial Statements.

With effect from the 1999 Annual General Meeting, the Company is arranging for the Report and Financial Statements and related papers to be posted to shareholders so as to allow at least 20 working days for consideration prior to the Annual General Meeting.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board seeks to present a balanced and understandable assessment of the Company's position and prospects, and details are given in the Chairman's Statement and the Operating and Financial Review.

Internal Control

Pending the production of guidance by the Institute of Chartered Accountants in England and Wales on the scope, extent, nature and review of internal controls to which the Code refers, the Board is, as recommended by the London Stock Exchange, reporting on the Group's internal financial controls pursuant to the guidance for directors on internal controls and financial reporting issued in December 1994.

Internal financial controls are the procedures established to provide reasonable assurance of:

(a) the safeguarding of assets against unauthorised use or disposition; and

(b) the maintenance of proper accounting records and the reliability of financial information used within the business or for publication.

The Directors are responsible for the system of internal financial control which is designed to provide reasonable but not absolute assurance against material misstatement or loss.

The Directors have reviewed the effectiveness of the system of internal financial control, the key procedures of which are:

(a) clearly defined organisational responsibilities and limits of authority.

(b) annual and long term revenue, cash flow and capital forecasts, updated regularly during the year; monthly monitoring of cash flow and capital expenditure and monthly reporting of key financial information to the Board; quarterly and half yearly revenue comparisons with forecasts.

(c) financial controls and procedures, including information systems, detailed in policies and procedures manuals.

(d) clearly defined guidelines for capital expenditure and disposals, including detailed appraisal procedures, defined levels of authority and monthly reporting on all capital projects.

(e) an internal audit function which reviews business processes and controls and reports directly to the Board.

(f) an Audit Committee which approves audit plans and published financial information and reviews reports from internal and external auditors, dealing with any significant control matters raised.

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Report of the Remuneration Committee

Corporate Governance continued

AUDIT COMMITTEE

The Audit Committee consists solely of the Non-executive Directors and is chaired by Peter Hardy.

At its regular meetings the Committee seeks to ensure that appropriate accounting systems and financial controls are in operation and that the Group's financial statements comply with statutory and other requirements. The Committee receives reports from and consults with the internal and external auditors. It reviews the interim and annual results and considers any matters raised by the internal and external auditors. It also monitors the scope, cost effectiveness, independence and objectivity of the external audit. The terms of reference of the Committee were reviewed and updated by the Board during the year under review.

VALUATIONS

The Group has for many years given the valuers and auditors access to each other. These advisers have a dialogue and exchange of information which is entirely independent of the Group.

NON-EXECUTIVE DIRECTORS

Remuneration for the Chairman and Non-executive Directors is determined by the Board within the levels set in the Articles of Association. They do not participate in any of the Company's share incentive, bonus or pension schemes. The Chairman and Non-executive Directors are currently appointed for an initial period of three years subject to renewal for further periods and to the rotation provisions under the Articles of Association. They do not have service agreements with the Company.

DIRECTORS' REMUNERATION

The Company complies with the requirements of the Combined Code in relation to directors' remuneration. The Board has established a Remuneration Committee which operates within agreed terms of reference and which makes recommendations to the Board on the Company's framework and cost of executive remuneration. No Director is involved in deciding his own remuneration.

1. COMPOSITION OF THE COMMITTEE

The Committee consists solely of the Non-executive Directors and is chaired by John Hull.

2. FUNCTION OF THE COMMITTEE

The function of the Committee is to review and determine annually within the context of the Board's remuneration policy the individual salaries and other terms and conditions of employment of the Executive Directors, together with any incentive or bonus scheme in which the Executive Directors and other senior executives may be invited to participate. The Committee also reviews the Chief Executive's remuneration proposals for the Group's staff other than the Executive Directors. The Committee consults the Chief Executive in relation to proposals for the remuneration of the other Executive Directors and the Committee has access to professional advice where this is considered appropriate.

3. REMUNERATION POLICY

The objective of the Group's remuneration policy is to provide remuneration in a form and amount to attract, retain and motivate high quality management. The levels of remuneration are set to ensure comparability across a broad spectrum of UK based companies of similar size from all sectors but with particular emphasis on the property industry.

In deciding on the appropriate level of remuneration, the Board is mindful of the long term nature of the business and the importance of aligning any performance awards with returns to shareholders. It attempts to achieve this balance through a base annual salary and cash bonuses which are geared to the achievement of short term objectives while providing an incentive to achieve longer term success through the Group's Long Term Incentive Plan.

Each Executive Director receives a salary which reflects his responsibilities, experience and performance. Salary is reviewed annually and the review process includes using comparator information and reports from specialist consultants. However, the Committee is mindful of the need to treat such comparisons with caution so that they do not result in an upward ratchet of remuneration levels with no corresponding improvement in performance and also takes account of pay and employment conditions elsewhere in the Group, especially when determining annual salary increases. The performance related elements of directors' remuneration are designed to form an important part of their total remuneration package, to align their interests with those of shareholders and to give directors incentives to perform.

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Report of the Remuneration Committee continued

Details of each Director's emoluments and share options are shown in Note 7 on pages 51 and 52.

4. REMUNERATION OF NON-EXECUTIVE DIRECTORS

The annual remuneration of the Chairman of the Board, Peter Birch, is determined by the Committee having regard to independent advice. The other Non-executive Directors each receive a fee agreed by the Board following a review of fees paid by comparable organisations. Neither the Chairman nor the other Non-executive Directors receive any pension benefits from the Company, nor do they participate in any bonus or incentive schemes. All Non-executive Directors are appointed on the basis of serving for an initial three-year period, which can be renewed. All are subject to retirement by rotation in accordance with the Articles of Association of the Company.

5. EMOLUMENTS AND SHARE OPTIONS

Executive Directors' emoluments consist of salary, car benefit, pension contribution, medical and life insurance, together with participation in savings related share option, profit sharing and profit related pay schemes which are also open to property management and administration staff.

Executive Directors also participate in an annual bonus scheme which is open to selected senior executives in the Group. This scheme measures performance against a series of targets based on criteria established by the Committee. The potential maximum payment under this scheme is currently 20% of salary. The key criteria are reviewed annually to ensure that targets are set in line with prevailing business circumstances. Current criteria cover such areas of the business as progress with the development programme, rent reviews and renewals and levels of voids, property outgoings shortfalls and bad debts.

Following the decision by the Government to phase out the tax concessions associated with profit related pay, the Group has decided to replace the current scheme, which is open to all property management and administration staff, with a scheme which more closely associates individual reward with the performance of the Group. This new bonus scheme will use annually adjusted earnings per share data as its key measure of performance and will result in payments of between 2% and 10% of salary each year. The current Profit Related Pay Scheme has paid out approximately 4% of salary and has also enjoyed the tax advantages associated with such schemes. Following the introduction of this new scheme, the maximum payment under the existing Annual Bonus Scheme, open to senior executives, will be limited to 10%, so that the maximum benefit from both annual bonus schemes in one year will not exceed 20% of salary.

The 1984 Executive Share Option Scheme expired in April 1995. As a result, no options have been granted since July 1994. A long term incentive plan was introduced to replace the 1984 Executive Share Option Scheme and awards under the Plan depend on the Group's total shareholder return achieved over a series of five-year performance periods as compared with the total shareholder returns achieved by a selected peer group of companies carrying on comparable businesses. No award will be paid in respect of any particular period unless the Group is ranked in the first four of the eight companies in the peer group in that period. Awards for ranking positions in the first four of the group range from 25% for fourth position to a maximum of 55% of salary for first position. Half of any award will be payable in cash and half in shares, such shares to be released to the beneficiary on the second anniversary of the award.

Current participants under the Plan are the Executive Directors, Company Secretary and the Directors and Assistant Directors of the Group's operating company. Selection of participants is at the discretion of the Remuneration Committee. The Plan includes transitional provisions to reflect the Committee's original intention that the Plan would be effective from 1 April 1996 with performance measured by three rather than five-year periods. There are therefore three transitional performance periods, each commencing on 1 April 1996 and ending respectively on 31 March 1999, 2000 and 2001. Following the expiry of the first transitional period, the Group achieved a ranking of third position within the peer group, which gave rise to an award of 35% of salary, half of which is payable in cash, with the balance being due in shares.

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The cash payments in respect of the three-year period to 31 March 1999 will be as follows:
I J Henderson £58,625, M R Griffiths £39,375, K Redshaw £39,375, and J I K Murray £41,125. Each Executive Director will also be awarded conditional rights to receive Ordinary Shares in the Company having an average market value for the seven dealing days following the announcement of the Company's results equivalent to the cash bonus shown above. The Executive Directors will normally become entitled to receive those shares only after remaining employed for a further two years. If a Director leaves the Company during that two-year period (except in the case of normal retirement, disability or death), his conditional entitlement to those shares will lapse, subject to the overriding discretion of the Remuneration Committee.

The interests of the four Executive Directors at 31 March 1999 under the Plan could amount to a maximum of 55% of their basic salaries for the four outstanding performance periods if a ranking position of first is achieved for each period. The Plan will terminate in June 2006, 10 years after the date of its adoption by shareholders.

6. PENSIONS

The Executive Directors participate in a non-contributory defined benefit pension scheme which was open to property management and administration staff until 31 December 1998. This scheme provides them, at normal retirement age and subject to length of service, with a pension of up to two-thirds of final salary, subject to Inland Revenue limits and other statutory rules. The Scheme also provides lump sum death-in-service benefits of four times pensionable salary and pension provision for dependants of members. Only basic salary is treated as pensionable pay. With effect from 1 January 1999 this scheme was closed to new entrants and replaced by a contributory Money Purchase Scheme.

The following table shows the Executive Directors' accrued pension entitlements as at 31 March 1999, which are based upon a normal retirement age of 60. The increase in accrued pensions during the year reflects the change in retirement age from 62 to 60 which took effect from 1 April 1998 but excludes any increase for inflation. The transfer values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11. These values represent a liability on the Group's pension scheme and not a sum payable to the individual Directors. Therefore transfer values cannot meaningfully be added to annual remuneration.

ACCRUED PENSIONS year ended 31 March 1999

	Accrued at 31 March 1999 £	Increase during year £	Transfer value of increase £
I J Henderson	173,506	52,717	1,075,500
M R Griffiths	110,820	15,357	400,400
K Redshaw	110,215	14,253	385,600
J I K Murray	118,685	16,879	415,800

7. SERVICE AGREEMENTS

The Executive Directors accepted a reduction of the notice period in their service agreements from two years to one year, which took effect from 1 April 1998. The Chairman and the other Non-executive Directors do not have service contracts with the Company.

JOHN HULL, Chairman of the Committee
for and on behalf of the Board

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Directors' Report

for the year ended 31 March 1999

The Directors submit their Report with the financial statements for the year to 31 March 1999. A review of the Group's business and results for the year is contained in the Chairman's Statement and the Operating and Financial Review, which should be read in conjunction with this Report.

1 BUSINESS OF THE GROUP

During the year the Group has continued its business of property investment and development of offices, shops, retail warehouses, food superstores, leisure, warehouse and industrial premises throughout the United Kingdom, together with the management of its properties.

2 RESULTS FOR THE YEAR AND DIVIDENDS

The results are set out in the Consolidated Profit and Loss Account on page 44.

An interim dividend of 7.85p per share was paid on 4 January 1999 and the Directors now recommend the payment of a final dividend of 21.65p per share making a total of 29.50p per share for the year ended 31 March 1999, an increase of 5.4% over that for the previous year.

Subject to authorisation at the Annual General Meeting to be held on 14 July 1999, the final dividend will be paid on 26 July 1999 to shareholders registered on 11 June 1999. The shares are expected to be quoted ex-dividend from 7 June 1999.

3 VALUATION AND NET ASSETS

(i) Valuation

In accordance with their report reproduced on page 43, Knight Frank valued the Group's properties at £6,910.5m as at 31 March 1999. This is an increase of £474.8m over that at the previous year end. After taking into account total expenditure on properties of £267.3m and the aggregate book value of properties sold during the year of £125.4m, the surplus on valuation was £332.9m.

(ii) Net Assets

The portfolio valuation has been included in the financial statements for the year ended 31 March 1999 and the net assets of the Group at that date amounted to £5,470.4m. Without adjusting for any taxation which would become payable in the event of properties being sold, the net assets attributable to each share in issue on that date were 987p. Taking into account shares reserved for issue under the terms of the Group's convertible bonds and employee share schemes, the diluted net asset value per share was 975p.

The amount of tax on capital gains, which would become payable in the event of sales of the properties at the amounts at which they are included in the financial statements, is given in Note 8 on page 53. The amount, in the region of £430m (1998 £350m), represents approximately 6.2% of the aggregate valuation.

