LandSecurities

Report and Financial Statements 31 March 2002

making property work...

Land Securities provides an integrated approach to the commercial property and outsourcing needs of customers to create long-term and sustainable returns for shareholders.

Contents

Financial Calendar

2002 22 May
Preliminary announcement

26 June
Ex-dividend date

28 June
Record date for final dividend

9 July
Annual general meeting

22 July
Final dividend payable

November
Announcement of interim results (unaudited)

2003 January
Interim dividend payable

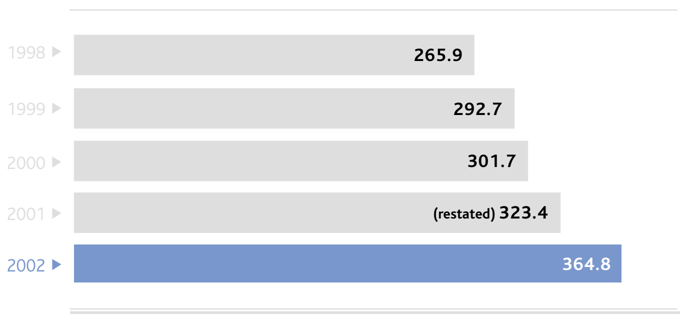
making property work

Highlights

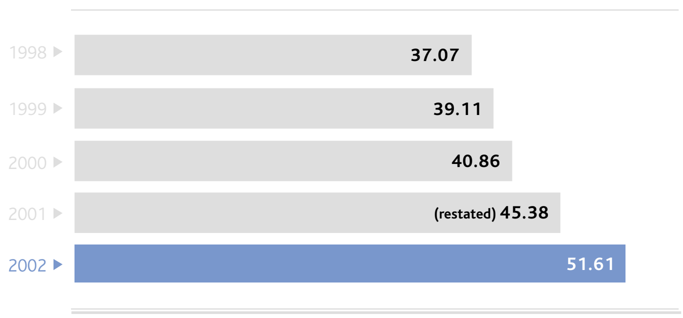
- Adjusted earnings per share increased by 13.7% to 51.61p (2001 45.38p)
- Pre-tax profit up to £363.5m, an 11.9% increase (2001 £324.7m)
- Adjusted diluted net asset value steady at 1155p (2001 1152p)
- High level of activity demonstrated by:
  - £0.5bn of property sales
  - £0.5bn investment in development and investment property activities
  - £146m investment in Telereal
  - £70m investment in Kent Thameside
- Portfolio rationalisation substantially complete
- Development progressing well with 87,030m^2 completed this year and 260,160m^2 under development
- Land Securities Trillium secured two major new contracts during the year
- Proposed £500m return of capital to shareholders
- 10m m^2 of commercial property owned or under management.

financial highlights...

REVENUE PROFIT (PRE-TAX) £m



ADJUSTED EARNINGS PER SHARE (PENCE)

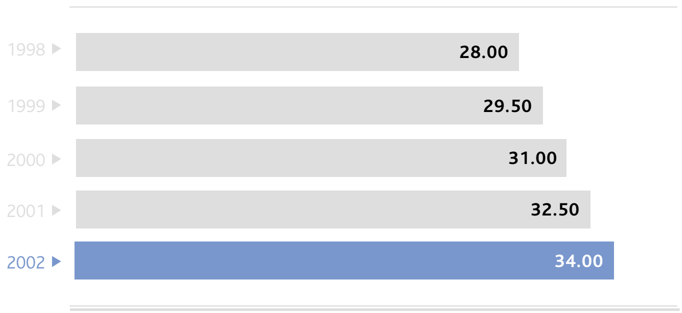


	31 March 2002	31 March 2001 (restated)	Change %
Gross property income	£1,025.6m	£650.4m	+57.7
Operating profit	£516.8m	£450.6m	+14.7
* Revenue profit (pre-tax)	£364.8m	£323.4m	+12.8
Pre-tax profit	£363.5m	£324.7m	+11.9
** Adjusted earnings per share (basic)	51.61p	45.38p	+13.7
Earnings per share (basic)	50.27p	44.87p	+12.0
Dividends per share	34.00p	32.50p	+4.6
** Adjusted dividend cover (times)	1.52	1.39	
Dividend cover (times)	1.48	1.38	
† Interest cover (times)	2.98	3.03	
# Adjusted diluted net assets per share	1155p	1152p	+0.3
Diluted net assets per share	1132p	1130p	+0.2
Book value of properties sold	£510.4m	£424.9m	
Capital expenditure on properties, developments and acquisitions	£776.5m	£758.3m	
ø Valuation of investment properties	£7,800.0m	£7,899.1m	
Net borrowings	£1,942.1m	£1,727.8m	
Equity shareholders' funds	£6,036.6m	£6,017.8m	
† Gearing (net)	32.2%	28.7%	

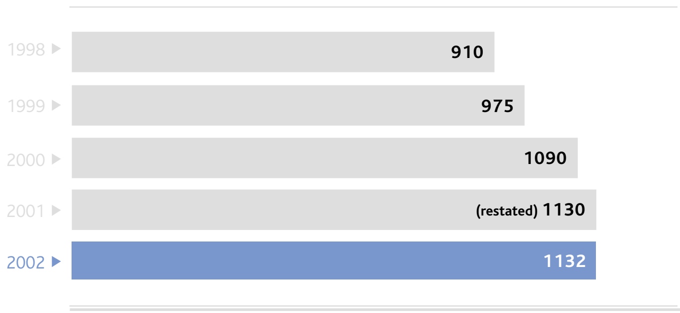
The comparative figures for the year ended 31 March 2001 have been restated to reflect the changes in accounting policies described on page 32 and in Note 1 to the financial statements. Trillium was acquired in November 2000. Results for the year ended 31 March 2001 therefore include four months' trading for that business.

* Excludes results of property sales and bid costs.
** Excludes results of property sales, bid costs and additional deferred tax arising on adoption of FRS19.
\# Excludes the effects of additional deferred tax arising from adoption of FRS19.
ø After adjusting for the effect of adopting UITF28.
† See glossary (page 84).

DIVIDENDS PER SHARE (PENCE)

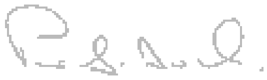


DILUTED NET ASSETS PER SHARE (PENCE)



Over two years ago we set out a clear strategy aimed at securing enhanced returns from property. Since that time, the Group has made significant progress towards implementing this strategy by refocusing the investment portfolio, expanding the development programme and winning new property outsourcing contracts.

The Group's sound performance over a number of years is compelling evidence of the value of a long-term approach to property. Our dividends have grown by an average of 4.5% per annum since 1992, compared to inflation of 2.6% per annum. Over the same period, our net assets per share have increased by 7.6% per annum. These figures have underpinned our average total shareholder return of 13.8% over this period.



Peter G Birch
Chairman

chairman's statement...

The recent fall-out from the technology sector and other high-profile corporate failures has brought into sharp relief the benefits of concentrating on sustainable growth over the long term. The Board has long recognised this and while restructuring the business it has been mindful not to compromise the Group's reputation for dependability and its enviable financial position.

Nevertheless, the performance of asset-backed businesses like ours is inextricably linked to the Group's capital structure and we have been reviewing this closely. Our starting point has been a belief that there are good business reasons for retaining a strong balance sheet. As part of this review we have concluded that around £500m of our capital is currently surplus to our requirements and are therefore proposing to return this surplus to shareholders. In assessing the appropriate amount, we have considered future capital requirements of the individual business units.

We expect the return, which is likely to be on a structured pro rata basis to all shareholders, to be achieved by the autumn. More details of the capital return are contained in the Financial Review which follows.

Results

During the year revenue profit increased by £41.4m to £364.8m. The pre-tax profit of £363.5m, an increase of 11.9%, was assisted by a full year's contribution from Land Securities Trillium. Adjusted earnings per share are up 13.7% to 51.61p per share (2001 45.38p per share). Adjusted diluted net assets per share remained steady at 1155p per share.

The Group has been particularly active and has sold over £0.5bn of properties, invested £0.5bn in its portfolio and development activities, £146.4m in the Telereal joint venture and £70.0m in Kent Thameside.

The Board recommends a final dividend of 24.95p per share, making a total distribution for the year of 34.0p, an increase of 4.6%. The dividends paid and proposed will be covered 1.52 times after excluding the effect of property sales, bid costs and additional deferred tax arising on adoption of FRS19. The dividend will be paid on 22 July 2002 to shareholders on the register on 28 June 2002.

Valuation

Since September 2001 there has been considerable uncertainty and a degree of instability in global economies and financial markets. Against this background we are pleased that the valuation of our portfolio has exhibited relative stability despite being adversely impacted by the decrease in value of our Central London development projects.

Board and Senior Executive Group changes

In order to ensure the effective delivery of our strategy we have made changes to the Board and Senior Executive Group. We believe that we now have one of the strongest senior management teams in the sector, with substantial financial, property and management expertise. Succession planning at all levels within the organisation also remains firmly on the Board's agenda.

In October 2001, Andrew Macfarlane was appointed to the Board as group finance director, joining from Six Continents PLC. In January this year, Peter Freeman, non-executive director of Argent Group plc and chairman of

Freeman Publishing plc, was appointed a non-executive director. In April 2002, David Rough, previously Group Director (Investments) of Legal & General Plc, also joined as a non-executive director.

After a successful 20-year career at Land Securities Jim Murray retired in June. We would also like to pass on our thanks to Peter Walicknowski and Manish Chande who resigned during the year.

Ian Ellis, chief executive, and David Godden, chief operating officer, of our total property outsourcing business, joined the Senior Executive Group in January. Ian and David joined Land Securities when we acquired Trillium in November 2000 and have been instrumental in the development of this business.

Following the year-end, in April, we announced that, after a successful 29-year career at Land Securities, Mike Griffiths would be stepping down. Francis Salway will move to the development business unit as chief executive and we have recruited Mark Collins from GE Capital Real Estate as chief executive of portfolio management and a member of the Senior Executive Group. After ten years as a non-executive director Peter Hardy has also indicated that he will be stepping down prior to this year's AGM. I would like to thank both Mike and Peter for their valued contribution to the Group.

I welcome the staff who transferred to the Group when we concluded the BBC and BT transactions. We have all been through a period of substantial change and I am impressed by the enthusiasm demonstrated by our employees, both old and new, and the positive way in which they are approaching new challenges. I should like to thank them for all they have achieved over the past year.

Outlook

The recovery of global economies following the events of 11 September remains fragile: there is still a risk of further instability in the international markets and the uncertainty over oil prices remains. However, the UK economy remains relatively robust and consumer confidence appears undiminished following the tax increases outlined in the recent Budget. With our focus on the UK property markets, we have good reason to be positive about the future prospects for the Group.

The advantage of property as an investment is highlighted by the fact that UK direct commercial property returns continue to exceed those of the equity market. Over a five-year period the FTSE-All Share has produced average annual total returns of 6.7%, compared with 11.9% for property. Over a ten-year period the returns have been broadly similar at 11.9% for the FTSE All-Share and 10.6% for property. Demand for UK commercial property will, we believe, continue to increase as pension funds switch from equities to less risky investments in order to meet future funding requirements.

We will continue to pursue our core principles of acquiring and owning real estate and optimising returns. Land Securities has a unique portfolio and has put in place a compelling strategy, the right team and the right structure for the future. The new generation of management relishes the challenge of building on our long-term record and continuing to generate value for shareholders.

Last year we described how we had set the company on course to become the provider of choice of real estate and associated occupational services. Over the past 12 months we have made substantial progress towards achieving that aim. Driving this new strategy were fundamental shifts in our macro- and micro-economic environment, which required us to evolve our business activities to take maximum advantage of the opportunities that we saw in this new era. These drivers continue to influence the way we develop our business.

Ian J Henderson
Chief Executive

corporate review...

Our new corporate structure is working well and each of the three business units has made good progress in achieving the objectives set for them last year. We have virtually completed the rationalisation of the investment portfolio while, at the same time, investing in buildings which will form the future development programme. We have also been looking for the most advantageous way of creating a partnership or joint venture in which to hold our Victoria properties, a topic which is expanded on in the portfolio management review. We have advanced the development pipeline and including our share of joint developments we now have 260,160m^2 of new developments in progress, a further 212,900m^2 with planning permission or minded to grant and more than 249,960m^2 at the pre-planning stage. We have also confirmed our position as one of the leaders in total property outsourcing through winning two major contracts with the BBC and BT.

The level of activity over the past 12 months demonstrates our focus on the delivery of our strategy and increasing the returns we generate for shareholders. We are pleased that Land Securities Trillium has exceeded our expectations for performance. Our discussions with occupiers lead us to believe that there is good demand for property outsourcing and we are prepared to invest significantly in this business. Our ambition is to grow both the total property outsourcing and the development business units over the next five years until each of these contribute approximately 25% of our total operating profit. We believe that this will provide a balance between the strong and secure performance of the investment portfolio and the higher rewards from our development and outsourcing activities.

In this context we have reviewed our capital requirements for the medium term and, as reported in the Chairman's Statement and Financial Review, have concluded that we have surplus capital which we will be returning to shareholders later this year.

Performance benchmarking

During 2001 we subscribed to the Investment Property Databank (IPD) property performance benchmarking service both for internal management purposes and also to ensure transparency of performance for the benefit of our shareholders. We consider the most appropriate measure of our performance is total return in the form of NAV growth and dividends. Total property return, on an ungeared basis, in the form of the income yield and capital growth on properties, is an important ingredient of this wider measure.

While we believe that benchmarking is a strong management tool, there are reasons why a comparison to IPD does not provide the definitive measure of our performance. For example, it is important to take into account the impact of gearing, the chosen sectors of focus of the Group, and the constraints of capital gains tax on portfolio rotation when compared with typical institutional investors.

I am pleased to report that the comparison to IPD shows that over the long term we have delivered significant value through our performance. Over the 19-year period covered by IPD, we are in the top quartile of contributing portfolios in terms of ungeared total return. Further details of our comparative performance over the last year are given in the portfolio management review.

Responding to the challenges set by Government

In April the Government launched a New Code of Practice for Commercial Leases. It has been seen by some as an attack on the traditional leasing structure in the UK. We would see it rather as a call for building owners to offer occupiers an alternative to traditional lease forms. I am delighted that we have anticipated the Government's initiative in this area by responding to businesses' desire for new forms of occupational contracts both through the acquisition of Trillium and also through initiating the development of our LandFlex product.

The Government continues to be challenged by the renewal of the country's infrastructure and the regeneration of inner urban areas. We have consistently highlighted the threat to the UK and, in particular, to London of neglecting these issues. Urgent priority needs to be given to emulating the success of Government strategies where deregulation and tax incentives have contributed to the successful implementation of urban renewal and infrastructure projects.

Property investment can act as a catalyst for renewal in this way. However, it requires significant equity investment from specialist companies with deep pools of development expertise. Financial institutions tend not to have sufficient skilled personnel for large-scale development, and private property companies financed by high levels of debt do not have the necessary equity available. A quoted property company can deliver urban renewal, but the tax regime for such a company put it at a disadvantage as compared to other property vehicles. The Government needs to recognise and address this impediment to the quoted property sector's potential contribution to urban renewal.

