



LandSecurities

Report and Financial Statements 31 March 2000



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FINANCIAL CALENDAR

2000	
24 May	Preliminary Announcement
5 June	Ex-dividend date
9 June	Registration qualifying date for final dividend
11 July	Annual General Meeting
24 July	Final dividend payable
November	Announcement of interim results (unaudited)
2001	
January	Interim dividend payable

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

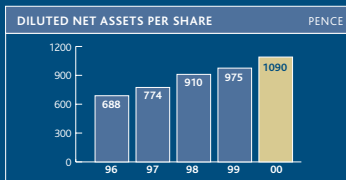
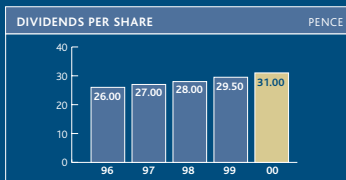
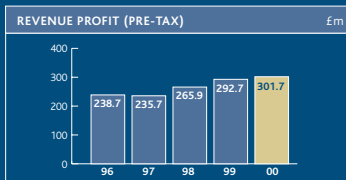
We deliver these returns by anticipating and responding to our customers' changing property requirements.

Financial Highlights

	31 March 2000	31 March 1999	Change %	Ten Year Compound Growth %
NET RENTAL INCOME	£457.2m	£427.5m	+6.9	+5.8
*REVENUE PROFIT (PRE-TAX)	£301.7m	£292.7m	+3.1	+5.6
PRE-TAX PROFIT	£327.7m	£293.3m	+11.7	+5.9
EARNINGS PER SHARE	45.44p	39.21p	+15.9	+5.9
*ADJUSTED EARNINGS PER SHARE	40.86p	39.11p	+4.5	+5.2
DIVIDENDS PER SHARE	31.00p	29.50p	+5.1	+6.2
DIVIDEND COVER (times)	1.52	1.31		
*ADJUSTED DIVIDEND COVER (times)	1.37	1.31		
DILUTED NET ASSETS PER SHARE	1090p	975p	+11.8	+2.3
PROPERTIES	£7,453.7m	£6,910.5m		
BORROWINGS	£1,556.3m	£1,569.3m		
EQUITY SHAREHOLDERS' FUNDS	£5,781.8m	£5,470.4m		
GEARING	26.9%	28.7%		
†GEARING (net)	24.5%	19.8%		
†INTEREST COVER (times)	3.11	3.03		
†RETURN ON SHAREHOLDERS' EQUITY	15.0%	10.4%		

*Excludes results of property sales.

†See glossary (page 64).



Valuation

The portfolio was valued by Knight Frank at almost £7.5bn* at 31 March 2000. After adjusting for sales, acquisitions and other expenditure, the value increased by 6.5%. A detailed breakdown by sector, including comprehensive analyses of the Group's valuation and rental income, is shown below and on the facing page.

The direct property market has continued to perform well, with a modest overall improvement in yields and evidence of rental growth in most sectors. Within the portfolio significant rental growth, against a background of reducing supply, produced good results in the West End and Victoria areas, where there has been increased demand for space from e-commerce and media businesses as well as from traditional occupiers. The City and Midtown markets, although showing a lower rate of growth, have seen strengthening rental performance in the last few months of the period under review.

Well located shopping centres have seen valuation increases ahead of inflation. However, pressure on trading margins is leading to restructuring by a number of major retailers and the valuation reflects a weaker performance in some high streets, smaller towns and secondary locations.

Retail warehouses performed strongly for the third time in the last four years, with continuing rental growth and increased investor demand. The industrial and warehouse portfolio has benefited from a favourable shift in yields, with investors favouring multi-let estates, particularly in the South East.

The further increase in Stamp Duty in the recent Budget is reflected in the valuation.

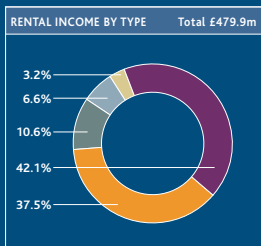
After excluding those properties in the schedule of developments and refurbishments on page 11 which were producing less than half of their anticipated income at 31 March, together with other vacant pre-development holdings, the value of the portfolio at 31 March 2000 was almost £7bn. At the same date, the annual rent roll, net of ground rents and excluding the same properties, was £456.2m, 6.5% of this figure.

Portfolio valuation

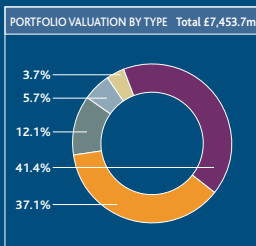
at 31 March 2000

	£m	Analysis of valuation surplus	
		Total %	%
OFFICES			
WEST END AND VICTORIA	1,618.3	21.7	10.3
CITY AND MIDTOWN	1,301.2	17.5	4.1
ELSEWHERE IN THE UNITED KINGDOM	165.2	2.2	1.3
SHOPS AND SHOPPING CENTRES			
SHOPPING CENTRES	1,370.6	18.4	4.6
CENTRAL LONDON SHOPS	623.7	8.4	7.7
OTHER IN-TOWN SHOPS	771.9	10.3	4.9
RETAIL WAREHOUSES AND FOOD SUPERSTORES			
PARKS	675.2	9.1	7.5
OTHER	227.8	3.0	7.8
WAREHOUSES AND INDUSTRIAL	424.0	5.7	6.9
HOTELS, LEISURE AND RESIDENTIAL	275.8	3.7	6.9
TOTAL VALUATION	7,453.7	100.0	6.5

*The portfolio valuation figures include a one third apportionment of the valuation attributed to properties owned by the Birmingham Alliance limited partnerships.

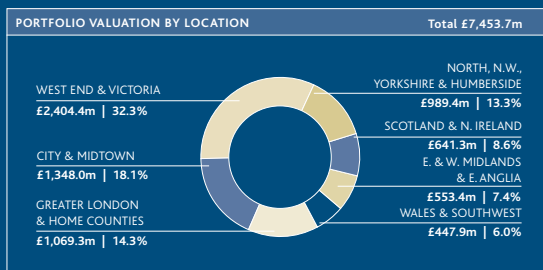


Year ended 31 March 2000



At 31 March 2000

- KEY
- Offices
 - Shops and shopping centres
 - Retail warehouses and food superstores
 - Warehouses and industrial
 - Hotels, leisure and residential

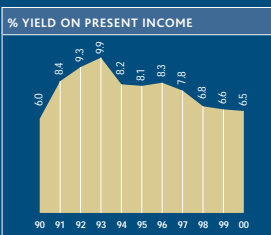


At 31 March 2000

% PORTFOLIO BY VALUE

£0 - 10m	£10 - 25m	£25 - 50m	over £50m
10.6	14.3	22.7	52.4
No. of properties	No. of properties	No. of properties	No. of properties
225	65	47	42

At 31 March 2000



At 31 March

% YIELD ON PRESENT INCOME

OFFICES	6.7
SHOPS AND SHOPPING CENTRES	6.4
RETAIL WAREHOUSES AND FOOD SUPERSTORES	5.9
WAREHOUSES AND INDUSTRIAL	7.8
HOTELS, LEISURE AND RESIDENTIAL	6.1

By sector at 31 March 2000

Chairman's Statement

Reflection



We are accelerating the sales programme and focusing our substantial development programme on areas where we see the greatest opportunities for long term growth. We must ensure that we satisfy occupiers' future needs in this rapidly changing environment.

I am pleased to report a good all-round performance. Land Securities increased pre-tax profit by 11.7% to £327.7m, which includes £26.0m from property sales. Diluted net assets per share increased by 115p to 1090p per share following a valuation uplift of 6.5%. The Group invested £370.2m on developments and acquisitions, £249.8m on buying back shares and has sold £307.0m of property. After taking into account the current strength of the Company, the Board recommends a final dividend of 22.75p per share, an increase of 5.1% over that for the previous year, making a total distribution for the year of 31p, an increase of 5.1%. The dividends for the year, paid and proposed, will be covered 1.37 times after excluding the effect of property sales.

When we reported at this time last year, the economy was beginning to recover from the problems that had affected international capital markets during the previous autumn. That recovery gathered pace and has resulted in a much stronger economic performance in the UK than most commentators had anticipated. The direct commercial property market benefited, with strong rental growth in several sectors, including West End offices, retail warehouses and some prime shopping locations. Prospects for economic growth in the UK this year are also good and well located, well specified property should continue to benefit from this underlying strength. Demand for central London offices remains strong and pre-lettings of our retail developments are encouraging. Easy accessibility to international pricing comparison is increasing competition and putting further pressure on retailers' margins; nonetheless consumer confidence remains strong and those retailers who are adapting to meet the requirements of customers continue to thrive and to seek additional space.

New technology is providing not only huge challenges but also great opportunities; there will continue to be strong demand for property of the required quality and specification in the right location and we must ensure that we satisfy occupiers' future needs in this rapidly changing environment. Our development and sales programmes are designed to position the Group to take advantage of these new opportunities.

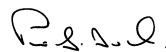
The last year has seen dramatic outperformance by the new technology stocks at the cost of the so-called 'old economy' sectors. Traditional methods of valuation, based on cash flow, earnings and underlying asset values, appear to have been largely ignored in assessing the growth potential of many businesses in the new technology sectors. Quoted property shares, along with many others, suffered as investors took cash out of the traditional sectors to reinvest in perceived growth stocks. The full impact of e-commerce is not yet known and this has created uncertainty and volatility. We have been examining closely the effect of e-commerce on property use and are positioning ourselves to meet the new challenges. We are accelerating the sales programme and focusing our substantial development programme on areas where we see the greatest opportunities for long term growth.

The weakness in our share price presented us with the opportunity to buy back shares on an advantageous basis for continuing shareholders.

During the year we have carried out a thorough review of our business, aimed at improving the creation of long term and sustainable shareholder value, and are proposing a number of significant changes which are outlined by Ian Henderson in his review.

I am sad to report the death of Richard Caine, who, as many shareholders will recall, served the Group with great distinction as a non-executive director throughout its formative years; he was an exceptional man. Following John Hull's retirement at the Annual General Meeting last July, I could not let this opportunity pass without recording my thanks for his great contribution to the Group. He served the Group well over a period of more than 20 years and we wish John and his wife a long and happy retirement. I am delighted to welcome Sir Win Bischoff as a non-executive director. Sir Win is chairman of Citigroup Europe and brings wide and varied experience to the Board. I would also like to thank all of the staff for their dedication and commitment to the Group during the last year.

Looking to the future, the share buy-back and sales programmes, which are designed to increase shareholder value, will have an immediate impact on profitability. Changing markets are presenting the Group with new opportunities to exploit its commercial and financial strengths. The prospects are encouraging and the Group is in good hands under Ian Henderson's leadership.



PETER G. BIRCH

Chief Executive's

Review

In my review last year, I set out our strategy of creating value for shareholders through the development of quality assets, focusing particularly on the regeneration of town and city centres.

In pursuing that strategy during the last twelve months we have:

- started on site in Canterbury and Birmingham and our major projects in Sunderland and Livingston are nearing completion.
- submitted three major planning applications for schemes in the City, Midtown and Victoria areas of London and have several other significant schemes under review.
- increased our development programme to £1.65bn.
- spent £256.1m on our development activity during the year and £114.1m on property acquisitions, much of which has been purchased with development potential in mind.
- sold £307.0m of property that no longer suits our portfolio requirements, reducing the number of properties in the portfolio to 379.

As a result of the significant falls in property share prices, we were able to create additional value for shareholders by buying back our shares at a substantial discount to net asset value and on terms which benefited earnings. Between 18 January and the end of March we bought back almost 36 million shares at an average price of 689p, which, based on a diluted net asset value of 1090p at 31 March 2000,

represented an immediate gain of 58p on each £1 invested, or 49p per £1 invested if fair value debt adjustments, net of taxation, are taken into account. This buy-back programme added 18p per share to diluted net assets per share at 31 March 2000. We have also received shareholder authority to buy back up to a further 14.9% of shares in issue which we shall only do if it is in the best interests of shareholders. We have the balance sheet strength to increase shareholder value by this route while retaining the flexibility to pursue attractive and longer term property initiatives.

In taking the business forward, we continue to believe that the development process will add more value for shareholders than the purchase of completed investments which offer limited scope for adding value through active management. In central London our development proposals will create larger office buildings with the size of floor plates required by occupiers. The retail sector will continue to gravitate to dominant locations and, through our development programme, we seek to provide principal shopping centres in major towns and cities. The challenges presented by the Internet make it even more important to create accessible, lively and entertaining destinations for shoppers. We will review actual and projected performance and sell completed developments where this provides the best returns for shareholders. Where we consider it appropriate, we will work with partners, as we are doing currently in Birmingham and Livingston.

Under existing arrangements, the Group's properties have been managed by teams structured on a

geographical basis but, following our strategic review, we propose to restructure our activities into two clearly defined functions: asset management and development. Each asset or project will be subject to even more stringent analysis. Target returns will be based on our assessed weighted average cost of capital, adjusted for project-specific risk factors. To put this in context, compared with a weighted average cost of capital assessed at 9.2%, the total property return for the year was 13.6% and, over a three-year period, compared with a weighted average cost of capital of 10.4%, the average portfolio return has been 15.1%. As part of the implementation of the changes in the day-to-day running of the business, we are evaluating further benchmarks against which to compare performance. We are reviewing our capital structure to establish whether there are more efficient ways of holding and managing property which will boost shareholder returns while maintaining our financial and commercial flexibility.

In order to help to implement the changes in the Group's structure and business approach, we have appointed, with effect from 1 September 2000, Peter Walicknowski, as director with special responsibilities for strategy and business development, to work closely with me in allocating funds to the major business areas in which the Group should invest in future. He is currently chief executive of Lend Lease's European operations. We are also in the process of making a new senior executive appointment to head up the asset management function.

We are undertaking extensive research into the effects of e-commerce in order to identify

We have the balance sheet strength to take advantage of new opportunities and to meet the challenges of new technology. The active management of properties that satisfy customers' needs and the provision of high quality developments, designed to meet their future requirements, will provide attractive and increasing returns for shareholders.

opportunities. In relation to retail property, many of the potential economic benefits from the exploitation of new technology depend on the successful solution of problems surrounding the distribution of products to the customer. We have formed a working party which is consulting with many of our key tenants to find ways of satisfying their future requirements. We are also evaluating propositions for the provision of the latest IT wiring facilities to help occupiers of our major multi-occupied offices and shopping centres to take greater advantage of the developing technology.

There have been some suggestions that recent share price weakness in the quoted property sector may be due in part to the level of disclosure by property companies. Over the last ten years we have extended the range and detail of information that we have included in our Annual Report, while ensuring that such disclosure does not and will not damage shareholder returns by putting us at a competitive disadvantage in the marketplace. At the group and sectoral levels we provide information on the extent of voids, the reversionary potential and average outstanding lease lengths but do not consider it to be in the best interests of shareholders to disclose rental or reversionary information at property level, since this could affect our ability to agree optimum terms for sales, renewals or rent reviews. The potential effect of complex financing covenants on stated net asset values has also been referred to as a reason for share price discounts but our borrowings are disclosed and most are publicly quoted. In a further move to update shareholders with the performance of the portfolio, we will be commissioning half-yearly valuations, starting this September.

The recent publication of the Accounting Standards Board's Discussion Paper on Accounting for Leases, proposing that leases should be recorded on lessees' balance sheets, is likely to result in a preference for shorter leases. In addition, we expect the pressures of new technology to make it increasingly difficult for customers to anticipate occupational requirements. We have for some time been offering tenants flexible lease terms and are evaluating the effects of providing an even wider choice. Meeting the needs of our customers will provide more opportunities for active management. A number of organisations are seeking ways to reduce their direct investment in property and we are having discussions with several parties to help address their future requirements. Among the propositions that we are considering are the London Underground Property Partnership project and the MoD repository proposal at Hayes, Middlesex, where, in both cases, we are members of consortia that have been short-listed.

The Chairman referred to the current strength of the direct property market compared with the disappointing performance of the quoted sector. The tax disadvantages of a quoted property investment company in competition with direct property ownership have become increasingly apparent following the abolition of advance corporation tax. Also on the subject of taxation, the latest increase in stamp duty, the fourth in three years, has done further harm to property as an asset class in comparison with bonds and equities, and demonstrates a lack of awareness of the importance of a healthy commercial property sector to the UK economy. In a low inflationary environment, additional costs of property transactions adversely affect liquidity.

We are hopeful that London will benefit from the policies of its new mayor. The capital city makes a huge contribution to the national economy and has continued to perform strongly outside the Economic & Monetary Union. London's success depends on improving its transport systems and maintaining an attractive environment for business, free from bureaucratic and costly regulation. In order to assist the property industry in providing suitable space for business, planning policies need to be applied consistently and the process to be free from undue delays.

We have the balance sheet strength to take advantage of new opportunities and to meet the challenges of new technology. The active management of properties that satisfy customers' needs and the provision of high quality developments, designed to meet their future requirements, will provide attractive and increasing returns for shareholders.



IAN J. HENDERSON

The Group's Developments

During the year under review we completed some 75,750m² (815,400ft²) of the development programme. The most significant projects were Lacon and Warner Houses, Theobald's Road WC1 which produced a development surplus of £44.9m over the development period and an income return of almost 9% on total development cost. Developments completed during the year produced a total surplus of £77.7m and developments currently in progress have so far shown a £29.7m surplus.