4 DIRECTORS

The Directors who held office during the year were:

*P G Birch CBE FCIB
*John Hull CBE
I J Henderson BSc FRICS
*H I Connick LLB
(retired 1 July 1998)
M R Griffiths FRICS
K Redshaw BSc FRICS
J I K Murray MA FCA
*P B Hardy
*Sir Alistair Grant DL FRSE

*Non-executive and member of the Remuneration and Audit Committees.

Biographical details of the Directors appear on page 40.

John Hull will retire from the Board on 14 July 1999 and does not wish to offer himself for re-election.

I J Henderson and P B Hardy retire from the Board by rotation and, being eligible, offer themselves for re-election. I J Henderson has a service agreement with the Company with a notice period of one year. P B Hardy does not have a service agreement with the Company.

Particulars of the interests of each Director in the shares and debentures of the Company, as shown by the Register of Directors' Share and Debenture Interests, and of their holdings of options over Ordinary Shares, are set out in Note 7 on pages 52 and 53.

Apart from share options, no contract subsisted during or at the end of the financial year in which a Director of the Company is or was materially interested and which is or was significant in relation to the Group's business.

5 SHARE CAPITAL

The Company was authorised at the Annual General Meeting held in 1998 to purchase in the market Ordinary Shares representing up to approximately 9.25% of the issued share capital at that time. This authority has not been used and expires at the conclusion of the 1999 Annual General Meeting. A resolution will be proposed as a special resolution at the 1999 Annual General Meeting to renew the authority until the conclusion of the Annual General Meeting in 2000.

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6 SUBSTANTIAL SHAREHOLDERS

At 13 May 1999 the following interests in issued share capital had been notified to the Company under Part VI of the Companies Act 1985.

	Shares	%
Merrill Lynch and Co, Inc	56,354,503	10.2
Prudential Corporation plc	34,193,513	6.2

7 STAFF

The Group operates profit sharing and savings related share option schemes and administers the executive share option scheme in respect of the options outstanding. Under the 1989 profit sharing scheme an aggregate of 886,596 Ordinary Shares has been appropriated for the benefit of employees up to 31 March 1999. Details of the savings related and executive share option schemes are shown in Note 6 on page 51. The executive share option scheme expired on 24 April 1995. The Group also operates a profit related pay scheme for all administration staff. Through these schemes a widespread interest in the Group's future is assured and all staff are kept informed of the Group's progress. The Board welcomes the significant involvement in the Group's future which these schemes encourage.

The Group continues to operate its health and safety policy in accordance with all relevant legislation and gives full and fair consideration to applications by disabled persons for employment.

In all employment matters the Group maintains its commitment to an equal opportunities policy.

Communication with staff is achieved in a number of ways, which include an in-house staff newsletter.

The Group has recently revised its Business Ethics Policy and copies have been circulated to all staff who are required to abide by its provisions.

8 DONATIONS

During the year ended 31 March 1999 the Group made no contributions of a political nature. Charitable donations amounted to £135,000.

9 ENVIRONMENT

The Group's environmental policy is outlined on page 32.

10 PAYMENT POLICY

The Group is a registered supporter of the CBI's Better Payment Practice Code to which it subscribes when dealing with all of its suppliers.

The Code requires a clear and consistent policy that payments are made in accordance with contract or as required by law; that payment terms are agreed at the outset of a transaction and adhered to; that no amendments to payment terms are made without the prior agreement of suppliers and that there is a system which deals quickly with complaints and disputes to ensure that suppliers are advised accordingly without delay when invoices or parts thereof are contested. Copies of the Code are available on application to the Company Secretary.

The effect of the Group's payment policy is that its trade creditors at the financial year end represented 14.8 days' purchases.

11 ANNUAL GENERAL MEETING

Accompanying this Report is the Notice of the Annual General Meeting which sets out the usual resolutions for the meeting and the special business resolutions. These are explained in a letter from the Chairman which accompanies the Notice. The special business resolutions are:

To amend the Savings-Related Share Option Scheme.

To adopt a new Profit Sharing Scheme to replace the 1989 scheme which has expired.

To increase the annual limit on fees payable to Directors of the Company.

To amend the Articles of Association.

To renew the Directors' authority for the Company to purchase its own shares.

12 AUDITORS

During the year the auditors, Price Waterhouse, merged with Coopers and Lybrand forming a new firm PricewaterhouseCoopers. As a consequence of this merger Price Waterhouse resigned as auditors on 20 July 1998 and PricewaterhouseCoopers were appointed in their place. PricewaterhouseCoopers have expressed their willingness to continue in office and a resolution will be proposed for their reappointment at the Annual General Meeting.

By order of the Board
P M DUDGEON, Secretary
26 May 1999.

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Directors and Advisers

31 March 1999

LAND SECURITIES PLC

BOARD OF DIRECTORS

Peter G Birch 61

Appointed a Director in 1997 and Chairman in July 1998. Chief Executive of Abbey National plc until March 1998. Chairman of Trinity plc. Director of N M Rothschild & Sons Limited, Coca-Cola Beverages plc, Dah Sing Financial Holdings Limited and Travelex Exchange Corporation Ltd.

John Hull 73

Appointed a Director and Deputy Chairman in 1976, Chairman from December 1997 to July 1998. A Director of Legal and General Group plc until 1990 and Chairman of J Henry Schroder Wagg & Co Limited 1977-83. Deputy Chairman of the Panel of Takeovers and Mergers.

Ian J Henderson 55

Joined the Group in 1971. Appointed a Director of Land Securities Properties Limited in 1979 and Managing Director in 1990. Joined the Board in 1987, appointed Deputy Managing Director in 1996 and Chief Executive in December 1997. Vice-chairman of the Board of Management of Central and Cecil Housing Trust and past Chairman of Westminster Property Owners Association.

Michael R Griffiths 54

Joined the Group in 1973. Appointed a Director of Land Securities Properties Limited in 1986 and to the Board in 1990. Vice-president of City Property Association. Responsible for the central London portfolio and the Group's project management.

Keith Redshaw 53

Joined the Group in 1970. Appointed a Director of Land Securities Properties Limited in 1986 and to the Board in 1990. Past President of the British Council of Shopping Centres and Member of The Oxford Retail Group. Responsible for the retail portfolio and management of the Group's properties outside central London.

James I K Murray 52

Joined the Group in 1981 and appointed a Director of Land Securities Properties Limited in 1986. Appointed to the Board in 1990, Finance Director in 1991. Member of the Technical Committee of The Hundred Group.

Peter B Hardy 60

Appointed to the Board in 1992. Managing Director, Investment Banking with SG Warburg Group plc until 1992. Director of Kingfisher plc, Foreign and Colonial PEP Investment Trust plc, Fairview Holdings plc, Howard de Walden Estates Limited and Barnardos.

Sir Alistair Grant 62

Chairman of Safeway plc until March 1997. Chairman of Scottish and Newcastle plc and Governor of the Bank of Scotland.

SOLICITORS
Nabarro Nathanson
50 Stratton Street
London W1X 6NX

AUDITORS
PricewaterhouseCoopers
Southwark Towers
32 London Bridge Street
London SE1 9SY

VALUERS
Knight Frank
20 Hanover Square
London W1R 0AH

BANKERS
Lloyds TSB Bank Plc
72 Lombard Street
London EC3P 3BT

J Henry Schroder
& Co Limited
120 Cheapside
London EC2V 6DS

REGISTRAR
Lloyds TSB Registrars
The Causeway
Worthing
West Sussex BN99 6DA

STOCKBROKERS
Warburg Dillon Read
1 Finsbury Avenue
London EC2M 2PP

Cazenove & Co
12 Tokenhouse Yard
London EC2R 7AN

Senior Management

31 March 1999

PRINCIPAL PROPERTY OWNING COMPANIES

RAVENSEFT PROPERTIES LIMITED

DIRECTORS

I J Henderson BSc FRICS
Chairman

K Redshaw BSc FRICS
Managing Director

M R Griffiths FRICS
J I K Murray MA FCA
R H DeBarr FRICS
N W Johnson FRICS
A R Strange FRICS
†P G Cottingham BSc ARICS
†J C Grimes BSc ARICS
†G A Jones BSc FIPD
†C J Oppé BA
†T A Seddon BSc ARICS

THE CITY OF LONDON REAL PROPERTY COMPANY LIMITED

DIRECTORS

I J Henderson BSc FRICS
Chairman

M R Griffiths FRICS
Managing Director

J I K Murray MA FCA
M A Bird FRICS
N W Johnson FRICS
†P J Harwood
†N Pennell BTech CEng MCIBSE
†A G Williams ACII

RAVENSIDE INVESTMENTS LIMITED

DIRECTORS

I J Henderson BSc FRICS
Chairman

J Maynard
Managing Director

M R Griffiths FRICS
K Redshaw BSc FRICS
R D S Nevett FRICS
R N Hodder ARICS
†K B Venables

RAVENSEFT INDUSTRIAL ESTATES LIMITED

DIRECTORS

I J Henderson BSc FRICS
Chairman

J Maynard
Managing Director

M R Griffiths FRICS
K Redshaw BSc FRICS
R D S Nevett FRICS
†D P Wynne BSc ARICS

GROUP OPERATIONS

LAND SECURITIES PROPERTIES LIMITED

DIRECTORS

I J Henderson BSc FRICS
Chairman and Managing Director

M R Griffiths FRICS
K Redshaw BSc FRICS
J I K Murray MA FCA
J Maynard
N W Johnson FRICS
A R Strange FRICS
N A C Moore FCA
M A Bird FRICS
R H DeBarr FRICS
R W Heskett BSc FRICS

ASSISTANT DIRECTORS

R D S Nevett FRICS
A M C Dobbin TD MA FCA
G Field MSc FRICS
S M A Shah BSc FCA
P J Cleary BSc ARICS
P H Frackiewicz BSc FRICS
M J McGuinness BSc ARICS
*D M Rippon BSc PhD
†R J Akers MA ARICS

SECRETARY

P M Dudgeon LLB FCIS

*appointed 1 October 1998
†appointed 1 April 1999

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Directors' Responsibilities & Auditors' Report

DIRECTORS' RESPONSIBILITIES

The Directors are required by company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of their profit or loss for that period and comply with the Companies Act 1985.

The Directors are responsible for ensuring that applicable accounting standards have been followed and that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the financial statements.

It is also the responsibility of the Directors to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors are also responsible for maintaining proper accounting records so as to enable them to comply with company law. The Directors have general responsibilities for safeguarding the assets of the Company and of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS TO THE MEMBERS OF LAND SECURITIES PLC

We have audited the financial statements on pages 44 to 61.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report including, as described on this page, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

We review whether the statement on page 33 reflects the Company's compliance with those provisions of the Combined Code specified for our review by the London Stock Exchange, and we report if it does not. We are not required to form an opinion on the effectiveness of the Company or Group's corporate governance procedures or its internal controls.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 March 1999 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London
26 May 1999.

Valuers' Report

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The Directors
LAND SECURITIES PLC
5 Strand, London WC2N 5AF.

Dear Sirs,
In accordance with your instructions to prepare a valuation for balance sheet purposes we have inspected the properties, made all relevant enquiries, and obtained such further information as necessary to provide you with our opinion of the current Open Market Values of all the freehold and leasehold properties owned by your Company and its subsidiaries as at 31 March 1999, with the exception of short leasehold accommodation occupied by the Company for the purposes of its business. As is your customary practice, all properties for which there was an unconditional contract to purchase at the valuation date have been included in the valuation and those for which there was an unconditional contract for sale have been excluded.

The properties have been valued individually on the basis of "Open Market Value" in accordance with the Appraisal and Valuation Manual published by the Royal Institution of Chartered Surveyors and the valuation has been undertaken by us as External Valuers. Open Market Value is defined as:

"an opinion of the best price at which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of valuation, assuming:

a) a willing seller;
b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale;
c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and
e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion".

No allowance has been made for expenses of realisation or for any taxation which might arise and our valuations are expressed exclusive of any Value Added Tax that may become chargeable. As in previous years, investment properties held for, or in the course of, development are included at Open Market Value.

Our valuations assume that the properties have good and marketable titles and are free of any undisclosed onerous burdens, outgoings or restrictions. We have not seen planning consents and, except where advised to the contrary, have assumed that the properties have been erected and are being occupied and used in accordance with all requisite consents and that there are no outstanding statutory notices.

We have not read documents of title or leases and, for the purpose of our valuations, have accepted the details of tenure, tenancies and all other relevant information with which we have been supplied by your Company. When considering the covenant strength of individual tenants we have not carried out credit enquiries but have reflected in our valuations our general understanding of purchasers' likely perceptions of tenants' financial status. We have, in addition, discussed with the Company any bad debts or material arrears of rent such as might reflect on covenant.