The Government's plans for reform of the planning system should assist in the process of regeneration. We generally welcome these proposals, but we would ask that the Government listens to the representations of the property industry to ensure that there is a simple and consistent process and one which does not, by virtue of an effective development land tax, bias property owners towards retention of existing buildings which may be functionally obsolete.

Through regeneration and the delivery of attractive and environmentally sustainable buildings, property companies can improve our daily lives and make businesses more efficient. We are involved in major regeneration programmes in Birmingham, Bristol, Cardiff and Kent Thameside and wish to continue this significant work to improve the fabric of those cities and other potential areas where we might get involved. We therefore need the Government to provide other developers and ourselves with a platform that encourages, rather than discourages, our potential contribution.

Group objectives

Over the next year we shall seek to expand on the initial success of property outsourcing by developing partnerships with businesses that wish to rationalise their property holdings, releasing value to our respective shareholders' mutual advantage. The development unit will press on vigorously with the plans outlined in this report to ensure that we are well placed to secure lettings as the market improves, while portfolio management will continue to drive the returns from the investment assets.

Businesses face the constant challenge of generating ever-increasing returns. Although, proportionally, property costs have fallen as compared to other costs, more efficient management of property can assist in improving profits. We are ideally positioned to deliver the accommodation and property services required to fulfil this need.

The investment portfolio was valued by Knight Frank at approximately £7.81bn at 31 March 2002. After adjusting for sales, acquisitions and expenditure the value reduced by 1.3% as compared to 31 March 2001.

However, if development properties are excluded, the portfolio value measured on a similar basis with adjustment for sales, acquisitions and expenditure decreased by only 0.5%. A positive contribution from retail warehouse and industrial developments was more than offset by the negative impact of the revaluation of our office development projects which are currently in progress. This reflects a slight reduction in office rental values owing to current market conditions and the increased risk premium applied to speculative development at this stage in the cycle. However, most of the office developments are not due to be delivered until mid-2003 or later when we expect market conditions and rental values to have improved.

In the first half of the Company's financial year, the period to 30 September 2001, capital values for both London office and town centre retail properties weakened due to adverse yield movement. In the second half of our financial year, capital values for town centre retail properties increased with clear evidence that investors are being attracted back to the sector. For London offices, the second half of the year saw continuing small decreases in capital values and sharper falls in rental values. The fact that capital values for London offices decreased by less than rental values is attributable, in part, to the protection offered to investors by long leases and also to the continuing attraction of the yield levels which, for London offices, are high by historic standards.

Retail warehousing has shown the strongest capital growth over the last 12 months, and has been strongly favoured by UK institutions. The industrial sector has been broadly flat with positive rental growth being largely offset by adverse yield movement.

Occupational markets have, with the exception of retail, weakened over the last year. However, capital values have generally been supported by high levels of investor interest in property, the attraction being the high yield on property relative to the cost of borrowing and also relative to the income yields available from other asset classes.

After excluding development properties which were producing less than half of their anticipated income at 31 March 2002, together with other vacant pre-development holdings, the value of the portfolio at 31 March 2002 was £7.0bn. At the same date, the annual rent roll, net of ground rents and excluding the same properties, was £484.1m, 6.9% of this figure.

Detailed breakdowns by sector, including comprehensive analyses of the Group's valuation, rental income and yield profiles, are shown below and on pages 15 and 79.

valuation...

% YIELD ON PRESENT INCOME

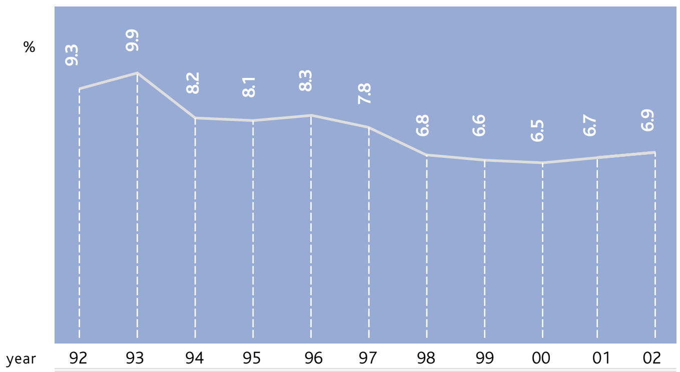
By sector at 31 March 2002

Offices	7.3
Shopping centres and shops	6.8
Retail warehouses	6.2
Industrial premises and warehouses	7.7
Hotels, leisure, residential and other	5.6
Investment portfolio	6.9

This analysis excludes trading properties and all properties owned by Land Securities Trillium and Telereal.

% YIELD ON PRESENT INCOME

At 31 March



Investment Properties

PORTFOLIO VALUATION

at 31 March 2002

	£m	Total %	Analysis of valuation surplus/(deficit) %
Offices			
West End	1,454.1	18.6	(4.3)
City	1,157.5	14.8	(2.5)
Midtown	590.7	7.6	(6.2)
Inner London	254.9	3.3	(3.8)
Rest of the United Kingdom	95.7	1.2	1.5
Shopping centres and shops			
Shopping centres	1,278.6	16.4	0.0
Central London shops	683.5	8.8	(0.5)
Other in town shops	566.1	7.2	(0.2)
Retail warehouses			
Parks	822.3	10.5	3.0
Other (including food superstores)	173.0	2.2	4.7
Industrial premises and warehouses	375.4	4.8	0.6
Hotels, leisure, residential and other	359.2	4.6	3.3
Total valuation	7,811.0	100.0	(1.3)

The portfolio valuation figures given above relate to the investment portfolio business comprising investment and development properties. The figures exclude properties owned by Land Securities Trillium and Telereal.
The portfolio valuation figures include a one-third apportionment of the valuation attributed to properties owned by the Birmingham Alliance Limited Partnerships and a one-half apportionment in relation to property owned by the Gunwharf Quays Limited Partnership and the Ebbsfleet Limited Partnership.

% RENTAL VALUE GROWTH

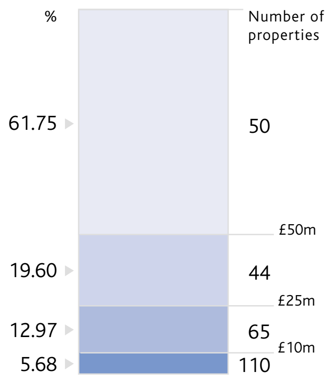
By sector for 12 months to 31 March 2002

Offices	(2.2)
Shopping centres and shops	2.2
Retail warehouses	3.1
Industrial premises and warehouses	3.1
Hotels, leisure, residential and other	2.8
Investment portfolio	0.2

This analysis excludes trading properties and all properties owned by Land Securities Trillium and Telereal.

PORTFOLIO BY VALUE

At 31 March 2002



making assets work…

Over the last 12 months we have completed most of the rationalisation of our investment portfolio to focus primarily on four core sectors of the market: Central London offices and shops, shopping centres, retail warehouses, and south-east industrial premises. These are the sectors that we consider will deliver superior rental growth over the medium and long-term as a result of constraints on the supply of land.

The nature of most of our individual holdings is such as to enable us to apply our asset management skills to generate growth in earnings.

Francis Salway

Below
Retailer relationship management meeting.

Opposite top
Portman House, an 11,070m^2 development in Oxford Street, London W1.

Opposite bottom
A new format Comet Superstore at Aintree Retail Park.

Empress State Building

Following receipt of planning permission last year, Land Securities Development is now progressing work on the flagship building for LandFlex, Empress State Building in Earls Court, SW6. Representing a dramatic element of West London's skyline the 43,000m² building is being extensively refurbished and extended and will be surrounded by landscaping incorporating a new piazza. The entire building is being reclad and the existing floor plates extended five metres on one elevation to increase floor plates to 1,400m².

On the top of the building three glass-clad storeys are being added, creating spectacular penthouse offices and accommodation for exhibition, office and corporate functions. Above this a circular revolving top floor will house a bar with panoramic views across London for the use of the occupants.

making space work...

LandFlex™

During the last 12 months we have been advancing our proposals for a new leasing product for London offices, which we have called LandFlex. The LandFlex product is designed to meet occupiers' desire for certainty of cost and flexibility in terms of lease length. The product anticipated the recently introduced Code of Practice on Commercial Leases.

From the occupier's point of view, LandFlex offers: a range of lease lengths with the possibility of options to break or options to renew on pre-determined terms; rent reviews on the basis of RPI rather than conventional market rent reviews; and a rent that is inclusive of normal landlord's services, repairs and liability for dilapidations upon lease termination. From Land Securities' perspective, LandFlex will offer enhanced earnings through premium rents and the ability to extract and share in any procurement benefits arising from the scale of our operations and buying power.

The LandFlex product will not be rolled out across all our existing London portfolio, but only on buildings specifically refurbished for this purpose. In late 2001, Land Securities Development placed contracts for the refurbishment and extension of two such buildings. The first is Empress State Building, a 43,000m² 31-storey tower building in Earls Court, SW6. This building is due for completion in summer 2003. The second building is 7 Soho Square, W1, which is also being refurbished and extended to provide approximately 5,700m² of offices with completion in December 2002. As these buildings are let we plan to expand the LandFlex offer to around 140,000m² of offices within the next three to five years.

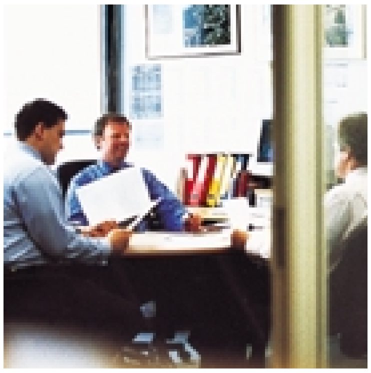
Land Securities' product development team.

Almondvale shopping centre
Our retail space in Livingston, which includes the Almondvale Centre, approaches 100,000m^2 equivalent to a regional shopping centre.

The lights at Piccadilly Circus
Land Securities owns the building upon which the Piccadilly lights are located which generate in excess of £2.5m of income per annum.

Eastbourne Terrace

In 2000 we acquired an office building at 10-30 Eastbourne Terrace and last year purchased the adjacent building, 40-50 Eastbourne Terrace. This 13,310m^2 office building with four retail units provides a development opportunity with the potential to increase its floor area once the current leases expire in June 2003. Together the buildings give us a frontage in excess of 300 metres opposite Paddington Station.



Portfolio Management

Each of our core areas of focus have dedicated portfolio management teams who are responsible for managing the investment portfolio with the objective of maximising returns by creating additional value, as well as looking for new opportunities.

St David's Centre, Cardiff

Ongoing property management at the St David's Centre, Cardiff, is focused on enhancing the existing retail offer while we continue to develop our plans for a significant extension in partnership with Capital Shopping Centres. During the year we acquired the Bhs store in Queen Street, Cardiff, which backs on to the principal mall.

As well as having a rear frontage into the mall, the store occupies a 100% prime frontage on to Queen Street and consolidates our holdings at the front of the Centre. It was acquired for a little under £25m to show a yield of 6.25%.

INVESTMENT PORTFOLIO PERFORMANCE RELATIVE TO IPD

UNGEARED TOTAL RETURNS – LONG TERM (Table 1)

Periods to 31 March 2002

	10 years %	19 years %
Land Securities	12.3	11.4
IPD*	10.8	10.2
IPD* Upper quartile	11.4	11.0

*IPD All Fund Universe March 2002 (unfrozen)
Source: IPD

UNGEARED TOTAL RETURNS – ONE YEAR (Table 2)

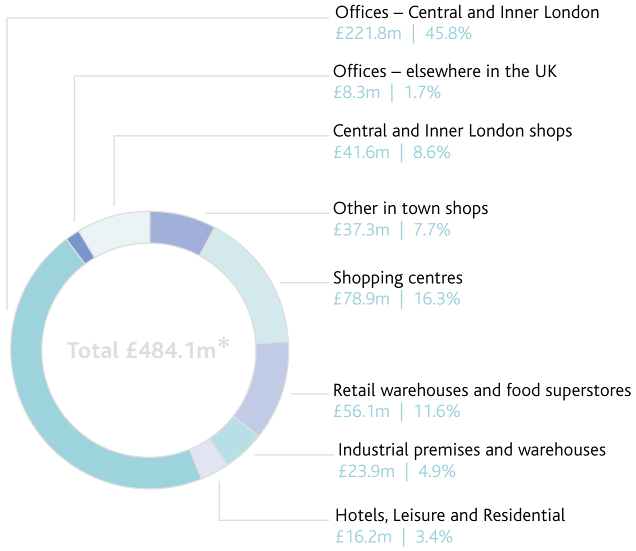
12 months to 31 March 2002

	Land Securities %	IPD* %
Offices	2.8	6.1
Retail	7.6	6.9
Industrial	7.7	7.9
Other commercial	9.0	8.1
PORTFOLIO	5.4	6.8

*IPD All Fund Universe March 2002 (unfrozen)
Source: IPD

INVESTMENT PORTFOLIO NET ANNUAL RENT ROLL

Year ended 31 March 2002



*The figures in the chart exclude developments which are producing less than 50% of their anticipated income

making acquisitions work...

Review of activity

Performance benchmarking

Table 1 above compares Land Securities' ungeared total property return over the last ten-year and 19-year periods to 31 March 2002 to the IPD All Fund Universe March 2002, which comprises the same portfolios that contributed to the IPD All Fund Universe in December 2001 (many of these funds are now valued quarterly by IPD, while the others were extrapolated forward). It can be seen that Land Securities' portfolio has out-performed and produced a return which places it in the top quartile of contributing portfolios over these two time periods. The 19-year period has been selected as the longest time period over which IPD provide comparative performance figures.

Table 2 above compares the performance of the Group's portfolio to that of IPD on a similar basis at both sector and total portfolio levels over the 12-month period to 31 March 2002. Our sector focus means that the structure of the portfolio will impact adversely in some individual years, and this has been the case with our high exposure to offices over the last 12 months. It is also the case that our London office portfolio has under-performed, largely because of development schemes and other properties with short income profiles. We believe that in the medium and long term our chosen areas of sector focus will deliver superior performance and that our development activity will also boost returns.

The generation of rental income growth

Over the last 12 months growth in annual rents payable has been 5.6% on a like-for-like basis. Rent reviews have been settled at an average of 10% above our valuers' assessment of ERV. This highly satisfactory result is, at least in part, attributable to our active management of multi-tenanted holdings which has driven rental values forward.

Investment activity – purchases

The level of investment portfolio purchases over the last 12 months was modest as we implemented our strategy of increasing the proportion of capital invested in our development activities and in Land Securities Trillium. We acquired seven investment properties for £144.6m. Five of these properties adjoin properties we already own and offer varying degrees of potential synergies with the existing holdings.

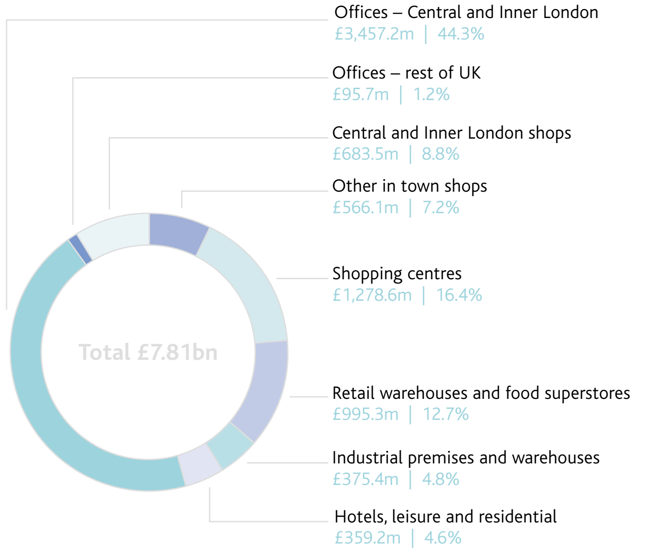
The average yield on these purchase outlays (including the cost of stamp duty and acquisition fees) was 7.0%.