Last year we reported a development programme with an estimated capital cost of £1.05bn exclusive of interest and the book value of those properties in our portfolio prior to assembling the programme. This included £40m in respect of projects completed in the year ended 31 March 1999. After excluding those projects, the estimated capital cost of the programme set out on the schedule opposite is approximately £1.65bn of which £128m relates to the completed projects listed in the first section of the schedule and almost £350m to those in progress listed in the second section. The balance of £1.17bn relates to expenditure on the proposed developments. The outstanding expenditure of some £1.3bn required to complete the programme will be spread over a number of years.

Including our share of joint developments, the programme set out in the schedule opposite would provide approximately 640,500m² (6.89m ft²) of which 134,770m² (1.45m ft²) is in progress and 429,980m² (4.63m ft²) is proposed. The most significant additional projects are 30 Gresham Street EC2 and New Fetter Lane EC4.

If all of the wholly owned schemes on page 11 go ahead they would produce over

- 197,440m² (2,125,200ft²) of new shopping development
- 19,790m² (213,000ft²) of shopping centre refurbishment
- 186,090m² (2,003,100ft²) of central London offices
- 21,080m² (226,900ft²) of leisure
- 60,900m² (655,500ft²) of retail warehouses
- 60,320m² (649,300ft²) of warehouses and industrial

In addition we have a one third interest in the Birmingham Alliance projects of 248,970m² (2.68m ft²) and a half interest in the 23,780m² (256,000ft²) Designer Outlet Shopping and Leisure Centre in Livingston.

Many of the schemes are at the feasibility stage and will only proceed when detailed design work and site assembly are complete, consents obtained and viability confirmed.

The planned conversion of the 52,030m² (560,000ft²) Empress State Building has been omitted from the programme as we are reviewing alternative options to maximise the potential returns to shareholders, including letting the property on a ground lease to a hotel operator who will carry out the conversion works.

The proposed 17,990m² (193,600ft²) leisure-led mixed-use scheme at Hungate, York, due to be carried out in joint ownership with Evans of Leeds, has also been omitted as we are investigating the viability of alternative development opportunities.

We are currently short-listed for several other potential schemes, the most significant of which are a mixed-use scheme at the Elephant & Castle SE1 and major shopping developments in Belfast and Bristol.

DEVELOPMENTS COMPLETED DURING THE YEAR ENDED 31 MARCH 2000

- **2 TEMPLE AVENUE EC4**
2,540m² (27,300ft²) air conditioned office refurbishment with 920m² (9,900ft²) leisure. Completed July 1999. £9.5m.
- **ST ALBANS HOUSE SW1**
4,270m² (46,000ft²) air conditioned office refurbishment. Completed February 2000. £5.7m.
- **WARNER HOUSE WC1 (FORMERLY 1 THEOBALD'S COURT)**
11,520m² (124,000ft²) air conditioned offices. Completed July 1999. £33.0m.
- **LACON HOUSE WC1 (FORMERLY 2 THEOBALD'S COURT)**
18,910m² (203,500ft²) air conditioned offices with 930m² (10,000ft²) leisure. Completed November 1999. £51.7m.
- **6/17 TOTTENHAM COURT ROAD W1**
5,710m² (61,500ft²) retail, 210m² (2,300ft²) offices and nine residential units. Residential element sold April 1999. Phased completion to December 1999. £8.6m.
- **CAXTONGATE PHASE II, NEW STREET, BIRMINGHAM**
3,720m² (40,000ft²) retail and residential accommodation. Residential element sold in July 1999. Phased completion to February 2000. £9.1m.
- **ALMONDVALE CENTRE, LIVINGSTON PHASE I**
19,790m² (213,000ft²) shopping centre refurbishment. Completed June 1999. £4.8m.
- **NUNEATON**
1,210m² (13,000ft²) retail units. Completed October 1999. £1.7m.
- **MIDDLETON ROAD, BANBURY PHASE IV**
6,020m² (64,800ft²) industrial/distribution warehousing Completed May 1999. £3.9m.

DEVELOPMENTS IN PROGRESS AT 31 MARCH 2000

- **GULF HOUSE W1**
9,290m² (100,000ft²) air conditioned offices and 1,860m² (20,000ft²) additional retail. Completion due September 2001. £36.2m.
- **THE BIRMINGHAM ALLIANCE (limited partnerships with Hammerson plc and Henderson Investors):-**
 - **MARTINEAU PLACE, BIRMINGHAM**
16,720m² (180,000ft²) retail development. Completion due October 2001. £14.3m.
 - **BULL RING, BIRMINGHAM**
111,480m² (1.2mft²) retail development. Completion due September 2003. £125.0m.
- **WHITEFRIARS, CANTERBURY**
37,160m² (400,000ft²) retail development with some residential accommodation. Phased completion to June 2006. £81.8m.
- **DESIGNER OUTLET SHOPPING AND LEISURE CENTRE, LIVINGSTON**
16,720m² (180,000ft²) retail and 7,060m² (76,000ft²) leisure, including multiplex cinema (joint ownership with BAA McArthurGlen). Completion due October 2000. £40.3m.
- **THE BRIDGES, SUNDERLAND PHASE II**
24,620m² (265,000ft²) retail. Completion due September 2000. £40.7m.
- ★ ● **SUNDERLAND – MARKET SQUARE**
1,460m² (15,700ft²) retail. Completion due November 2000. £4.5m.
- ★ ● **NEPTUNE POINT, OCEAN WAY, CARDIFF PHASE I**
5,760m² (62,000ft²) industrial/distribution warehousing Completion due September 2000. £7.1m.

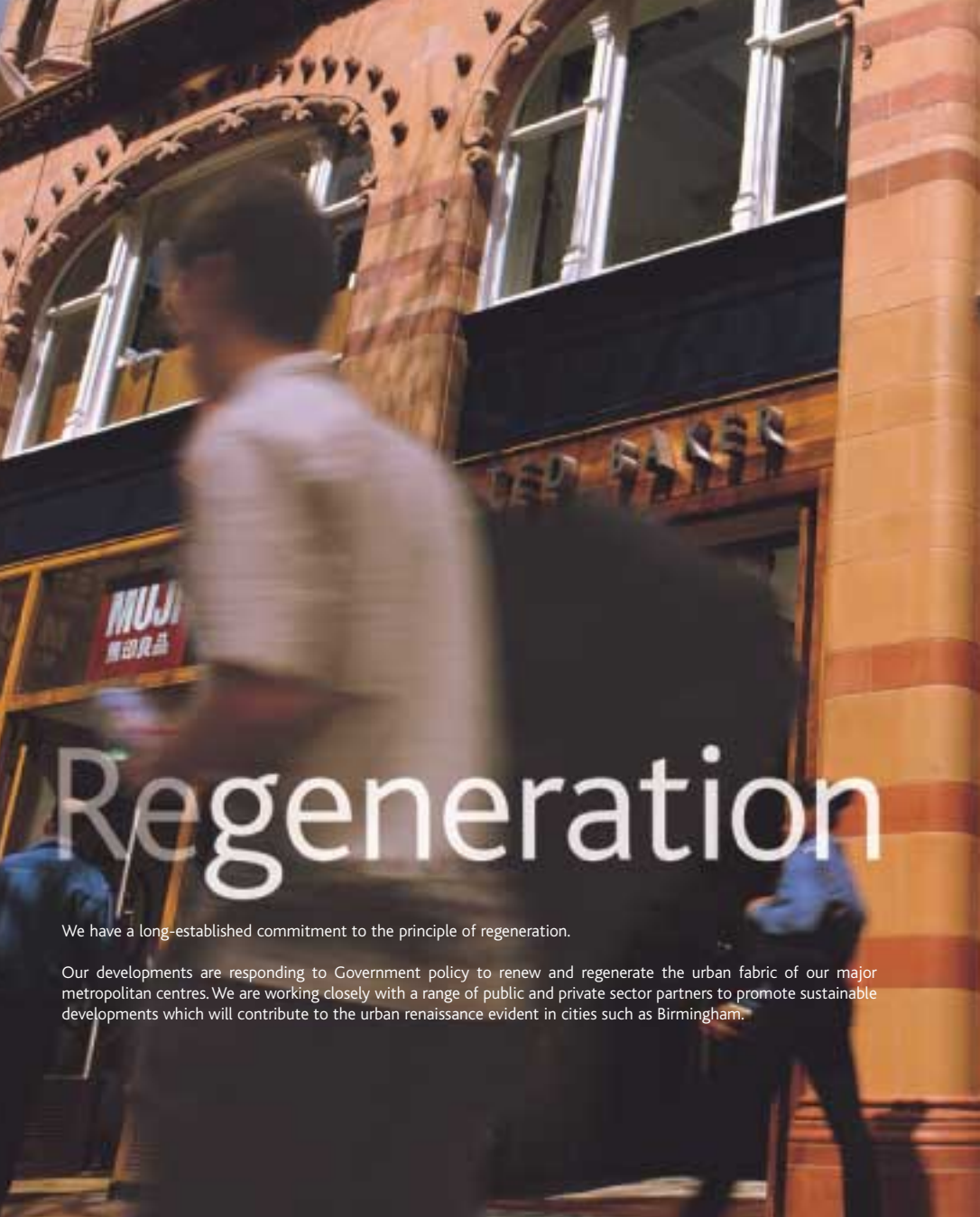
£m refers to estimated capital expenditure.

PROPOSED FUTURE DEVELOPMENTS

- ★ **30 GRESHAM STREET EC2**
34,370m² (370,000ft²) air conditioned offices and 1,670m² (18,000ft²) retail.
- ★ **NEW FETTER LANE EC4**
58,060m² (625,000ft²) air conditioned offices and 14,500m² (156,000ft²) retail/leisure.
- ★ **ESSO HOUSE/GLEN HOUSE (INCLUDING 16 PALACE STREET) SW1**
46,920m² (505,000ft²) air conditioned offices and 12,450m² (134,000ft²) retail.
- ★ **CAXTONGATE PHASE III, NEW STREET, BIRMINGHAM**
6,500m² (70,000ft²) retail and mixed use.
- ★ **THE BIRMINGHAM ALLIANCE (limited partnerships with Hammerson plc and Henderson Investors):-**
 - ★ **MARTINEAU GALLERIES, BIRMINGHAM**
Up to 120,770m² (1.3mft²) retail and leisure development.
- ★ **OLYMPIA GATE, EAST KILBRIDE**
18,580m² (200,000ft²) retail development.
- ★ **PRINCESSHAY, EXETER**
43,200m² (465,000ft²) retail development with some residential accommodation.
- ★ ● **COPPERGATE CENTRE, YORK PHASE II**
28,800m² (288,500ft²) retail development with some residential accommodation.
- ▲ ● **NEWGATE STREET, NEWCASTLE UPON TYNE**
17,230m² (185,500ft²) leisure complex, including multiplex cinema.
- **KINGSWAY RETAIL PARK, DUNDEE**
20,440m² (220,000ft²) partial redevelopment and extension to retail warehouse park.
- ★ ▲ **AINTREE RACECOURSE RETAIL PARK, LIVERPOOL**
9,660m² (104,000ft²) retail warehousing.
- ★ ● **ALMONDVALE RETAIL PARK, LIVINGSTON**
17,650m² (190,000ft²) retail warehousing.
- ▲ ● **QUEENS ROAD RETAIL PARK, MANCHESTER**
8,830m² (95,000ft²) retail warehousing
- ▲ **LAKESIDE RETAIL PARK, THURROCK**
4,320m² (46,500ft²) extension to retail warehouse park.
- ★ ▲ **NEPTUNE POINT, OCEAN WAY, CARDIFF PHASE II**
8,360m² (90,000ft²) industrial/distribution warehousing.
- ★ **HEMEL HEMPSTEAD**
23,230m² (250,000ft²) industrial/distribution warehousing
- ★ ▲ **WELWYN GARDEN CITY SITE A**
12,960m² (139,500ft²) industrial/distribution warehousing.
- ★ **WELWYN GARDEN CITY SITE B**
3,990m² (43,000ft²) industrial/distribution warehousing.
- ▲ Included in capital commitments.

● Fully let or agreed to be let ● Part let or agreed to be let

★ Added or significantly changed during 1999/2000.



Regeneration

We have a long-established commitment to the principle of regeneration.

Our developments are responding to Government policy to renew and regenerate the urban fabric of our major metropolitan centres. We are working closely with a range of public and private sector partners to promote sustainable developments which will contribute to the urban renaissance evident in cities such as Birmingham.



A photograph of a modern building interior, likely a library or office space. The scene is dominated by glass railings and a bookshelf. The railings are made of dark metal frames with clear glass panels. The bookshelf is filled with books. The overall atmosphere is clean, bright, and modern.

Renovation

Our development programme includes renovation to provide the latest technology and facilities in our buildings. Our projects are designed to make our properties more adaptable and better places to occupy. We aim to create sustainable developments which also enhance the environment for our customers.





Recreation

We believe that towns and cities have further potential as centres for a diverse but complementary range of activities incorporating not only shopping and commerce, but also residential, cultural and leisure uses.

We actively promote the principle of mixed-use development with extended trading hours so that towns and cities can act as vibrant and vital centres which are enjoyable places in which to live, work and play.



Offices

VALUATION
AT 31 MARCH 2000

£3,084.7m

% OF GROUP VALUATION

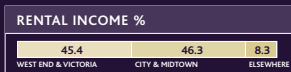
41.4

RENTAL INCOME
FOR YEAR ENDED 31 MARCH 2000

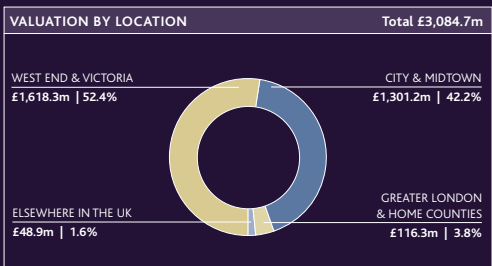
£201.9m

% OF GROUP RENTAL INCOME

42.1



% VOIDS BY RENTAL VALUE	0.4
% REVERSIONARY	4.3
AVERAGE UNEXPIRED LEASE TERM (years)	10





The proposed Victoria Street SW1 development

This portfolio, which is located principally in the City, Midtown, West End and Victoria areas of central London, was valued at almost £3.1bn at 31 March 2000. After allowing for sales and capital expenditure during the period the value increased by 7.1%.

In the City and Midtown, rents remained virtually unchanged throughout 1999 but in the first quarter of 2000 there have been signs of growth coming through as demand for space has increased. There is a limited supply of large units in good locations. In the West End and Victoria, development activity has been insufficient to meet demand and rental growth has been strong in these areas.

As part of our policy of concentrating on larger holdings, we have sold nine properties in the City and Midtown for £73m and six buildings in the West End and Victoria for £52.7m and, assuming the strong market continues, further sales are planned.

We acquired the IBM Building on the South Bank, London SE1 for £63.6m with the benefit of a 15 year lease back to IBM at an initial rent of £4.5m per annum with indexed uplifts at the 5th and 10th years. This is a well located building in an area undergoing major improvements and should provide capital growth and future development potential.

We also purchased Elliott House, Bressenden Place and 124 Victoria Street SW1 which have potential for redevelopment on an important corner site adjacent to some of our key holdings in the area.

The focus of our development activity since our interim announcement has been the preparation and submission of three major planning applications. In the City, at 30 Gresham Street EC2, we have applied

for permission to build a 34,370m² (370,000ft²) office building with 1,670m² (18,000ft²) ancillary retail space. Site assembly is at an advanced stage and subject to receiving planning permission we propose to start work this autumn. At New Fetter Lane in Midtown we are seeking consent for a 58,060m² (625,000ft²) twenty storey office building with 14,500m² (156,000ft²) of retail and leisure at lower ground, ground and first floor levels. The land is owned by The Goldsmiths' Company and, subject to re-gearing the long leasehold interests which we already have on a substantial part of the site, completing the site assembly and viability, we anticipate this development should commence in the autumn of 2003. In Victoria we have submitted an application for the second phase of the redevelopment of our Stag Estate. Our proposals provide for 46,920m² (505,000ft²) of office space in two blocks and 12,450m² (134,000ft²) of retail. We plan to start this development in the summer of 2001, subject to receiving planning permission, obtaining all other consents and viability. A planning application has also been made for a residential development to provide 85 apartments on the site of the existing Neville House office building in Page Street SW1, to create the maximum return from this site.

The demolition of Gulf House in Oxford Street W1, down to second floor level, was completed on schedule and the creation of 1,860m² (20,000ft²) of retail sales space at first floor level and the building of 9,290m² (100,000ft²) of air conditioned offices above is progressing satisfactorily with completion due in autumn 2001.

The 4,270m² (46,000ft²) refurbishment at St Albans House, Haymarket SW1 was completed on

programme and the offices have been let to e Toys Limited, at an average rent of £463 per m² (£43 per ft²).

The renovation and air conditioning of the listed building at 2 Temple Avenue EC4 has also been completed and the 2,540m² (27,300ft²) of offices let to a leading North American firm of lawyers.