We were not instructed to carry out structural surveys of the properties, nor to test the services, but have reflected in our valuations, where necessary, any defects, items of disrepair or outstanding works of alteration or improvement which we noticed during the course of our inspections or of which you have advised us. Our valuations assume the buildings contain no deleterious materials and that the sites are unaffected by adverse soil conditions except where we have been notified to the contrary.

For the purposes of this valuation we have assumed that, where appropriate, suitable action has been taken to ensure year 2000 compliance in respect of the properties and their services. The Company has informed us that its objective is to meet the Definition of Year 2000 Conformity Requirements issued by the British Standards Institution.

We have not carried out any scientific investigations of the sites or any of the properties to establish the existence or otherwise of any environmental contamination. The Company has established procedures for identifying and investigating environmental matters and we have been provided with reports for certain properties which we have discussed with the Company. The environmental reviews which have been carried out by or on behalf of the Company have not, we understand, led the Directors to believe that there are any significant potential environmental problems within the Group's portfolio. In accordance with our enquiries of the Company, and the contents of the above mentioned reports, we have assumed that the land and buildings, the subject of our valuations, do not suffer from any significant environmental problems.

Having regard to the foregoing we are of the opinion that the values as at 31 March 1999 totalled £6,910,477,500, (SIX THOUSAND NINE HUNDRED AND TEN MILLION FOUR HUNDRED AND SEVENTY SEVEN THOUSAND FIVE HUNDRED POUNDS).

We understand that the tables which accompany this valuation giving a breakdown of the portfolio by tenure, property types and regional distribution are to be reproduced elsewhere in the Company's Report and Financial Statements as will a listing of the majority of properties by value.

Our valuation is for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents. If our opinion of value is disclosed to persons other than the addressees of this report, the basis of valuation should be stated. If it is proposed to publish the figure, the form and context in which the figure is to appear should be approved by us beforehand.

Yours faithfully,
KNIGHT FRANK
20 Hanover Square,
London W1R 0AH
29 April 1999.

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Consolidated Profit and Loss Account

for the year ended 31 March 1999

	Notes	1999 £m	1999 £m	1998 £m	1998 £m
GROSS PROPERTY INCOME	2		500.2		484.0
NET RENTAL INCOME	2		427.5		414.1
Property management and administration expenses	3		(29.0)		(28.1)
OPERATING PROFIT			398.5		386.0
Profit on sales of properties			.6		.1
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION			399.1		386.1
Interest receivable and similar income	4		38.7		34.3
Interest payable and similar charges	4		(144.5)		(154.4)
Revenue profit		292.7		265.9	
Profit on sales of properties		.6		.1	
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			293.3		266.0
Taxation on:					
Revenue profit		(76.8)		(67.9)	
Property sales		(.1)		(1.4)	
Taxation	8		(76.9)		(69.3)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			216.4		196.7
Dividends	9		(165.2)		(151.6)
RETAINED PROFIT FOR THE FINANCIAL YEAR	21		51.2		45.1

		1999 Basic	1999 Diluted	1998 Basic	1998 Diluted
EARNINGS PER SHARE	10	39.21p	38.95p	36.84p	36.55p
ADJUSTED EARNINGS PER SHARE	10	39.11p	38.86p	37.07p	36.77p

		1999	1998
DIVIDENDS PER SHARE	9	29.50p	28.00p
DIVIDEND COVER (times)			
Profit after taxation		1.31	1.30
Profit excluding results of property sales after taxation		1.31	1.31

All income was derived from within the United Kingdom from continuing operations. No operations were discontinued during the year.
The notes on pages 48 to 61 form an integral part of these financial statements.

Balance Sheets

31 March 1999

	Notes	Group 1999 £m	Group 1998 £m	Company 1999 £m	Company 1998 £m
FIXED ASSETS					
Tangible assets					
Properties	11	6,910.5	6,435.7	2,117.9	1,931.2
Other tangible assets	13	13.1	9.7	–	–
Investments in group undertakings	14			4,830.1	4,629.5
		6,923.6	6,445.4	6,948.0	6,560.7
CURRENT ASSETS					
Debtors falling due within one year	15	71.5	69.5	58.5	39.5
Debtors falling due after more than one year	15	1.0	28.5	–	27.6
Investments: short term deposits and corporate bonds		486.6	547.3	14.3	17.9
Cash at bank and in hand		–	.1	–	–
		559.1	645.4	72.8	85.0
CREDITORS falling due within one year	16	(424.8)	(418.4)	(194.4)	(210.3)
NET CURRENT ASSETS/(LIABILITIES)		134.3	227.0	(121.6)	(125.3)
TOTAL ASSETS LESS CURRENT LIABILITIES		7,057.9	6,672.4	6,826.4	6,435.4
CREDITORS falling due after more than one year					
Debentures, bonds and loans	17	(1,295.0)	(1,295.5)	(1,286.4)	(1,286.7)
Convertible bonds	18	(272.4)	(355.1)	(66.7)	(149.9)
Other creditors	19	(20.1)	(20.3)	(7.0)	(6.9)
		5,470.4	5,001.5	5,466.3	4,991.9
CAPITAL AND RESERVES					
Called up share capital	20	554.3	541.1	554.3	541.1
Share premium account	21	284.0	213.1	284.0	213.1
Revaluation reserve	21	3,286.5	3,028.7	3,750.0	3,430.8
Other reserves	21	632.0	556.9	179.4	158.2
Profit and loss account	21	713.6	661.7	698.6	648.7
EQUITY SHAREHOLDERS' FUNDS		5,470.4	5,001.5	5,466.3	4,991.9
NET ASSETS PER SHARE	10	987p	924p		
DILUTED NET ASSETS PER SHARE	10	975p	910p		

P G Birch J I K Murray
Directors

The financial statements on pages 44 to 61 were approved by the Directors on 26 May 1999.

Consolidated Cash Flow Statement

for the year ended 31 March 1999

	Notes	1999 £m	1999 £m	1998 £m	1998 £m
NET CASH INFLOW FROM OPERATING ACTIVITIES	22		409.9		399.5
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest received		36.3		26.9	
Interest paid		(143.7)		(202.2)	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			(107.4)		(175.3)
TAXATION – Corporation tax paid			(73.4)		(56.0)
NET CASH INFLOW FROM OPERATING ACTIVITIES AND INVESTMENTS AFTER FINANCE CHARGES AND TAXATION			229.1		168.2
CAPITAL EXPENDITURE					
Additions to properties		(255.6)		(196.0)	
Sales of properties		126.0		246.3	
Investing in properties		(129.6)		50.3	
Increase in other tangible assets		(5.8)		(3.7)	
NET CASH (OUTFLOW)/INFLOW ON CAPITAL EXPENDITURE			(135.4)		46.6
EQUITY DIVIDENDS PAID			(155.6)		(142.5)
CASH (OUTFLOW)/INFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING			(61.9)		72.3
MANAGEMENT OF LIQUID RESOURCES	23(a)		60.7		(61.5)
FINANCING					
Issues of shares	20	1.6		3.6	
Decrease in debt	23(b)	(.8)		(15.2)	
NET CASH INFLOW/(OUTFLOW) FROM FINANCING			.8		(11.6)
DECREASE IN CASH IN YEAR			(.4)		(.8)

RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET DEBT	Notes	1999 £m	1998 £m
Decrease in cash in year		(.4)	(.8)
Cash outflow from decrease in debt		.8	15.2
Cash (inflow)/outflow from (decrease)/increase in liquid resources		(60.7)	61.5
Change in net debt resulting from cash flow	24	(60.3)	75.9
Non-cash changes in debt	24	82.5	181.9
Movement in net debt in year		22.2	257.8
Net debt at 1 April		(1,104.9)	(1,362.7)
Net debt at 31 March	24	(1,082.7)	(1,104.9)

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Other Primary Statements

for the year ended 31 March 1999

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	Notes	1999 £m	1998 £m
Profit on ordinary activities after taxation (page 44)		216.4	196.7
Unrealised surplus on valuation of properties	21	332.9	733.0
Total gains and losses recognised since last financial statements		549.3	929.7

NOTE OF HISTORICAL COST PROFITS AND LOSSES		1999 £m	1998 £m
Profit on ordinary activities before taxation (page 44)		293.3	266.0
Valuation surplus of previous years realised on sales of properties	21	75.1	53.3
Historical cost profit on ordinary activities before taxation		368.4	319.3
Taxation	8	(76.9)	(69.3)
Historical cost profit on ordinary activities after taxation		291.5	250.0
Dividends	9	(165.2)	(151.6)
Retained historical cost profit for the year		126.3	98.4

RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS		1999 £m	1998 £m
Profit on ordinary activities after taxation (page 44)		216.4	196.7
Dividends	9	(165.2)	(151.6)
Retained profit for the financial year (page 44)		51.2	45.1
Unrealised surplus on valuation of properties	21	332.9	733.0
Premium arising on issues of shares	21	71.6	160.6
Increase in share capital	20	13.2	25.6
		468.9	964.3
Opening equity shareholders' funds		5,001.5	4,037.2
Closing equity shareholders' funds		5,470.4	5,001.5

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Notes to the Financial Statements

for the year ended 31 March 1999

1 Accounting Policies

The financial statements have been prepared under the historical cost convention modified by the revaluation of properties and in accordance with applicable accounting standards. Compliance with SSAP 19 "Accounting for Investment Properties" requires a departure from the requirements of the Companies Act 1985 relating to depreciation and amortisation and an explanation of this departure is given in (e) below.

The significant accounting policies adopted by the group are set out below.

(a) CONSOLIDATION

The consolidated financial statements of the group include the audited financial statements of the company and group undertakings, all of which were for the year ended 31 March 1999.

(b) CONSOLIDATED PROFIT AND LOSS ACCOUNT AND OTHER PRIMARY STATEMENTS

The profit on ordinary activities before taxation is arrived at after taking into account income and outgoings on all properties, including those under development and, in accordance with FRS3 "Reporting Financial Performance", profits and losses on sales of properties calculated by comparing net sales proceeds with book values.

Realised surpluses and deficits relating to previous years on properties sold during the year are taken to other reserves.

Unrealised capital surpluses and deficits, including those arising on valuation of properties, are taken to revaluation reserve.

(c) TAXATION

Taxation attributable to sales of properties is charged against the profits realised.

No provision is made for taxation which would become payable under present legislation in the event of future sales of the properties at the amounts at which they are stated in the financial statements. However an estimate of the potential liability is shown in Note 8.

Deferred taxation is accounted for in respect of timing differences between profit as computed for taxation purposes and profit as stated in the financial statements to the extent that liabilities or assets are expected to be payable or receivable in the foreseeable future.

(d) PROPERTIES

Properties are included in the financial statements at open market values based on the latest professional valuation. At 31 March 1999 a valuation was carried out by Knight Frank and a copy of their report is set out on page 43. The valuation included all properties for which there were unconditional contracts to purchase but excluded those for which there were unconditional contracts for sale. Additions to properties include costs of a capital nature only; interest and other costs in respect of developments and refurbishments are treated as revenue expenditure and written off as incurred.

(e) DEPRECIATION AND AMORTISATION

In accordance with SSAP 19, no depreciation or amortisation is provided in respect of freehold or leasehold properties held on leases having more than 20 years unexpired. This departure from the requirements of the Companies Act 1985, for all properties to be depreciated, is, in the opinion of the Directors, necessary for the financial statements to give a true and fair view in accordance with applicable accounting standards, as properties are included in the financial statements at their open market value.

The effect of depreciation and amortisation on value is already reflected annually in the valuation of properties, and the amount attributed to this factor by the valuers cannot reasonably be separately identified or quantified. Had the provisions of the Act been followed, net assets would not have been affected but revenue profits would have been reduced for this and earlier years.

Other tangible assets are depreciated on a straight-line basis over their estimated useful lives of four to ten years.

(f) INVESTMENTS IN GROUP UNDERTAKINGS

The company's investments in the shares of group undertakings are stated at Directors' valuation on a basis which takes account of the professional valuation of the properties of the group undertakings at 31 March 1999. Surpluses and deficits arising from the Directors' valuation are taken to revaluation reserve.

(g) PENSIONS

Contributions to defined benefit pension schemes, based on independent actuarial advice, are charged to the profit and loss account on a basis that spreads the expected cost of benefits over the employees' working lives with the group. Variations from regular costs are spread over the anticipated remaining working lives of employees in the schemes.

Notes to the Financial Statements

for the year ended 31 March 1999

2 Net Rental Income

	1999 £m	1998 £m
Rental income	453.6	438.9
Service charges and other recoveries	46.6	45.1
Gross property income	500.2	484.0
Ground rents payable	(18.6)	(16.7)
Other property outgoings	(54.1)	(53.2)
	(72.7)	(69.9)
	427.5	414.1

Other property outgoings are costs incurred in the direct maintenance and upkeep of investment properties. Void costs, which include those relating to empty properties pending redevelopment and refurbishment, costs of investigating potential development schemes which are not proceeded with and £4.2m (1998 £4.6m) in respect of housekeepers and outside staff described as direct property services and shown in staff costs in Note 5, are also included.