Investment activity – sales

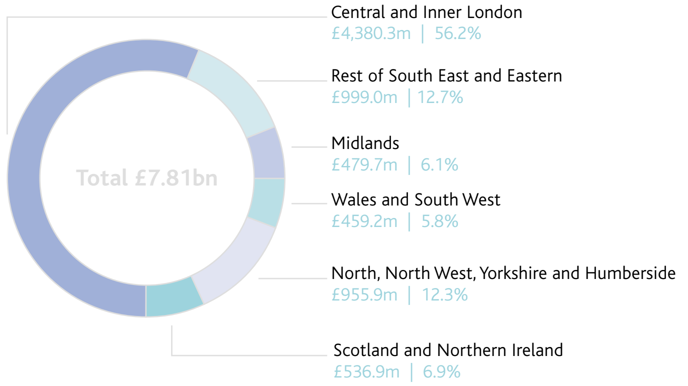
Over the last 12 months, we sold 44 investment properties for £508.9m (net of sale costs). This is the highest value of sales undertaken by Land Securities in a single year and reflects the extent of the portfolio rationalisation which has been undertaken. The average yield on the properties sold was 8.0%. The FRS3 profit on investment property sales was £10.1m.

The most significant sale, and the Company's largest-ever single investment property transaction, was the disposal of six shopping centres in Ballymena, Newtownards, Irvine, Keighley, Walsall and Bootle, virtually completing our disinvestment from shopping centres in smaller towns. Only five of these have been recorded as a sale during our 2001/2002 financial year as the sale of the shopping centre in Bootle is conditional upon obtaining freeholder's consent.

INVESTMENT PORTFOLIO
VALUATION BY TYPE
At 31 March 2002



INVESTMENT PORTFOLIO
VALUE BY LOCATION
At 31 March 2002
% figures calculated by reference to a total portfolio value of £7.81bn



We also disposed of 17 high street shops for total net proceeds of £60.6m. The town centre retail portfolio outside London is now almost wholly focused upon shopping centres in larger towns or cities, which we anticipate will make a stronger contribution to earnings growth in the future.

During the year, we also sold £106.9m of Central London offices comprising eight smaller or more secondary properties. We also sold our largest office holding outside London, a building in Uxbridge, for just under £50m; the sale was completed in April 2001 before demand for Thames Valley offices weakened.

From our out-of-town retail portfolio we sold three supermarket investments and a stand-alone retail warehouse for £60m. We also sold eight industrial properties for £31.9m, all except three of which were located outside the south-east. We now have only four industrial property holdings located outside the south-east.

As a result of the sales programme undertaken over the last few years, non-core holdings of offices outside London and industrial properties outside the south-east and eastern regions account for less than 2% of total portfolio value.

London offices and retail

The London office market experienced a sharp reduction in the take-up of accommodation by occupiers during the second half of 2001, a trend which was already evident before 11 September. Reduced demand has been accompanied by an increase in the amount of space being marketed by occupiers which now accounts for over half of the total vacant office accommodation in Central London.

Although the weakness of the occupier market has increased availability levels, the pipeline of speculative development in the West End continues to be small. In the City, however, it is slightly higher. Our own portfolio void levels for London offices are 0.7% across the investment portfolio and 2.6% overall, including the development and refurbishment schemes either recently completed or due for completion in 2002. These void levels are low both from an historical perspective and as compared to current average void levels in this market, which are generally considered to be between 6% to 8%.

During the year we acquired a recently refurbished property in Wood Street, EC2 for just over £30m, providing an initial yield of 7.72% and a reversionary yield in excess of 8.0%, and a 7,770m² property at 190 High Holborn, WC1 for approximately £30m. The latter was subject to a short leaseback to the vendor and is now being refurbished. Two further purchases made during the year offer significant development opportunities in the medium term. The first was a mixed office and industrial holding at Bankside in Southwark SE1, which is adjacent to our existing holding and proposed development at St Christopher House; the second a 13,310m² building, 40-50 Eastbourne Terrace, Paddington W2, which is adjacent to our existing holding at 10-30 Eastbourne Terrace.

The most significant rent review settlement over the last 12 months was on Eland House SW1, where the increase in rent is in excess of £5m per annum. We have also established significantly higher rental values on our retail holdings in Victoria Street SW1, through negotiating surrenders and relettings, moving retail rental values ahead by over 25%.

making resources work...

During the year we started to examine the feasibility of introducing external investors into a fund or limited partnership comprising the major part of our holdings in Victoria. The properties provide an 'estate' of 5.2 hectares, which can be managed as an estate in a unified way that will support ongoing rental growth. We are exploring ways of matching our desire for long-term ownership and extensive redevelopment with the aspirations of third-party investors. The level of our investment in Victoria is likely to remain broadly constant, with our future expenditure on the Stag Place development being balanced by the introduction of new capital through the partnership.

Shopping centres and shops

The UK retail sector has had a buoyant year with strong growth in retail sales volumes and, in general, increasing levels of profitability for retailers. Rental growth across the sector was modest which, in our opinion, has resulted in a much lower proportion of retailers being stretched by prevailing rental levels. We view this as creating a good platform for ongoing rental growth.

Our retail portfolio has been significantly repositioned as a result of the sales undertaken over the last year, which are described on page 14. Subject to a small number of exceptions, which are not material in terms of value, the portfolio is now concentrated on larger conurbations, and predominantly on shopping centres as opposed to individual high street shops. Shopping centres offer excellent opportunities for active management to enhance both value and the retail environment for shoppers.

We acquired properties within or adjacent to our existing retail holdings in Cardiff, Sunderland, Aberdeen and Exeter for a total of £37m.

In terms of asset management, we have had an extremely active year across the retail portfolio. This is exemplified by initiatives at The Bridges shopping centre in Sunderland. Following the extension to the scheme, which was completed and let in 2000, we have taken advantage of the increased critical mass of the centre to drive performance within the original phase I of the scheme. Over the last 12 months, we have negotiated the surrender of six leases, granted ten new leases and introduced five new retailers to the centre that were not previously represented in the city. We have also facilitated new shop fits in 14 units and introduced leases with a turnover element to eight of the units in phase I on a basis consistent with the leases granted on phase II. In addition, we have introduced a system to record retail sales which will both deepen our relationship with retailers by the sharing of daily turnover information and assist in focusing the promotional activity at the centre. The result of these various initiatives has been to increase footfall by 12% and top rents in phase I of the scheme by 12.5%.

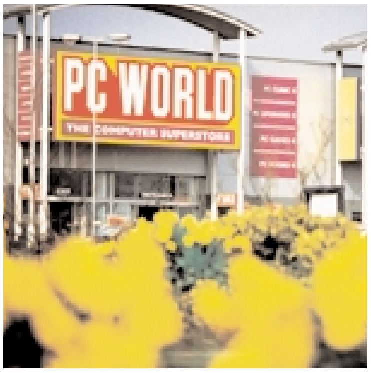
Retail warehouses

Retail warehousing has enjoyed some of the highest levels of rental growth within our portfolio. It has also benefited from strong demand from institutional investors, particularly since the start of the current calendar year.

We purchased the Nene Valley Retail Park in Northampton for just over £30m to show an initial yield of 7.0% and a nominal equivalent yield of 7.5%. The park provides 13,700m^2 arranged in ten units and benefits from a planning consent for open A1 use. It forms part of the town's largest area of out-of-town retailing comprising some 40,000m^2. Since completing the acquisition at the beginning of the calendar year, we have let the one vacant unit at a rent in excess of 10% above the rental value estimated at the time of purchase.

Racecourse Retail Park, Aintree


Horizon Point, Hemel Hempstead



Team Valley, Gateshead

Similarly, at the Almondvale Retail Park in Livingston, which we acquired in the first quarter of 2001, we have now taken a surrender of the lease of a unit and relet it at £172 per m^2, thereby moving rental values on the park some 20% ahead of the level estimated at the time of purchase. This also benefits our other two retail park holdings in Livingston.

We are continuing to introduce new retailers to Retail World, Team Valley in Gateshead. We have agreed terms whereby MFI downsize their unit from 5,100m^2 to 2,050m^2 and have prelet the majority of the surplus space to Courts at £237 per m^2. Other lettings on the park have continued to push rental values ahead to £242 per m^2 for smaller sized units.

In addition to the larger scale development activity covered in the Development section of this report, we are undertaking smaller scale development or partial redevelopment schemes within a number of our retail parks. For example, we have recently obtained planning consent, on appeal, for a 3,110m^2 extension to our retail park in Bexhill. At Chesterfield we are also constructing a 1,400m^2 unit for PC World as an extension to our existing retail park.

The asset management activity is not limited to our retail parks. Over the last year, we have particularly focused on the potential for asset management opportunities on stand-alone units. During the year, we concluded an agreement for a 1,400m^2 extension to a J Sainsbury supermarket in Hull. We also negotiated surrenders on two stand-alone retail warehouse units in Sheffield and Hendon in North London. In both instances we plan to refurbish the units substantially and are currently negotiating relettings at higher rents.

Industrial premises and warehouses

Despite the severe decline in manufacturing output over the last 12 months, warehouse and industrial rental values have remained stable. This is consistent with the fact that the majority of investment grade property in this sector represents warehousing rather than manufacturing activity and, particularly in the south-east, is more closely aligned with distribution rather than manufacturing. With our sales programme continuing to focus on the disposal of properties outside the south-east, we now have just under 90% of our industrial and warehouse portfolio located in our core area of focus.

Our strategy for increasing our industrial and warehouse holdings in the south-east is primarily via the acquisition of sites for development. This is covered in the Development Review.

Our asset management activities were effective in generating additional rental income and minimising void levels which were kept down to 1.3% on the investment portfolio.

making regeneration work...

Land Securities Development has one of the most extensive development programmes in the UK. We are one of the few organisations with the financial strength and human resource expertise to undertake a programme of this scale. This competitive advantage has been recognised by local authorities and, more recently, the BBC, where our combined outsourcing and development offer provided a compelling one-stop-shop solution.

The programme reflects the focus of our investment portfolio but we also seek to enter into other opportunities where we can see the potential to create higher returns for shareholders. This is demonstrated by our activity in Kent Thameside where we are master-planning the development of one of Europe's largest regeneration schemes.

Mike Griffiths

Below
Kent Thameside project control group.

Opposite top
Portman House interior, Oxford Street, London W1.

Opposite bottom
Soho Square, London W1.

making innovation work...

St David's Centre, Cardiff

We believe that partnerships, where we work together with others to deliver a shared vision, can create added value for the benefit of all stakeholders. Working in partnership helps us to participate in larger city centre schemes, bringing together a diverse but complementary range of mixed uses and releasing latent value. At the same time we are also spreading our exposure to risk.

The principles and benefits of partnership are well illustrated in Cardiff where we are working with both the County Council and adjacent property owners. Last November, in partnership with Capital Shopping Centres, we were invited by the Council to progress proposals for a retail-led mixed use extension of up to 70,000m^2 to our existing St David's Centre. This is an exciting opportunity to build upon and consolidate Cardiff's potential as a leading national and international centre not only for business and commerce, but also for culture, sport and recreation.

We intend to make a planning application during the autumn. As part of this process we have recently commenced a major public consultation exercise involving the wider community to ensure our proposals fulfil the needs of both our occupiers and their customers.

Exeter (see left)

We now find ourselves in an era where mixed-use urban regeneration is being actively encouraged in city centres to promote 24-hour living. Our objective in Princesshay, Exeter is to lead the way by adopting a fresh and innovative approach to urban design and architecture.

Following our decision to withdraw from the November 2000 planning inquiry, we embarked upon a complete overhaul of our previous proposals and, in March 2002, we submitted a detailed planning application for a new 37,520m^2 mixed use scheme. The proposals have been drawn up by three leading UK architectural practices and an urban landscape design practice. The development will incorporate a department store, 55 large, medium and standard retail and catering units, 104 residential units, basement heritage centre, tourist information centre and a 300-space multi-storey car park.

Essential characteristics in promoting a successful planning application have been teamwork and the consultation process, which go hand in hand. The former has been critical in uniting all stakeholders to achieve a common objective within a specified programme. The latter has enabled early and regular contact to be made with English Heritage, CABE, local amenity groups and the public to ensure that our vision conforms as far as possible to local and national aspirations for good quality designs and architecture.

St Christopher House

Our commitment to ensuring long-term sustainability of our developments can be seen through our proposals for St Christopher House. These aim to maximise the potential of Bankside's heritage and integrate the new development both physically and economically within its environment. The infrastructure improvements in the vicinity such as the Jubilee Line extension are creating a location that will help deliver further regeneration and vitality in Bankside.

The proposed scheme will replace the existing 1960s 13-storey office blocks and adjoining Tabard House, which, together, act as a barrier to the Tate Modern and have restricted the momentum of regeneration to this key area. Vibrant public spaces are proposed as well as new links between Southwark Street and Tate Modern to the Thames.

Our plans were submitted after an extensive period of consultation with the local residential and business communities. We believe that our investment in the redevelopment of St Christopher House will contribute to the emerging local tourist and business economy.

BBC White City

In partnership with the BBC we are developing a major new facility at White City. The first phase, comprising 50,400m^2 of office and technical space, is now under construction with overall completion expected in May 2004. We are refining the master-plan for the site with the BBC and developing proposals for further mixed use. Facilities management will also be provided, the cost of which will be included as a part of the overall unitary charge.

The Gate, Newcastle

The Gate demonstrates the positive economic impact of our activities in the rejuvenation of cities in the UK. Adjacent to the Grainger Town area of Newcastle, our 17,770m^2 city centre leisure scheme is already acting as a catalyst for new investment and has attracted major leisure operators such as Tiger Tiger and Odeon Cinemas. The development has created more than 450 construction jobs and when open in late November 2002 will provide full- and part-time employment for more than 300 people.

Development schedule

During the year under review we completed some 87,030m^2 of the development programme. The most significant projects were Portman House W1, which is now 70% let and Martineau Place, Birmingham, which is 97% let. Completed developments have produced a total surplus of £28m, over the period of development, which is mostly attributable to the aforementioned schemes. However, the overall contribution to the valuation results for the year from the development programme was negative, primarily as a result of a reduction in values on our ongoing London office development projects.

Last year we reported a development programme with an estimated capital expenditure of £2bn exclusive of interest and the book values of those properties in our portfolio prior to assembling the programme. This included £49m in respect of projects completed in the year ended 31 March 2001 and now removed from the programme. After excluding trading properties, the White City development for the BBC and the Eastern Quarry and Ebbsfleet holdings in Kent Thameside, the estimated equivalent capital cost of the programme set out in the schedules below is approximately £2.2bn, which includes capital both expended and to be expended. Of this figure £149m relates to the completed projects listed in each of the first sections of the schedules and £745m to those projects in progress listed in the second sections. The balance of £1.3bn relates to expenditure on the proposed developments. The outstanding expenditure of some £1.6bn required to complete the programme will be spread over a number of years.