We continue to upgrade our investment properties as opportunities arise, to maintain the portfolio to a high standard and to respond to the requirements of our customers. During the year we have let or agreed to let some 13,020m² (140,100ft²) in the City and Midtown and 7,270m² (78,300ft²) in the West End and Victoria of newly refurbished space at enhanced rental levels. For example, in Portland House, Bressenden Place SW1 a rental of £495 per m² (£46 per ft²) has recently been achieved compared with £393 per m² (£36.50 per ft²) a year previously, an uplift of 26%.

In the City and Midtown the indications are that with the number of new enquiries, together with the relatively limited supply available, there should be a satisfactory level of rental growth during the current year. Thereafter, there is likely to be a period of more subdued rental growth due to the combined effects of the potential supply of new developments, the competitive terms being offered in Docklands and the amount of space being released on the market as a result of companies relocating. With very little space available in the West End and Victoria and limited development activity, the prospects remain good for continued strong rental growth in these locations.

Shops and Shopping Centres

VALUATION
AT 31 MARCH 2000

£2,766.2m

% OF GROUP VALUATION

37.1

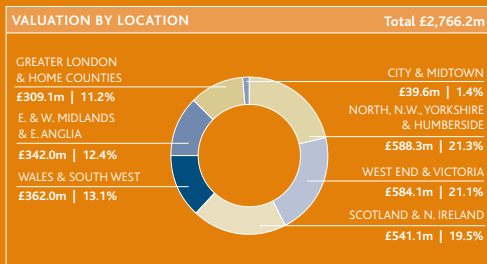
RENTAL INCOME
FOR YEAR ENDED 31 MARCH 2000

£180.1m

% OF GROUP RENTAL INCOME

37.5

VALUATION %		
49.5	28.0	22.5
SHOPPING CENTRES	OTHER IN-TOWN SHOPS	CENTRAL LONDON SHOPS
RENTAL INCOME %		
46.5	33.3	20.2
SHOPPING CENTRES	OTHER IN-TOWN SHOPS	CENTRAL LONDON SHOPS
% VOIDS BY RENTAL VALUE	1.3	
% REVERSIONARY	13.8	
AVERAGE UNEXPIRED LEASE TERM (years)	12	





Livingston – Designer Outlet Shopping and Leisure Centre

This portfolio was valued at over £2.76bn at 31 March 2000. After allowing for sales and capital expenditure during the period the value increased by 5.4%.

Retailers' results continue to impart mixed messages with a number reporting good trading figures whilst others are underperforming as the successful retailers focus either on leading brands or discounted merchandise. Good rental growth continues to be achieved in strong retail locations.

Government planning policy continues to emphasise the importance of town and city centre regeneration. One of our main objectives is to work in partnership with local authorities and other parties to enhance the appeal of these locations as enjoyable places to live, work and shop by integrating mixed-use development within the established fabric of the city centre. A good example is demonstrated by our activities in Birmingham. Phase II of Caxtongate was completed in February and is fully let to a strong mix of retailers, namely French Connection, Hobbs, Jigsaw, Muji, Kensington Freak and Ted Baker, thereby consolidating our Caxtongate ownerships as a prime fashion destination in the city centre. The development also includes 24 apartments which were sold to Crosby Homes. The scheme complements Phase I within which The Orange Studio, a comprehensive technology based communication facility, featuring an internet café, has opened.

The limited partnerships forming the Birmingham Alliance were legally completed last July and, working with our partners Hammerson plc and Henderson Investors, good progress has been made with both the new Bull Ring and Martineau Place.

The new Bull Ring development began last summer with the construction of the new market hall, due for completion this autumn. The CPO inquiry for the scheme was successfully concluded in February. Construction of the new shopping centre totalling 111,480m² (1.2m ft²) is scheduled to start in spring 2001. The two anchor department stores have been pre-let to Debenhams and Selfridges. The redevelopment of Martineau Place started in April following a successful CPO inquiry, the agreement of a new Head Lease with the City Council and the completion of pre-lettings to secure 44% of the scheme's income. Phased completion is due in the spring and autumn of 2001. Works on the removal of the 'Bull Street hump' started in January which, in addition to benefiting Martineau Place, will also enhance the value of the Alliance's ownerships within the proposed Martineau Galleries site.

At The Bridges in Sunderland we opened the new 760 space multi-storey car park last December and at the same time handed over the department store to Debenhams for fitting out. 30 shop units are being built and only one remains available. The extension is due to open in September and the enlarged

centre will provide 109 shops totalling 47,840m² (515,000ft²). Demolition work has also started on our holding opposite The Bridges at 18/32 Market Square. The 1,460m² (15,700ft²) development will provide four shops due to be completed this November. It is proposed that the redevelopment of the remaining units in this parade will coincide with the completion of the new metro railway from Newcastle in the spring of 2002.

At Livingston the 23,780m² (256,000ft²) Designer Outlet Shopping and Leisure Centre, which is being developed in association with BAA McArthurGlen, is scheduled to open in October. Some 52% of the anticipated rental income is secured subject to completion of lease documentation. We have completed the refurbishment of Phase I of the Almondvale Centre and agreed terms with Asda to permit the redevelopment of their store over which we will have purchase pre-emption rights.

Historic cities continue to present investment opportunities with the strength of their local and regional economies boosted by tourism. However, the delivery and implementation of major shopping projects in such cities is challenging as we strive to balance the requirements for vibrant commercial centres with the need to maintain heritage and historic values.

At Canterbury, following completion of the development agreement with the City Council and the successful CPO inquiry, work commenced on the 37,160m² (400,000ft²) Whitefriars development last December. As part of the total scheme, terms have been agreed with Fenwick for them to construct their new department store of 10,780m² (116,000ft²) and with Boots for pre-letting a 3,720m² (40,000ft²) store. In order to preserve continuity of trade for Fenwick and to allow time for a major archaeological investigation the construction is being phased with final completion in the summer of 2006. In October we purchased the Marlowe Arcade, which includes a variety store and 13 shops adjacent to Whitefriars, as we believe this property will benefit from our new development.

Last October, Exeter City Council confirmed that they were minded to grant planning permission for our 43,200m² (465,000ft²) Princesshay development. The planning application has been called in and we are reviewing our proposals for this project.

At York we have revised and enlarged our proposed scheme and submitted a new planning application for a 26,800m² (288,500ft²) extension to our Coppergate Centre. We are hopeful of obtaining a detailed planning permission later this year with a view to starting on site in the autumn of 2001.

In central London we completed the 5,920m² (63,800ft²) development at 6/17 Tottenham Court Road W1 where all of the 5,710m² (61,500ft²) of retail space has been let and the residential content sold. The valuation uplift for this property together with the settlement of some good rent reviews were important factors in the good overall return from shops in central London.

We are progressing plans for a 18,580m² (200,000ft²) retail development in East Kilbride to be known as Olympia Gate which will link our existing Olympia and Princes Mall ownerships to create an integrated shopping centre totalling 65,040m² (700,000ft²). The proposals incorporate a new bus station, highway improvements and

additional car parking. We have appealed against the deemed refusal of our planning application and a public inquiry is due to take place this June.

Active asset management throughout the year has created opportunities to raise income through the agreement of 320 rent reviews and lease renewals. In addition 37 surrender and relettings were agreed with particularly good rental growth in Livingston, York and Birmingham; some 24 of these relettings were for terms of 15 years or more.

In working the portfolio, at the Rivergate Centre Irvine we agreed to take back the existing Tesco supermarket following which we created eight new shops of which seven are let subject to completion of legal documentation. At Ballymena in Northern Ireland, following refurbishment of the Tower Centre, we negotiated a surrender of one of the large stores and have created a new mall and shops. Lettings have been concluded in respect of nine of the ten new units, strengthening the merchandising mix and improving rental levels by 45% over previous rents.



6/17 Tottenham Court Road W1

The core retail portfolio consists of dominant shopping centres or prime holdings in large regional cities and towns. This is where we believe that consumer demand will be greatest as shoppers are increasingly seeking an enjoyable experience through the additional leisure, catering and cultural activities which urban centres provide.

We are continuing to rationalise the portfolio in accordance with our strategy of concentrating on larger holdings. During the year we sold two small shopping centres and 85 properties for £166.0m and we have identified some £175.0m of high street shops which no longer fulfil our investment criteria.

In looking to the future, the technological changes that are taking place will have an impact on the type and amount of space that retailers require. The increasing application of e-commerce is providing new challenges but it will also create opportunities.

In particular, where decisions on fashion and lifestyle purchases are concerned, we believe there will still be the need for physical centres to provide consumers with appealing shopping and leisure experiences. The link between physical centres and the Internet will reinforce the success of dominant centres. However, further research will have to be undertaken on the potential impact on rent paid under turnover leases.

The business revolution that is taking place reaffirms our belief that the best long term performance will be achieved in dominant city and regional centres which will attract the bulk of consumer expenditure. As a result we are concentrating our future investment and development in these locations.

HOTELS, LEISURE AND RESIDENTIAL

At Newcastle upon Tyne we have completed land assembly and demolition in preparation for our proposed 17,230m² (185,500ft²) city centre leisure development. We have secured 11 provisional Justices licences and pre-let the multiplex cinema to Odeon Cinemas. Discussions with other potential occupiers are taking place to secure our required pre-letting threshold.

At Hungate, York a new master plan is being prepared for this riverside development incorporating a significantly larger residential content with associated leisure uses.

At Empress State Building, London SW6 we are reviewing alternative development options, including leasing to a hotel operator.



Sunderland – The Bridges Phase II

Retail Warehouses and Food Superstores

VALUATION
AT 31 MARCH 2000

£903.0m

% OF GROUP VALUATION

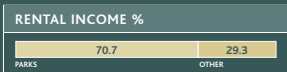
12.1

RENTAL INCOME
FOR YEAR ENDED 31 MARCH 2000

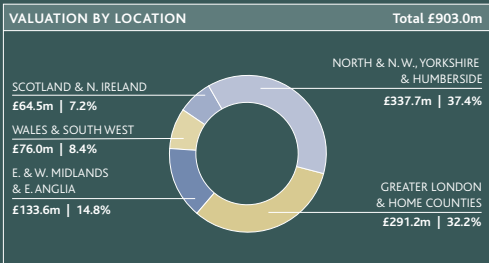
£51.1m

% OF GROUP RENTAL INCOME

10.6



% VOIDS BY RENTAL VALUE	0.4
% REVERSIONARY	11.5
AVERAGE UNEXPIRED LEASE TERM (years)	21





West Thurrock – Lakeside Retail Park

This portfolio was valued at £903.0m at 31 March 2000. After allowing for sales and capital expenditure during the year the valuation increased by 7.6%.

Total returns from this sector have been good due to both the hardening of investment yields and continued rental growth. The market has been strengthened by increased demand from the traditional bulky goods retailers, together with high street operators wishing to expand out of town. Currys, Comet, B&Q and Homebase are some of the major operators seeking substantially larger units whereas other occupiers such as MFI and Allied Carpets are seeking to rationalise into less space. We are working with retailers to provide their preferred size of store and by reconfiguring our parks to meet their requirements we are achieving improved rental and capital values. Examples include the rearrangement of our park at Aintree, where we have agreed terms with B&Q to double the size of their store to 9,660m² (104,000ft²). We have also extended the J Sainsbury foodstore at Keighley to 6,910m² (74,400ft²) and it has been let at a new rent of £166.80 per m² (£15.50 per ft²). At Gateshead we are relocating a number of retailers and providing The Link with their first purpose-built out of town unit.

We have extended our park at Chadwell Heath and acquired additional land at Bexhill-on-Sea, Chesterfield, Gloucester and Wolverhampton for extensions subject to obtaining planning permission. Major upgrading works will be starting at our Ravenside Retail Park, Erdington in the summer and we are evaluating refurbishment plans for other parks.

At Dundee we anticipate obtaining detailed planning permission to enlarge our existing holding to create a regional park of 29,730m² (320,000ft²) and plan to start on site in September. Over 47% of the new space is pre-let subject to completion of lease documentation at higher than anticipated rental levels. We have agreed a ground lease with Tesco on the adjoining site to enable them to build a 10,220m² (110,000ft²) "Extra" store.

At Livingston we have pre-let a 9,290m² (100,000ft²) store to Homebase subject to receiving planning permission. This will form the first phase of a proposed 17,650m² (190,000ft²) retail park. We have obtained open A1 non-food planning permission to redevelop Lakerise Industrial Estate at West Thurrock which will enlarge our Lakeside Retail Park to 33,190m² (357,200ft²).

Our activities are creating market evidence which is enabling us to achieve strong rental growth. Improved rents on review and reletting include the doubling of rent at White City, Manchester and increases of between 60% and 95% at Slough, West Thurrock, Blackpool and Liverpool.

75% of our portfolio by value is in retail parks of which 56% have open A1 non-food planning permission.

The impact of e-commerce will affect some retailers but most retail warehouses should continue to attract shoppers who require immediate use of purchases and those who prefer to test and try large ticket items. In addition it is possible that the location, accessibility and ease of parking could also make retail parks suitable customer collection points for goods ordered on the Internet.

We anticipate strong future income and capital growth from this portfolio as a result of increasing occupier demand, restrictive planning policies and intensive asset management.

Warehouses and Industrial

VALUATION
AT 31 MARCH 2000

£424.0m

% OF GROUP VALUATION

5.7

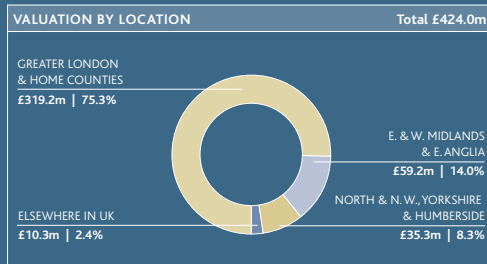
RENTAL INCOME
FOR YEAR ENDED 31 MARCH 2000

£31.4m

% OF GROUP RENTAL INCOME

6.6

% VOIDS BY RENTAL VALUE	2.6
% REVERSIONARY	1.5
AVERAGE UNEXPIRED LEASE TERM (years)	10





Sunbury Cross

This portfolio was valued at £424.0m at 31 March 2000. After allowing for sales and capital expenditure during the year the valuation increased by 6.9%.

Total returns from this sector have been good, mainly due to the hardening of investment yields. In areas of restricted land supply, buoyant demand has produced strong rental growth but elsewhere rental performance has been modest.

We continue to rationalise the portfolio with the objective of increasing the average lot size and focusing mainly on the South East where we anticipate the best returns. Last year we sold 9,060m² (97,500ft²) of older, smaller properties.

During the year we let 13,170m² (141,800ft²) at Tamworth and 17,110m² (184,200ft²) at Banbury where we have a further 11,130m² (119,800ft²) available for letting. Our combined holdings at these locations comprise 61,860m² (665,900ft²) of high bay warehousing.

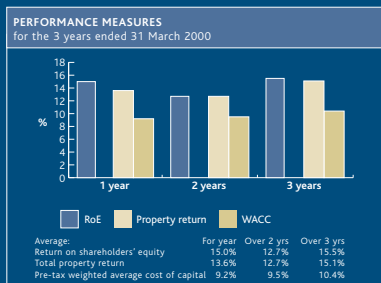
The portfolio will be enlarged by our development programme of 54,300m² (584,500ft²) which is either under construction or planned. In February we began a phased development of a 9 acre site at Cardiff, within the Bay Regeneration Area, to provide 14,120m² (152,000ft²) of industrial and warehousing space. Since the year end work has started on a 12,960m² (139,500ft²) high bay warehouse at Welwyn Garden City, pre-let to WT Foods, where we have a further 2.5 acres of land at the front of the site still to be developed. Contracts were exchanged with Kodak in September for the purchase of 13.5 acres at Hemel Hempstead and outline planning permission has been obtained for the development of 23,230m² (250,000ft²) of industrial warehouse units due to commence later this year.

We anticipate future development opportunities where we have secured options over several parcels of land and are seeking planning permissions for commercial development. These include two sites

totalling 20 acres close to Heathrow and 300 acres in a joint venture with Gazeley Properties adjacent to the M1 at Milton Keynes.

We believe that our portfolio, which is predominantly located in the South East, will benefit from the continuing strong demand from the service sector and restrained supply resulting from land shortages. It is difficult to predict the effects of e-commerce but it is likely that the importance of fulfilling customer delivery expectations will create new demand for depots to service highly populated urban areas.

Financial Review



INCREASE IN DILUTED NET ASSETS PER SHARE	
pence	
1 April 1999	975
VALUATION SURPLUS	82
SHARE BUY-BACK	18
RETAINED EARNINGS	16
OTHER	(1)
31 March 2000	1090

RESULTS

Pre-tax profit increased from £293.3m to £327.7m. After excluding surpluses of £26.0m over book values arising on sales of properties, revenue profit for the year increased by 3.1% to £301.7m. The increase of £7.5m in pre-tax revenue profit in the second half of the year, compared with the first half, primarily results from an additional £10.7m of rental income offset by a £3.0m increase in net interest cost.

After taking into account the uplift from the annual valuation, the share buy-backs and retained earnings, shareholders' funds increased by £311.4m, compared with the previous year, and diluted net assets per share increased by 11.8% to 1090p per share. The return on shareholders' equity was 15%, and the average return over the last three years has been 15.5%. After taking account of the reduction in the fair value adjustment, net of tax, for marking the Group's debt to market this year, the annual return on shareholders' equity was 17.9%.