3 Property Management and Administration Expenses

	1999 £m	1998 £m
These include:		
Auditors' remuneration (Company: 1999 £66,000; 1998 £64,000)	.2	.2
Staff costs (Note 5)	13.3	13.3
Directors' remuneration	1.6	1.5
Depreciation of other tangible assets	2.2	1.3

Property management and administration expenses consist of all costs of managing the portfolio, including the costs of staff involved in development projects, together with costs of rent reviews and renewals, relettings of properties and all office administration and operating costs of the group. No staff costs or overheads are capitalised.

In addition to their fees for the audit, £275,400 (1998 £78,100) was payable to the auditors for other services. This comprised compliance and certification work £38,000 (1998 £25,100) and taxation advice and consultancy fees £237,400 (1998 £53,000).

4 Interest

	1999 £m	1998 £m
RECEIVABLE:		
Short term deposits and corporate bonds	36.8	33.7
Other interest receivable	1.9	.6
	38.7	34.3
PAYABLE:		
Borrowings not wholly repayable within five years	142.5	152.7
Borrowings wholly repayable within five years	1.0	.5
Other interest payable	1.0	1.2
	144.5	154.4

Notes to the Financial Statements

for the year ended 31 March 1999

5 Staff and Pensions

EMPLOYEES	1999 No.	1998 No.	1999 £m	1998 £m
The average number of employees during the year, excluding directors, and the corresponding aggregate staff costs were:				
Property management and administration	258	277	13.3	13.3
Direct property services:				
Full time	188	219	3.9	4.2
Part time	48	81	.3	.4
	494	577	17.5	17.9

STAFF COSTS	1999 £m	1998 £m
Salaries	12.6	13.2
Social Security	1.2	1.2
Other pension	2.2	2.3
Cash and share incentive schemes	1.5	1.2
	17.5	17.9

PENSIONS

The group operates two funded Inland Revenue approved non-contributory pension schemes which provide defined benefits based on final pensionable salary. Both schemes are closed to new entrants. The assets of these schemes are held in self-administered trust funds which are separate from the group's assets.

Contributions to the schemes are determined by qualified independent actuaries on the basis of triennial valuations using the projected unit method.

For both schemes the key assumptions made in the valuations were a total annual investment return of 8%, assuming an increase of 3.8% in dividend income, annual increases of 6.25% in pensionable earnings and 4% in the Retail Prices Index.

The last valuations as at 6 April 1996, after excluding annuities purchased to provide for pensions in payment which are held outside the two schemes, indicated the following:

	Value of Assets	Funding Level
Main scheme	£28.6m	102%
Closed scheme	£2.8m	104%

The company has implemented the actuary's recommendation that pension contributions to both schemes be adjusted to reduce surpluses on a straight line basis over the remaining working lives of members in the schemes.

A contributory money purchase scheme was introduced on 1 January 1999 for all new administrative and senior property based staff, subject to eligibility, together with a separate similar scheme, effective 1 April 1998, for other property based staff.

The charge to the profit and loss account for pension costs amounted to £2.8m (1998 £2.7m) which includes the costs of permitting scheme members to select a reduced retirement age of 60.

No other post-retirement benefits are made available to employees of the group.

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Notes to the Financial Statements

for the year ended 31 March 1999

6 Executive and Savings Related Share Option Schemes

	Option price	No. of Options: 1984 Executive Share Option Scheme	No. of Options: 1983 & 1993 Savings Related Share Option Schemes
At 1 April 1998		553,950	469,414
Granted	736p		61,636
Exercised		(96,050)	(91,468)
Lapsed		–	(28,793)
At 31 March 1999		457,900	410,789

The options outstanding under the executive share option scheme are exercisable at prices between 503.7p and 618.6p, up to the year 2004. The options outstanding under the savings related share option schemes are exercisable at prices between 324p and 736p, after three, five or seven years from the date of grant.

7 Directors' Emoluments, Share Options and Interests in Ordinary Shares

EMOLUMENTS

The emoluments of the directors including pension contributions and **£178,500** receivable (1998 £Nil) under the long term incentive plan amounted to **£1,891,000** (1998 £1,620,000).

		Benefits						
					Total Emoluments excluding Pensions		Pension Contributions	
£'000	Basic Salary	Profit Sharing & Bonuses	Car & Medical	Fees	1999	1998	1999	1998
EXECUTIVE:								
I J Henderson	300	36	11	–	347	282	126	84
M R Griffiths	205	27	12	–	244	228	83	57
K Redshaw	205	27	6	–	238	223	83	57
J I K Murray	212	28	7	–	247	234	86	59
Sir Peter Hunt (Chairman – to 8.12.97)	–	–	–	–	–	250	–	–
NON-EXECUTIVE:								
P G Birch (Chairman – appointed 1.7.98)	–	–	14	100	114	23	–	–
John Hull (Chairman – to 30.6.98)	–	–	9	80	89	54	–	–
H I Connick (retired 1.7.98)	–	–	–	6	6	23	–	–
P B Hardy	–	–	–	26	26	23	–	–
Sir Alistair Grant	–	–	–	24	24	23	–	–
Total 1999	922	118	59	236	1,335		378	
Total 1998	1,024	160	33	146		1,363		257

Benefits include all assessable tax benefits arising from employment within the group comprising the provision of a company car, private medical facilities, the value of shares allocated under the 1989 Profit Sharing Scheme, payments under the profit related pay scheme and a bonus of 5 per cent of salary payable under the annual bonus scheme.

The total emoluments of the highest paid director, including **£58,625** (1998 £Nil) receivable under the long term incentive plan but excluding pension contributions, amounted to **£405,625** (1998 £337,300 including gains before tax of £114,300 on the exercise of share options). The accrued pension as at 31 March 1999 for the highest paid director was **£173,500** (1998 £93,000).

Pensions of **£173,000** (1998 £148,700) were paid to former directors. A brief explanation of pension arrangements for directors, including a table of accrued pension entitlements as at 31 March 1999, and details of amounts receivable under the long term incentive plan are provided on page 37.

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Notes to the Financial Statements

for the year ended 31 March 1999

7 Directors' Emoluments, Share Options and Interests in Ordinary Shares continued

OPTIONS OVER ORDINARY SHARES

		Granted during year		Exercised during year			Options at 31 March 1999		
	No. of options at 1 April 1998	No.	Grant price (pence)	No.	Exercise price (pence)	Market price on exercise (pence)	No.	Exercise price (pence)	Exercisable dates
I J Henderson	27,000						27,000	618.6	7/1997 – 7/2004
	7,508						*7,508*	*439.4**	*7/1999 – 7/2004*
M R Griffiths	33,500						33,500	618.6	7/1997 – 7/2004
	5,720	*529*	*736.0*	*2,168*	*415.0*	*858.5*	*4,081*	*572.9**	*8/2000 – 7/2005*
K Redshaw	6,329	468					6,797	469.7*	7/1999 – 7/2004
J I K Murray	42,000			5,000	618.6	927.0	37,000	618.6	7/1997 – 7/2004
	6,258						*6,258*	*455.3**	*7/1999 – 7/2004*

* weighted average exercise price

The range of the closing middle market prices for Land Securities shares during the year was 701.5p to 1078.0p. The middle market price at 31 March 1999 was 820p.

No options lapsed during the year.

The share options are held under the 1984 Executive Share Option Scheme, except for those shown in italics which are held under the 1983 and 1993 Savings Related Share Option Schemes.

The aggregate of gains before tax made by the directors on exercise of share options during the year amounted to **£25,000** (1998 £169,200).

The 1984 Executive Share Option Scheme was approved by the Inland Revenue on 24 April 1985 and permitted the Remuneration Committee to grant options to directors and key executives for a consideration of £1 for each grant. The Scheme, which expired on 24 April 1995, complied with best practice at the time of its introduction and included such standard terms as a limitation on the aggregate value of grants to each selected executive of four times that individual's annual remuneration and a bar on the exercise of options within three years of their issue.

Options granted under the savings related schemes are exercisable at prices between 324p and 736p per share after five or seven years from date of grant.

Non-executive directors do not participate in, and hence do not hold any options under, the group's share option schemes.

Notes to the Financial Statements

for the year ended 31 March 1999

7 Directors' Emoluments, Share Options and Interests in Ordinary Shares continued

INTERESTS IN ORDINARY SHARES

The beneficial interests of the directors in the ordinary shares of the company as at 31 March were:

	No. of shares 1999	No. of shares 1998
P G Birch	**12,722**	200
John Hull	**2,907**	2,907
I J Henderson	**71,895**	70,968
M R Griffiths	**25,035**	21,984
K Redshaw	**27,643**	25,367
J I K Murray	**22,990**	22,006
P B Hardy	**19,200**	19,200
Sir Alistair Grant	**15,000**	5,000

John Hull, I J Henderson, M R Griffiths and J I K Murray are Trustees of the 1989 Profit Sharing Scheme and as a consequence at 31 March 1999 held a non-beneficial interest in **224,618** shares (1998 238,308 shares). The beneficial interests of I J Henderson, M R Griffiths and J I K Murray each include **3,029** shares (1998 3,424 shares) appropriated under the scheme, which are also included in their non-beneficial holdings.

There have been no changes in the beneficial and non-beneficial shareholdings of the directors since the end of the financial year up to 26 May 1999.

No director had any other interests in the securities of Land Securities PLC or any of its subsidiary undertakings during the year.

The registers of directors' share and debenture interests and holdings of options, which are open to inspection at the company's registered office, contain full details of directors' interests.

8 Taxation

The charge for taxation is made up as follows:

	1999 £m	1998 £m
Revenue profit at the Corporation Tax rate of **31%** (1998 31%)	**90.7**	82.4
Tax allowances on expenditure relating to properties	**(12.8)**	(12.8)
Movement in deferred taxation	**(.3)**	.7
Other adjustments	**(.3)**	(1.1)
	77.3	69.2
Adjustments relating to previous years	**(.5)**	(1.3)
On revenue profit	**76.8**	67.9
On property sales	**.1**	1.4
	76.9	69.3

The amount of tax on capital gains which would become payable in the event of sales of the properties at the amounts at which they are stated in Notes 11(a) and (b) is in the region of **£430m** (1998 £350m) for the group and **£155m** (1998 £120m) for the company.

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9 Equity Dividends

	1999 pence per share	1998 pence per share	1999 £m	1998 £m
Interim paid	7.85	7.60	45.2	41.2
Proposed final	21.65	20.40	120.0	110.4
	29.50	28.00	165.2	151.6

Interim paid includes an additional £1.7m (1998 £0.2m) of prior year final dividend arising from increases in share capital before the record date of 5 June 1998.

10 Earnings and Net Assets per Share

	Profit after taxation		Weighted average no. of shares		Earnings per share	
EARNINGS PER SHARE	1999 £m	1998 £m	1999 m	1998 m	1999 pence	1998 pence
Earnings per share	216.4	196.7	551.9	533.9	39.21	36.84
Effect of dilutive securities:						
Convertible bonds	13.0	7.2	36.8	23.4		
Share options			.3	.6		
Diluted earnings per share	229.4	203.9	589.0	557.9	38.95	36.55
ADJUSTED EARNINGS PER SHARE						
Earnings per share	216.4	196.7	551.9	533.9	39.21	36.84
Effect of results of property sales after taxation	(.5)	1.3			(.10)	.23
Adjusted earnings per share	215.9	198.0	551.9	533.9	39.11	37.07
Diluted earnings per share	229.4	203.9	589.0	557.9	38.95	36.55
Effect of results of property sales after taxation	(.5)	1.3			(.09)	.22
Adjusted diluted earnings per share	228.9	205.2	589.0	557.9	38.86	36.77

Adjusted earnings and adjusted diluted earnings per share have been disclosed to show measures of earnings that reflect the principal operating activities of the group.

NET ASSETS PER SHARE

Net assets per share are calculated on net assets of £5,470.4m (1998 £5,001.5m) and on 554.3m shares (1998 541.1m shares). The diluted net assets per share are calculated on adjusted net assets of £5,747.9m (1998 £5,356.6m) and on 589.6m shares (1998 588.5m shares) after adjusting for the effects of the exercise of share options and of conversion rights relating to the convertible bonds on net assets and the number of shares in issue.