Including our share of joint ventures, the programme set out in the following schedules would provide approximately 829,210m^2, of which 260,160m^2 is in progress and 462,860m^2 is proposed. The sector split of these schemes is:

240,290m^2 of new shopping development
300,380m^2 of Central London offices
49,570m^2 of regional offices
24,790m^2 of leisure
62,600m^2 of retail warehouses
151,580m^2 of industrial premises and warehouses.

making projects work...

CENTRAL LONDON

Property	Description	Size	Planning status	Estimated/actual completion date	Cost £m
Developments completed					
◓ Portman House, W1	Offices Retail	9,330m^2 1,740m^2		Oct 2001	44
Developments in progress					
30 Gresham Street, EC2	Offices Retail	36,330m^2 1,300m^2		Dec 2003	208
Empress State Building, SW6	Offices Retail/Leisure	40,210m^2 2,770m^2		June 2003	99
★ 7 Soho Square, W1	Offices	5,720m^2		Dec 2002	7
★ 190 High Holborn, WC1	Offices	7,630m^2		Sept 2002	41
Proposed developments					
New Fetter Lane, EC4	Offices Retail/Leisure	56,410m^2 6,410m^2	Permission received	2006	
St Christopher House, Bankside, SE1	Offices Retail/Leisure	69,580m^2 7,170m^2	Application submitted	2006	
Stag Place, SW1	Offices Retail	50,170m^2 7,800m^2	Minded to grant	2005	
★ 40–50 Eastbourne Terrace, W2	Offices	25,000m^2		2005	

RETAIL

Property	Description	Size	Planning status	Estimated/actual completion date	Cost £m
Developments completed					
◓ Designer Outlet Shopping Centre, Livingston Joint ownership with BAA McArthur Glen	Retail Leisure	18,910m^2 7,880m^2		Oct 2000	36
◓ Martineau Place, Birmingham The Birmingham Alliance – a limited partnership with Hammerson plc and Henderson Global Investors	Retail	17,420m^2		Dec 2001	15
● 6/16 Market Square, Sunderland Phase II	Retail	1,840m^2		Dec 2001	3
Developments in progress					
◓ New Bull Ring, Birmingham The Birmingham Alliance – a limited partnership with Hammerson plc and Henderson Global Investors	Retail	110,000m^2		Sept 2003	141
◓ Whitefriars, Canterbury	Retail + Residential	37,220m^2		Aug 2005	98

RETAIL (continued)

Property	Description	Size	Planning status	Estimated/actual completion date	Cost £m
Proposed developments					
Caxtongate Phase III, New Street, Birmingham	Retail	2,490m²	Minded to grant	2003	
Broadmead, Bristol The Bristol Alliance – a limited partnership with Hammerson plc, Henderson Global Investors and Morley Fund Management	Retail Leisure Offices + Residential	79,160m² 3,670m² 13,750m²		2007	
Princesshay, Exeter	Retail + Residential	37,520m²	Application submitted	2007	
Plymouth	Retail	3,040m²	Minded to grant	2004	
Coppergate Centre, York, Phase II	Retail Leisure Offices + Residential	24,260m² 2,160m² 1,100m²	Planning inquiry	2006	
★ St David's, Cardiff – A partnership with Capital Shopping Centres	Retail/Leisure Offices + Residential	Up to 70,000m²		2008	

RETAIL WAREHOUSE

Property	Description	Size	Planning status	Estimated/actual completion date	Cost £m
Developments completed					
Aintree Racecourse Retail Park, Liverpool ● Phase I ● Phase II	Retail Warehousing	9,650m² 2,790m²		Sept 2001 Mar 2002	11
Developments in progress					
◓ Kingsway Retail Park, Dundee, Phase I	Retail warehousing	9,760m²		Mar 2003	34
● Almondvale Retail Park, Livingston, Phase I	Retail warehousing	8,360m²		July 2002	14
● Cheetham Hill, Manchester	Retail warehousing	9,280m²		June 2002	7
● Lakeside Retail Park, Thurrock	Retail warehousing	4,090m²		Aug 2002	7
Proposed developments					
Kingsway Retail Park, Dundee, Phase II	Retail warehousing	9,290m²	Minded to grant	2003	
Almondvale Retail Park, Livingston, Phase II	Retail warehousing	9,380m²	Permission received	2003	

INDUSTRIAL

Property	Description	Size	Planning status	Estimated/actual completion date	Cost £m
Developments completed					
◓ Neptune Point, Ocean Park, Cardiff	Industrial	5,760m²		Sept 2000	4
◓ Juniper Phase I, Basildon Refurbishment	Industrial Offices	21,820m² 3,660m²		Nov 2001	20
Horizon Point, Hemel Hempstead Phase I	Industrial	10,380m²		Mar 2002	16
Developments in progress					
◓ Zenith, Basildon	Industrial	15,150m²		May 2002	12
★ ◓ Cobbett Park, Guildford	Industrial	11,410m²		June 2002	12
◓ Welwyn Garden City, Site B	Industrial	3,820m²		May 2002	2
Proposed developments					
Hemel Hempstead, Phase II	Industrial	13,010m²	Permission received	2003	
★ Commerce Way, Croydon	Industrial	12,870m²	Application submitted	2003	
Juniper Phase II, Basildon	Industrial	11,150m²		2003	

OTHER

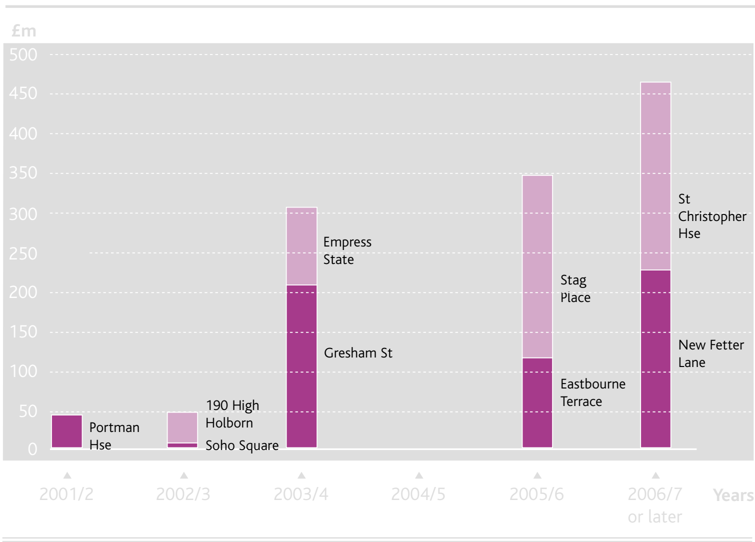
Property	Description	Size	Planning status	Estimated/actual completion date	Cost £m
Developments in progress					
◓ The Gate, Newcastle upon Tyne	Leisure	17,770m²		Nov 2002	63

TRADING STOCK

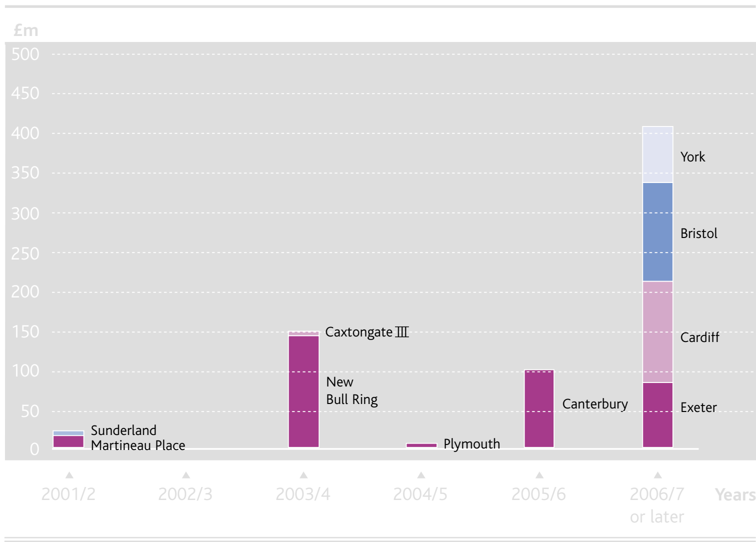
Property	Description	Size	Planning status	Estimated/actual completion date	Cost £m
Developments completed					
★ ◓ Crossways Business Park	Offices Industrial	5,070m² 14,940m²		Dec 2001 Mar 2002	13 11
Developments in progress					
★ ◓ Coldhams Lane, Cambridge	Industrial	12,670m²		June 2002	7
Proposed developments					
★ Crossways Business Park	Offices Industrial	36,300m² 18,600m²	Outline permission received	2003-2008 2003-2004	

£m refers to estimated capital expenditure excluding finance costs.
● Fully let or agreed to be let.
◓ Part let or agreed to be let.
★ Added or significantly changed during 2001/2002.

CENTRAL LONDON OFFICE/SHOPS
Maturity of development costs



SHOPPING CENTRES
Maturity of development costs



These charts show development costs, excluding finance charges, in the year of anticipated practical completion

making development work...

Review of activity

We have included on pages 22 and 23 full details of the projects included in our development programme. In this review we set out highlights of the substantial progress we have made to implement this programme during the year. Through each of the stages of site assembly, planning, negotiating agreements, placing building contracts, implementation and letting, we seek to minimise the risks involved and increase the returns generated by this activity.

Central London

Of our development programme, 56% is in Central London where we are developing or proposing to develop a total of 291,050m² of office accommodation and 25,450m² retail/leisure space. A large proportion of this comprises substantial office buildings with associated ground floor retail.

In the year under review we achieved planning or minded to grant consents for a total of 163,770m² of office, retail and leisure space at Empress State Building, New Fetter Lane and Stag Place, Victoria. We have a total of 93,960m² of development in progress. We also applied for planning permission for a 76,750m² scheme at St Christopher House, Southwark (page 21). During the year we completed 11,070m² of new development and refurbishment and agreed lettings of £4.3m.

Many of the buildings we are developing have floor plates in excess of 4,500m² which we believe match the demands of the modern occupier, whose accommodation requirements are being driven by continual advances in technology. With little speculative development underway in Central London, we can use our financial strength to progress our development programme so that we have high-quality buildings ready for occupation when new supply is limited. However, it is unlikely that we would progress schemes such as New Fetter Lane or St Christopher House without having significant pre-lettings in place. We are also creating space to incorporate Portfolio Management's LandFlex product, in two properties, Soho Square and Empress State Building, as well as starting a major development at White City for the BBC (page 21).

Retail

We continue to make good progress with our urban regeneration programme. Working in close collaboration with local authorities and communities we are committed to creating vibrant metropolitan centres. We are focusing our efforts on dominant locations that we believe will offer opportunities for providing the best returns.

We have completed a total of 19,260m² of new retail space in Sunderland and at Martineau Place, Birmingham and secured a total of £6.7m of rental income. We have a further 147,220m² in progress in Canterbury and at the Bull Ring, Birmingham. We have 40% of the anticipated income at the Bull Ring secured or in solicitors' hands. Martineau Place and the Bull Ring comprise part of our holdings in the Birmingham Alliance limited partnership.

We are also in the early stages of planning a further 166,580m² of urban regeneration in Cardiff and Bristol. At the former, we were pleased to be selected, in partnership with Capital Shopping Centres, as partners with Cardiff County Council on this major retail-led project (page 20). At Bristol, we have now concluded our negotiations with the City Council and are progressing our plans in partnership with Morley Fund Management, Hammerson and Henderson Global Investors.

We are making excellent progress at Canterbury where the early phases of archaeology and development have been completed. We also recently unveiled our new plans for Exeter, which have been well received (page 21), and we expect the planning application to be resolved in late July 2002. While we are disappointed that the public inquiry at York continues, this delay is mitigated by the high income yield from our holdings on the site.

Retail warehouses

During the year we completed 12,440m² of retail warehouse development which were entirely prelet. We have also started work on a further 31,490m² and have planning or minded to grant consent for 18,670m² of additional development. We have a total of £7.5m of income secured or in solicitors' hands. We started on site on phase I at Dundee and at West Thurrock, Livingston and Cheetham Hill in Manchester. All of the units under development have been prelet or terms have been agreed and are in solicitors' hands.

Leisure

We are making good progress at 'The Gate' in Newcastle upon Tyne. Our 17,770m² city centre leisure scheme is expected to open on schedule. Our preletting to Odeon Cinemas and other lettings total 9,320m², together with a further 890m² in solicitor's hands, these account for 52% of the anticipated income.

Industrial premises and warehouses

We continue to refocus the industrial portfolio on the south-east and increase our exposure to this market with a development programme of over 100,000m². We completed 35,860m² at our schemes in Basildon and Hemel Hempstead, started on site on 30,380m² at Basildon, Guildford and Welwyn Garden City, and have a further 37,030m² in the pipeline. We have a total of £2.5m of income secured or in solicitors' hands.

Kent Thameside

Following completion of the acquisition of Whitecliff in April 2001 we have purchased a 50% interest in a further 153 hectares of land adjoining the proposed Channel Tunnel Rail Link station at Ebbsfleet from Lafarge SA for £13.2m. This site immediately adjoins our landholdings of 245 hectares in Eastern Quarry and will enable us to optimise the master-planning of both sites. It is anticipated that an outline planning application for Eastern Quarry will be submitted by the end of 2002 and this, combined with Ebbsfleet, will give a total development potential of up to 10,000 residential units and over 700,000m² of employment, retail, leisure and other community uses. At Stonecastle the first phase of residential development, in partnership with Copthorn Homes, comprising 201 residential units has commenced. Sales are progressing well and achieving values in excess of £2,152 per m². Work on the master-planning of the second phase of development is in hand. At Swanscombe Peninsula, a development agreement has been entered into with Lafarge SA in respect of their 154 hectares landholding. We have commenced initial master-planning studies, which will lead to an application for planning in early 2003.

We continue to realise value from Crossways Business Park. A speculative development of 14,940m² of industrial/warehouse space, presold to the Railways Pension Fund, was completed in March. Two units totalling 6,500m² are either let or under offer at record rents of £83.40 per m². During the year we also sold 1.35 hectares of land to the O'Rourke Group.

At Coldhams Lane, Cambridge, construction of three industrial/warehouse units will be completed during the summer and have been presold to the Railways Pension Fund. A further part of the site has been sold for a leisure centre and a car showroom. We have obtained planning consent on the balance for an 80-bed hotel and expect to sell this later this year.

making relationships work...

In November 2000 total property outsourcing became an integral part of the Land Securities offer. The business case for a one-stop-shop approach for the provision of property accommodation and related services is compelling. Business and public sector organisations are increasingly seeking ways to release capital, achieve flexibility in their property commitments, reduce costs and focus on their core activities.

We offer alternative structures to the traditional landlord and tenant relationship. Our confidence in this market has been endorsed by the two contracts we won last year. We believe that our market leadership position leaves us well placed to win further business as occupiers increasingly recognise the benefits of such arrangements.

Ian Ellis

Ian Ellis

Below
Land Securities Trillium new business team.

Opposite top
Faraday Building, Queen Victoria Street, London – a Telereal owned property.

Opposite bottom
Land Securities Trillium's new reception at its 140 London Wall headquarters.