REVENUE

Rental income increased from £453.6m to £479.9m despite a further net reduction in income from the accelerated rationalisation of the portfolio. Adjusting for the effects of acquisitions and sales, rental income on properties owned throughout the period under review increased by £32.3m. First lettings of developments provided an additional £12.4m, including in excess of £1m each from Regis House EC4, Allington House SW1 and Lacon House WC1. Increases from rent reviews and renewals

contributed a further £12.2m and the net effect of relettings of voids added £4.1m.

We have secured rental income of £30.8m per annum from our developments that had not been received at 31 March 2000. This income will flow from developments which are soon to be started, are in progress or have been recently completed. At the same date we had secured £17.5m of annual rental income from the investment portfolio which is subject to rent-free periods. However, property sales, less acquisitions, completed in the year under review will reduce rental income in the current year by some £14.9m. Further sales are also in the course of negotiation or are planned. In the current year, we also expect a shortfall of some £4.1m from properties which will cease to be income-producing in anticipation of redevelopment or refurbishment.

Further improvements in rental levels have increased the reversionary potential of the portfolio, excluding voids, to over 8.7% at 31 March 2000. All sectors of the portfolio are now reversionary. There are still some significantly over-rented central London offices but the majority of the leases of these buildings still have many years to expiry. Within the next five years, there is a potential shortfall of less than £4m of rental income subject to renewal or options to break in over-rented offices in central London.

Almost 60% of our rental income is secured on leases without breaks and with upward only rent reviews for more than 10 years. The average unexpired lease term within the portfolio is 12 years.

RENTAL INCOME ANALYSIS			
	1998/99	1999/00	£m Increase
Properties owned throughout period	417.3	449.6	32.3
Sales (1998/99 & 1999/2000)	33.4	19.0	
Acquisitions (1998/99 & 1999/2000)	2.9	11.3	
	453.6	479.9	
Increase			
First lettings		12.4	
Reviews and renewals		12.2	
Net relettings of voids		4.1	
Other		3.6	
		32.3	

PORTFOLIO ACTIVITY			
	Acquisitions/ Developments	Sales	£m FRS3 profit
Retail/Leisure	121.1	166.0	9.8
Offices	233.7	131.7	15.8
Warehouses and Industrial	15.4	9.3	0.4
	370.2	307.0	26.0

Year ended 31 March 2000

We reduced the Group's net irrecoverable property outgoings by a further £1.2m to £6.3m, which is less than 1.4% of rent roll net of ground rents. This mainly reflects a further reduction in the level of voids in the portfolio to 0.9% of rent roll net of ground rents.

Property management and administration expenses include increased expenditure on research, including e-commerce projects, and further computer systems development. We expect to continue to spend substantial sums on research and in re-engineering the business to take advantage of future growth opportunities and to meet the demands of rapidly changing markets.

Interest receivable was significantly reduced due to the implementation of the development programme, as we had anticipated, and also, in the last quarter of the period under review, by expenditure of £249.8m on the share buy-back programme. During the year, the average cash balance was reduced from £512.4m to £331.2m at an average return of 5.6% compared with 7.2% for the previous year.

The tax charge, equivalent to 24.9% of revenue profit, reflects the benefit of capital allowances from developments, refurbishments and acquisitions. The prior year adjustment reflects the settlement of past years' claims for capital allowances. Assuming no change in the rate of Corporation Tax, we expect the effective tax rate, before prior year adjustments, to remain at a broadly similar level while we progress our development programme. Following the latest

annual property valuation, there is an estimated potential capital gains tax liability in the region of £490m.

After taking account of the share buy-back, earnings per share increased from 39.21p to 45.44p and adjusted earnings per share from 39.11p to 40.86p. The Directors propose a final dividend of 22.75p, making an increase of 5.1% for the year. After all financing costs, dividends and taxation, the Group produced cash flow for investment of £79.7m. Capital expenditure exceeded proceeds from property sales by £194.6m, so there was a net cash outflow of £114.9m on the Group's normal business activities.

BALANCE SHEET

Expenditure on properties amounted to £370.2m, of which £256.1m was incurred on development and refurbishment. £231.0m of this relates to costs associated with the development programme. £114.1m was spent on investment acquisitions, primarily with future development in mind, showing an average initial return of 6.0%.

In the same period, sales of properties with a book value of £281.0m were unconditionally exchanged or completed for £307.0m. This represents a 9.2% surplus over the book value after deducting selling costs. The properties sold yielded 7.4% and the proceeds exceeded cost to the Group by £184.1m.

Following some further conversions into equity and small repayments, total borrowings amounted to

Financial Review (continued)

£1,556.3m at the year end. Short term investments and cash amounted to £140.1m and the Group also had £175m of bilateral standby facilities available should further funds be required. Prior to investment in the business, funds are invested to achieve the best returns within rigorous controls which are regularly reviewed by the Board. In all investment decisions careful consideration is given to creditworthiness and setting appropriate deposit limits in order to minimise exposure to a single institution.

In the autumn, the Group took advantage of the inverted sterling interest rate yield curve to commit to four forward-starting swaps, amounting in total to £400m. These swaps will substantially fix the cost of new fixed rate borrowing at a competitive cost to the Group. The average coupon of the borrowings raised using the new swaps should be about 5³/₄%; further explanatory detail can be found in Note 25 on page 58. These swaps are in place to fix the cost of some of the funds that will be required to implement the new development programme and, when utilised, will reduce the average cost of the Group's borrowings, which is currently 9%.

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. Property development and investment is a long term capital-intensive activity and the Group has sought to minimise the risk of fluctuations in finance costs as a result of changes in interest rates by using fixed rate debt to match its property commitments. As lease lengths are shortening and the Group considers alternative ways of holding property, future funding is likely to be of shorter maturity than previously. The fair values of the Group's financial liabilities as at 31 March 2000, as set out in Note 25 on page 58, exceeded book values by £529.4m, reflecting £519.1m in respect

of a reduction in long-term interest rates since the borrowings were originally taken out, £13.0m in respect of equity conversion terms of the convertible bonds and a gain of £2.7m on the swaps. The adjustment to fair value, after taking account of tax relief, would reduce reported diluted net assets per share by 65p and would increase balance sheet gearing. 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.

At the year end, outstanding expenditure on the £1.65bn development programme amounted to some £1.3bn, most of which will be spent over the next five years. Capital creditors at 31 March 2000 amounted to £54.0m and capital commitments were £354.6m. The most relevant measure of gearing, interest cover, was 3.1 times and balance sheet gearing, taking net debt as a percentage of net assets, was 24.5% at 31 March 2000. The Group also views its development programme as a form of gearing and therefore estimates of balance sheet gearing should take this into account.

In addition to the extensive development programme, we are considering various other investment opportunities. We are also continuing our active programme of rationalising the portfolio and we have received shareholders' authority to buy back up to a further 14.9% of the issued share capital. We have the flexibility and balance sheet strength to pursue a variety of alternatives with the prime objective of maximising shareholder value.

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

The Discussion Paper "Leases: the implementation of a new approach" was issued by the Accounting Standards Board (ASB) in December and, in our response, we have expressed our concern as to the impractical and potentially confusing consequences of certain aspects of the proposals. In particular, the paper attempts to treat property leases in a similar way to equipment leases, thereby failing to differentiate between equipment leasing contracts, which are effectively a return of capital, and property leases, which are primarily a return on capital. The resulting set of accounts would not show any rental income in the profit and loss account and would mix realised and unrealised amounts according to applied discount rates. This will not, in our view, improve a reader's understanding of property company accounts. The suggestion that the property valuation should be split into different elements within the balance sheet would also give rise to misunderstanding, particularly as one of the elements is misleadingly described as residual value. There are considerable international pressures to introduce a new accounting standard for leases and we can only hope that our serious concerns and those expressed by the industry in general will receive an understanding reception.

The situation is further complicated by the position adopted by the International Accounting Standards Committee in its proposals for accounting for investment properties, which would treat all leasehold properties, regardless of the length of lease, as operating leases. If our national accounting standards were ever to be replaced by International Accounting Standards (IAS), then this latest proposal could have serious repercussions. We continue to maintain the view we expressed three

Environment

We are committed to a programme of improving our performance both in terms of protecting the local and global environment and in minimising risks to safeguard the interests of the public and our shareholders. We fully support the Government's aims for sustainable development and are committed to developing an integrated approach to the environment and health and safety. We have instigated a thorough review of our health and safety management systems as part of our commitment to continual improvement and are progressing our environmental initiatives which include:

ORGANISATIONAL

- Affiliation to the Business & Environment Programme run by the Environment Council.
- Establishment of an internal environmental panel to facilitate the implementation of our policy and objectives.
- Annual participation in the Business in the Environment's Index of Corporate Environmental Engagement Survey.
- Founder-membership of the Property and Environment Group established by Environmental Governance and participation in their annual survey of the sector.

PROCEDURAL

- Annual review of our published environmental policy.
- Annual review of our energy policy which seeks ways to reduce energy consumption without impacting on the performance of our buildings.
- Issue of objectives and targets intended to minimise the environmental impact of our business activities and a plan to review these regularly.
- Regular updates to our employees on our environmental policy, objectives and targets, and the provision of appropriate training to help to achieve these goals.

- The maintenance and regular updating of our environmental manual, which is issued to all staff by e-mail.
- Issue of monthly environmental newsletters to all staff by e-mail.
- Encouraging our tenants, suppliers and contractors to understand our environmental policy and to adopt similar standards themselves.

OPERATIONAL

- Consideration of environmental factors during the site selection and design process in order to minimise any adverse environmental impact by our developments and to enhance the built and natural environments whenever possible.
- Management of all of our construction sites to minimise the risk of pollution and contamination.
- Re-use and recycling of materials wherever practicable and disposal of any waste according to the best practicable environmental option.
- Submission of our developments and refurbishments for evaluation under the Building Research Establishment Environmental Assessment Method (BREEAM), where we seek to achieve the maximum practical score.
- Commissioning of environmental impact assessments on all of our proposed major city centre developments.
- Ensuring that disturbance to adjoining owners and occupiers through dust and noise is kept to a minimum.
- Use of building materials from sustainable sources.

We employ a full time environment and energy manager who is directly responsible to a Board member for ensuring that our policies are constantly reviewed and implemented throughout the Group. The Group participates in industry forums and has contributed to working groups which are reviewing the Climate Change Levy, the Landfill Tax and the

Building Regulations. We aim to publish a Corporate Environmental Report in summer 2000.

HEALTH AND SAFETY

We attach great importance to health and safety and employ a full time specialist who has direct accountability to the Board for the implementation of our policies to ensure that the correct standards are maintained at all times. Assisted by external consultants and the staff generally, he ensures that comprehensive risk assessments and analyses are carried out both at existing properties and for current and proposed developments to ensure that correct safety standards are maintained.

Corporate Governance

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

The policy of the Board is to manage the affairs of the Company in accordance with the Principles of Good Governance and Code of Best Practice as set out in Section 1 of the Combined Code annexed to the Listing Rules of the Financial Services Authority. 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 the 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 Sir Alistair Grant. 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 monthly Board Reports 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 was passed at the 1999 Annual General Meeting to amend the Company’s Articles of Association so that every director is required to stand for re-election every three years. Non-executive directors are appointed for an initial period of three years which is extendable upon mutual agreement.

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.

DIRECTORS’ REMUNERATION

Details of the Company’s Remuneration Committee and directors’ remuneration are contained in the Report of that Committee on page 34.

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. Details of proxy voting are disclosed on each resolution after it has been dealt with by a show of hands.

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.

The Company arranges 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 Group's position and prospects, and details are given in the Chairman's Statement and the Operating and Financial Review.

Internal Control

The Board has established procedures necessary to implement the requirements of the Combined Code relating to internal control as reflected in the 'Internal Control: Guidance for Directors in the Combined Code' (Turnbull guidance) published in September 1999. In respect of principle D2 of the Combined Code, the Board has adopted the transitional approach set out in the September 1999 letter from the London Stock Exchange. A working party has been established to undertake regular reviews of the Group's risk register, in conjunction with the Internal Audit Department. In addition the Board will review strategic and general risks on a regular basis. The Board has always given a high priority to the assessment and control of risk throughout the Group.

The Board is 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.

AUDIT COMMITTEE

The Audit Committee consists solely of the non-executive directors, is chaired by Peter Hardy and operates in accordance with written terms of reference.

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.

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.

Remuneration Committee

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 written terms of reference and which makes recommendations to the Board on the Company's framework for 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 Sir Win Bischoff.

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. Following the decision by the Government to phase out Approved Profit Sharing Schemes, a review is being carried out into the remuneration and incentives for all staff with a view to increasing the proportion of total remuneration which is performance related.

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 and share 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.

Details of each director's emoluments and share options are shown in Note 7 on page 49.

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 10% 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, property disposal programme, rent reviews and renewals and levels of voids, property outgoings shortfalls and bad debts. With effect from the financial year ending 31 March 2001, payments under this scheme will be matched by the award of additional bonuses of equivalent amounts to be satisfied in shares on a deferred basis with the shares being released after three years to participants provided they are still employed by the Group at that time or have left the Group as "good leavers".

Following the decision by the Government to phase out the tax concessions associated with profit related pay, the Group has replaced the previous scheme, which was 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 uses 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 1984 Executive Share Option Scheme expired in April 1995. As a result, no options have been granted under the scheme 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 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 second transitional period, the Group achieved a ranking of fifth position within the peer group, which resulted in no award being made in respect of that period.

The interests of the four executive directors at 31 March 2000 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 2000. The increase in accrued pensions during the year

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 individual directors.

ACCRUED PENSIONS year ended 31 March 2000

	Accrued at 31 March 2000 £	Increase during the year £	Transfer value of increase £
I J Henderson	200,710	25,295	409,297
M R Griffiths	128,295	14,256	218,679
K Redshaw	125,115	13,688	209,968
J I K Murray	137,725	17,734	265,330

7 SERVICE AGREEMENTS

The executive directors have service agreements with a notice period of one year. The chairman and the other non-executive directors do not have service agreements with the Company.

SIR WIN BISCHOFF

Chairman of the Committee
for and on behalf of the Board

Directors' Report

for the year ended 31 March 2000

The directors submit their Report with the financial statements for the year to 31 March 2000. 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 42.

An interim dividend of 8.25p per share was paid on 10 January 2000 and the directors now recommend the payment of a final dividend of 22.75p per share making a total of 31p per share for the year ended 31 March 2000, an increase of 5.1% over that for the previous year.

Subject to authorisation at the Annual General Meeting to be held on 11 July 2000, the final dividend will be paid on 24 July 2000 to shareholders registered on 9 June 2000. The shares are expected to be quoted ex-dividend from 5 June 2000.

3 VALUATION AND NET ASSETS

(i) Valuation

In accordance with their report reproduced on page 41, Knight Frank valued the Group's properties at £7,384.2m as at 31 March 2000. Taken with the Group's one third holding in the Birmingham Alliance, the portfolio had a value of £7,453.7m. This is an increase of £543.2m over that at the previous year end. After taking into account total

expenditure on properties of £370.2m and the aggregate book value of properties sold during the year of £281.0m, the surplus on valuation was £454.0m.

(ii) Net Assets

The portfolio valuation has been included in the financial statements for the year ended 31 March 2000 and the net assets of the Group at that date amounted to £5,781.8m. 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 1107p. 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 1090p.

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 50. The amount, in the region of £490m (1999 £430m), represents approximately 6.6% of the aggregate valuation.

4 DIRECTORS

The directors who held office during the year were:

- *P G Birch CBE FCIB
- *John Hull CBE (retired 14 July 1999)
- I J Henderson BSc FRICS
- M R Griffiths FRICS
- K Redshaw BSc FRICS
- J I K Murray MA FCA
- *P B Hardy
- *Sir Alistair Grant DL FRSE
- *Sir Win Bischoff (appointed 1 November 1999)
- *Non-executive and member of the Remuneration and Audit Committees.

Biographical details of the directors appear on page 38.

Since Sir Win Bischoff was appointed subsequent to the last Annual General Meeting, he will retire from the Board and, being eligible, offers himself for re-appointment; he does not have a service agreement with the Group.

P G Birch, M R Griffiths and K Redshaw retire from the Board by rotation and, being eligible, offer themselves for re-election. M R Griffiths and K Redshaw have service agreements with the Company with a notice period of one year. P G Birch 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 49 and 50.

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 1999 to purchase in the market Ordinary Shares representing up to approximately 9.25% of the issued share capital at that time. Under the terms of this authority, 35,990,508 £1 Ordinary Shares were purchased in the year to 31 March 2000 at an aggregate cost of £249.8m inclusive of expenses and stamp duty. The reasons for these purchases are set out in the chief executive's Review on page 8. A resolution was passed at an Extraordinary General Meeting held on 6 April 2000 to grant a further authority to purchase up to 14.9% of the issued share capital at that date.

6 SUBSTANTIAL SHAREHOLDERS

At 12 May 2000 the following interests in issued share capital had been notified to the Company under Part VI of the Companies Act 1985.

	No. of shares	%
Prudential Portfolio Managers Limited	30,558,369	5.84
Axa Investment Managers UK Ltd	17,115,385	3.28

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 and 1999 profit sharing schemes an aggregate of 968,408 Ordinary Shares has been appropriated for the benefit of employees up to 31 March 2000. Details of the savings related and executive share option schemes are shown in Note 6 on page 48. 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 is committed to achieving a high standard of health and safety and continually reviews its policies and practices to ensure that those standards are maintained.