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11 Properties

	Freehold £m	Leasehold: Over 50 years to run £m	Leasehold: Under 50 years to run £m	Total £m
(a) GROUP				
At 1 April 1998: at valuation	4,981.8	1,411.5	42.4	6,435.7
Additions	213.5	52.2	1.6	267.3
Reclassifications	31.7	(38.6)	6.9	
Sales	(108.6)	(16.8)	–	(125.4)
	5,118.4	1,408.3	50.9	6,577.6
Unrealised surplus on valuation (Note 21(a))	275.6	55.1	2.2	332.9
At 31 March 1999: at valuation	5,394.0	1,463.4	53.1	6,910.5
(b) COMPANY				
At 1 April 1998: at valuation	1,689.3	232.8	9.1	1,931.2
Additions	48.4	5.9	–	54.3
Transfers from group undertakings	22.2	7.9	–	30.1
Transfer to a group undertaking	(21.9)	–	–	(21.9)
Sales	(22.2)	(7.9)	–	(30.1)
	1,715.8	238.7	9.1	1,963.6
Unrealised surplus/(deficit) on valuation (Note 21(b))	164.1	(10.9)	1.1	154.3
At 31 March 1999: at valuation	1,879.9	227.8	10.2	2,117.9

In respect of the group: freeholds include £371.1m (1998 £316.2m) of leaseholds with unexpired terms exceeding 900 years; leaseholds under 50 years to run include £9.7m (1998 £8.2m) with unexpired terms of 20 years or less.
The historical cost of properties are: group £3,434.2m (1998 £3,217.2m); company £769.7m (1998 £716.1m).

12 Commitments for Future Expenditure

	Group 1999 £m	Group 1998 £m	Company 1999 £m	Company 1998 £m
Under contract	102.8	106.3	34.4	76.1
Board authorisations not contracted	55.8	57.3	8.8	–
	158.6	163.6	43.2	76.1

13 Other Tangible Assets

	Cost £m	Depreciation £m	Net £m
At 1 April 1998	19.7	(10.0)	9.7
Additions	6.0		6.0
Disposals	(1.0)	.8	(.2)
Depreciation for the year		(2.4)	(2.4)
At 31 March 1999	24.7	(11.6)	13.1

Other tangible assets comprise computers, motor vehicles, furniture, fixtures and fittings and improvements to group offices.
Depreciation for the year includes £0.2m (1998 £0.2m) treated as other property outgoings in Note 2.

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14 Investments in Group Undertakings

	Shares £m	Loans £m	Total £m
At 1 April 1998	4,445.6	183.9	4,629.5
Increase during the year	–	14.5	14.5
Unrealised valuation surplus (Note 21(b))	186.1		186.1
At 31 March 1999	4,631.7	198.4	4,830.1

Shares comprise ordinary shares of group undertakings and are stated in accordance with the accounting policy explained in Note 1(f).
Shares at 1 April 1998 included valuation surpluses of £2,404.0m. Loans to group undertakings have no fixed repayment dates.
The principal group undertakings, all of which are wholly owned, incorporated and operating in the United Kingdom, are noted on page 41. As permitted by Section 231 Companies Act 1985, a complete listing of all of the group undertakings has not been provided on the grounds that the information would be of an unduly excessive length. A complete list of group undertakings will, however, be filed with the Annual Return.

15 Debtors

	Group		Company	
	1999 £m	1998 £m	1999 £m	1998 £m
Falling due within one year:				
Trade debtors	21.8	27.2	7.6	5.7
Capital debtors	12.0	9.5	3.6	.9
Other debtors	11.1	8.7	3.9	3.2
Prepayments and accrued income	26.6	24.1	3.2	4.1
Taxation recoverable	–	–	40.2	25.6
	71.5	69.5	58.5	39.5
Falling due after more than one year:				
ACT recoverable	–	27.6	–	27.6
Capital debtors	.5	.4	–	–
Other debtors	.5	.5	–	–
	1.0	28.5	–	27.6

16 Creditors falling due within one year

	Group		Company	
	1999 £m	1998 £m	1999 £m	1998 £m
Debentures and loans (Note 17)	1.6	1.7	1.5	1.6
Overdraft	.3	–	–	–
Trade creditors	2.2	1.5	–	–
Taxation and Social Security	58.4	54.6	–	–
Proposed final dividend	120.0	110.4	120.0	110.4
ACT on proposed final dividend	–	27.6	–	27.6
Capital creditors	65.1	48.4	12.7	11.8
Other creditors	16.7	14.0	10.6	10.0
Accruals and deferred income	160.5	160.0	49.6	48.9
Deferred taxation	–	.2	–	–
	424.8	418.4	194.4	210.3

Debentures and loans include £0.6m (1998 £0.6m) and £0.5m (1998 £0.5m) of instalments of borrowings that mature after more than one year repayable by the group and company respectively.

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17 Debentures, Bonds and Loans

	Group 1999 £m	Group 1998 £m	Company 1999 £m	Company 1998 £m
UNSECURED				
9.762 per cent Unsecured Loan Notes 1990/99	1.0	1.1	1.0	1.1
10¾ per cent Exchange Bonds due 2004	21.2	21.2	21.2	21.2
9½ per cent Bonds due 2007	200.0	200.0	200.0	200.0
£200m 9 per cent Bonds due 2020	196.0	195.8	196.0	195.8
	418.2	418.1	418.2	418.1
SECURED				
4¾ per cent First Mortgage Debenture Stock 1970/2005	12.2	12.4	9.2	9.3
6¼ per cent Mortgage Debenture 2000/05	9.1	9.3	9.1	9.3
6½ per cent Mortgages 2000/05	9.1	9.3	9.1	9.3
8¾ per cent Mortgage 2001/04	10.0	10.0	10.0	10.0
7¾ per cent Mortgage 2008	5.7	5.7	–	–
6⅜ per cent First Mortgage Debenture Stock 2008/13	32.3	32.3	32.3	32.3
10 per cent First Mortgage Debenture Stock 2025	400.0	400.0	400.0	400.0
10 per cent First Mortgage Debenture Stock 2027	200.0	200.0	200.0	200.0
10 per cent First Mortgage Debenture Stock 2030	200.0	200.0	200.0	200.0
Sundry mortgage	–	.1	–	–
	1,296.6	1,297.2	1,287.9	1,288.3
Falling due within one year (Note 16)	(1.6)	(1.7)	(1.5)	(1.6)
Falling due after more than one year	1,295.0	1,295.5	1,286.4	1,286.7

Secured loans are charged on properties of the company and its group undertakings. From time to time, short term deposits are charged as temporary security until substitutions have been agreed for properties taken out of charge. At 31 March 1999, short term deposits of the group **£19.3m** (1998 £12.0m) and of the company **£14.3m** (1998 £12.0m) were charged as temporary security for borrowings.

The company has guaranteed **£3.0m** (1998 £3.1m) of debentures and loans of its group undertakings.

Borrowings of group undertakings of **£8.7m** (1998 £8.9m) are secured by charges on properties of the company and its group undertakings.

18 Convertible Bonds

	Group 1999 £m	Group 1998 £m	Company 1999 £m	Company 1998 £m
£210m 6 per cent Guaranteed Convertible Bonds due 2007	205.7	205.2	–	–
7 per cent Convertible Bonds due 2008	66.7	149.9	66.7	149.9
	272.4	355.1	66.7	149.9

In accordance with the terms of their relevant Trust Deeds:

1) The 6 per cent Guaranteed Convertible Bonds, issued by Land Securities Finance (Jersey) Limited and guaranteed by the company, (i), at the holder's option may be converted, up to and including 22 March 2007, into 2½ per cent Exchangeable Redeemable Preference Shares in the issuer which are exchangeable for up to a maximum of 24,027,345 ordinary shares of £1 each in Land Securities PLC at 874p per share or (ii), at the option of the issuer may be redeemed on or after 14 April 2002 at par; earlier redemption can only take place if at least 85% of the bonds have been converted into ordinary shares or have been purchased or redeemed and then cancelled. During the year **£1,000** of the bonds were converted into the issuing company's preference shares which were then exchanged for **114** fully paid shares of £1 each.

2) The 7 per cent Convertible Bonds (i), at the holders' option may be converted, up to and including 23 September 2008, into a maximum of 10,421,568 fully paid shares of £1 each at a conversion price of 640p per share or (ii), at the option of the company, may be redeemed at par. During the year, **£83,184,000** of the bonds were converted into **12,997,495** fully paid shares of £1 each.

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19 Other Creditors falling due after more than one year

	Group 1999 £m	Group 1998 £m	Company 1999 £m	Company 1998 £m
Deferred income	17.5	15.4	–	5.4
Deferred taxation	.1	.2	–	–
Capital creditors	–	2.4	–	.6
Other creditors	2.5	2.3	7.0	.9
	20.1	20.3	7.0	6.9

20 Called up Share Capital

	1999 £m	1998 £m
Ordinary shares of £1 each:		
Authorised	720.0	720.0
Allotted and fully paid	554.3	541.1

During the year shares were allotted as follows:	Cash consideration received £m	No. of shares
Under the 1989 Profit Sharing Scheme	.7	75,437
On the exercise of options granted under:		
1983 and 1993 Savings Related Share Option Schemes (Note 6)	.4	91,468
1984 Executive Share Option Scheme (Note 6)	.5	96,050
On conversions of:		
6 per cent Guaranteed Convertible Bonds due 2007		114
7 per cent Convertible Bonds due 2008		12,997,495
	1.6	13,260,564

The exercise of all options outstanding at 31 March 1999, granted under the 1983 and 1993 Savings Related Share Option Schemes and the 1984 Executive Share Option Scheme, would result in the issue of a further 868,689 ordinary shares.

21 Reserves

	Share premium account £m	Revaluation reserve £m	Other reserves £m	Profit and loss account £m	Total £m
(a) GROUP					
At 1 April 1998	213.1	3,028.7	556.9	661.7	4,460.4
Premium arising on issues of shares	71.6				71.6
Unrealised surplus on valuation of properties (Note 11(a))		332.9			332.9
Realised on sales of properties		(75.1)	75.1		
Retained profit for the year (page 44)				51.2	51.2
Amortised discount and issue expenses of bonds	(.7)			.7	
At 31 March 1999	284.0	3,286.5	632.0	713.6	4,916.1
(b) COMPANY					
At 1 April 1998	213.1	3,430.8	158.2	648.7	4,450.8
Premium arising on issues of shares	71.6				71.6
Unrealised surplus on valuation of properties (Note 11(b))		154.3			154.3
Realised on sales of properties		(21.2)	21.2		
Revaluation of shares in group undertakings (Note 14)		186.1			186.1
Retained profit for the year				50.2	50.2
Amortised discount and issue expenses of bonds	(.7)			(.3)	(1.0)
At 31 March 1999	284.0	3,750.0	179.4	698.6	4,912.0

Land Securities PLC has not presented its own profit and loss account, as permitted by Section 230(1)(b) Companies Act 1985. The retained profit for the year of the company, dealt with in its financial statements, was **£50.2m** (1998 £35.4m).

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22 Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	1999 £m	1998 £m
Operating profit (page 44)	398.5	386.0
Depreciation (Note 13)	2.4	1.5
Decrease in debtors	2.9	.1
Increase in creditors	6.1	11.9
Net cash inflow from operating activities	409.9	399.5

23 Analysis of Net Cash Flows

	1999 £m	1998 £m
(a) MANAGEMENT OF LIQUID RESOURCES		
Net decrease/(increase) in short term deposits	45.7	(66.5)
Sales of corporate bonds	15.0	5.0
Net cash inflow/(outflow) from management of liquid resources	60.7	(61.5)

Liquid resources comprise short term deposits and corporate bonds which are readily realisable within one year.

	1999 £m	1998 £m
(b) CASH MOVEMENT IN DEBT		
Debt due within one year – Repayment of secured debt	(.6)	(15.1)
Debt due within one year – Repayment of unsecured debt	(.1)	(.1)
	(.7)	(15.2)
Debt due after one year – Repayment of secured debt	(.1)	–
Decrease in debt	(.8)	(15.2)

24 Analysis of Net Debt

	1 April 1998 £m	Movements during year Cash Flow £m	Movements during year Non-Cash £m	31 March 1999 £m
Cash at bank and in hand/(overdraft)	.1	(.4)		(.3)
Liquid resources	547.3	(60.7)		486.6
Debt due within one year	(1.7)	.7	(.6)	(1.6)
Debt due after one year	(1,650.6)	.1	83.1	(1,567.4)
Net debt	(1,104.9)	(60.3)	82.5	(1,082.7)

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25 Financial Assets and Liabilities

This note should be read in conjunction with the comments set out in the Operating and Financial Review on page 29.

The group has defined financial assets and liabilities as those assets and liabilities of a financial nature, namely cash, investments and borrowings. Short term debtors/creditors, capital debtors/creditors, taxation and prepayments and accruals have been excluded.

All of the group's financial assets and liabilities are sterling based and at fixed rates. There are no floating rate financial assets or liabilities.