OVERVIEW BY CONTRACT SCOPE AND KEY FEATURES

	Prime	BBC	BT
Estates strategy	X	X	X
Asset management	X		X
Development		X	
Management of facilities management services (FM)	X	X	X
Provision of FM Services	X	X	
Management of capital works	X	X	X
Provision of capital works	X	X	
Flexible occupation	X		X
Unavailability and performance penalties	X	X	X
Price predictability	X	X	X

Property outsourcing

We provide total property outsourcing to public and private organisations to enable them to procure accommodation in the same way that they purchase other goods and services. This enables organisations to focus on their core activities while leaving the delivery of accommodation and associated services in our hands. The need for greater flexibility to meet changing accommodation needs as well as the desire for certainty of costs make this a viable alternative for businesses who are seeking alternative ways of fulfilling their requirements.

As a market leader in property outsourcing, we have developed the capabilities to enable us to deliver a first class solution for customers, from the development of long-term strategic solutions to the delivery of service through our customer service centres and our network of service providers.

We work closely with our clients to identify their requirements and then to provide the solution. The range of service we offer combines the ownership and maintenance of property, together with the management of services provided by service partners in the areas of catering, cleaning and security. We are also able to harness extensive development expertise from within the Group to design and build accommodation where new facilities are required by our customers.

Our approach to property outsourcing is based upon achieving the highest possible standards of service. Over the last four years, Land Securities Trillium has invested over £30m in developing best-in-class customer service capabilities that deliver 24-hour support.

Jobcentre Plus site at Chancel House, Neasden.

making accommodation work...

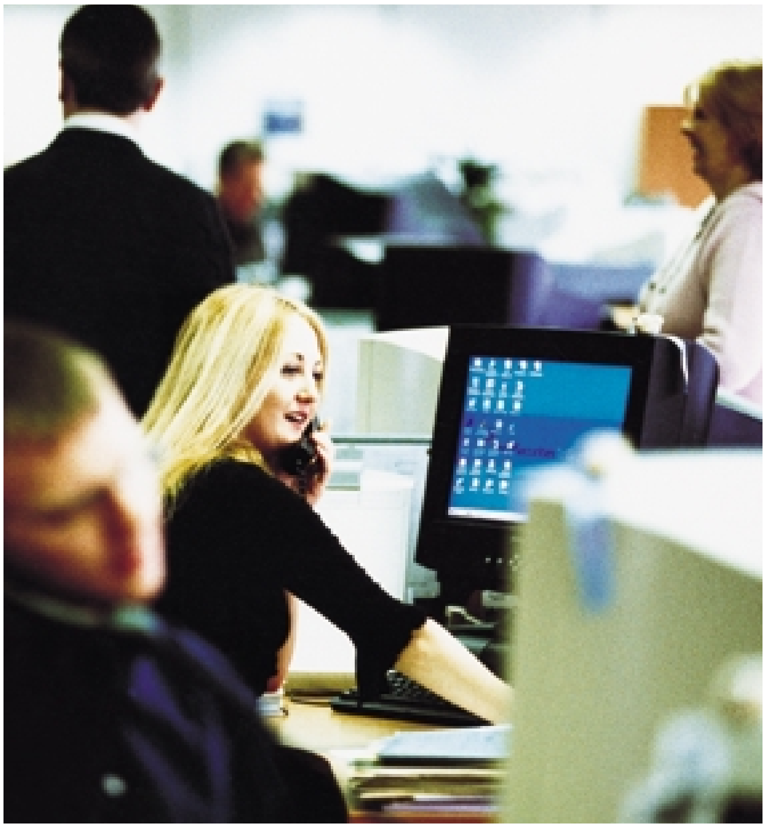
Facilities and business services managers meeting in the North East region with a representative from Service Partner, Eurest Sutcliffe.

The BBC Property Partnership

In 1998 the BBC outlined its future property strategy which described its vision to deliver a working environment to attract and retain the best people, support the business at an affordable cost and be flexible as its needs change. In order to deliver this vision, and to fund the significantly increased investment in property that this strategy required, the BBC sought to develop a property partnership with the private sector. Following an extensive bidding and evaluation process, Land Securities Trillium was chosen as the BBC's partner and we have entered into an agreement to provide accommodation and services to the BBC for a 30-year period.

The partnership with the BBC is expected to grow and develop over the years. While, at the outset, the partnership has a clearly defined scope of operation, its financial and operating model has been developed to ensure that, over time, the relationship can be extended right across the BBC's portfolio. Already the property partnership owns the existing BBC site at White City, and through Land Securities Development is responsible for developing BBC facilities at the six hectare site (see page 21).

In addition, some 330 employees have transferred from the BBC to provide facilities management services across the entire BBC estates in London and Scotland, together with assuming responsibility for construction and capital projects works at BBC locations across the UK.



Edinburgh regional office provides an integrated property management service for the PRIME and BBC contracts.

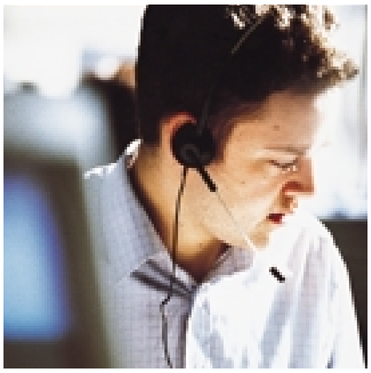
DWP modernisation project

One of our key tasks is to identify and deliver a solution to each client's changing accommodation requirements. Over the past year, we have been working closely with the Department of Work and Pensions (DWP) to do just this. The DWP established a new Pension Service and formed Jobcentre Plus, and we have been actively working to identify new properties to enable these organisations to meet their business needs.

For The Pension Service we delivered in three months some 12,750m^2 of space to accommodate approximately 1,500 new staff. The fit out of the properties included new open plan office space, training rooms and a new staff café facility. As part of a second stage exercise we are also locating and acquiring another six new properties to house a further 2,500 staff. These amount to some 22,000m^2 of office space and will be ready for occupation between June and September 2002.

In March 2001, we also became involved in the DWP's new business concept, named Jobcentre Plus, to deliver benefit and work interviews in a combined location. This new business model introduced a need to offer an improved environment in which to conduct interviews and receive members of the public. We were responsible for implementing the design, delivery and management of this project while at the same time the DWP continued to deliver its services to the public. Projects to the value of approximately £16m were delivered on schedule to allow the opening of these new offices to the public.

Building on the success of these pilot sites, the DWP is now planning the conversion of a further 1,000 properties around the country, and we have been appointed to manage the strategy for implementation of the roll-out across the DWP portfolio over the next four years.



A customer service representative at the Customer Service Centre in Leeds, where customers from BT and O_2 call to report building faults and to book conference rooms, touch-down desks and car parking.

Telereal

With BT's decision to outsource its property portfolio came the announcement that 350 employees from the BT property team were to be transferred to the successful bidder.

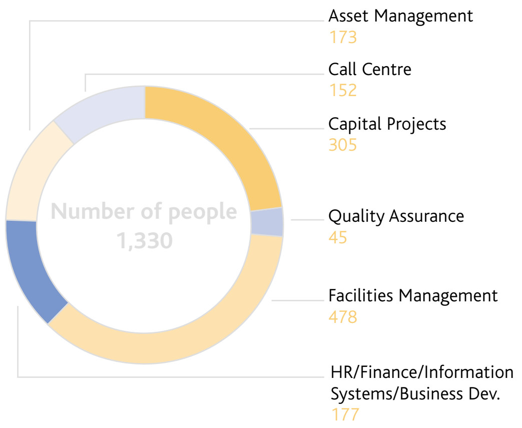
When in March 2001 Telereal, the joint venture partnership between Land Securities Trillium and the Pears Group, was selected, BT's focus on the reputation of the selected bidders as an employer as well as the obvious commercial imperatives of the deal had a strong positive impact on the people involved in this transfer.

The employees would be moving from a major corporate where property was generally viewed as a distraction, often diverting both capital and management away from its core business areas, to a business where property is its core activity. While BT Property enjoyed an excellent reputation within the external property world, the team had spent substantial management time 'proving' its value internally.

For BT's property team, the transaction has presented an opportunity and they are now part of a company where there are improved career and personal development opportunities. The benefits for Telereal were that it gained a team of property professionals with a wide range of skills and in-depth knowledge of the BT portfolio and business which will prove critical in offering a high quality service back to BT.

LAND SECURITIES TRILLIUM

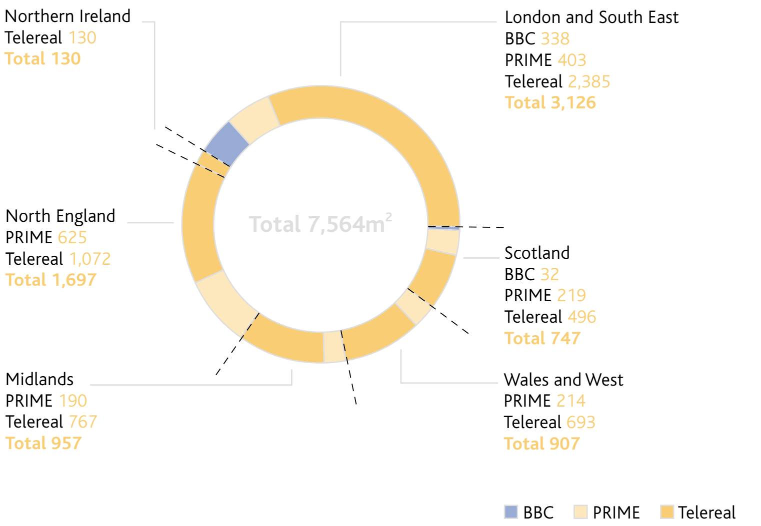
Employee Analysis



LAND SECURITIES TRILLIUM

Regional Breakdown by Contract

000,m²



making outsourcing work...

Review of activity

The year was one of significant activity and success for Land Securities Trillium. Two major new contracts, with the BBC and BT, were won and mobilised. This success has generated further interest in total property outsourcing from all sectors of the economy.

We entered into our partnership with the BBC in September 2001, which included the transfer of some 330 BBC employees into the Group, and are now managing and servicing 320,000m² of accommodation in Scotland and London. As part of the transaction, the existing White City property and land assets have been transferred to the partnership property vehicle which we have consolidated in these financial statements. This has generated cash for the BBC to invest in its core business of programme making. We are making good progress on the White City development (page 21).

We continue to work with the BBC to develop further the scope of this contract and have prepared business cases for additional buildings on the White City site. We have also submitted our views on the Broadcasting House scheme in London and the proposed new Scottish Headquarters in Glasgow for consideration.

In December we announced that Telereal, a 50:50 joint venture with the Pears Group, had completed its agreement with BT for the £2.38bn acquisition of the majority of the BT property estate. The transaction was financed by a £1.8bn asset-backed securitisation, £400m of bank debt and £146m of equity from each of the joint venture partners. The estate comprises 6,700 properties with a total floor space of 5.5m m², 90% of which is freehold or valuable leasehold, with 10% short leasehold. Under the terms of the 30-year agreement, Telereal is responsible for providing accommodation and estates management services to BT.

Early this year the BT in-house corporate property team transferred to Land Securities Trillium Telecom Services Limited. These employees are now dedicated to delivering Telereal's service to BT under the terms of the contract with all costs borne by the joint venture company.

We have also formed a second joint venture with the Pears Group, Telereal Ventures, and entered into a contract with O_2, formerly BTCellnet, to provide strategic outsourcing services across the O_2 (UK) property estate. The O_2 (UK) estate totals some 8,000 properties comprising offices, call centres, telecom switches and cell sites, and warehousing. At this stage, Telereal Venture's contract with O_2 (UK) does not include the acquisition of assets and is for an initial period of 18 months. It is expected that the contract will generate income of around £1.5m over its term.

We have made good progress in our objective of growing the business. At the beginning of the year we were a single contract operation with some 600 staff and we now have 1,330 staff operating across the entire country. The breadth of skills and expertise within our business unit as set out in the chart above (left) enables us to provide the complete accommodation solution to clients, and together with our specialist service partners we are able to deliver service and offer advice across the full spectrum of property issues.

This growth in our contract base has also seen the number of properties under management increase to over 7,400 premises, amounting to 7.56m m² in total. In the chart above (right) we show the location of these properties broken down by individual contract, demonstrating the national nature of our business.

The mobilisation activity involved in the establishment of the Telereal and BBC operations has required involvement from all aspects of our support infrastructure. New employing companies are being created, trade union relationships have been implemented and developed, reward and remuneration schemes have been established, roadshows and training schemes have been held for transferring staff, and new service partner relationships have been put in place. At the same time, information systems have been implemented to ensure that all aspects of our property outsourcing operation are able to communicate with each other speedily, while at the same time ensuring that a consistently high level of service is delivered to all our customers and clients across the country.

Business and product development

Our existing property outsourcing contracts with the Department for Work and Pensions (DWP), BBC and, through Telereal, with BT are performing well which provides a sound platform for the development of further business with these customers. Particular opportunities include the potential outsourcing of the Employment Services estate and contract extensions with the BBC such as life cycle works, facilities management for the remainder of the estate and new developments at Broadcasting House and Pacific Quay.

The last year has seen a considerable increase in the level of interest in outsourced property solutions as businesses seek to improve balance sheet efficiency and returns to shareholders, achieve operating cost reduction, sustain cash flow, streamline property-related head-count costs and achieve flexibility in their property portfolios.

This has created new opportunities for Land Securities Trillium and we have strengthened our new business team and marketing activities accordingly. Particular focus has been given to targeting companies with the right mix of characteristics to enable significant value to be created for both the company and us. These characteristics include portfolio size, which allows economies of scale to be created through integration with our operating cost infrastructure; covenant strength combined with underlying property value; and dynamic business change against which value can be derived from our flexible property outsourcing model and estate management expertise.

Specific focus has been given to those sectors, which we see as being potentially receptive to property outsourcing solutions. Our negotiations on deals with several organisations within these sectors are developing well.

Within the public sector, we are looking to build on the success of the DWP PRIME contract, which continues to perform very well. The Government's public private partnership programme and 'best value initiatives', which apply to all local authority accommodation and property services, has created additional opportunities.

Since each client's requirements are different, and the property outsourcing market continues to develop, we are constantly looking at new ways of developing innovative solutions in property. To meet this need we have a product development team that is currently working with our portfolio management team on LandFlex. This team also works closely with our new business team on specific projects for new clients to enable continuing innovation to be made in our property outsourcing deals.

Profit before interest and tax for the year to 31 March 2002 was £530.2m (2001 £456.9m). This represents a 16% increase over last year and was driven by four main factors:

- Rental income from the investment portfolio increased by 4.8% to £525.9m.
- We recorded a full year's contribution from Land Securities Trillium, which was owned for only four months in 2001.
- A £19.3m contribution to operating profits from Telereal which is our share of its operating profits for the period since formation in December 2001. (Telereal is a 50:50 joint venture with the Pears Group as described in the Total Property Outsourcing Review).
- Profits of £4.3m from the sale of trading properties. This is a new activity for us, following the acquisition of Whitecliff in April last year.

Andrew Macfarlane

financial review...