It is the Group's policy to give full and fair consideration to the employment of applicants who are disabled persons.

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

The Group trains and develops its staff to help them perform in the most productive way to achieve the Group's business objectives. Individual performance is regularly appraised.

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

The Group has a 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 2000 charitable donations, including £714,640 paid under Gift Aid to charitable trusts investigating sites of considerable archaeological importance, amounted to £827,400. There were no contributions of a political nature.

9 ENVIRONMENT

The Group's environmental policy is outlined on page 31.

10 YEAR 2000

The actions taken by the Group to ensure year 2000 compliance were successful and no problems were encountered.

11 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.

The effect of the Group's payment policy is that its trade creditors at the financial year end represented 17.2 days' purchases.

12 ANNUAL GENERAL MEETING

Accompanying this Report is the Notice of the Annual General Meeting which sets out the resolutions for the meeting. These are explained in a letter from the chairman which accompanies the Notice. There is one special business resolution which relates to the proposed introduction of a new share option scheme for senior executives.

13 AUDITORS

A resolution to re-appoint PricewaterhouseCoopers as auditors to the Company will be proposed at the Annual General Meeting.

By order of the Board

P M DUDGEON

Secretary

24 May 2000.

Directors and Advisers

LAND SECURITIES PLC

BOARD OF DIRECTORS

Peter G Birch 62

Appointed a director in 1997 and chairman in July 1998. Chief executive of Abbey National plc until March 1998. Chairman of the Legal Services Commission and Kensington Group plc. Director of N M Rothschild & Sons Limited, Dah Sing Financial Holdings Limited and Travellers Exchange Corporation Ltd.

Ian J Henderson 56

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 55

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

Keith Redshaw 54

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 53

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 61

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

Sir Alistair Grant 63

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

Sir Win Bischoff 58

Chairman of Citigroup Europe, deputy chairman of Cable and Wireless plc and a director of the McGraw-Hill companies. Member of the City Promotion Panel and of The Council for Industry and Higher Education.

SOLICITORS

Nabarro Nathanson
Lacon House
Theobald's Road
London WC1X 8RW

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
Schroder Salomon Smith Barney
Victoria Plaza
111 Buckingham Palace Road
London SW1W 0SB

REGISTRAR

Lloyds TSB Registrars
The Causeway
Worthing
West Sussex BN99 6DA

STOCKBROKERS

UBS Warburg
1 Finsbury Avenue
London EC2M 2PP
Cazenove & Co
12 Tokenhouse Yard
London EC2R 7AN

Senior Management

PRINCIPAL PROPERTY OWNING COMPANIES

RAVENSEFT PROPERTIES LIMITED

DIRECTORS

I J Henderson BSc FRICS
 K Redshaw BSc FRICS
 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

RAVENSIDE INVESTMENTS LIMITED

DIRECTORS

I J Henderson BSc FRICS
 M R Griffiths FRICS
 K Redshaw BSc FRICS
 R D S Nevett FRICS
 R N Hodder FRICS
 +K B Venables

THE CITY OF LONDON REAL PROPERTY COMPANY LIMITED

DIRECTORS

I J Henderson BSc FRICS
 M R Griffiths FRICS
 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
 †R F H Linnell MA FRICS MCIARB

RAVENSEFT INDUSTRIAL ESTATES LIMITED

DIRECTORS

I J Henderson BSc FRICS
 M R Griffiths FRICS
 K Redshaw BSc FRICS
 R D S Nevett FRICS
 +D P Wynne MLet BSc ARICS

GROUP OPERATIONS

LAND SECURITIES PROPERTIES LIMITED

DIRECTORS

I J Henderson BSc FRICS
 M R Griffiths FRICS
 K Redshaw BSc FRICS
 J I K Murray MA FCA
 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
 †R D S Nevett FRICS

ASSISTANT DIRECTORS

A M C Dobbins 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
 *T A Seddon BSc ARICS

SECRETARY

P M Dudgeon LLB FCIS

+appointed 1 April 1999
 †appointed 1 October 1999
 *appointed 1 January 2000
 †appointed 1 April 2000

Directors' Responsibilities and 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.

AUDITORS' REPORT TO THE MEMBERS OF LAND SECURITIES PLC

We have audited the financial statements on pages 42 to 58 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out on page 46.

Respective Responsibilities of Directors and Auditors

The directors are responsible for preparing the Annual Report. As described on this page, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority 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 United Kingdom 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 pages 32 and 33 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider

whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

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 2000 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
24 May 2000

Valuers' Report

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 or held by way of limited partnership arrangements as at 31st March 2000, 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, outgoing 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 had been taken to ensure year 2000 compliance in respect of the properties and their services. The Company has informed us that it has completed its program of review and that no significant problems have been experienced to date.

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 of those properties held by the Company and its subsidiaries as at 31st March 2000 totalled £7,384,235,500 (SEVEN THOUSAND THREE HUNDRED AND EIGHTY FOUR MILLION, TWO HUNDRED AND THIRTY FIVE THOUSAND, FIVE HUNDRED POUNDS).

In addition, we have undertaken valuations of those properties held within the Birmingham Alliance limited partnerships, in which we understand the Company holds a one third share, and are of the opinion that the values as at 31st March 2000 totalled £208,380,000 (TWO HUNDRED AND EIGHT MILLION, THREE HUNDRED AND EIGHTY THOUSAND POUNDS). For the avoidance of doubt we confirm that the figure reported above is of the total assets held by the limited partnerships and is not a valuation of the Company's shareholding therein.

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.

Within the following tables our valuation of the Company's interest in land held by the Birmingham Alliance limited partnerships is included as a mathematical one third share of the value reported above thus producing a total as at 31st March 2000 of £7,453,695,500. We must emphasise that the apportioned figures do not represent a valuation of the Company's shares in those limited partnerships.

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
28 April 2000

Consolidated Profit and Loss Account

for the year ended 31 March 2000

	Notes	£m	2000 £m	£m	1999 £m	
GROSS PROPERTY INCOME	2		528.2		500.2	
NET RENTAL INCOME	2		457.2		427.5	
Property management and administration expenses	3		(32.1)		(29.0)	
OPERATING PROFIT			425.1		398.5	
Profit on sales of properties			26.0		.6	
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION			451.1		399.1	
Interest receivable and similar income	4		19.5		38.7	
Interest payable and similar charges	4		(142.9)		(144.5)	
Revenue profit		301.7		292.7		
Profit on sales of properties		26.0		.6		
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			327.7		293.3	
Taxation on:						
Revenue profit		(75.1)		(76.8)		
Property sales		(.6)		(.1)		
Taxation	8		(75.7)		(76.9)	
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			252.0		216.4	
Dividends	9		(165.7)		(165.2)	
RETAINED PROFIT FOR THE FINANCIAL YEAR	21		86.3		51.2	
			Basic	Diluted	Basic	Diluted
EARNINGS PER SHARE	10		45.44p	44.97p	39.21p	38.95p
ADJUSTED EARNINGS PER SHARE	10		40.86p	40.63p	39.11p	38.86p
DIVIDENDS PER SHARE	9			31.00p		29.50p
DIVIDEND COVER (times)						
Profit after taxation			1.52			1.31
Profit excluding results of property sales after taxation			1.37			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 46 to 58 form an integral part of these financial statements.

Balance Sheets

31 March 2000

	Notes	Group		Company	
		2000 £m	1999 £m	2000 £m	1999 £m
FIXED ASSETS					
Tangible assets					
Properties	11	7,453.7	6,910.5	2,362.2	2,117.9
Other tangible assets	13	14.7	13.1	–	–
Investments in group undertakings	14			4,827.7	4,830.1
		7,468.4	6,923.6	7,189.9	6,948.0
CURRENT ASSETS					
Debtors falling due within one year	15	180.9	71.5	102.3	58.5
Debtors falling due after more than one year	15	1.7	1.0	–	–
Investments: short term deposits and corporate bonds		140.1	486.6	11.0	14.3
		322.7	559.1	113.3	72.8
CREDITORS falling due within one year	16	(457.1)	(424.8)	(207.0)	(194.4)
NET CURRENT (LIABILITIES)/ASSETS		(134.4)	134.3	(93.7)	(121.6)
TOTAL ASSETS LESS CURRENT LIABILITIES		7,334.0	7,057.9	7,096.2	6,826.4
CREDITORS falling due after more than one year					
Debentures, bonds and loans	17	(1,282.7)	(1,295.0)	(1,277.2)	(1,286.4)
Convertible bonds	18	(247.5)	(272.4)	(41.2)	(66.7)
Other creditors	19	(22.0)	(20.1)	(7.9)	(7.0)
		5,781.8	5,470.4	5,769.9	5,466.3
CAPITAL AND RESERVES					
Called up share capital	20	522.4	554.3	522.4	554.3
Share premium account	21	305.2	284.0	305.2	284.0
Capital redemption reserve	21	36.0	–	36.0	–
Revaluation reserve	21	3,582.4	3,286.5	3,764.1	3,750.0
Other reserves	21	141.2	632.0	–	179.4
Profit and loss account	21	1,194.6	713.6	1,142.2	698.6
EQUITY SHAREHOLDERS' FUNDS		5,781.8	5,470.4	5,769.9	5,466.3
NET ASSETS PER SHARE					
	10	1107p	987p		
DILUTED NET ASSETS PER SHARE					
	10	1090p	975p		

I J Henderson J I K Murray

Directors

The financial statements on pages 42 to 58 were approved by the directors on 24 May 2000.

Consolidated Cash Flow Statement

for the year ended 31 March 2000

	Notes	£m	2000 £m	£m	1999 £m
NET CASH INFLOW FROM OPERATING ACTIVITIES	22		432.2		409.9
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest received		29.5		36.3	
Interest paid		(141.1)		(143.7)	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			(111.6)		(107.4)
TAXATION – Corporation tax paid			(74.1)		(73.4)
NET CASH INFLOW FROM OPERATING ACTIVITIES AND INVESTMENTS AFTER FINANCE CHARGES AND TAXATION			246.5		229.1
CAPITAL EXPENDITURE					
Additions to properties		(386.3)		(255.6)	
Sales of properties		196.1		126.0	
Investing in properties		(190.2)		(129.6)	
Increase in other tangible assets		(4.4)		(5.8)	
NET CASH OUTFLOW ON CAPITAL EXPENDITURE			(194.6)		(135.4)
EQUITY DIVIDENDS PAID			(166.8)		(155.6)
CASH OUTFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING			(114.9)		(61.9)
MANAGEMENT OF LIQUID RESOURCES	23(a)		346.5		60.7
FINANCING					
Issues of shares	20	.6		1.6	
Purchase and cancellation of own shares		(243.9)		–	
Increase/(decrease) in debt	23(b)	11.3		(.8)	
NET CASH (OUTFLOW)/INFLOW FROM FINANCING			(232.0)		.8
DECREASE IN CASH IN YEAR			(.4)		(.4)
RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET DEBT					
Decrease in cash in year			(.4)		(.4)
Cash (inflow)/outflow from (increase)/decrease in debt			(11.3)		.8
Cash inflow from decrease in liquid resources			(346.5)		(60.7)
Change in net debt resulting from cash flow	24		(358.2)		(60.3)
Non-cash changes in debt	24		24.7		82.5
Movement in net debt in year			(333.5)		22.2
Net debt at 1 April			(1,082.7)		(1,104.9)
Net debt at 31 March	24		(1,416.2)		(1,082.7)

Other Primary Statements

for the year ended 31 March 2000

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	Notes	2000 £m	1999 £m
Profit on ordinary activities after taxation (page 42)		252.0	216.4
Unrealised surplus on valuation of properties	21	454.0	332.9
Taxation on valuation surpluses realised on sales of properties	21	(5.2)	–
Total gains and losses recognised since last financial statements		700.8	549.3

NOTE OF HISTORICAL COST PROFITS AND LOSSES		2000 £m	1999 £m
Profit on ordinary activities before taxation (page 42)		327.7	293.3
Valuation surplus of previous years realised on sales of properties	21	158.1	75.1
Taxation on valuation surpluses realised on sales of properties	21	(5.2)	–
Historical cost profit on ordinary activities before taxation		480.6	368.4
Taxation	8	(75.7)	(76.9)
Historical cost profit on ordinary activities after taxation		404.9	291.5
Dividends	9	(165.7)	(165.2)
Retained historical cost profit for the year		239.2	126.3

RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS		2000 £m	1999 £m
Profit on ordinary activities after taxation (page 42)		252.0	216.4
Dividends	9	(165.7)	(165.2)
Retained profit for the financial year (page 42)		86.3	51.2
Unrealised surplus on valuation of properties	21	454.0	332.9
Taxation on valuation surpluses realised on sales of properties	21	(5.2)	–
Premium arising on issues of shares	21	22.0	71.6
Issues of shares	20	4.1	13.2
Purchase and cancellation of own shares	21	(249.8)	–
		311.4	468.9
Opening equity shareholders' funds		5,470.4	5,001.5
Closing equity shareholders' funds		5,781.8	5,470.4

Notes to the Financial Statements

for the year ended 31 March 2000

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 2000.

(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

In accordance with FRS 16 "Current Taxation", taxation attributable to sales of properties is charged to the profit and loss account and to the statement of total recognised gains and losses as appropriate.

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 2000 a valuation was carried out by Knight Frank and a copy of their report is set out on page 41. 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 2000. 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.

(h) FINANCIAL INSTRUMENTS

The group currently uses forward-starting interest rate swaps to help manage its interest rate risk.

Differences that arise on the forward-starting interest swaps will be dealt with on an accruals basis. At the year end, none of the swaps had commenced operating.

Notes to the Financial Statements

for the year ended 31 March 2000

2 Net Rental Income

	2000 £m	1999 £m
Rental income	479.9	453.6
Service charges and other recoveries	48.3	46.6
Gross property income	528.2	500.2
Ground rents payable	(16.4)	(18.6)
Other property outgoings	(54.6)	(54.1)
	(71.0)	(72.7)
	457.2	427.5

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 (1999 £4.2m) 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

	2000 £m	1999 £m
These include:		
Auditors' remuneration (Company: £68,000; 1999 £66,000)	.2	.2
Staff costs (Note 5)	13.9	13.3
Directors' remuneration	1.7	1.6
Depreciation of other tangible assets	2.6	2.2

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, £491,300 (1999 £275,400) was payable to the auditors for other services. This comprised compliance and certification work £28,500 (1999 £38,000) and taxation advice and consultancy fees £462,800 (1999 £237,400).

4 Interest

	2000 £m	1999 £m
RECEIVABLE:		
Short term deposits and corporate bonds	18.7	36.8
Other interest receivable	.8	1.9
	19.5	38.7
PAYABLE:		
Borrowings not wholly repayable within five years	139.9	142.5
Borrowings wholly repayable within five years	1.1	1.0
Other interest payable	1.9	1.0
	142.9	144.5

Interest payable includes £0.2m (1999 £Nil) in respect of the bank loan and overdraft.

Notes to the Financial Statements

for the year ended 31 March 2000

5 Staff and Pensions

EMPLOYEES

The average number of employees during the year, excluding directors,
and the corresponding aggregate staff costs were:

	2000 No.	1999 No.	2000 £m	1999 £m
Property management and administration	263	258	13.9	13.3
Direct property services:				
Full time	184	188	3.9	3.9
Part time	48	48	.3	.3
	495	494	18.1	17.5

STAFF COSTS

Salaries			13.3	12.6
Social Security			1.3	1.2
Other pension			2.6	2.2
Cash and share incentive schemes			.9	1.5
			18.1	17.5

PENSIONS

The group has integrated its two funded Inland Revenue approved non-contributory pension schemes. The scheme, which is closed to new entrants, provides defined benefits based on final pensionable salary. The assets of the scheme are held in a self-administered trust fund which is separate from the group's assets.

Contributions to the scheme are determined by a qualified independent actuary on the basis of triennial valuations using the projected unit method. The last such valuation as at 6 April 1999, after excluding annuities purchased to provide for pensions in payment, showed a market value of £56.3m and a corresponding actuarial value of assets of £49.4m. The funding level was 100%. The key assumptions made in the valuation were a total annual investment return of 7.5%, assuming an increase of 4% in dividend income, a post-retirement investment return of 7%, annual increases of 6.25% in pensionable earnings and 4% in the Retail Prices Index. The company has subsequently adopted the contribution rate recommended by the actuary as part of this valuation. 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 **£3.2m** (1999 £2.8m).

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

6 Executive and Savings Related Share Option Schemes

	Option price	No. of Options	
		1984 Executive Share Scheme	1983 & 1993 Savings Related Share Option Schemes
At 1 April 1999		457,900	410,789
Granted	697p		77,286
	656p		98,121
Exercised (Note 20)		(16,300)	(120,211)
Lapsed		-	(56,025)
At 31 March 2000		441,600	409,960

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.

Notes to the Financial Statements

for the year ended 31 March 2000

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

EMOLUMENTS

The emoluments of the directors including pension contributions and **ENIL** receivable (1999 £178,500) under the long term incentive plan amounted to **£1,899,000** (1999 £1,891,000).