FINANCIAL ASSETS

The group's financial assets and their maturity profile are:

	1999 £m	1998 £m
Assets:		
Short term investments	486.6	547.3
Cash at bank and in hand	–	.1
	486.6	547.4

	1999 £m	1998 £m
Maturing in:		
One year or less, or on demand	486.6	547.4
Weighted average period of fixed interest rates	105 days	77 days
Weighted average interest rate	6.1%	7.3%

FINANCIAL LIABILITIES

The group's financial liabilities and their maturity profile (together with that of the company's) are:

	1999 £m	1998 £m
Liabilities:		
Debentures, bonds and other loans (Note 17)	1,296.6	1,297.2
Convertible bonds (Note 18)	272.4	355.1
Overdraft (Note 16)	.3	–
	1,569.3	1,652.3

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25 Financial Assets and Liabilities continued

FINANCIAL LIABILITIES continued

	Group 1999 £m	Group 1998 £m	Company 1999 £m	Company 1998 £m
Repayable in:				
One year or less, or on demand (Note 16)	1.9	1.7	1.5	1.6
More than one year but no more than two years	.6	.6	.5	.5
More than two years but no more than five years	11.7	1.8	11.5	1.5
More than five years	1,555.1	1,648.2	1,341.1	1,434.6
	1,569.3	1,652.3	1,354.6	1,438.2
Weighted average period of fixed interest rates	19.8 years	20.3 years		
Weighted average interest rate	9.0%	8.9%		

The amount of debt that is repayable by instalments, where any of the instalments fall due after more than five years, is not material.

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

	Group			
	Book Value		Fair Value	
	1999 £m	1998 £m	1999 £m	1998 £m
Short term investments and cash	486.6	547.4	487.8	547.1
Debentures, bonds, other loans and overdraft	(1,296.9)	(1,297.2)	(1,977.0)	(1,760.3)
Convertible bonds	(272.4)	(355.1)	(316.2)	(537.1)

Fair value has been calculated by taking the market value, where available, and using a discounted cash flow approach for those financial assets and liabilities that do not have a published market value.

It is the intention of the group to repay its debentures, bonds and other loans at maturity. The difference between book value and fair value will not result in any change to the cash outflows of the group unless, at some stage in the future, borrowings are purchased in the market.

BORROWING FACILITIES

The group's various undrawn committed borrowing facilities are summarised below:

	1999 £m	1998 £m
Expiring in:		
One year or less, or on demand	100	75
More than one year but no more than two years	–	50
More than two years	150	125
	250	250

No derivative contracts were entered into during either of the last two financial years.

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Ten Year Record

based on the Consolidated Financial Statements for the year ended 31 March

	1999 £m	1998 £m	1997 £m	1996 £m	1995 £m	1994 £m	1993 £m	1992 £m	1991 £m	1990 £m
ASSETS EMPLOYED										
Properties	6,910.5	6,435.7	5,760.0	5,265.7	5,169.6	5,032.4	4,098.6	4,300.6	4,708.5	5,611.1
Short term deposits, corporate bonds and cash	486.6	547.4	486.7	335.2	209.6	241.5	234.2	307.2	168.7	266.8
Other assets	85.6	107.7	91.6	94.6	102.5	98.7	93.3	104.2	112.1	125.8
	7,482.7	7,090.8	6,338.3	5,695.5	5,481.7	5,372.6	4,426.1	4,712.0	4,989.3	6,003.7
FINANCED BY										
Share capital	554.3	541.1	515.5	510.2	510.0	509.8	504.8	504.6	504.4	504.1
Reserves	4,916.1	4,460.4	3,521.7	3,014.3	3,023.8	2,943.3	2,039.5	2,295.5	2,866.5	3,927.6
EQUITY SHAREHOLDERS' FUNDS	5,470.4	5,001.5	4,037.2	3,524.5	3,533.8	3,453.1	2,544.3	2,800.1	3,370.9	4,431.7
Borrowings	1,569.3	1,652.3	1,849.4	1,767.2	1,572.6	1,573.3	1,515.6	1,516.5	1,268.8	1,280.5
Other liabilities	443.0	437.0	451.7	403.8	375.3	346.2	366.2	395.4	349.6	291.5
	7,482.7	7,090.8	6,338.3	5,695.5	5,481.7	5,372.6	4,426.1	4,712.0	4,989.3	6,003.7
REVENUE										
Net rental income	427.5	414.1	405.1	400.6	400.0	389.4	380.7	353.6	316.0	260.9
Revenue profit	292.7	265.9	235.7	238.7	241.3	234.8	233.4	227.5	215.2	175.1
* Profit/(loss) on sales of properties	.6	.1	8.1	(1.1)	3.4	2.3	(4.3)	.6	6.9	9.1
Pre-tax profit	293.3	266.0	243.8	237.6	244.7	237.1	229.1	228.1	222.1	184.2
Profit attributable to shareholders	216.4	196.7	178.4	171.9	179.7	180.6	165.7	167.9	159.9	128.6
Retained profit for the year	51.2	45.1	39.3	39.3	52.2	58.4	50.4	58.1	60.3	42.9
EARNINGS PER SHARE (pence)										
On profit after taxation	39.21	36.84	34.85	33.69	35.23	35.66	32.83	33.28	31.72	25.52
* On results of property sales after taxation	(.10)	.23	(1.68)	.23	(.67)	(.46)	.85	(.66)	(.87)	(.88)
Adjusted earnings per share	39.11	37.07	33.17	33.92	34.56	35.20	33.68	32.62	30.85	24.64
DILUTED EARNINGS PER SHARE (pence)	38.95	36.55	34.50	33.46	34.91	35.30	32.76	33.19	31.66	25.50
ADJUSTED DILUTED EARNINGS PER SHARE (pence)	38.86	36.77	32.92	33.67	34.28	34.87	33.59	32.54	30.81	24.62
DIVIDENDS PER SHARE (pence)	29.50	28.00	27.00	26.00	25.00	24.00	22.85	21.75	19.75	17.00
DIVIDEND COVER (times)										
On profit after taxation	1.31	1.30	1.28	1.30	1.41	1.48	1.44	1.53	1.61	1.50
* On profit excluding results of property sales after taxation	1.31	1.31	1.22	1.30	1.38	1.46	1.47	1.50	1.56	1.45
NET ASSETS PER SHARE (pence)	987	924	783	691	693	677	504	555	668	879
DILUTED NET ASSETS PER SHARE (pence)	975	910	774	688	691	676	504	555	667	866
MARKET PRICE PER SHARE AT 31 MARCH (pence)	820	1058	773	626	594	628	526	391	537	486

* These figures, in respect of 1997 only, are after deducting the cost of terminating interest rate swaps.

Properties, reserves and net assets per share reflect valuations of properties made by Knight Frank at each year end.

With the introduction of FRS3 effective for the year ended 31 March 1994, comparatives, where appropriate, have been restated. However, revenue profit, adjusted earnings and adjusted diluted earnings per share and an alternative dividend cover, which exclude the results of property sales and other exceptional items, are still disclosed.

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Major Property Holdings

at 31 March 1999

At 31 March 1999 there were around 560 properties within the portfolio. In the lists which follow, the valuation level for inclusion is £10m.

Office areas are approximately net and generally exclude basements, storage and car parking spaces.

Dates indicate initial construction or later refurbishment (R).

● FREEHOLD†
◆ PART FREEHOLD, PART LEASEHOLD
■ AIR CONDITIONED
▲ IN COURSE OF DEVELOPMENT OR REFURBISHMENT
★ SHOPPING CENTRE

† Properties shown as freeholds include properties held on leases at peppercorns or low fixed rents for 900 years or more.

City, Midtown, West End and Victoria properties:

EC1

■ MITRE HOUSE
160 Aldersgate Street: 188,500 ft^2 (17,510 m^2) offices, 20 flats and car park, 1990.

EC2.

● ■ VERITAS HOUSE
119/125 Finsbury Pavement: 46,200 ft^2 (4,290 m^2) offices, 1991.

■ 51/55 GRESHAM STREET
76,000 ft^2 (7,060 m^2) offices and a restaurant, 1991.

■ MOORGATE HALL
143/171 Moorgate: 65,500 ft^2 (6,090 m^2) offices and 15,600 ft^2 (1,450 m^2) store, 1990.

● ■ DASHWOOD HOUSE
69 Old Broad Street: 115,800 ft^2 (10,760 m^2) offices, 1975 and reinstatement after bomb damage, 1995.

EC3

● KNOLLYS HOUSE
1/12 Byward Street: 83,600 ft^2 (7,770 m^2) offices, bank, post office and 9 shops, 1964, part 1984 (R), part 1988/91 (R), part 1998/99 (R). Part air conditioned.

● 23/39 EASTCHEAP
18,600 ft^2 (1,730 m^2) offices, 5 shops and restaurant, part 1986 (R) and part 1988 (R). Part air conditioned.

● ■ 6/12 FENCHURCH STREET AND 1 PHILPOT LANE
51,400 ft^2 (4,780 m^2) offices and shop, 1985.

◆ ■ 13/23 FENCHURCH STREET
168,100 ft^2 (15,620 m^2) offices and major retail unit, 1968 and 1984 (R).

● ■ 109/114 FENCHURCH STREET
71,200 ft^2 (6,610 m^2) offices and banking space and 2 shops, 1976, part 1991 (R) and part 1993/94/95 (R).

● ■ 51/54 GRACECHURCH STREET
34,100 ft^2 (3,170 m^2) offices, part 1981 (R) and part 1990 (R).

● ■ GRACECHURCH HOUSE
55 Gracechurch Street: 62,300 ft^2 (5,790 m^2) offices and 10,000 ft^2 (930 m^2) health club, 1993.

● ■ 34/36 LIME STREET AND 7/11 CULLUM STREET
36,000 ft^2 (3,340 m^2) offices and 6 shops, 1974.

◆ 37/39 AND 40 LIME STREET AND 4 FENCHURCH AVENUE
101,000 ft^2 (9,380 m^2) offices, 1971/72 (R) part 1988/90 (R), part 1992/94 (R) and part 1998 (R).

● ■ NEW LONDON HOUSE
6 London Street: 66,500 ft^2 (6,180 m^2) offices, 2 shops, 2 restaurants and public house, 1993 (R).

● ST CLARE HOUSE
28/35 Minories: 77,600 ft^2 (7,210 m^2) offices and restaurant, part 1977 (R), part 1980/1985 (R), part 1995 (R) and part 1998 (R).

● ■ 14/15 PHILPOT LANE
32,400 ft^2 (3,010 m^2) offices, 1986.

● 1 SEETHING LANE
45,700 ft^2 (4,250 m^2) offices and restaurant, 1977 (R) and part 1988 (R).

● ■ TOWER HOUSE
34/40 Trinity Square: 44,600 ft^2 (4,140 m^2) offices, 1979 (R).

EC4

● ■ CANNON STREET HOUSE AND MARTIN HOUSE
87,200 ft^2 (8,100 m^2) offices, 1996 (R).

● ■ REGIS HOUSE
King William Street: 87,600 ft^2 (8,140 m^2) offices, public house and 5,700 ft^2 (530 m^2) retail, 1998.

● ■ 12/16 GOUGH SQUARE
26,900 ft^2 (2,500 m^2) offices, 1992.

● ■ 33 KING WILLIAM STREET
130,500 ft^2 (12,120 m^2) offices and public house, 1983.

● ■ 50 LUDGATE HILL
118,800 ft^2 (11,040 m^2) offices, 12 shops, 2 public houses and 4 restaurants, 1985 (R).

● ■ 26 OLD BAILEY
64,900 ft^2 (6,030 m^2) offices, 1984 (R).

● ■ FLEETBANK HOUSE
Salisbury Square: 122,400 ft^2 (11,370 m^2) offices, 1974.

● ■ 8 SALISBURY SQUARE
115,200 ft^2 (10,700 m^2) offices, 1989.

LINTAS HOUSE
New Fetter Lane: 88,000 ft^2 (8,180 m^2) offices, 1958, and 1999 (R)

■ 21 NEW FETTER LANE
66,900 ft^2 (6,220 m^2) offices, 1978 (R), 1993 (R) and 1998 (R).

WC1

● ■ TURNSTILE HOUSE
High Holborn: 76,500 ft^2 (7,110 m^2) aparthotel, 1 shop and restaurant, 1997.

● ■ ▲ 1 THEOBALD'S COURT
(formerly Adastral House), Theobald's Road: 124,000 ft^2 (11,520 m^2) offices.

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at 31 March 1999

● ■ ▲ 2 THEOBALD'S COURT
(formerly Lacon House), Theobald's Road: 205,000 ft^2 (19,040 m^2) offices, 2 shops and leisure.

WC2

● ■ 40 STRAND
92,200 ft^2 (8,570 m^2) offices and 8 shops, 1997 (R).