At the pre-tax level, profits increased by 11.9% from £324.7m to £363.5m. After capitalisation of interest on developments, total interest charges were some £31.9m higher than last year, of which £24.6m is Land Securities' notional share of Telereal's financing costs. Telereal's debt of £2.2bn is non-recourse to the Group. The underlying increase in interest reflects the cost of funding the Group's continuing investment programme. The Group's gross interest payable, excluding Telereal, was covered 2.98 times by operating profits compared with 3.03 times in the prior year and we remain in a strong financial position.

During the year, we sold investment and operating properties with a book value of £510.4m (2001 £424.9m) generating an FRS3 profit of £13.4m compared with £6.3m last year. Property disposals this year also crystallised revaluation surpluses earned in prior years of £237.8m.

Profits after tax were £263.6m (2001 £234.6m), equivalent to a 12% increase in basic earnings per share. The directors recommend a total dividend for the year of 34.0p per share (2001 32.5p), a 4.6% increase. If approved, this will result in a final dividend of 24.95p per share (2001 23.85p). At this level the adjusted dividend cover is 1.52 times (2001 1.39 times).

The year-end portfolio valuation was some £100m lower, which represents an overall reduction of 1.3% on the value of investment properties at 31 March 2001. This revaluation deficit has, however, been offset by £85.2m of retained earnings and our share of revaluation surpluses in Telereal, resulting in an adjusted diluted net asset value per share of 1155p compared with 1152p at 31 March 2001.

In terms of cash flow, the Group realised £549.2m (2001 £491.3m) from the sale of properties. These funds have been reinvested and the Group spent £306.1m on property acquisitions, £256.4m on development expenditure and invested £146.4m in Telereal. Overall, there was a net cash outflow of £219.2m during the year (2001 £95.4m) and net indebtedness at the year-end rose to £1,942.1m (2001 £1,727.8m). Year-end gearing increased from 28.7% to 32.2%.

Over the last year, the Group's pre-tax total return (that is the percentage increase in pre-tax net asset value per share, adding back dividends) was 5.0% compared with our estimated weighted-average cost of capital of 8.4%. The shortfall was attributable to generally flat asset values as a result of market conditions over the last year.

Accounting policies

This year's accounts have been affected by a number of changes to accounting policies and presentation.

In the accounts for the six months to 30 September 2001, two accounting policies were changed to adopt Urgent Issues Task Force Abstract 28 (UITF28) 'Operating Lease Incentives' and FRS19 'Deferred Tax'. UITF28 requires lease incentives (such as rent-free periods or contributions to fitting-out expenses) to be treated as revenue costs. These are deducted from the contracted rent and the resulting net income is then spread evenly over the lease term (or the period to the first rent review if that is shorter). Previously, rent was only recognised from the conclusion of any rent-free period and the cost of other incentives was capitalised. The impact of this change is to increase gross property income in the current and prior years by £3.5m and £3.2m respectively.

PERFORMANCE MEASURES

for the four years ended 31 March 2002

Average:	For year	Over 2 yrs	Over 3 yrs	Over 4 yrs
Total investment property return	5.1%	7.8%	9.7%	10.3%
Pre-tax weighted average cost of capital	8.4%	8.6%	8.8%	9.1%

RENTAL INCOME ANALYSIS

	2000/01 (restated)	2001/02	£m Increase
Properties owned throughout period	422.6	464.6	42.0
Sales (2000/01 and 2001/02)	67.8	27.7	
Acquisitions (2000/01 and 2001/02)	11.2	33.6	
	501.6	**525.9**	
Increase/(decrease)			
Reviews and renewals			22.5
First lettings			10.7
Net relettings of voids			6.5
Voids for redevelopment			(2.5)
Other			4.8
			42.0

FRS19 requires that deferred tax should be provided for, in-full, on all timing differences that are not permanent. The FRS does not require (or indeed permit) deferred tax to be recognised on the revaluation surplus. The Group's previous accounting policy had been to recognise deferred tax only to the extent that liabilities or assets were expected to crystallise. The Group's policy now is to make full provision for timing differences, which arise primarily from capital allowances. The effect of FRS19 is to increase the tax charge for the current and prior years by £5.9m and £4.8m respectively. The provision for deferred taxation at 31 March 2001 has been restated and increased by £121.7m. Experience shows that FRS19 liabilities on the investment portfolio are unlikely to crystallise in practice and these are excluded when calculating adjusted earnings and adjusted net assets per share. FRS19 has no impact on the actual taxes that we pay.

In May 2002, the Urgent Issues Task Force issued Abstract 34 (UITF 34) 'Pre-contract costs'. This Abstract specifies the accounting treatment for the costs of bidding for PFI-type contracts and is relevant to Land Securities Trillium. UITF34 requires all contract costs which are not specifically dealt with by other accounting standards and which are incurred before it is 'virtually certain' that a contract will proceed, to be expensed as incurred. The Group's policy used to be to capitalise costs if it had been appointed as preferred bidder at the end of a reporting period. As a result £14.7m of costs associated with the BBC and Telereal contracts have been written off this year which would previously have been capitalised. A corresponding prior year adjustment has also been made.

Finally, we have changed the Group's accounting policy for interest charges and the cost of financing some elements of development expenditure is now capitalised. This brings the Group into line with its peers and, given the increasing scale of the development programme, will give a better reflection of our costs and surpluses from that activity. The Group's policy is only to capitalise interest associated with expenditure on development or redevelopment projects from the start on site to practical completion. Details of the policy are set out in Note 1 to the Financial Statements. It will be applied to all development schemes, including Land Securities Trillium's White City development for the BBC, and the construction of trading properties. The effect of this change is to increase reported pre-tax profits for the year to 31 March 2002 and 31 March 2001 by £21.1m and £11.3m respectively.

Further details of the effect of these various changes in accounting policy are set out in Note 3 to the Financial Statements. The combined impact has been to increase reported profits after tax for the year to 31 March 2001 by £1.5m and to reduce net assets at the end of that year by £133.1m.

The Group has a defined benefit pension scheme. The scheme, which had gross assets of some £77.6m as at 31 March 2002, is now closed to new entrants. We will adopt FRS17 in full in 2004. New schemes will be set up to meet obligations to employees transferring to the Group under property outsourcing contracts.

In addition to these changes in policy, there are a number of changes to the presentation of our financial statements. Our 50% investment in Telereal is treated for accounting purposes as a 'joint venture'. As a result, our share of Telereal is included on the face of the Group's profit and loss account, as a separate column. In the balance sheet, our share of Telereal's gross assets and gross liabilities is shown as an expansion of the 'investment in joint venture' line. In addition, in Note 4 to the Financial Statements, we have expanded

INVESTMENT PROPERTY INFORMATION
at 31 March 2002

% rent roll

	Offices	Shops and shopping centres	Retail warehouses	Industrial	Total
Voids by rental value	0.56	1.14	2.96	1.28	1.0
Net reversionary	10.8	8.6	9.4	5.5	9.6
Average unexpired lease term (years)	7.5	9.75	17.75	8.25	8.75

Reversionary potential Ignoring additional income from the letting of voids	31 March 2001 % of rent roll	31 March 2002 % of rent roll
Gross reversions	17.1	11.5
Over-rented	(2.5)	(1.9)
Net reversionary	14.6	9.6

INVESTMENT PORTFOLIO ACTIVITY
Year to 31 March 2002

£m

	Acquisitions/ developments	Sales	FRS3 profit/ (loss)
Retail/leisure	269.7	319.4	4.3
Offices	201.8	157.5	2.9
Warehouses and Industrial	34.1	32.0	2.9
	505.6	508.9	10.1

financial review...

the segmental reporting to align more closely with our internal business unit structure. Operating profits have been analysed between property investment, total property services and property trading. Further information about the value of assets in the development programme is provided in Note 14 to the Financial Statements.

Portfolio management

Rental income increased by 4.8% from £501.6m to £525.9m, which has been achieved despite the continuing rationalisation of the portfolio. Adjusting for the effects of property acquisitions and disposals, rental income on properties owned throughout the last two years increased by £42.0m. The main contributors to this increase were £22.5m from reviews and renewals and £10.7m from the letting of new developments. Some £40.1m of rental income was lost on disposals offset by £22.3m from property acquisitions. The net effect of reletting vacant space added a further £6.5m, which was partly offset by a loss of £2.5m due to the emptying of buildings for redevelopment. The cost of bad and doubtful debts was some £1.5m, which was less than 0.25% of the rent roll (2001 0.26%).

During the last 12 months, the net reversionary potential of the portfolio, excluding voids, has reduced to 9.6% at 31 March 2002, compared with 14.6% a year ago. This is largely the result of reversions secured during the year through the settlement of reviews and renewals. There is now little significant over-renting in the portfolio, and within the next five years the potential shortfall is less than £3.1m of rental income in relation to renewals or options to break in over-rented property. The average unexpired lease term over the portfolio as a whole is 8.75 years (2001 10.25 years).

During the year we sold investment properties with a book value of £498.1m (2001 £424.9m), at an average rental yield of 8.0%, and we have identified a further £150m of assets as potential sales in the short-term, given acceptable pricing. Thereafter, we expect annual investment acquisitions and disposals to be broadly equal.

Development

The projects that comprise the current development programme are set out in the development review. To be included in the programme a project must have, or be close to obtaining, final approval to proceed (although that approval may be conditional on the receipt of planning consent or obtaining an appropriate level of prelets). Projects remain in the programme until they are 95% let.

The carrying value of development programme assets (excluding the development for the BBC at White City and trading properties) was £1,050.1m at 31 March 2002 (2001 £904.5m). During the year, we spent £325.4m on development and capitalised associated finance costs of £19.9m. We added schemes principally at Soho Square, High Holborn, Eastbourne Terrace and Cardiff to the programme. Six projects with a book value of £137.6m were completed during the year. We have temporarily removed the Martineau Galleries scheme from the programme while we reappraise our plans for this site.

The estimated future cash spend required to complete the current development programme, excluding interest, the White City development for the BBC and the project at Kent Thameside, will be some £1.6bn.

Land Securities Trillium

We reflected our first full year's profit contribution from Land Securities Trillium in 2002. This year, Land Securities Trillium (including our share of Telereal) generated some 40% of the Group's gross property income, and 12% of our profit before interest and tax.

Revenue and profits from the PRIME contract have grown in line with expectations and we carried out significant extra work at the request of our customer which generated additional fees. On the BBC contract, won during the year, we spent £50m on the construction of the White City 2 building with an estimated £215m (excluding interest) to be spent over the next three years. As anticipated, we have incurred a small operating loss on this contract, but expect it to become profitable when the new building is occupied by the BBC.

In the year to 31 March 2002, Telereal has made a positive contribution to earnings (before bid costs), and we expect its contribution to build over the next few years. At 31 March, Telereal revalued its portfolio of investment properties, as a result of which we have recognised a valuation surplus of £46.8m, being our share of the uplift.

Taxation

The cash tax charge, equivalent to 26.4% (2001 26.9%) of revenue profit, reflects the benefit of capital allowances from developments, refurbishments and acquisitions. The requirement in FRS19 to make full provision for timing differences means that in profit and loss account terms, our reported tax rate is 27.2% (2001 27.7%). Telereal has a higher effective tax rate reflecting the particular terms of the transaction with BT.

Following the latest property valuation, the Group has an estimated potential capital gains tax liability in the region of £535m (31 March 2001 £540m), were all its properties to be sold at the revalued amounts without any tax mitigation. This is equivalent to a 96p (2001 97p) reduction in diluted net assets per share.

Cash flow and treasury

Land Securities operates a central treasury, whose activities are carried out in accordance with Board approved policies. The Group maintains treasury control systems and procedures to monitor interest rate, liquidity, credit and other financial risks. The treasury does not operate as a profit centre. Land Securities uses a variety of financial instruments, including derivatives, to finance its operations and to manage market risks from those operations. Derivative instruments, exclusively interest rate swaps, are used by treasury to swap borrowings from floating to fixed rate and to fix future borrowings.

Due to the long-term nature of property investment, the Group's external borrowings are also primarily long term. To provide flexibility the Group has a £600m syndicated bank facility, which is used for short-term requirements. During the year, the average borrowing on our syndicated facility was £283.0m, at a cost of 5.6%. The overall weighted average cost of funding was 8.4% (2001 8.8%).

The Group had a net cash outflow before the use of liquid resources and financing of £219.2m for the year (2001 £95.4m), primarily attributable to its capital expenditure and investment activities. The Group has funded this net outflow by drawing against its £600m syndicated bank facility. During the year, an additional £300m of interest rate swaps were executed to take advantage of the current low levels of interest rates and to hedge the cost of future borrowings. This was done because the Group's gearing is expected to rise as the development programme gathers pace.

At the year end, the fair values of the Group's financial liabilities exceeded book value by £474.9m (2001 £507.3m), reflecting the reduction in long-term interest rates since the Group's fixed rate borrowings were originally taken out. After tax, the implied adjustment to the Group's net asset value would be to reduce reported diluted adjusted net assets per share by 60p (2001 64p).

Insurance

In common with other property owners, our insurers are applying terrorism exclusions to our policies as they become due for renewal in 2002. The Group continues to buy the most comprehensive terrorism insurance cover available from the Government-backed Pool Reinsurance Company Limited.

Capital structure

The Board has recently undertaken a review of the Group's capital structure and medium-term financing requirements. We have concluded that, notwithstanding the future capital required to fund the development programme, and a desire to invest significant further sums in Land Securities Trillium, the Group has more capital than it currently requires. We have reached this conclusion after taking into account our aim to maintain a target credit rating in the A range. We believe that the Group's financial strength will be an important factor in its ability to win property outsourcing contracts in the future.

We therefore intend to return approximately £500m to shareholders, on a pro rata basis, this year. The Board has not taken a final decision on the method to be used to return the capital, but it is likely to involve a structured transaction. If this is the case, shareholder approval may be required. On a pro forma basis, the return represents an increase in gearing at 31 March 2002 from 32.2% to 44.1%.

In addition, redemption notices are being issued to the holders of our convertible bonds. Both the 2007 and 2008 series of bonds are convertible into shares at prices that are below current market value and it is therefore expected that these bonds will convert shortly. If conversions occur, it will reduce our outstanding debt, and increase our equity, so reducing gearing. In this case, we will increase the amount of money returned to shareholders to offset the bond conversions. As an alternative to conversion, the Company may purchase bonds in the marketplace, if these are offered at attractive prices.

We have put in place an additional £1.5bn syndicated loan facility to finance the proposed return. This will also provide additional working capital to fund our medium-term business plans, including the development programme and the expansion of Land Securities Trillium.

Going concern

After reviewing detailed profit and cash flow projections, and taking account of 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 to operate for the foreseeable future. For this reason, we have continued to adopt the going concern basis when preparing the financial statements.

Property in context

At Land Securities, as a result of the scale of our operations, we have long held the view that many of our properties have an environmental and social impact which extends beyond the physical and financial investment we make in them. This is particularly evident across our shopping centres and our development projects and we work hard to integrate our activities into local communities.

We are conscious that by recognising the views of a wider pool of stakeholders and closely aligning our interests, we enhance the sustainability and long-term financial performance of our business. At the same time we minimise the risks and maximise the benefits to our customers, local communities, employees and shareholders.

Our strategy for corporate social responsibility (CSR) continues to evolve. While we have always aimed to take an active and responsible approach to the delivery of our business activities, as the examples on these pages demonstrate, we continue to seek to improve across all areas of our business.

making property work...