£'000	Benefits				Total Emoluments excluding Pensions		Pension Contributions	
	Basic Salary	Profit Sharing & Bonuses	Car & Medical	Fees	2000	1999	2000	1999
EXECUTIVE:								
I J Henderson	335	48	12	–	395	347	141	126
M R Griffiths	225	35	14	–	274	244	79	83
K Redshaw	225	69	9	–	303	238	79	83
J I K Murray	235	86	10	–	331	247	82	86
NON-EXECUTIVE:								
P G Birch (Chairman – appointed 1.7.98)	–	–	7	130	137	114	–	–
John Hull (Chairman 9.12.97 – 30.6.98; retired 14.7.99)	–	–	4	10	14	89	–	–
H I Connick (retired 1.7.98)	–	–	–	–	–	6	–	–
P B Hardy	–	–	–	28	28	26	–	–
Sir Alistair Grant	–	–	–	25	25	24	–	–
Sir Win Bischoff (appointed 1.11.99)	–	–	–	11	11	–	–	–
Total 2000	1,020	238	56	204	1,518		381	
Total 1999	922	118	59	236		1,335		378

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 and 1999 Profit Sharing Schemes, payments under the profit related pay scheme and a bonus of 7½ per cent of salary payable under the annual bonus scheme. Bonuses received by K Redshaw and J I K Murray included **£33,750** in recognition of 30 years service to the group and **£50,000** as a special bonus respectively.

The total emoluments of the highest paid director, including **ENIL** (1999 £58,625) receivable under the long term incentive plan and gains before tax of **£18,400** (1999 **£Nil**) made on the exercise of share options during the year but excluding pension contributions, amounted to **£413,200** (1999 **£405,625**). The accrued pension as at 31 March 2000 for the highest paid director was **£200,700** (1999 **£173,500**). Pensions of **£179,400** (1999 **£173,000**) were paid to former directors. A brief explanation of pension arrangements for directors, including a table of accrued pension entitlements as at 31 March 2000, and details of amounts receivable under the long term incentive plan are provided on page 35.

OPTIONS OVER ORDINARY SHARES

	No. of options at 1 April 1999	Granted during year		Exercised/lapsed during year			Options at 31 March 2000		
		No.	Grant price (pence)	No.	Exercised/lapsed(L) 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	968	697.0	(4,166)	324.0	765.5	4,310	608.9*	7/2001 – 7/2004
M R Griffiths	33,500						33,500	618.6	7/1997 – 7/2004
	4,081	277	697.0				4,358	580.8*	8/2000 – 7/2005
K Redshaw	6,797	514	656.0	(2,777)	324.0	828.5	4,534	580.1*	8/2000 – 10/2004
		484	697.0	(484)	(L)	697.0			
J I K Murray	37,000						37,000	618.6	7/1997 – 7/2004
	6,258			(2,777)	324.0	828.5	3,481	560.0*	7/2002 – 7/2004

*weighted average exercise price

The range of the closing middle market prices for Land Securities shares during the year was 626.5p to 925.5p. The middle market price at 31 March 2000 was 749p.

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 **£46,400** (1999 **£25,000**).

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 476p 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 2000

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	
	2000	1999
P G Birch	22,864	12,722
I J Henderson	83,937	71,895
M R Griffiths	30,634	25,035
K Redshaw	37,349	27,643
J I K Murray	31,681	22,990
P B Hardy	19,200	19,200
Sir Alistair Grant	15,000	15,000
Sir Win Biscoff	10,000	10,000*

*at date of appointment

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 2000 held a non-beneficial interest in 135,876 shares (1999 224,618 shares).

The beneficial interests of I J Henderson, M R Griffiths and J I K Murray each include 2,712 shares (1999 3,029 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 24 May 2000.

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:

Revenue profit at the Corporation Tax rate of **30%** (1999 31%)

Tax allowances on expenditure relating to properties

Movement in deferred taxation

Other adjustments

Adjustments relating to previous years

On revenue profit

On property sales

	2000 £m	1999 £m
Revenue profit at the Corporation Tax rate of 30% (1999 31%)	90.5	90.7
Tax allowances on expenditure relating to properties	(12.2)	(12.8)
Movement in deferred taxation	1.0	(.3)
Other adjustments	(.2)	(.3)
Adjustments relating to previous years	79.1	77.3
On revenue profit	(4.0)	(.5)
On property sales	.6	.1
	75.7	76.9

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 **£490m** (1999 £430m) for the group and **£190m** (1999 £155m) for the company.

Notes to the Financial Statements

for the year ended 31 March 2000

9 Equity Dividends

	2000 pence per share	1999 pence per share	2000 £m	1999 £m
Interim paid	8.25	7.85	46.8	45.2
Proposed final	22.75	21.65	118.9	120.0
	31.00	29.50	165.7	165.2

Interim paid includes additional £0.7m (1999 £1.7m) of prior year final dividend and £0.1m (1999 £0.4m) of interim dividend arising from increases in share capital before the record dates of 11 June 1999 and 3 December 1999 respectively.

10 Earnings and Net Assets per Share

	Profit after taxation		Weighted average no. of shares		Earnings per share	
	2000 £m	1999 £m	2000 m	1999 m	2000 pence	1999 pence
EARNINGS PER SHARE						
Earnings per share	252.0	216.4	554.4	551.9	45.44	39.21
Effect of dilutive securities:						
Convertible bonds	11.3	13.0	30.8	36.8		
Share options			.2	.3		
Diluted earnings per share	263.3	229.4	585.4	589.0	44.97	38.95
ADJUSTED EARNINGS PER SHARE						
Earnings per share	252.0	216.4	554.4	551.9	45.44	39.21
Effect of results of property sales after taxation	(25.4)	(5)			(4.58)	(.10)
Adjusted earnings per share	226.6	215.9	554.4	551.9	40.86	39.11
Diluted earnings per share	263.3	229.4	585.4	589.0	44.97	38.95
Effect of results of property sales after taxation	(25.4)	(5)			(4.34)	(.09)
Adjusted diluted earnings per share	237.9	228.9	585.4	589.0	40.63	38.86

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 **£5,781.8m** (1999 £5,470.4m) and on **522.4m** shares (1999 554.3m shares). The diluted net assets per share are calculated on adjusted net assets of **£6,034.5m** (1999 £5,747.9m) and on **553.8m** shares (1999 589.6m 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.

Notes to the Financial Statements

for the year ended 31 March 2000

11 Properties

(a) GROUP

	Leasehold			Total £m
	Freehold £m	Over 50 years to run £m	Under 50 years to run £m	
At 1 April 1999: at valuation	5,394.0	1,463.4	53.1	6,910.5
Additions	216.3	185.9	1.3	403.5
Sales	(246.8)	(61.9)	(5.6)	(314.3)
	5,363.5	1,587.4	48.8	6,999.7
Unrealised surplus on valuation (Note 21(a))	348.4	99.4	6.2	454.0
At 31 March 2000: at valuation	5,711.9	1,686.8	55.0	7,453.7

(b) COMPANY

At 1 April 1999: at valuation	1,879.9	227.8	10.2	2,117.9
Additions	123.4	10.8	–	134.2
Transfers from group undertakings	33.9	2.6	5.8	42.3
Sales	(123.5)	(2.6)	(5.8)	(131.9)
	1,913.7	238.6	10.2	2,162.5
Unrealised surplus on valuation (Note 21(b))	159.4	40.2	.1	199.7
At 31 March 2000: at valuation	2,073.1	278.8	10.3	2,362.2

The group's additions and sales respectively include £33.3m representing the acquisition of its one third share in the Birmingham Alliance's properties and the consideration it received on the part disposal of the properties which it contributed to the limited partnerships forming the Alliance.

In respect of the group: freeholds include **£394.0m** (1999 £371.1m) of leaseholds with unexpired terms exceeding 900 years; leaseholds under 50 years to run include **£10.3m** (1999 £9.7m) with unexpired terms of 20 years or less.

The historical cost of properties is: group **£3,681.5m** (1999 £3,434.2m); company **£829.3m** (1999 £769.7m).

12 Commitments for Future Expenditure

	Group		Company	
	2000 £m	1999 £m	2000 £m	1999 £m
Under contract	92.6	102.8	31.9	34.4
Board authorisations not contracted	262.0	55.8	1.6	8.8
	354.6	158.6	33.5	43.2

13 Other Tangible Assets

	Cost £m	Depreciation £m	Net £m
At 1 April 1999	24.7	(11.6)	13.1
Additions	4.6	–	4.6
Disposals	(.7)	.5	(.2)
Depreciation for the year	–	(2.8)	(2.8)
At 31 March 2000	28.6	(13.9)	14.7

Other tangible assets comprise computers, motor vehicles, furniture, fixtures and fittings and improvements to group offices.

Depreciation for the year includes **£0.2m** (1999 £0.2m) treated as other property outgoings in Note 2.

Notes to the Financial Statements

for the year ended 31 March 2000

14 Investments in Group Undertakings

	Shares £m	Loans £m	Total £m
At 1 April 1999	4,631.7	198.4	4,830.1
(Decrease)/increase during the year	(39.3)	209.9	170.6
Unrealised valuation deficit (Note 21 (b))	(173.0)		(173.0)
At 31 March 2000	4,419.4	408.3	4,827.7

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 1999 included valuation surpluses of £2,590.1m. The deficit arising on the revaluation at 31 March 2000 reflects the reduction in net assets of group undertakings following the payment of substantial interim dividends to the company. 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 39. 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

Falling due within one year:

	Group		Company	
	2000 £m	1999 £m	2000 £m	1999 £m
Trade debtors	20.4	21.8	5.2	7.6
Capital debtors	15.5	12.0	5.1	3.6
Property sales debtors	113.6	1.1	52.2	.1
Other debtors	12.2	10.0	3.9	3.8
Prepayments and accrued income	19.2	26.6	3.6	3.2
Taxation recoverable	–	–	32.3	40.2
	180.9	71.5	102.3	58.5
Falling due after more than one year:				
Capital debtors	.4	.5	–	–
Other debtors	1.3	.5	–	–
	1.7	1.0	–	–

16 Creditors falling due within one year

Debentures and loans (Note 17)

	Group		Company	
	2000 £m	1999 £m	2000 £m	1999 £m
Overdraft	25.4	1.6	.3	1.5
Trade creditors	.7	.3	–	–
Taxation and Social Security	3.2	2.2	–	–
Proposed final dividend	64.3	58.4	–	–
Capital creditors	118.9	120.0	118.9	120.0
Other creditors	54.0	65.1	18.1	12.7
Accruals and deferred income	18.4	16.7	10.9	10.6
Deferred taxation	171.2	160.5	58.8	49.6
	1.0	–	–	–
	457.1	424.8	207.0	194.4

Debentures and loans include £0.4m (1999 £0.6m) and £0.3m (1999 £0.5m) of instalments of borrowings that mature after more than one year repayable by the group and company respectively.

Notes to the Financial Statements

for the year ended 31 March 2000

17 Debentures, Bonds and Loans

UNSECURED

9.762 per cent Unsecured Loan Notes 1990/99

10³/₄ per cent Exchange Bonds due 20049¹/₂ per cent Bonds due 2007

£200m 9 per cent Bonds due 2020

Bank loan

SECURED

4³/₄ per cent First Mortgage Debenture Stock 1970/20056¹/₄ per cent Mortgage Debenture 2000/056¹/₂ per cent Mortgages 2000/058³/₄ per cent Mortgage 2001/047³/₄ per cent Mortgage 20086³/₈ per cent First Mortgage Debenture Stock 2008/13

10 per cent First Mortgage Debenture Stock 2025

10 per cent First Mortgage Debenture Stock 2027

10 per cent First Mortgage Debenture Stock 2030

Falling due within one year (Note 16)

Falling due after more than one year

	Group		Company	
	2000 £m	1999 £m	2000 £m	1999 £m
9.762 per cent Unsecured Loan Notes 1990/99	–	1.0	–	1.0
10 ³ / ₄ per cent Exchange Bonds due 2004	21.2	21.2	21.2	21.2
9 ¹ / ₂ per cent Bonds due 2007	200.0	200.0	200.0	200.0
£200m 9 per cent Bonds due 2020	196.2	196.0	196.2	196.0
Bank loan	25.0	–	–	–
	442.4	418.2	417.4	418.2
SECURED				
4 ³ / ₄ per cent First Mortgage Debenture Stock 1970/2005	–	12.2	–	9.2
6 ¹ / ₄ per cent Mortgage Debenture 2000/05	8.9	9.1	8.9	9.1
6 ¹ / ₂ per cent Mortgages 2000/05	8.9	9.1	8.9	9.1
8 ³ / ₄ per cent Mortgage 2001/04	10.0	10.0	10.0	10.0
7 ³ / ₄ per cent Mortgage 2008	5.6	5.7	–	–
6 ³ / ₈ 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
	1,308.1	1,296.6	1,277.5	1,287.9
Falling due within one year (Note 16)	(25.4)	(1.6)	(.3)	(1.5)
Falling due after more than one year	1,282.7	1,295.0	1,277.2	1,286.4

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 2000, short term deposits of the group **£12.9m** (1999 **£19.3m**) and of the company **£11.0m** (1999 **£14.3m**) were charged as temporary security for borrowings.

The company has guaranteed **£Nil** (1999 **£3.0m**) of debentures and loans of its group undertakings.

Borrowings of group undertakings of **£5.6m** (1999 **£8.7m**) are secured by charges on properties of the company and its group undertakings.

18 Convertible Bonds

£210m 6 per cent Guaranteed Convertible Bonds due 2007

7 per cent Convertible Bonds due 2008

	Group		Company	
	2000 £m	1999 £m	2000 £m	1999 £m
£210m 6 per cent Guaranteed Convertible Bonds due 2007	206.3	205.7	–	–
7 per cent Convertible Bonds due 2008	41.2	66.7	41.2	66.7
	247.5	272.4	41.2	66.7

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 holders' 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 87½p 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.

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 6,437,343 fully paid shares of £1 each at a conversion price of 64½p per share or (ii), at the option of the company, may be redeemed at par. During the year, **£25,499,000** of the bonds were converted into **3,984,213** fully paid shares of £1 each.

19 Other Creditors falling due after more than one year

Deferred income

Deferred taxation

Other creditors

	Group		Company	
	2000 £m	1999 £m	2000 £m	1999 £m
Deferred income	18.6	17.5	6.8	6.1
Deferred taxation	.1	.1	–	–
Other creditors	3.3	2.5	1.1	.9
	22.0	20.1	7.9	7.0

Notes to the Financial Statements

for the year ended 31 March 2000

20 Called up Share Capital

Ordinary shares of £1 each:

Authorised

Allotted and fully paid

2000 £m	1999 £m
720.0	720.0
522.4	554.3

The movements in share capital during the year were:

Allotted:

On the exercise of options granted under:

1983 and 1993 Savings Related Share Option Schemes (Note 6)

1984 Executive Share Option Scheme (Note 6)

On conversion of 7 per cent Convertible Bonds due 2008

Shares cancelled on buy backs (Notes 21(a) & (b))

	Cash consideration (paid)/received £m	No. of shares
	.5	120,211
	.1	16,300
		3,984,213
	(249.8)	(35,990,508)
	(249.2)	(31,869,784)

The exercise of all options outstanding at 31 March 2000, 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 851,560 ordinary shares.

21 Reserves

(a) GROUP

At 1 April 1999

Premium arising on issues of shares

Purchase and cancellation of own shares

Cancellation of shares on buy backs (Note 20)

Unrealised surplus on valuation of properties (Note 11(a))

Realised on sales of properties

Taxation on valuation surpluses realised on sales of properties

Transfers from other reserves

Retained profit for the year (page 42)

Amortised discount and issue expenses of bonds

At 31 March 2000

(b) COMPANY

At 1 April 1999

Premium arising on issues of shares

Purchase and cancellation of own shares

Cancellation of shares on buy backs (Note 20)

Unrealised surplus on valuation of properties (Note 11(b))

Realised on sales of properties and liquidations of group undertakings

Revaluation of shares in group undertakings (Note 14)

Retained profit for the year

Amortised discount and issue expenses of bonds

At 31 March 2000

	Share premium account £m	Capital redemption reserve £m	Revaluation reserve £m	Other reserves £m	Profit and loss account £m	Total £m
At 1 April 1999	284.0	–	3,286.5	632.0	713.6	4,916.1
Premium arising on issues of shares	22.0					22.0
Purchase and cancellation of own shares				(194.4)	(55.4)	(249.8)
Cancellation of shares on buy backs (Note 20)		36.0				36.0
Unrealised surplus on valuation of properties (Note 11(a))			454.0			454.0
Realised on sales of properties			(158.1)	158.1		
Taxation on valuation surpluses realised on sales of properties				(5.2)		(5.2)
Transfers from other reserves				(449.3)	449.3	
Retained profit for the year (page 42)					86.3	86.3
Amortised discount and issue expenses of bonds	(.8)				.8	
At 31 March 2000	305.2	36.0	3,582.4	141.2	1,194.6	5,259.4
(b) COMPANY						
At 1 April 1999	284.0	–	3,750.0	179.4	698.6	4,912.0
Premium arising on issues of shares	22.0					22.0
Purchase and cancellation of own shares				(194.4)	(55.4)	(249.8)
Cancellation of shares on buy backs (Note 20)		36.0				36.0
Unrealised surplus on valuation of properties (Note 11(b))			199.7			199.7
Realised on sales of properties and liquidations of group undertakings			(12.6)	15.0	(2.4)	
Revaluation of shares in group undertakings (Note 14)			(173.0)			(173.0)
Retained profit for the year					500.6	500.6
Amortised discount and issue expenses of bonds	(.8)				.8	
At 31 March 2000	305.2	36.0	3,764.1	–	1,142.2	5,247.5

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 £500.6m (1999 £50.2m). The significant excess of the company's retained profit for the year over that of the group is mainly the result of interim dividends paid to the company by its group undertakings.