● ■ GRAND BUILDINGS
Trafalgar Square: 160,100 ft^2 (14,870 m^2) offices and 35,000 ft^2 (3,250 m^2) shops, 1991.

● 7/8 ESSEX STREET
28,100 ft^2 (2,610 m^2) offices, 1998 (R).

W1

● ▲ 6/17 TOTTENHAM COURT ROAD
56,500 ft^2 (5,250 m^2) retail and 2,500 ft^2 (230 m^2) offices.

● 12/24 OXFORD STREET AND 2-5 TOTTENHAM COURT ROAD
1 store 90,000 ft^2 (8,360 m^2) and 3 shops 5,300 ft^2 (490 m^2), pre-war, part 1995 (R) and part 1998.

● 26/32 OXFORD STREET
air conditioned bank, 1 large shop, a kiosk, a restaurant and 11,300 ft^2 (1,050 m^2) educational use, 1983 (R).

● ■ OXFORD HOUSE
70/88 Oxford Street: 61,100 ft^2 (5,680 m^2) offices and 5 shops. Part 1994 (R).

455/473 OXFORD STREET
6 shops, 1963.

475/497 OXFORD STREET AND PARK HOUSE
Park Street: 77,100 ft^2 (7,160 m^2) offices and 9 shops, 1963.

484/504 OXFORD STREET AND GULF HOUSE
88,200 ft^2 (8,190 m^2) offices and 7 shops, 1957.

● ■ LONDON HILTON ON PARK LANE
500 rooms, casino and numerous restaurants, 1963.

● ■ DEVONSHIRE HOUSE
Piccadilly: 152,700 ft^2 (14,190 m^2) offices and 9 showrooms and shops, 1983 (R), part 1994 (R) and part 1996/97 (R).

● PICCADILLY CIRCUS
44/48 Regent Street, 1/17 Shaftesbury Avenue, Denman Street, Sherwood Street and Glasshouse Street: 2 major retail trading units, 10 shops, kiosk, public house, 3 restaurants, 15,700 ft^2 (1,460 m^2) offices and 7,200 ft^2 (670 m^2) of illuminated advertising, part 1977 (R), part 1979 (redevelopment) and part 1985 (R).

● 7 SOHO SQUARE
47,900 ft^2 (4,450 m^2) offices, 1995 (R).

● 1/11 HAY HILL
18,000 ft^2 (1,670 m^2) offices and 6,600 ft^2 (610 m^2) retail/showroom, 1987 (R).

SW1

● BOWATER HOUSE
Knightsbridge: 266,100 ft^2 (24,720 m^2) offices, 1958.

● 49/75 BUCKINGHAM PALACE ROAD AND 29 BRESSENDEN PLACE
55,400 ft^2 (5,150 m^2) offices, 136 bedroom hotel, 30 flats and 7 shops, 1964, offices 1994 (R).

● HAYMARKET HOUSE
Haymarket: 80,900 ft^2 (7,520 m^2) offices and 38,700 ft^2 (3,600 m^2) of restaurants, 1955, part 1992 (R) and part 1997/98 (R).

● ■ 10 BROADWAY
New Scotland Yard: 384,000 ft^2 (35,670 m^2) offices, banking space and restaurant, 1966.

● ■ WELLINGTON HOUSE
Buckingham Gate: 53,500 ft^2 (4,970 m^2) offices, 1978.

● ■ THE HOME OFFICE
50 Queen Anne's Gate: 316,000 ft^2 (29,360 m^2) offices, 1977.

● PORTLAND HOUSE
Stag Place: 296,900 ft^2 (27,580 m^2) offices and 16,200 ft^2 (1,510 m^2) basement restaurant, 1959, part 1986/87 (R), part 1992/95 (R) and part 1996/99 (R).

● ■ ELAND HOUSE
Stag Place: 249,400 ft^2 (23,170 m^2) offices, 1995.

● GLEN HOUSE
Stag Place: 96,600 ft^2 (8,970 m^2) offices and 17 shops, 1962 and part 1983/84 and 1994 (R).

● ■ SELBORNE HOUSE
Victoria Street: 111,500 ft^2 (10,360 m^2) offices, 1966.

● ■ KINGSGATE HOUSE
Victoria Street: 152,400 ft^2 (14,160 m^2) offices and 18 shops, 1987 (R).

● ■ WESTMINSTER CITY HALL
Victoria Street: 169,500 ft^2 (15,750 m^2) offices and bank, 1965.

● ■ ESSO HOUSE
Victoria Street: 215,900 ft^2 (20,060 m^2) offices, 2 banks, 14 shops and restaurant, 1963 and part 1991 (R).

● ■ 25 VICTORIA STREET
47,100 ft^2 (4,380 m^2) offices and 3,800 ft^2 (350 m^2) retail,1996.

● ■ SAGA PETROLEUM HOUSE
50 Victoria Street: 38,700 ft^2 (3,600 m^2) offices and 10,000 ft^2 (930 m^2) retail, 1997.

● 16 PALACE STREET
52,240 ft^2 (4,850 m^2) offices, 1960.

● ROEBUCK HOUSE
Residential, 116 flats, 1 fitness centre, 1960.

▲ ST ALBAN'S HOUSE
Haymarket: 46,000 ft^2 (4,270 m^2) offices and 2 restaurants, 1963 and part 1987 (R).

● 1 WARWICK ROW
36,600 ft^2 (3,400 m^2) offices, 1995 (R).

SE1

◆ ST CHRISTOPHER HOUSE
80/112 Southwark Street, 596,500 ft^2 (55,420 m^2) offices, 8 shops, 1960.

The aggregate area of offices and retail accommodation including developments and refurbishments owned in the City, Midtown, West End and Victoria, including the properties listed above, amounts to some 7.55m ft^2 (701,410 m^2) net of offices and approximately 850,000 ft^2 (78,970 m^2) of retail and restaurants.

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Towns and cities where the Group owns shop and office properties valued at £10m or above:

Note: 'Shops' in this section denotes number of current tenancies, rather than number of units originally constructed. Stores, supermarkets, banks and combined units are each shown as one tenancy.

★ STRATFORD E15
Stratford Centre 290,000 ft^2 (26,940 m^2): 6 stores, 54 shops and 27,800 ft^2 (2,580 m^2) of air conditioned offices, 1976.

● NOTTING HILL GATE W11
93,400 ft^2 (8,680 m^2) offices, 53 shops, 2 stores and cinema, 1958.

● KENSINGTON HIGH STREET AND YOUNG STREET W8
33,000 ft^2 (3,070 m^2) retail store, 12,300 ft^2 (1,140 m^2) offices, 6 shops and club, 1920s and part 1971.

● FULHAM SW6
Empress State Building, Lillie Road: 350,000 ft^2 (32,520 m^2) offices, 1962.

Strand Centre, Bootle

◆ ★ ABERDEEN
Bon Accord Centre 255,000 ft^2 (23,690 m^2): 4 stores, 53 shops, food court, 50,000 ft^2 (4,650 m^2) leisure space, 29,000 ft^2 (2,690 m^2) offices and car park, 1990.

● ★ BALLYMENA
Tower Centre 175,000 ft^2 (16,260 m^2): 4 stores and 62 shops, 1981 and 1999.

BASILDON
72 shops, 1958/60, part 1985 (R) and part 1988 (R).

BATH
7 shops, 1961.

● BELFAST
10 shops, 1957, part 1984 and 1995.

● BIRMINGHAM
Caxtongate Phase I: 15 shops and 15,000 ft^2 (1,390 m^2) offices, 1997.

● ▲ BIRMINGHAM
Caxtongate Phase II: 7 shops and residential.

BIRMINGHAM
Commercial Union House, Corporation Street, Martineau Square and Dale End: 222,500 ft^2 (20,670 m^2) offices, 1 store, 37 shops and car park, 1962 to 1971, 1975 and part 1993 (R). Prospective development.

BIRMINGHAM
McLaren Building and Londonderry House: 160,000 ft^2 (14,860 m^2) offices, multi-storey car park, public house and health club, 1970s.

◆ BOLTON
20 shops, 1959.

★ BOOTLE
Strand Centre 400,000 ft^2 (37,160 m^2): Phases I and II: 3 stores, 129 shops, 2 public houses and 7,400 ft^2 (690 m^2) offices, 1989 (R) and 1998.

BRISTOL
2 stores, 67 shops and 34,400 ft^2 (3,200 m^2) offices, 1957/1962.

★ CANTERBURY
Longmarket 50,000 ft^2 (4,650 m^2): 16 shops, 1 conservatory restaurant and museum, 1992.

CANTERBURY
Clocktower: 5 shops and 14,300 ft^2 (1,330 m^2) offices, 1993.

◆ CANTERBURY
Whitefriars/St. George's Street. 1 store, 25 shops, restaurant, 15,000 ft^2 (1,390 m^2) offices, showroom and public house, 1960s/1970s. Prospective development.

◆ ★ CARDIFF
St David's Centre 350,000 ft^2 (32,520 m^2): 60 shops, 1981 and 1991 (R). St David's Link: 12 shops and library, 1986.

◆ CHELTENHAM
Regent Arcade: 4 shops and a share in balance of Centre, 1984. 2 shops and residential, 1997.

COVENTRY
46 shops, public house, 13,500 ft^2 (1,250 m^2) offices and hotel, 1955/1961 and 1991.

● ★ EALING
Broadway Centre (part) 36,500 ft^2 (3,390 m^2): 10 shops and 21,700 ft^2 (2,020 m^2) air conditioned offices, 1984.

Caxtongate Phase II, Birmingham

● ★ EAST KILBRIDE
Princes Mall 150,000 ft^2 (13,940 m^2): 2 stores, 38 shops, public house and 10,200 ft^2 (950 m^2) offices, 1994 (R).

● ★ EAST KILBRIDE
The Olympia 350,000 ft^2 (32,520 m^2): 2 stores, 48 shops, ice rink, 9 screen cinema, library, restaurant, public house, night club, food court and 7,400 ft^2 (690 m^2) offices, 1989.

EXETER
2 stores, 66 shops and 27,800 ft^2 (2,580 m^2) offices, 1952/1964 and 1971.

● HARLOW
47 shops, 1956, part 1988 (R).

HULL
48 shops, public house and 27,100 ft^2 (2,520 m^2) offices, 1952/1956.

● ★ IRVINE
Rivergate Centre 375,000 ft^2 (34,840 m^2): 1 superstore, 5 stores, 60 shops, public house, car park and 104,400 ft^2 (9,700 m^2) offices, Phase I 1992 (R) and Phase II 1992.

Major Property Holdings

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St David's Centre, Cardiff

★ KEIGHLEY
Airedale Centre 250,000 ft² (23,230 m²): 77 shops, 5 kiosks, mall café and car park, 1988 (R).

★ KILMARNOCK
Burns Centre, 3 Phases 183,000 ft² (17,000 m²): 3 stores, 36 shops, public house and 18,900 ft² (1,760 m²) offices, 1975/1979 and 1991 (R).

★ LEEDS
White Rose Shopping Centre 650,000 ft² (60,390 m²): 2 anchor stores, 11 major space units, 71 shops, restaurant and food court, 1997.

● LIVERPOOL
21 shops and 4,000 ft² (370 m²) offices, 1950s and 1999.

● ★ LIVERPOOL
St Johns Centre 360,000 ft² (33,440 m²): 4 stores, 93 shops, 2 public houses, retail market, food court, hotel, car park and Beacon, 1989 (R).

● ★ LIVINGSTON
Almondvale Centre 520,000 ft² (48,310 m²): Phases I and II: 7 stores, 106 shops, public house, mall café and car parks, Phase I 1989 and 1996 (R), Phase II 1996.

● ★ MAGHULL
Central Square and Westway 61,000 ft² (5,670 m²): 1 store and 42 shops, 1963/1969.

● ★ NEWBURY
Kennet Centre 240,000 ft² (22,300 m²): 2 stores, 55 shops, mall café, car park and 8,300 ft² (770 m²) offices, part 1972. Refurbished and extended 1985/89.

● ★ NEWTOWNARDS
Ards Centre 285,000 ft² (26,480 m²): 3 stores, 42 shops, 3 kiosks, food court, 10 unit speciality mall, petrol filling station, car park and drive through restaurant, 1976. Refurbished and extended 1995.

● NOTTINGHAM
Alan House: 4 shops and 21,000 ft² (1,950 m²) offices, 1985 (R).

PLYMOUTH
1 store, 49 shops, 1952/1965.

● READING
Station Hill: 86,400 ft² (8,030 m²) offices and 13 shops, 1966. Hogg Robinson House: 40,000 ft² (3,720 m²) offices, 1979.

▲ ★ SUNDERLAND
The Bridges 250,000 ft² (23,230 m²): Phase I: 3 stores, 81 shops and mall café, 1969 and 1988 (R): Phase II 265,000 ft² (24,620 m²): 2 stores, 28 shops and car park.