Addressing corporate social responsibility

Last year we formed a CSR Committee. This comprises senior representatives from each of the business units as well as the Group HR director and head of corporate communication and is chaired by the group chief executive. Over the next 12 months the objectives of the Committee will be to review our performance, set objectives and targets for the Group and communicate more clearly our activities under corporate social responsibility.

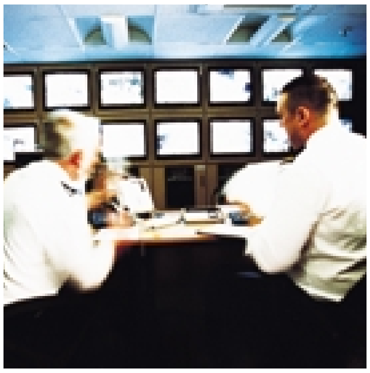
In the meantime, we are delighted that our commitment to environmental initiatives and community involvement has been recognised by the inclusion of the Company within the FTSE 4 Good Index, which is intended as a guide for those committed to Socially Responsible Investment.

Enhancing retail

Our retail portfolio comprises shopping centres, retail warehouse parks and Central London retail. A thriving retail environment plays an important role in enhancing the community within which it is located and our activities are focused on providing services and facilities to ensure the shopping environment has a positive impact. We aim to provide a safe, clean, pleasant and accessible environment for our visitors and create strong links with local communities. Across the UK our shopping centres are involved in many charitable, educational and community initiatives.

We participate in nine Town Centre Management schemes and are involved in some 20 CCTV schemes. All our CCTV schemes are independently audited annually to check operational procedures and compliance with the Data Protection Act. In London we are founder members of the New West End Company, which will, over the next few months, launch initiatives aimed at enhancing the shopping experience in the West End. All of our activities in this area are designed to improve the retail environment and shopping experience. This not only benefits our shoppers but also improves the trading performance of our retailers, which will, over time, enhance the returns for our shareholders.

We are also involved in four of the five Central London Circle Initiatives which are private sector led partnerships responsible for improving and helping to manage Central London areas. These are in Bankside, Coventry Street, Holborn and Paddington.



Helping others

In addition to our charitable donations, in Central London we help a number of organisations that provide facilities and support to the homeless and elderly. These include the Cecil and Central Housing Trust where we helped to raise funds for a new hostel in Waterloo Road to provide accommodation, training, counselling and other services for women. We are participating in the LWT 'Whose London' project with the St Giles Trust in Southwark and are involved in the Appeal Committee for the refurbishment of the social care unit of St Martin-in-the-Fields.

Progressing education

At the White Rose shopping centre we have been working with the Leeds Local Education Authority and ten local teachers to develop a Key Stage 3 numeracy pack which has been introduced across the Leeds area. This pack is designed to help local children improve their numeracy skills by using information from the shopping environment in examples and activities, which makes the learning experience more familiar and relevant. A similar initiative is also underway in Canterbury and we are examining ways of launching this scheme across our other centres.

Improving access

Improving access to our centres is a constant challenge, not just for visitors with disabilities but also for parents and their children. Where we own the car parks we provide parent and child parking spaces at our centres. We also provide 'kiddie carts' and crèches in many of these. Over the past six months we have introduced 'Shopmobility' at East Kilbride, Livingston and Sunderland. This service enables shoppers to access centres easily and to benefit from the free provision of either a powered scooter or wheelchair for the duration of their visit to the centre or the city centre area. At Sunderland approximately 600 shoppers have already registered for the service since its introduction.

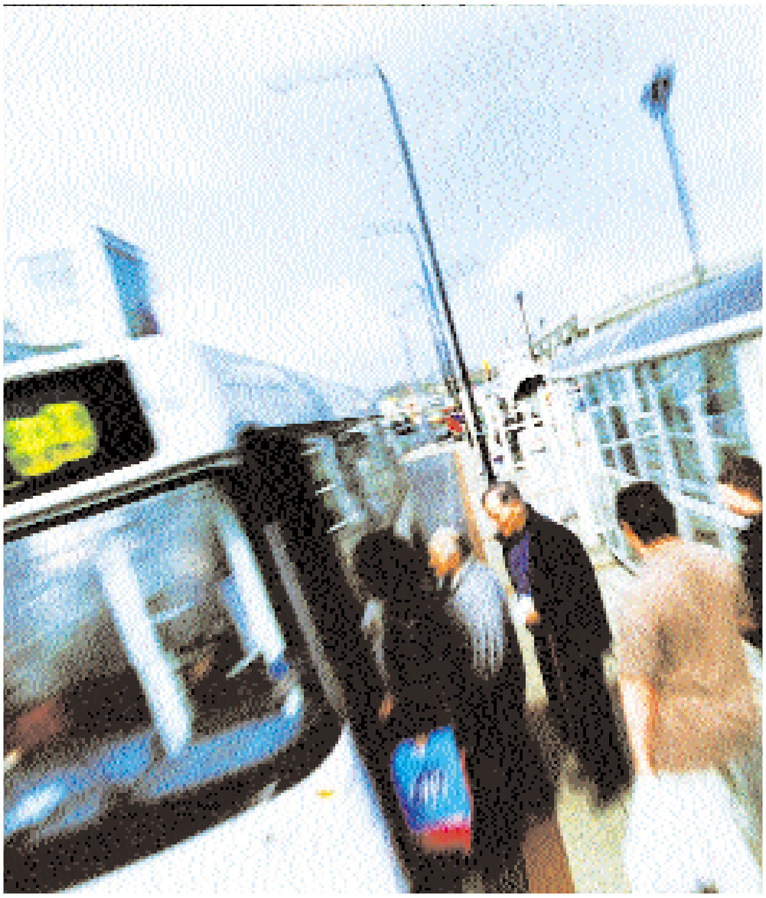
In addition, at the White Rose centre we have established a group made up of disabled shoppers and centre staff. The group meets quarterly to discuss current issues and provide feedback, which is used to trial new initiatives.

Implementing regeneration

Land Securities' extensive development and refurbishment programme aims to regenerate town and city centres across the UK, providing benefits for the local community by upgrading facilities and creating new public spaces. Our approach to regeneration seeks to engage with our local stakeholders and provide vibrant and economically sustainable schemes.

As part of this approach we deliver benefits to the community such as improved transport infrastructure and community facilities. While these often result from our responsibilities under Section 106 agreements we also provide additional facilities. For example, in Canterbury we have funded an on-site employment centre and community liaison officer as well as providing a local community information website and newsletter.

Under our development responsibilities we also fund major archaeological excavations, an example of which is at Gresham Street where a £1m nine-month archaeological dig was undertaken. Working with the Museum of London, the dig uncovered finds of great historical value from Roman times. Such was the importance of these finds that a temporary exhibit was established at the museum, which we funded, to enable the finds to be displayed. At the same time we sponsored an interactive exhibit to enable schoolchildren to experience an 'archaeological dig' first hand.



Environment, health and safety

Over the last year we have taken further steps to integrate environmental and health and safety considerations into the daily activities of our various teams. Overall responsibility for both environmental and health and safety matters rests with Francis Salway at Board level, and he has strengthened the specialist team covering these areas by the recruitment of a group health and safety manager.

To establish a culture of continuous improvement in the areas of environment, health and safety, we have set up separate panels covering these two areas across each of our business units. We have also set specific targets by which we can measure our progress.

making sustainability work...

Environmental reporting

In 2001, we became the first company in the property sector to publish a stand-alone environment report. We have also developed an environmental section on our Corporate Website. Our achievements in this area were recognised during the year by our being accredited with Green Apple Gold Award for Best Practice in Environmental Management.

In our Environmental Report, we set out 13 specific targets for the Company's 2001/2 financial year.

We are delighted to have met ten of these targets and are close to completing the other three. We have set 18 new targets for the current financial year. A number of the achievements which flowed from the setting of targets for the last year are described over these pages.

Carbon emissions trading scheme

Early in 2002 we subscribed to the Government's Carbon Emissions Trading Scheme, which is designed to assist companies in the reduction of carbon emissions by establishing financial rewards and penalties for meeting target reductions in carbon emissions. Current proposals are that a scheme of this nature will become compulsory within the EU by 2008, and a voluntary scheme has been set up in advance in the UK by the Government to assist companies to operate in the new environment. We are one of only two companies in the property sector to have elected to participate in the voluntary scheme. We believe that it will assist us in the meeting of carbon emission reduction targets and, if we are successful in meeting these targets, it may also generate a small financial profit.

Environmental Management Systems (EMS)

Land Securities Trillium developed an Environmental Management System tailored to meet the needs of the PRIME contract and has recently submitted an application for ISO 14001 certification. Land Securities Trillium now has 15 members of staff trained as Environmental Auditors.

Health and safety

Within the last 12 months, in accordance with the requirements of corporate governance, we have introduced a new health and safety policy which clarifies responsibilities for health and safety matters across the Group. We have also introduced health and safety panels within each of our business units.

The health and safety risk profile of the Company is low. Our hazards and risks vary on a business unit basis, ranging from trips and falls within Portfolio Management, the building owners Construction Design and Management (CDM) risks within Development and a range of generally low risk office-based hazards within our total property outsourcing business. No enforcement notices have been served on the Company by the Health and Safety Executive during the period under review.

The requirements of risk assessment based legislation and the need for a robust risk management strategy continue to be of high importance. Significant resource has and will continue to be provided into the identification and management of workplace hazards and risk.

During the current financial year, we will be introducing a number of quantitative measures of performance within the health and safety area. We will also be seeking to integrate health and safety considerations into our staff's daily activities. This will be done through a combination of having a higher proportion of our health and safety audit activity undertaken by in-house staff and also continuing the training programmes we have instituted. Within the last 12 months, we have had over 250 members of staff attending various health and safety training courses.

Much of this has been externally accredited training through IOSH and NEBOSH.

We have in place strict risk management controls and are introducing systematic record-keeping systems which will serve to minimise exposure under public liability claims. These will be the focus of all property management, insurance and health and safety teams in future, adding to our ethos of continual improvement.

Sustainable development

We have assessed the environmental impact of all our major office refurbishments and developments using BREEAM for a number of years. During the last 12 months, we submitted a warehouse development for the BREEAM assessment for the first time and were encouraged to receive a rating of 'Very Good' for our new warehouse development at Horizon Point in Hemel Hempstead. We will now be submitting all future warehouse developments for BREEAM assessment. We are also working with the Building Research Establishment to develop an environmental assessment method for retail developments.

Working with the Property Environment Group, we ran a seminar on sustainability for our Development team. Over the course of the next two years, we are planning more extensive training on environmental issues, working in conjunction with specialist consultants, WSP, who will be producing a structured and targeted programme of training across the Group.

During the year, we moved to purchasing electricity for our own offices at 5 Strand and 140 London Wall in London from renewable sources, bought on 'Eco-tariffs'.

Environment day

In January 2002, we held the Company's first Environment Day, the purpose of which was to raise awareness of environmental issues among our staff and also the wider public. We liaised with the Environment Agency and a number of other local environmental organisations in planning the various initiatives and training sessions. Events were held both at our London offices and, more importantly, in malls at most of our shopping centres. The involvement of local community initiatives at a number of shopping centres was particularly successful.

Human Resources

Over the last 12 months our employees have gone through a period of significant change due to changes in management, reorganisation and diversification of activities.

The challenges for HR are to ensure that the business units have the capability to achieve growth targets and to support our employees in making the necessary performance improvements. It is important to ensure that synergies between business units can be maximised, new business initiatives are nurtured and integration, where appropriate, is managed smoothly and achieves the desired results. With the addition of new total property outsourcing contracts the overall number of employees has grown substantially and this will require employee relations and internal communication processes to be strengthened. The organisation structure has become flatter, less hierarchical with more decision making and authority being delegated.

The integration of acquisitions, new total property outsourcing contracts and development of new business will continue to require a significant amount of flexibility and adaptability. This, and other factors, has focused attention on training, employee development and reward programmes.

making values work...

Training and development

To further enhance performance in all aspects of the business, the Company is investing strongly in training and development of employees.

A group training and development manager has been appointed to provide a consistent and focused approach across the Group. The key aim for 2002 is to equip the organisation to respond quickly and effectively to change by demonstrating that Land Securities' managers add value to the assets of the Group.

With the introduction of a process that links performance to bonus, all managers and employees have been trained in their role in performance management. During 2001, we successfully delivered a wide range of training as part of the mobilisation programme for our new total property outsourcing contracts.

Across the Group, customer service will be promoted and developed. This will enhance our relationships with occupiers, service partners and contractors and support our new business. We have run a number of customer service programmes across our property outsourcing teams and within shopping centres, which will be continued during 2002.

During this period of growth we have continued to ensure our internal communication processes are fully effective by introducing regular briefings, team away days, management conferences, a corporate intranet accessible by all staff and an integrated induction programme.

HR policy

The employment policies of the Company maintain its commitment to equal opportunities. The criteria for selection and promotion are the individual's suitability for the position of employment offered and his or her skills and abilities. We maintain our policy of giving full and fair consideration to the employment of applicants who are disabled and for incorporating the needs of people who may become disabled during the course of their employment with the Company.

Our business ethics policy is circulated to all staff and provided to all new employees in their induction pack. All staff are required to abide by its provisions. Copies of our employment and business ethics policies are available on our website.

Our core values

We have revisited our core values for the 21st century and reworded these as:

- Integrity
- Respect for the individual
- Innovation
- Customer service
- Excellence.

A series of workshops have been run throughout the Group in which employees have had the opportunity to input into how our values can be integrated into business. These values are the foundation to the way that we operate our business and will continue to underpin our culture in future.

These core values are the foundation for building on our business success and reputation. By following our core values, we will continue to build a culture where each employee feels valued and is able to contribute to the ongoing success of the Land Securities Group. We will build a business that our occupiers, customers and service partners are keen to work with and thus ensure our competitive edge.

Values into action

The demonstration of these core values in the workplace will build our reputation in the marketplace and to this end, a Values into Action Award is in place that rewards those individuals that actively demonstrate the core values in the workplace. All training and development and HR policies support the core values and we aim to work with contractors and service partners who demonstrate a clear commitment to these values.

Rewards and recognition

The Company has conducted a full review of its rewards policy to ensure each employee has clear and measurable targets, so performance and contribution to the Company's objectives is recognised and rewarded accordingly. Where appropriate, these measures are made against external benchmarks to ensure Land Securities is striving to lead and exceed market performance in all its business areas.

To further align rewards with shareholder interests a proportion of the new management bonus plan is awarded in deferred shares.

Land Securities is committed to maximising the performance and potential of all our people and the Company is establishing succession plans for all key positions.

We are creating an environment where innovation and creativity are rewarded, as well as a strong collaborative spirit across the Group. A company that provides people with clear direction and opportunity to grow, helps to attract and retain the highest calibre employees.

Broadening horizons

We are keen to encourage our employees to become involved in activities outside of their normal work experience. For example, we have a project in place with St Anne's RC Primary School in Whitechapel, London as part of our association with Tower Hamlet's Education Business Partnerships. Volunteers visit the school on a weekly basis to help children aged 10 and 11 improve their reading skills. This education scheme benefits all participants. Our employees have the opportunity to broaden personal experiences and develop interpersonal skills while, most importantly, the children gain from one-to-one tuition.

Executive Directors

Ian Henderson

Michael Griffiths

Andrew Macfarlane

Francis Salway

directors...