Notes to the Financial Statements

for the year ended 31 March 2000

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

£m	2000 £m	1999 £m
Operating profit (page 42)	425.1	398.5
Depreciation (Note 13)	2.8	2.4
(Increase)/decrease in debtors	(4.2)	2.9
Increase in creditors	8.5	6.1
Net cash inflow from operating activities	432.2	409.9

23 Analysis of Net Cash Flows

(a) MANAGEMENT OF LIQUID RESOURCES

£m	2000 £m	1999 £m
Net decrease in short term deposits	346.5	45.7
Sales of corporate bonds	–	15.0
Net cash inflow from management of liquid resources	346.5	60.7

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

(b) CASH MOVEMENT IN DEBT

£m	2000 £m	1999 £m
Debt due within one year – Repayment of secured debt	(.6)	(.6)
– Repayment of unsecured debt	(1.0)	(.1)
– Unsecured bank loan	25.0	–
	23.4	(.7)
Debt due after one year – Repayment of secured debt	(12.1)	(.1)
Increase/(decrease) in debt	11.3	(.8)

24 Analysis of Net Debt

	1 April 1999 £m	Movements during year Cash Flow £m	Non-Cash £m	31 March 2000 £m
Bank overdraft	(.3)	(.4)		(.7)
Liquid resources	486.6	(346.5)		140.1
Debt due within one year	(1.6)	(23.4)	(.4)	(25.4)
Debt due after one year	(1,567.4)	12.1	25.1	(1,530.2)
Net debt	(1,082.7)	(358.2)	24.7	(1,416.2)

Notes to the Financial Statements

for the year ended 31 March 2000

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, with the exception of the overdraft, at fixed rates.

FINANCIAL ASSETS

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

Assets:		2000 £m	1999 £m
Short term investments		140.1	486.6
Maturing in:		2000 £m	1999 £m
One year or less, or on demand		140.1	486.6
Weighted average period of fixed interest rates		45 days	105 days
Weighted average interest rate		5.8%	6.1%

FINANCIAL LIABILITIES

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

Liabilities:		2000 £m	1999 £m
Debentures, bonds and other loans (Note 17)		1,308.1	1,296.6
Convertible bonds (Note 18)		247.5	272.4
Overdraft (Note 16)		.7	.3
		1,556.3	1,569.3

	Group		Company	
	2000 £m	1999 £m	2000 £m	1999 £m
Repayable in:				
One year or less, or on demand	26.1	1.9	.3	1.5
More than one year but no more than two years	.4	.6	.3	.5
More than two years but no more than five years	48.6	11.7	48.4	11.5
More than five years	1,481.2	1,555.1	1,269.7	1,341.1
	1,556.3	1,569.3	1,318.7	1,354.6
Weighted average period of fixed interest rates	18.8 years	19.8 years		
Weighted average interest rate	9%	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.

Notes to the Financial Statements

for the year ended 31 March 2000

25 Financial Assets and Liabilities *continued*

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Short term investments

Debentures, bonds, other loans and overdraft

Convertible bonds

	Group			
	Book Value		Fair Value	
	2000 £m	1999 £m	2000 £m	1999 £m
Short term investments	140.1	486.6	140.1	487.8
Debentures, bonds, other loans and overdraft	(1,308.8)	(1,296.9)	(1,827.9)	(1,977.0)
Convertible bonds	(247.5)	(272.4)	(260.5)	(316.2)

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:

	2000 £m	1999 £m
Expiring in:		
One year or less, or on demand	50	100
More than one year but no more than two years	100	–
More than two years	25	150
	175	250

FINANCIAL INSTRUMENTS

In order to fix the cost of future borrowings required to finance part of its development programme, the group entered into four forward-starting interest rate swaps, each for £100m, during the year. The first two swaps have start dates of 30 September 2000 for 15 years and the other two have start dates of 30 June 2002 for 10 years. The total cost of the new borrowings will depend on the differential between gilt rates and swap rates at the time of the issue but, based on the average differential for the last twelve months, they should cost approximately 6% and 5.25% respectively. The counterparties can extend the duration of each swap on similar terms.

As the swaps are forward-starting, there is no carrying value in the books of the group as at 31 March 2000. The fair value of the swaps as at 31 March 2000 was **£2.7m**.

26 Membership of Certain Undertakings

During the year, the group has been a member of three limited partnerships, the accounts of which are consolidated with those of the group. Advantage has been taken of the exemption conferred by Regulation 7 of The Partnerships and Unlimited Companies (Accounts) Regulations 1993 in not delivering the financial statements of the partnerships to the Registrar of Companies.

Ten Year Record

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

	2000 £m	1999 £m	1998 £m	1997 £m	1996 £m	1995 £m	1994 £m	1993 £m	1992 £m	1991 £m
ASSETS EMPLOYED										
Properties	7,453.7	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
Short term deposits, corporate bonds and cash	140.1	486.6	547.4	486.7	335.2	209.6	241.5	234.2	307.2	168.7
Other assets	197.3	85.6	107.7	91.6	94.6	102.5	98.7	93.3	104.2	112.1
	7,791.1	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
FINANCED BY										
Share capital	522.4	554.3	541.1	515.5	510.2	510.0	509.8	504.8	504.6	504.4
Reserves	5,259.4	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
EQUITY SHAREHOLDERS' FUNDS	5,781.8	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
Borrowings	1,556.3	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
Other liabilities	453.0	443.0	437.0	451.7	403.8	375.3	346.2	366.2	395.4	349.6
	7,791.1	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
PROPERTY MOVEMENTS (book value)										
Additions	403.5	267.3	189.6	261.9	199.0	190.9	150.6	237.1	215.5	269.7
Sales	(314.3)	(125.4)	(246.9)	(206.1)	(53.3)	(81.0)	(40.8)	(132.0)	(3.7)	(50.6)
REVENUE										
Gross property income	528.2	500.2	484.0	471.0	462.2	460.4	448.9	436.9	406.7	359.7
Net rental income	457.2	427.5	414.1	405.1	400.6	400.0	389.4	380.7	353.6	316.0
Revenue profit	301.7	292.7	265.9	235.7	238.7	241.3	234.8	233.4	227.5	215.2
*Profit/(loss) on sales of properties	26.0	.6	.1	8.1	(1.1)	3.4	2.3	(4.3)	.6	6.9
Pre-tax profit	327.7	293.3	266.0	243.8	237.6	244.7	237.1	229.1	228.1	222.1
Profit attributable to shareholders	252.0	216.4	196.7	178.4	171.9	179.7	180.6	165.7	167.9	159.9
Retained profit for the year	86.3	51.2	45.1	39.3	39.3	52.2	58.4	50.4	58.1	60.3
CASH FLOWS										
Operating activities	432.2	409.9	399.5	366.8	389.0	374.6	375.9	373.8	363.6	320.8
Operating activities and investments less finance charges and taxation	246.5	229.1	168.2	194.7	183.4	196.2	184.7	175.4	215.2	193.3
Free cash flow (post-dividend) for investing	79.7	73.5	25.7	60.5	54.6	72.6	67.7	64.1	112.6	103.4
Net cash (outflow)/inflow (excludes liquid resources and financing)	(114.9)	(61.9)	72.3	34.6	(69.9)	(32.4)	(76.8)	(73.0)	(100.0)	(88.0)
EARNINGS PER SHARE (pence)										
On profit after taxation	45.44	39.21	36.84	34.85	33.69	35.23	35.66	32.83	33.28	31.72
On results of property sales after taxation	(4.58)	(.10)	.23	(1.68)	.23	(.67)	(.46)	.85	(.66)	(.87)
*ADJUSTED EARNINGS PER SHARE (pence)	40.86	39.11	37.07	33.17	33.92	34.56	35.20	33.68	32.62	30.85
DILUTED EARNINGS PER SHARE (pence)	44.97	38.95	36.55	34.50	33.46	34.91	35.30	32.76	33.19	31.66
*ADJUSTED DILUTED EARNINGS PER SHARE (pence)	40.63	38.86	36.77	32.92	33.67	34.28	34.87	33.59	32.54	30.81
DIVIDENDS PER SHARE (pence)	31.00	29.50	28.00	27.00	26.00	25.00	24.00	22.85	21.75	19.75
DIVIDEND COVER (times)	1.52	1.31	1.30	1.28	1.30	1.41	1.48	1.44	1.53	1.61
*ADJUSTED DIVIDEND COVER (times)	1.37	1.31	1.31	1.22	1.30	1.38	1.46	1.47	1.50	1.56
NET ASSETS PER SHARE (pence)	1107	987	924	783	691	693	677	504	555	668
DILUTED NET ASSETS PER SHARE (pence)	1090	975	910	774	688	691	676	504	555	667
MARKET PRICE PER SHARE AT 31 MARCH (pence)	749	820	1058	773	626	594	628	526	391	537

*These figures exclude the results of property sales after taxation and, in respect of 1997 only, 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 FR33 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 adjusted dividend cover, which exclude the results of property sales and other exceptional items, are still disclosed.

Major Property Holdings


at 31 March 2000

At 31 March 2000 there were 379 properties within the portfolio. In addition to the sale of 114 properties during the year, we have undertaken a reclassification of properties and have amalgamated adjoining properties and properties within development sites. 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 for 900 years or more.

City, Midtown, West End and Victoria properties:

EC1

MITRE HOUSE

160 Aldersgate Street: 17,510m² (188,500ft²) offices, 20 flats and car park, 1990.

EC2

VERITAS HOUSE

119/125 Finsbury Pavement: 4,290m² (46,200ft²) offices, 1991.

30 GRESHAM STREET

development site for 34,370m² (370,000ft²) offices and 3 retail units.

51/55 GRESHAM STREET

7,060m² (76,000ft²) offices and restaurant, 1991.

MOORGATE HALL

143/171 Moorgate: 6,090m² (65,500ft²) offices and 1,450m² (15,600ft²) store, 1990.

DASHWOOD HOUSE

69 Old Broad Street: 10,760m² (115,800ft²) offices, 1975 and reinstatement after bomb damage, 1995.

EC3

KNOLLYS HOUSE

1/12 Byward Street: 8,620m² (92,800ft²) offices, bank, post office and 9 shops, 1964, part 1984 (R), part 1988/1991 (R), part 1998/99 (R). Part air conditioned.

23/39 EASTCHEAP

1,730m² (18,600ft²) offices, 5 shops and restaurant, part 1986 (R) and part 1988 (R). Part air conditioned.

6/12 FENCHURCH STREET AND

1 PHILPOT LANE

4,780m² (51,400ft²) offices and shop, 1985.

13/23 FENCHURCH STREET

15,620m² (168,100ft²) offices and major retail unit, 1968 and 1984 (R).

109/114 FENCHURCH STREET

6,610m² (71,200ft²) offices and banking space and 2 shops, 1976, part 1991 (R) and part 1993/94/95 (R).

51/54 GRACECHURCH STREET

3,170m² (34,100ft²) offices, part 1981 (R) and part 1990 (R).

GRACECHURCH HOUSE


55 Gracechurch Street: 5,790m² (62,300ft²) offices and 930m² (10,000ft²) health club, 1993.

34/36 LIME STREET AND

7/11 CULLUM STREET

3,340m² (36,000ft²) offices and 6 shops, 1974.

37/39 AND 40 LIME STREET

AND 4 FENCHURCH AVENUE  9,380m² (101,000ft²) offices, 1971/72 (R) part 1988/1990 (R), part 1992/94 (R) and part 1998 (R).

NEW LONDON HOUSE

6 London Street: 6,180m² (66,500ft²) offices, 2 shops, 2 restaurants and public house, 1993 (R).

14/15 PHILPOT LANE

3,010m² (32,400ft²) offices, 1986.

1 SEETHING LANE

4,250m² (45,700ft²) offices and restaurant, 1977 (R) and part 1988 (R).

TOWER HOUSE

34/40 Trinity Square: 4,140m² (44,600ft²) offices, 1979 (R).

EC4

CANNON STREET HOUSE AND MARTIN HOUSE

8,100m² (87,200ft²) offices, 1996 (R).

REGIS HOUSE

King William Street: 8,140m² (87,600ft²) offices, public house and 530m² (5,700ft²) retail, 1998.

12/16 GOUGH SQUARE

2,540m² (27,300ft²) offices, 1992.

33 KING WILLIAM STREET

12,120m² (130,500ft²) offices and public house, 1983.

50 LUDGATE HILL

11,040m² (118,800ft²) offices, 12 shops, 2 public houses and 4 restaurants, 1985 (R).

26 OLD BAILEY

6,030m² (64,900ft²) offices, 1984 (R).

FLEETBANK HOUSE

Salisbury Square: 11,370m² (122,400ft²) offices, 1974.

8 SALISBURY SQUARE

10,700m² (115,200ft²) offices, 1989.

LINTAS HOUSE

New Fetter Lane: 8,180m² (88,000ft²) offices, 1958 and 1999 (R).

21 NEW FETTER LANE

6,220m² (67,000ft²) offices, 1978 (R), 1993 (R) and 1998 (R).

2/4 TEMPLE AVENUE

2,540m² (27,300ft²) offices and leisure unit, 1999 (R).

WC1

TURNSTILE HOUSE

High Holborn: 7,110m² (76,500ft²) aparthotel, shop and 2 restaurants, 1997.

WARNER HOUSE

Theobald's Road: 11,520m² (124,000ft²) offices, 1999.

LACON HOUSE

Theobald's Road: 18,910m² (203,500ft²) offices and restaurant/leisure, 1999.

WC2

40 STRAND

8,570m² (92,200ft²) offices and 8 shops, 1997 (R).

GRAND BUILDINGS

Trafalgar Square: 14,860m² (160,000ft²) offices and 3,220m² (34,700ft²) shops, 1991.

Major Property Holdings

at 31 March 2020

7/8 ESSEX STREET 🏢2,610m² (28,100ft²) offices, 1998 (R).**W1****6/17 TOTTENHAM COURT ROAD** 🏢5,710m² (61,500ft²) retail and 210m² (2,300ft²) offices, 1999.**12/24 OXFORD STREET AND****2-5 TOTTENHAM COURT ROAD** 🏢1 store 8,360m² (90,000ft²) and 3 shops 490m² (5,300ft²), pre-war, part 1995 (R) and part 1998.**26/32 OXFORD STREET** 🏢air conditioned bank, large shop, kiosk, restaurant and 1,050m² (11,300ft²) educational use, 1983 (R).**OXFORD HOUSE** 🏢🌿70/88 Oxford Street: 5,680m² (61,100ft²) offices and 5 shops. Part 1994 (R).**455/473 OXFORD STREET**

4 shops and restaurant, 1963.

475/497 OXFORD STREET AND PARK HOUSEPark Street: 6,980m² (75,100ft²) offices and 9 shops, 1963.**484/504 OXFORD STREET AND GULF HOUSE** 🌿9,290m² (100,000ft²) offices and 7 shops, 1957.**LONDON HILTON ON PARK LANE** 🏢🌿

500 rooms, casino and numerous restaurants, 1963.

DEVONSHIRE HOUSE 🏢🌿Piccadilly: 14,190m² (152,700ft²) offices and 9 show-rooms 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, 1,460m² (15,700ft²) offices and 670m² (7,200ft²) of illuminated advertising, part 1977 (R), part 1979 (redevelopment) and part 1985 (R).**7 SOHO SQUARE** 🏢4,450m² (47,900ft²) offices, 1995 (R).**1/11 HAY HILL** 🏢1,670m² (18,000ft²) offices and 610m² (6,600ft²) retail/showroom, 1987 (R).**SW1****BOWATER HOUSE** 🏢Knightsbridge: 24,720m² (266,100ft²) offices, 1958.**49/75 BUCKINGHAM PALACE ROAD AND****29 BRESSENDEN PLACE** 🏢5,150m² (55,400ft²) offices, 136 bedroom hotel, 30 flats and 7 shops, 1964, offices 1994 (R).**HAYMARKET HOUSE** 🏢Haymarket: 7,520m² (80,900ft²) offices and 3,410m² (36,700ft²) of restaurants, 1955, part 1992 (R) and part 1997/98 (R).**10 BROADWAY** 🏢🌿New Scotland Yard: 35,670m² (384,000ft²) offices, banking space and restaurant, 1966.**WELLINGTON HOUSE** 🏢🌿Buckingham Gate: 4,970m² (53,500ft²) offices, 1978.**THE HOME OFFICE** 🏢🌿50 Queen Anne's Gate: 28,310m² (304,700ft²) offices, 1977.**PORTLAND HOUSE** 🏢Stag Place: 27,610m² (297,200ft²) offices and 1,510m² (16,200ft²) basement restaurant, 1959, part 1986/87 (R), part 1992/95 (R) and part 1996/99 (R).**ELAND HOUSE** 🏢🌿Stag Place: 23,170m² (249,400ft²) offices, 1995.**GLEN HOUSE** 🏢Stag Place: 9,030m² (97,200ft²) offices and 16 shops, 1962, part 1983/84 and 1994 (R).**ELLIOT HOUSE** 🏢Bressenden Place: 2,720m² (29,300ft²) offices and 710m² (7,600ft²) retail, 1964.**SELBORNE HOUSE** 🏢🌿Victoria Street: 10,360m² (111,500ft²) offices, 1966.**KINGSGATE HOUSE** 🏢🌿Victoria Street: 14,160m² (152,400ft²) offices and 18 shops, 1987 (R).**WESTMINSTER CITY HALL** 🏢🌿Victoria Street: 15,750m² (169,500ft²) offices and bank, 1965.**ESSO HOUSE** 🏢🌿Victoria Street: 20,060m² (215,900ft²) offices, 2 banks, 14 shops and restaurant, 1963 and part 1991 (R).**ALLINGTON HOUSE** 🏢🌿50 Victoria Street: 3,600m² (38,700ft²) offices and 930m² (10,000ft²) retail, 1997.**16 PALACE STREET** 🏢5,240m² (56,430ft²) offices, 1960.**ROEBUCK HOUSE** 🏢

116 flats and fitness centre, 1960.