● ■ UXBRIDGE ONE
142,500 ft² (13,240 m²) offices and twin cinemas, 1990.

● ★ WALLSEND
The Forum 103,000 ft² (9,570 m²): 1 store and 45 shops, 1966 and 1996 (R).

● WALSALL
13 shops, 1970s and 1987.

◆ ★ WALSALL
Saddlers Centre 185,000 ft² (17,190 m²): 2 stores, 38 shops, 4 kiosks and car park, 1980 and 1990 (R).

◆ YORK
14 shops, showrooms and offices and Ryedale House 76,000 ft² (7,060 m²) 1960s.

◆ ★ YORK
Coppergate Centre 160,000 ft² (14,860 m²): 3 stores, 18 shops, museum, 19 flats and car park, 1984.

Major Property Holdings

at 31 March 1999

Retail warehouse and food superstore properties:

BEXHILL-ON-SEA
Ravenside Retail and Leisure Park: 222,350 ft² (20,660 m²) 9 retail warehouses, food superstore, fast food restaurant, ten pin bowl and swimming pool, 1989.

BIRMINGHAM
Great Barr: 83,500 ft² (7,760 m²) hypermarket, 1998.

BLACKPOOL RETAIL PARK
121,500 ft² (11,290 m²) 9 retail warehouses, 1993, 1995 and 1996. Extension planned.

BOLTON
Manchester Road: 82,100 ft² (7,630 m²) 6 retail warehouses, 1985, 1989 and 1997.

BRISTOL
Longwell Green: 73,000 ft² (6,780 m²) 2 retail warehouses, 1985/86.

CHADWELL HEATH
(Near Romford): 76,600 ft² (7,120 m²) 3 retail warehouses, 1988. 15,000 ft² (1,390 m²): Extension planned.

CHESTERFIELD
Ravenside Retail Park, Markham Road: 83,200 ft² (7,730 m²) 5 retail warehouses, 1982 and 1997.

DERBY
Meteor Centre: 186,080 ft² (17,290 m²) 11 retail warehouses fast food restaurant and public house, 1988 and 1994.

DERBY
Wyvern Centre: 121,400 ft² (11,280 m²) 6 retail warehouses and fast food restaurant, 1990 and 1996.

DUNDEE
Kingsway Retail Park: 186,800 ft² (17,350 m²) 7 retail warehouses and fast food restaurant, 1985/87/88/94. Major extension planned.

EDMONTON
Ravenside Retail Park: 129,500 ft² (12,030 m²) 4 retail warehouses and fast food restaurant, 1988.

ERDINGTON
Ravenside Retail Park, Kingsbury Road: 154,000 ft² (14,310 m²) 8 retail warehouses, 1987 and 1989. Extension planned.

GATESHEAD
Team Valley, Retail World Retail Park: 371,300 ft² (34,490 m²) 19 retail warehouses and fast food restaurant, 1987.

GLOUCESTER RETAIL PARK
Eastern Avenue: 112,500 ft² (10,450 m²) 4 retail warehouses, 1989. Extension planned.

HATFIELD
Oldings Corner: 64,600 ft² (6,000 m²) 3 retail warehouses, 1988.

HIGH WYCOMBE
London Road: 47,000 ft² (4,370 m²) 2 retail warehouses, 1988.

HULL
Priory Way: 95,300 ft² (8,850 m²) food superstore and retail warehouse, 1984.

KEIGHLEY
Cavendish Street: 59,700 ft² (5,550 m²) food superstore, 1985.

LIVERPOOL
Racecourse Retail Park, Aintree: 269,700 ft² (25,060 m²) 15 retail warehouses and fast food restaurant, 1986, 1988 and 1990.

LIVINGSTON
Almondvale: 103,300 ft² (9,600 m²) 4 retail warehouses and ice rink (under conversion to retail), 1987.

MANCHESTER
White City Retail Park: 192,000 ft² (17,840 m²) 11 retail warehouses, 2 restaurants and ten pin bowl, 1990.

PLYMOUTH
Friary Centre, Exeter Street: 78,700 ft² (7,310 m²) 2 retail warehouses, 1990.

SLOUGH RETAIL PARK
Bath Road: 154,200 ft² (14,330 m²) 6 retail warehouses, 1989 and 1998.

STAINES
The Causeway: 40,900 ft² (3,800 m²) 2 retail warehouses, 1995.

STOCKTON-ON-TEES
143,800 ft² (13,360 m²) food superstore 1970 (R) and 4 retail warehouses 1986/87.

WAKEFIELD
Ings Road: 100,000 ft² (9,290 m²) food superstore and 2 retail warehouses, 1988, extended 1997/99.

WEST THURROCK
Lakeside Retail Park: 310,700 ft² (28,870 m²) 17 retail warehouses and fast food restaurant, 1988, 1989 and 1997. Extension planned.

Ings Road, Wakefield

Major Property Holdings

at 31 March 1999

Pump Lane, Hayes

Warehouse and industrial properties:

● ▲ BANBURY
Middleton Road: 338,900 ft^2 (31,480 m^2) high bay distribution warehousing, 1995 and 1998. Construction in progress for additional 65,000 ft^2 (6,040 m^2).

● BLACKPOOL
Squires Gate Industrial Estate: 1,153,900 ft^2 (107,200 m^2), 1940s.

● CHANDLERS FORD
(Near Southampton) School Lane: 232,000 ft^2 (21,550 m^2), 1985/88/89.

● FRIMLEY
(Near Camberley): 206,700 ft^2 (19,200 m^2) on Albany Park, 1982/84.

● HATFIELD
Welham Green: 337,000 ft^2 (31,310 m^2), 1986 and extended 1988.

● HESTON
(Near Heathrow) Heston Centre and Spitfire Trading Estate: 309,200 ft^2 (28,730 m^2), 1977/82/84.

● HESTON
(Near Heathrow) The Harlequin Business Centre: 67,600 ft^2 (6,280 m^2) two storey offices, 1989.

● HINCKLEY
Dodwells Road: 301,700 ft^2 (28,030 m^2), 1989.

● HUNTINGDON
146,700 ft^2 (13,630 m^2) on Ermine Business Park, 1989 and 1990 and 72,600 ft^2 (6,740 m^2) on Stukeley Meadows Industrial Estate, 1988.

● SUNBURY CROSS
Hanworth Road (includes Interchange West): 316,000 ft^2 (29,360 m^2), 1970 and 1976.

● TAMWORTH
Centurion Park: 262,900 ft^2 (24,420 m^2) high bay warehousing 1996 and 1999.

● WELWYN GARDEN CITY
Bridge Road: 183,700 ft^2 (17,070 m^2), 1955/61/76 and 8 acres redevelopment site at Bessemer Road South.

● WEST THURROCK
Motherwell Way: 312,900 ft^2 (29,070 m^2), 1973, 1975 and 1979 and trailer park of 1.28 acres. Lakerise Industrial Estate: 58,600 ft^2 (5,440 m^2), 1983.

● WEYBRIDGE
316,700 ft^2 (29,420 m^2) on Brooklands Industrial Estate, 1984 and extended 1989.

In addition to the major holdings the portfolio includes:

Shops and/or office properties

at other locations in a number of towns listed and in the centres of Aylesbury, Barry, Beaconsfield, Birmingham, Blackpool, Boston, Bournemouth, Brentwood, Bromley, Bury St Edmunds, Cambridge, Chelmsford, Chester, Chippenham, Cirencester, Colchester, Croydon, Durham, Ealing, Epping, Epsom, Erdington, Falkirk, Fleet, Glasgow suburbs, Grantham, Henley on Thames, Hereford, Horsham, Huddersfield, Ipswich, Kettering, Kings Heath, Kingston upon Thames, Leeds, Leicester, Lincoln, London suburbs, Maidstone, Manchester, Marlow, Melton Mowbray, Milngavie, Newcastle-under-Lyme, Newcastle upon Tyne, Newton Aycliffe, Northampton, Norwich, Nuneaton, Perth, Peterborough, Portsmouth, Redhill, Reigate, Rochdale, Rotherham, Rugby, St Albans, Salisbury, Shrewsbury, Southampton, South Shields, Stirling, Sunderland, Swansea, Swindon, Tamworth, Torquay, Tunbridge Wells, Wakefield, Watford, Wokingham, Workington and Wrexham.

Retail warehouse properties

in Andover, Bletchley, Bradford, Cardiff, Christchurch, Dewsbury, Doncaster, Fareham, Frimley, Halifax, Hendon, Manchester, Oldham, Peterborough, Poole, Rotherham, Sheffield, Stoke on Trent, Swansea, Wolverhampton, Wrexham and York.

Warehouse and industrial properties

in Abingdon, Barking, Basingstoke, Bourne End, Bracknell, Bradford, Braintree, Caldicot, Cardiff, Chadwell Heath, Chesham, Chester, Colnbrook (2), Coulsdon (2), Coventry, Dunstable, Eastleigh, Enfield, Glasgow (several estates), Hayes, High Wycombe (2), Leeds, Leighton Buzzard, London (Park Royal), Manchester, Northampton, Peterborough, Rochdale, Sheffield, Slough (2), Swanley, Swindon, Walsall and Wimbledon.

Outside the City, West End and Victoria, the Group has holdings in virtually all the major cities and towns throughout the United Kingdom which, including developments and refurbishments, total 6.9 m ft^2 (641,030 m^2) of retail space, 1.84 m ft^2 (170,940 m^2) of office space, 7.7m ft^2 (715,350 m^2) of warehouse and industrial space and 4.9m ft^2 (455,220 m^2) of out of town retail and food superstore space.

The whole portfolio contains in excess of 2,800 shops including 117 supermarkets or stores, each with an area in excess of 10,000 ft^2 (930 m^2).

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Investor Information

Analyses of Equity Shareholdings

at 31 March 1999

BY SHAREHOLDER	Shareholders No.	Shareholders %	Shareholdings No.	Shareholdings %
Individuals	23,767	61.63	29,476,050	5.32
Nominee Companies	12,047	31.24	378,907,638	68.35
Banks	233	0.61	36,050,546	6.50
Insurance Companies	55	0.14	70,173,170	12.66
Pension Funds	27	0.07	24,257,184	4.38
Other Limited Companies	1,489	3.86	8,126,661	1.47
Other Corporate Bodies	946	2.45	7,345,705	1.32
	38,564	100.00	554,336,954	100.00

BY SIZE OF HOLDING	Shareholders No.	Shareholders %	Shareholdings No.	Shareholdings %
up to 500	12,480	32.36	3,776,767	0.68
501 to 1,000	11,336	29.41	8,647,986	1.56
1,001 to 5,000	12,138	31.47	24,710,405	4.46
5,001 to 10,000	981	2.54	7,067,076	1.27
10,001 to 50,000	883	2.29	19,986,423	3.61
50,001 to 100,000	240	0.62	18,034,016	3.25
100,001 to 500,000	339	0.88	77,854,561	14.04
500,001 to 1,000,000	78	0.20	56,300,287	10.16
1,000,001 and above	89	0.23	337,959,433	60.97
	38,564	100.00	554,336,954	100.00

REGISTRAR

Enquiries concerning holdings of ordinary shares, debentures or loan stocks in Land Securities PLC should be addressed to: Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA. Telephone: 01903 502541.

Holders of the Company's ordinary shares, debentures and loan stocks should notify the Registrar promptly of any change of their address.

LOW COST SHARE DEALING FACILITY

The Company operates with Cazenove & Co. a postal share dealing facility which provides shareholders with a simple, low cost way of buying and selling Land Securities PLC ordinary shares. For further information, or dealing forms, contact: Cazenove & Co., 12 Tokenhouse Yard, London EC2R 7AN. Telephone: 0171 606 1768.

PERSONAL EQUITY PLANS (PEPs)

The Company's General and Single Company PEPs, which were previously managed by Bradford & Bingley (PEPs) Limited, were transferred to The Share Centre on 6 April 1999. With effect from that date, no new PEPs may be opened, although existing PEPs can continue for at least the next five years. For further information, contact The Share Centre, St Peter's House, Market Place, Tring, Herts HP23 4JG. Telephone: 01442 890844.

CORPORATE INDIVIDUAL SAVINGS ACCOUNTS (ISAs)

The Company has arranged for a Corporate ISA to be managed by Lloyds TSB Registrars, who can be contacted at The Causeway, Worthing, West Sussex BN99 6UY. Telephone: 0870 24 24 244

CAPITAL GAINS TAX

For the purpose of capital gains tax, the price of the Company's ordinary shares at 31 March 1982, adjusted for the capitalisation issue in November 1983, was 205p.

SHARE PRICE INFORMATION

The latest information on the Land Securities PLC share price is available on the Financial Times Cityline Service. Telephone: 0906 0033133 (calls charged at 60p per minute).

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