ST ALBANS HOUSEHaymarket: 4,270m² (46,000ft²) offices and 2 restaurants, 1963 and part 1987 and 2000 (R).**1 WARWICK ROW** 🏢3,400m² (36,600ft²) offices, 1995 (R).**NEVILLE HOUSE** 🏢Page Street, 4,780m² (51,500ft²) offices and a public house, 1952.**CLIVE HOUSE** 🏢Petty France, 9,400m² (101,200ft²) offices, 1950.**TOMEN HOUSE** 🏢🌿Charles II Street, 1,440m² (15,500ft²) offices, 1988.**SE1****ST CHRISTOPHER HOUSE** 🏠80/112 Southwark Street, 55,420m² (596,500ft²) offices, 8 shops, 1960.**THE IBM BUILDING** 🏢🌿74-78 Upper Ground: 20,160m² (217,000ft²) offices, 1982.

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 715,350m² (7.7m ft²) of offices and approximately 79,460m² (855,300ft²) of retail and restaurants.

Towns and cities, outside central London, 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: 27,870m² (300,000ft²)6 stores, 56 shops and 2,580m² (27,800ft²) of air conditioned offices, 1976 and 1998 (R).**NOTTING HILL GATE W11** 🏢8,680m² (93,400ft²) offices, 52 shops, 2 stores and cinema, 1958.**FULHAM SW6** 🏢Empress State Building, Lillie Road: 32,520m² (350,000ft²), 1962.

Major Property Holdings (continued)

at 31 March 2000

ABERDEEN

Bon Accord Centre: 23,690m² (255,000ft²) 4 stores, 53 shops, food court, 4,650m² (50,000ft²) leisure, 2,690m² (29,000ft²) offices and car park, 1990.

BALLYMENA

Tower Centre 16,260m² (175,000ft²): 3 stores and 60 shops, 1981 and refurbished and extended 1999.

BASILDON

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

BATH

7 shops, 1961.

BELFAST

16 shops, 1957, part 1984 and 1995.

BIRMINGHAM

Cantogate Phase I: 15 shops and 1,390m² (15,000ft²) offices, 1997.

BIRMINGHAM

Cantogate Phase II: 6 shops and residential, 2000.

BIRMINGHAM

Martineau Place: 16,720m² (180,000ft²) retail, and 6,040m² (65,000ft²) offices.
(one third interest).

Bull Ring: 111,480m² (1.2m ft²) retail
(one third interest).

Martineau Galleries: up to 120,770m² (1.3m ft²) retail
(one third interest).

BOLTON

20 shops, 1959.

BOOTLE

Brand Centre: 37,160m² (400,000ft²) Phases I and II: 3 stores, 129 shops, 2 public houses and 690m² (7,400ft²) offices, 1989 (R) and 1998.

BRISTOL

2 stores, 57 shops, 1957/1962.

CANTERBURY

Longmarket 4,650m² (50,000ft²): 16 shops, conservatory restaurant and museum, 1992.

CANTERBURY

Clocktower: 5 shops and 1,330m² (14,300ft²) offices, 1993.

CANTERBURY

Whitefriars: department store, 2 major stores, 37 shops, residential and car park.

CANTERBURY

Marlowe Arcade and Graylaw House: store, 13 shops and 710m² (7,600ft²) offices, 1985.

CARDIFF

St David's Centre 32,520m² (350,000ft²): 61 shops, 1981 and 1991 (R). St David's Link: 12 shops and library, 1986.

COVENTRY

45 shops, public house, 1,250m² (13,500ft²) offices and hotel, 1955/1961 and 1991.

EALING

Broadway Centre (part) 3,390m² (36,500ft²): 11 shops and 2,020m² (21,700ft²) air conditioned offices, 1984.

EAST KILBRIDE

Princes Mall 13,940m² (150,000ft²): 2 stores, 38 shops, public house and 950m² (10,200ft²) offices, 1994 (R).

EAST KILBRIDE

The Olympia 32,520m² (350,000ft²): 2 stores, 48 shops, ice rink, 9 screen cinema, library restaurant, public house, night club, food court and 690m² (7,400ft²) offices, 1989.

EXETER

3 stores, 66 shops and 2,580m² (27,800ft²) offices, residential and car park, 1952/1964 and 1971.

HULL

48 shops, public house and 2,520m² (27,100ft²) offices, 1952/56.

IRVINE

Rivergate Centre: 34,840m² (375,000ft²) 1 superstore, 4 stores, 59 shops, public house, car park and 9,700m² (104,400ft²) offices, Phase I 1992 (R) and Phase II 1992.

KEIGHLEY

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

KILMARNOCK

Burns Centre: 3 Phases 17,000m² (183,000ft²) 3 stores, 36 shops, public house and 1,760m² (18,900ft²) offices, 1975/79 and 1991 (R).

LEEDS

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

LIVERPOOL

16 shops and 370m² (4,000ft²) offices, 1950s and 1999.

LIVERPOOL

St Johns Centre 33,440m² (360,000ft²): 4 stores, 95 shops, 2 public houses, retail market, food court, hotel, car park and Beacon, 1989 (R).

LIVINGSTON

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

LIVINGSTON

Designer Outlet Shopping and Leisure Centre, 16,720m² (180,000ft²) 95 shops, 7,060m² (76,000ft²): leisure and food court (50% interest).

NEWBURY

Kennet Centre: 22,300m² (240,000ft²) 3 stores, 53 shops, mall café, car park and 770m² (8,300ft²) offices, part 1972, 1985/89 (R) and 1999 (R).

NEWTOWARDS

Ards Centre 26,480m² (285,000ft²): 3 stores, 45 shops, cinema, 2 drive through restaurants and petrol filling station, 1976. Refurbished and extended 1995.

NOTTINGHAM

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

PLYMOUTH

1 store, 46 shops, 1952/1965.

READING

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

SUNDERLAND

The Bridges 23,220m² (250,000ft²): Phase I: 3 stores, 68 shops and mall café, 1969 and 1988 (R); Phase II 24,620m² (265,000ft²): 2 stores, 26 shops and car park.

UXBRIDGE ONE

13,240m² (142,500ft²) offices and twin cinemas, 1990.

WALSALL

13 shops, 1970s and 1987.

WALSALL

Saddlers Centre 17,190m² (185,000ft²): 2 stores, 41 shops, mall café, 4 kiosks and car park, 1980 and 1990 (R).

YORK

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

YORK

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

Major Property Holdings

at 31 March 2020

Retail warehouse and food superstore properties:

BEXHILL-ON-SEA 📍

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

BIRMINGHAM 📍

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

BLACKPOOL RETAIL PARK 📍

11,290m² (121,500ft²) 9 retail warehouses, 1993, 95 and 96. Extension planned.

BOLTON 📍

Manchester Road: 7,630m² (82,100ft²) 6 retail warehouses, 1985, 89 and 1997.

BRISTOL 📍

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

CHADWELL HEATH 📍

(Near Romford): 8,510m² (91,600ft²) 4 retail warehouses, 1988 and 1999.

CHESTERFIELD 📍

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

DERBY 📍

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

DERBY 📍

Wyvern Centre: 11,280m² (121,400ft²) 6 retail warehouses and fast food restaurant, 1990 and 96.

DUNDEE 📍

Kingsway Retail Park: 17,350m² (186,800ft²) 7 retail warehouses and fast food restaurant, 1985, 87, 88 and 1994. Major enlargement and reconfiguration planned.

EDMONTON 📍

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

ERDINGTON 📍

Ravenside Retail Park, Kingsbury Road: 14,310m² (154,000ft²) 8 retail warehouses, 1987 and 89. Extension planned.

GATESHEAD

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

GLOUCESTER RETAIL PARK 📍

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

HATFIELD 📍

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

HIGH WYCOMBE 📍

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

HULL 📍

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

KEIGHLEY 📍

Cavendish Street: 6,890m² (74,200ft²) food superstore, 1985 and 1999.

LIVERPOOL 📍

Racecourse Retail Park, Aintree: 24,850m² (267,530ft²) 15 retail warehouses and fast food restaurant, 1986, 88 and 1990. Reconfiguration planned.

LIVINGSTON 📍

Almondvale: 9,600m² (103,300ft²) 5 retail warehouses, 1987.

MANCHESTER 📍

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

PLYMOUTH 📍

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

POOLE 📍

Commerce Centre 6,380m² (68,700ft²), 1986 and 87.

SLOUGH RETAIL PARK 📍

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

STAINES 📍

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

STOCKTON-ON-TEES 📍

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

WAKEFIELD 📍

Ings Road: 9,400m² (101,200ft²) food superstore and 2 retail warehouses, 1988, extended 1997/99.

WEST THURROCK 📍

Lakeside Retail Park: 28,870m² (310,700ft²) 17 retail warehouses and fast food restaurant, 1988, 89 and 1997. 4,320m² (46,500ft²) extension planned.

Warehouse and industrial properties:

BANBURY 📍

Middleton Road: 37,430m² (402,900ft²) high bay distribution warehousing, 1995, 98 and 99.

BLACKPOOL 📍

Squires Gate Industrial Estate: 107,200m² (1,153,900ft²), 1940s.

CHANDLERS FORD 📍

(Near Southampton) School Lane: 21,550m² (232,000ft²), 1985, 88 and 89.

FRIMLEY 📍

(Near Camberley): 19,200m² (206,700ft²) on Albany Park, 1982/84.

HATFIELD 📍

Welham Green: 31,310m² (337,000ft²), 1986 and extended 1988.

HESTON 📍

(Near Heathrow) Heston Centre and Spitfire Trading Estate: 28,730m² (309,200ft²), 1977, 1982 and 84.

HESTON 📍

(Near Heathrow) The Harlequin Business Centre: 6,280m² (67,600ft²) two storey offices, 1989.

HINCKLEY 📍

Dodwells Road: 28,030m² (301,700ft²), 1989.

HUNTINGDON 📍

13,630m² (146,700ft²) on Ermine Business Park, 1989 and 1990 and 6,740m² (72,600ft²) on Stukeley Meadows Industrial Estate, 1988.

SUNBURY CROSS 📍

Hanworth Road (includes Interchange West): 29,360m² (316,000ft²), 1970 and 76.

TAMWORTH 📍

Centurion Park: 24,420m² (262,900ft²) high bay warehousing 1996 and 99.

WELWYN GARDEN CITY 📍

Bridge Road: 17,070m² (183,700ft²), 1955, 1961 and 1976. 12,960m² (139,500ft²), warehouse planned with 2.4 acre redevelopment site remaining.

WEST THURROCK 📍

Motherwell Way: 29,070m² (312,900ft²), 1973, 75 and 79 and trailer park of 1.28 acres.

WEYBRIDGE 📍

29,420m² (316,700ft²) on Brooklands Industrial Estate, 1984 and extended 1989.

Major Property Holdings (continued)

at 31 March 2000

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, Beaconsfield, Birmingham, Blackpool, Boston, Bournemouth, Bromley, Bury St Edmunds, Cambridge, Chelmsford, Chester, Chippenham, Cirencester, Croydon, Durham, Ealing, Epsom, Erdington, Falkirk, Glasgow suburbs, Henley on Thames, Hereford, Horsham, Huddersfield, Ipswich, Kings Heath, Kingston upon Thames, Leeds, Leicester, London suburbs, Manchester, Newcastle upon Tyne, Norwich, Nuneaton, Portsmouth, Reigate, Rochdale, Rotherham, Rugby, St Albans, Salisbury, Southampton, Sunderland, Swansea, Tamworth, Torquay and Watford.

Retail warehouse properties

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

Warehouse and industrial properties

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

Outside the City, West End and Victoria, the Group has holdings in most of the major cities and towns throughout the United Kingdom which, including developments and refurbishments, total 566,700m² (6.1m ft²) of retail space, 171,870m² (1.85m ft²) of office space, 696,550m² (7.5m ft²) of warehouse and industrial space and 460,200m² (4.95m ft²) of out of town retail and food superstore space.

The whole portfolio contains in excess of 2,450 shops including 114 supermarkets or stores, each with an area in excess of 930m² (10,000ft²).

Glossary of Terms

Adjusted figures

Reported amount adjusted to exclude the results of property sales

Anchor stores

Major retailers occupying large stores which serve as a draw to other retailers and shoppers

Average unexpired lease term

Excludes short term lettings such as car parks and advertising hoardings, residential leases and long ground leases

CPO

Compulsory Purchase Order

Diluted figures

Reported amount adjusted to include the effects of potential shares issuable under Convertible Bonds or employee share schemes

Earnings per share

Profit after taxation divided by the average number of shares in issue during the year

ERV

The estimated market rental value of lettable space as determined annually by the Company's valuers

Forward-dated swap

An agreement to pay a fixed rate of interest for a period beginning at a future date

Gearing (net)

Total borrowings less short term deposits, corporate bonds and cash, as a percentage of shareholders' equity

Interest cover

Number of times interest payable is covered by operating profit and interest receivable

Net assets per share

Shareholders' funds divided by the number of shares in issue at the year end

Open A1 non-food planning permission

Planning permission for the retail sale of any goods other than food

Over-rented

Space that is let at a rent above its ERV

Passing rent

The annual rental income receivable which may be more or less than the ERV (see over-rented and reversionary)

Pre-let

A lease signed with a tenant prior to completion of a development

Retail park

A scheme of three or more retail warehouse units aggregating over 4,650m² (50,000ft²) with shared parking

Return on shareholders' equity (ROE)

Increase in diluted net assets per share together with dividends for the year (assuming no dividend tax credit) expressed as a percentage of diluted net assets per share at the beginning of the year

Reversionary or under-rented

Space where the passing rent is below the ERV

Total property return

Valuation surplus, profit on property sales and net rental income expressed as a percentage of opening book value of property portfolio

Weighted average cost of capital (WACC)

Pre-tax market cost of debt and cost of equity capital (equity capital cost calculated assuming equity risk premium of 4% and using London Business School beta factor), applied to fair value of debt and equity market capitalisation and then suitably weighted

Investor Information

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: 0870 600 3972.

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: 020 7606 1768.

PERSONAL EQUITY PLANS (PEPs)

The Company's General and Single Company PEPs, which were previously managed by Bradford and 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 a 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.

DIVIDEND REINVESTMENT PLAN (DRIP)

The Company has introduced a DRIP to enable shareholders to use cash dividends to purchase Land Securities shares in the market. For further details, please contact The Share Dividend Team, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA. Telephone: 01903 502541.

CORPORATE INDIVIDUAL SAVINGS ACCOUNT (ISA)

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).

Analyses of Equity Shareholdings

at 31 March 2000

	Shareholders		Shareholdings	
	No.	%	No.	%
BY SHAREHOLDER				
INDIVIDUALS	24,228	61.4	29,460,437	5.6
NOMINEE COMPANIES	12,557	31.8	366,472,929	70.2
BANKS	159	0.4	443,582	0.1
INSURANCE COMPANIES	20	0.1	51,832,060	9.9
PENSION FUNDS	43	0.1	57,989,679	11.1
OTHER LIMITED COMPANIES	1,488	3.8	7,839,318	1.5
OTHER CORPORATE BODIES	949	2.4	8,429,165	1.6
	39,444	100.0	522,467,170	100.0

	Shareholders		Shareholdings	
	No.	%	No.	%
BY SIZE OF HOLDING				
UP TO 500	13,049	33.1	3,938,904	0.8
501 TO 1,000	11,578	29.4	8,842,209	1.7
1,001 TO 5,000	12,290	31.1	25,040,919	4.8
5,001 TO 10,000	1,008	2.6	7,185,999	1.4
10,001 TO 50,000	847	2.1	18,465,294	3.5
50,001 TO 100,000	202	0.5	14,767,659	2.8
100,001 TO 500,000	315	0.8	68,329,116	13.1
500,001 TO 1,000,000	66	0.2	48,325,886	9.2
1,000,001 and above	89	0.2	327,571,184	62.7
	39,444	100.0	522,467,170	100.0

REGISTERED OFFICE

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No. 551412

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