Ian J Henderson CBE 58
Joined the Group in 1971. Appointed to the Board in 1987 and chief executive in December 1997. President of the British Property Federation, Vice-Chairman of the Board of Management of Central and Cecil Housing Trust and Chairman of the New West End Company.

Andrew E Macfarlane 45
Joined the Board as finance director in October 2001. Formerly partner in Ernst & Young and, prior to joining Land Securities, Chief Financial Officer of Bass (now Six Continents) Hotels and Resorts division.

Michael R Griffiths 57
Joined the Group in 1973. Appointed a director of Land Securities Properties Limited in 1986 and to the Board in 1990.

Francis W Salway 44
Joined the Group in October 2000. Previously an investment director at Standard Life Investments. He is chief executive of the Group's Development business unit and was appointed to the Board in April 2001.

Board of Directors
Peter G Birch CBE
Ian J Henderson CBE
Michael R Griffiths
Peter B Hardy
Sir Winfried Bischoff
Giles I Henderson CBE
Francis W Salway
Andrew E Macfarlane
Peter G Freeman
David Rough

Non Executive Directors

Peter Birch

Sir Winfried Bischoff

Peter Freeman

Peter Hardy

Giles Henderson

David Rough

Peter G Birch CBE 64

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 NM Rothschild & Sons Limited, Dah Sing Financial Holdings Limited and Travellers Exchange Corporation Ltd.

Peter B Hardy 63

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

Sir Winfried Bischoff 60

Appointed to the Board in 1999. Chairman of Citigroup Europe, deputy chairman of Cable and Wireless plc and a director of the McGraw-Hill Companies, USA, Eli Lilly & Company, USA, Ifil-Finanziaria di Partecipazioni SpA Italy and Siemens Holdings Plc.

Giles I Henderson CBE 60

Joined the Board as a non-executive director in October 2000. Senior partner of Slaughter and May until April 2001. Member of the Hampel Committee on Corporate Governance and previously a member of the Financial Reporting Council and chairman of the Law Committee of the UK/China Forum. Non-executive director of Standard Life Assurance Company. Master of Pembroke College, Oxford, since July 2001.

Peter G Freeman 46

Joined the Board as a non-executive director in January 2002. Non-executive director of the Argent Group PLC and chairman of Freeman Publishing plc.

David Rough 51

Joined the Board as a non-executive director in April 2002. Group Director (Investments) of Legal and General Group PLC until December 2001. A Director of Legal and General Select Investment Trust PLC, BBA Group PLC, EMAP Group PLC and Xstrata Group PLC.

The Combined Code – Principles of Good Governance and Code of Best Practice (derived from the Cadbury, Greenbury and Hampel 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. The Company has complied with Section 1 with the exception of the matters set out below. 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 meets at least six 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 £50m, 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. In addition, the Group has established an Investment Committee to appraise and, where appropriate, approve funding proposals taking into account key financial drivers, sensitivities, and project risk assessment. 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 six non-executive directors. The Board considers that all the non-executive directors should be regarded as being independent. The Company does not currently have a senior independent non-executive director. 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.

The Board does not consider it 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

The report of the Company's Remuneration Committee is on pages 46 and 47.

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 is responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to meet business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The key features of our system of internal control include:

(a) Strategic planning; each business unit must produce and agree a business plan each year, against which the performance of the business is regularly monitored;

(b) Investment appraisal; capital projects, major contracts and business and property acquisitions are reviewed in detail and approved by the Investment Committee and/or the Board;

(c) Financial monitoring; cash flow and capital expenditure are closely monitored and key financial information is reported to the Board on a monthly basis;

(d) Systems of control procedures and delegated authorities; there are clearly defined guidelines and approval limits for capital expenditure and disposals, detailed appraisal and authorisation procedures and defined, activity-based expenditure authorisation guidelines;

(e) Risk management; through an ongoing process of identifying, evaluating and managing the significant risks faced by the company. The Board confirms that this process has been in place for the year under review and up to the date of approval of the Report and Financial Accounts. This process is regularly reviewed by the Board and accords with the Turnbull guidance; and;

(f) Annual assessments; an annual assessment based upon a compliance questionnaire completed and signed off by senior managers, providing assurances that controls are both embedded and effective within the business;

(g) An internal audit function; responsible for reviewing the business processes and controls. The findings are reported directly to the Audit Committee.

In addition, the Audit Committee receives:

(a) Reports from the head of Risk Management and Internal Audit on the work carried out during the year, including an annual summary on the operation of the system of internal control to support the Board's annual statement; and

(b) Reports from the external auditor.

For the purposes of applying the Turnbull guidance we have not included material joint ventures and associates as part of the Land Securities Group. We do not have management control of any of these joint ventures or associates, but do ensure that appropriate Corporate Governance procedures are in place as part of the operating arrangements.

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. Upon the retirement of Peter Hardy, David Rough will assume the chair.

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.

Auditors

The Directors of Land Securities, and our external auditors, PricewaterhouseCoopers, have for many years had safeguards in place to maintain the independence and objectivity of the audit. We have recently reviewed our procedures in the area of the provision of services by our external auditors and, subject to the results of the DTI review expected later this year, have adopted the following interim policy:

Audit related services: We will normally retain our auditors to provide "audit related services". This is work which, by the nature of the services required, the external auditors are best placed to provide, either because they are required to do so for regulatory purposes, they have a significant depth of knowledge of the particular area of the business or issue, or because the work has a strong relationship to the audit itself. It is likely that support for Land Securities Trillium's bid activities and the work involved in the acquisition of new contracts would fall within this category.

– Tax consulting services: the tax consulting practice of our external auditor has a long association with Land Securities and has built up a significant knowledge of our affairs. This makes them best placed to undertake the majority of Land Securities tax work, for which we will continue to retain them. Any significant pieces of tax consulting work which we consider the external auditors are not best placed to conduct will be put out to tender.

– General consulting work: significant general consulting work will normally be put out to tender. With effect from the Annual General Meeting we will not, except under exceptional circumstances, invite the external auditor to tender for such work. The auditors may participate in such tenders with the Audit Committee's prior approval.

– Approval procedures: the Senior Executive Group has reviewed and adapted its authorisation procedures which now require approval in advance of significant work to be undertaken by the external auditors. Such approvals will be reported periodically to the Audit Committee.

Valuations

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

Non-executive directors

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

Directors' remuneration

The Company complies with the requirements of the Combined Code in relation to directors' remuneration. The Board has established a Remuneration Committee which operates within written terms of reference. The chief executive makes recommendations to the committee on the Company's framework for, and cost of, executive remuneration and the committee then reviews these recommendations. 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 Winfried 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. A full review with advice from external consultants including the Monks partnership and William M Mercer has been carried out into the remuneration and incentives for all staff and the main recommendations implemented in the year under review. This has increased 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 Share Option Schemes.

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 it 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.

Details of each director's emoluments and share options are shown in Note 8 on pages 63 and 64.

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.

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 and annual bonus schemes which are also open to all employees. The annual bonus scheme has used adjusted earnings per share data as its key measure of performance. To make the transition from a calendar year basis for the previous bonus plan, a final payment of $^3/_{12}$ of the calculation was made in November 2001 amounting to 3.5% of base salary.

At the 2001 AGM, shareholders approved a revised bonus scheme for executive directors and senior management. The revised scheme replaced both the previous annual bonus scheme and the senior management bonus scheme. Participants will have the opportunity to receive an on target bonus of up to 30% for meeting rigorous targets, with the opportunity to receive up to a maximum of 60% for exceptional results. A proportion (ranging from one-third to one-half) of this bonus will be paid in shares on a deferred basis. The key performance 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, portfolio performance measured against the IPD index, and success in winning and delivering returns under Total Property Services contracts. For the financial year ended 31 March 2002, the executive directors' individual bonus payments range from 34% to 52% of salary. These will be paid in cash and deferred shares in June 2002.

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.

There are currently 19 participants in the plan, consisting of senior executives and management who were in office prior to the closure of the plan. Following the expiry of the five year performance period ending on 31 March 2002, the Group achieved a ranking of sixth position within the peer group, which resulted in no award being made in respect of that period. The plan closed to new entrants on 31 March 2000 and current performance periods will expire on 31 March 2005.

The interests of the participating executive directors at 31 March 2002 under the plan could amount to a maximum of 55% of their basic salaries for the three outstanding performance periods if a ranking position of first is achieved for each period. Existing participation in the plan will continue until the current performance periods have expired.

At the Annual General Meeting held on 11 July 2000, shareholders approved the introduction of the Land Securities PLC 2000 Executive Share Option Scheme. During the year options were granted under the scheme to the executive directors and also to a number of employees of the Group. The options granted to executive directors are shown in Note 8 on page 64. All options granted under the scheme during the year were subject to a performance test under which the exercise of options is dependent on the growth in the Company's normalised adjusted earnings per share over a period of three financial years exceeding the growth in the retail price index over the corresponding period by at least 2.5% per annum.

The committee believes that it is important for a significant part of the compensation of each executive director to be tied to ownership of the Company's shares so that each executive's interest in the growth and performance of the Company is closely aligned with the interests of our shareowners. The committee has established share ownership guidelines for the Company's executive directors, requiring each executive to own shares with a value equal to a multiple of one times base salary. An executive director must satisfy the guidelines within five years of their first grant after appointment to qualify for future grants of equity-based compensation.

6 Pensions

Ian J Henderson and Michael R Griffiths participate in a non-contributory defined benefit pension scheme which was open to property management and administrative 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. The following table shows the executive directors' accrued pension entitlements as at 31 March 2002. The increase in accrued pension 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. The values represent a liability on the Group's pension scheme and not a sum payable to individual directors.

Accrued pensions

year ended 31 March 2002

	Accrued at 31.3.2002 £	Increase during the year £	Transfer value of increase £
I J Henderson	294,719	67,759	1,025,000
M R Griffiths	156,718	19,091	258,000
J I K Murray	163,996	10,924	167,000

J I K Murray resigned as a director on 28 June 2001, retiring on pension with effect from that date. In accordance with his options under the scheme, he has elected to receive an immediate undiscounted early retirement pension. The Company has been required to make a payment to the pension scheme of £675,663 as J I K Murray started to draw his pension before his assumed retirement age of 60.

With effect from 1 January 1999 a contributory Money Purchase Pension Scheme was introduced for all staff joining the Group from that date. Directors may participate in the scheme subject to Inland Revenue regulations. The following table summarises pension allowances received by directors during the year.

	£
M J Chande	105,126
A E Macfarlane	34,375
F W Salway	59,124
P Walicknowski	83,756

7 Service agreements

I J Henderson and M R Griffiths have service agreements with a notice period of one year. F W Salway has a service agreement under which he is employed initially on a two-year fixed term contract then subject to one year's rolling notice by either party, such notice not to be given to take effect before the second anniversary of this commencement date of 9 October 2000. Details of the service agreements of A E Macfarlane are set out in the Directors' Report on page 48. The chairman and the other non-executive directors do not have service agreements with the Company.

Sir Winfried Bischoff
Chairman of the Committee
for and on behalf of the Board

for the year ended 31 March 2002

The directors submit their report with the financial statements for the year to 31 March 2002. 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 development and portfolio management of offices, shops, retail warehouses, food superstores, leisure, warehouse and industrial premises throughout the UK together with total property outsourcing. The Group now consists of three main business units, Land Securities Development, Land Securities Portfolio Management and Land Securities Trillium.

2 Results for the year and dividends

The results are set out in the consolidated profit and loss account on page 52.

An interim dividend of 9.05p per share was paid on 7 January 2002 and the directors now recommend the payment of a final dividend of 24.95p per share making a total of 34.00p per share for the year ended 31 March 2002, an increase of 4.6% over that for the previous year.

Subject to authorisation at the Annual General Meeting to be held on 9 July 2002, the final dividend will be paid on 22 July 2002 to shareholders registered on 28 June 2002. The shares are expected to be quoted ex-dividend from 26 June 2002.

3 Valuation and net assets

(i) Valuation

In accordance with their report reproduced on page 78, Knight Frank valued the Group's investment properties at £7,598.6m as at 31 March 2002. Taken with the Group's one-third holding in the Birmingham Alliance and the one-half holdings in the Gunwharf Quays Limited Partnership and the Ebbsfleet limited partnership, the portfolio had a value of £7,811.0m. This is a decrease of £94.9m over that at the previous year end. Taking into account total expenditure on investment properties of £505.6m and the aggregate book value of properties sold during the year of £498.1m, the deficit on valuation was £105.5m after adjusting for UITF28.

(ii) Net assets

The investment portfolio valuation has been included in the financial statements for the year ended 31 March 2002 and the net assets of the Group at that date amounted to £6,036.6m. 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 1151p. 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 1132p.

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 25 on page 71. The amount, in the region of £535m (2001 £540m), represents approximately 96p per share on a fully diluted basis.

4 Directors

The directors who held office during the year were:

*P G Birch CBE
I J Henderson CBE
M R Griffiths
J I K Murray (retired 28.6.01)
*P B Hardy
*Sir Winfried Bischoff
P Walicknowski (resigned 19.12.01)
*G I Henderson CBE
M J Chande (resigned 28.2.02)
F W Salway (appointed 2.4.01)
A E Macfarlane (appointed 1.10.01)
*P G Freeman (appointed 1.1.02)

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

In addition, D Rough was appointed a director on 2.4.02.

Biographical details of the directors appear on pages 42 and 43.

Since A E Macfarlane, P G Freeman and D Rough were appointed subsequent to the last Annual General Meeting, they will retire from the Board and, being eligible, offer themselves for reappointment. P G Freeman and D Rough do not have service agreements with the Group.

The service agreement of A E Macfarlane provides for one year's rolling notice by the Company and six months' notice by A E Macfarlane.

P B Hardy and M R Griffiths informed the Company that they do not wish to stand for re-election at this year's Annual General Meeting. P G Birch and Sir Winfried Bischoff retire from the Board by rotation and, being eligible, offer themselves for re-election; neither has 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 8 on page 64.

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 on 10 July 2001 to purchase in the market ordinary shares representing up to approximately 14.9% of the issued share capital at that time with such authority to expire at the 2002 Annual General Meeting. However, no shares were purchased in the year to 31 March 2002. A resolution to renew this authority will be proposed at the Annual General Meeting.

6 Substantial shareholders

At 13 May 2002 the following interests in issued share capital had been notified to the Company under Part VI of the Companies Act 1985.

	Number of shares	%
AXA S.A.	16,274,283	3.10
Barclays PLC	18,066,280	3.44
Legal & General Investment Management	18,058,106	3.43
M&G Investment Management Ltd	17,748,762	3.38
Merrill Lynch	55,430,328	10.57

7 Staff

Details of the Group's policies on employment and on employee development are given on page 40.

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. Further details are given on pages 38 and 39.

8 Donations

During the year ended 31 March 2002 charitable donations amounted to £1,086,000. This amount included £722,000 paid to charitable trusts investigating sites of considerable archaeological importance. There were no contributions of a political nature during the year.

9 Environment

The Group's environmental policy is published on the Company's website www.landsecurities.com

10 Payment policy

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

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

The effect of the Group's payment policy is that its trade creditors at the financial year end represented 23.1 days' purchases.

11 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.

12 Auditors

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

By order of the Board

P M Dudgeon
Secretary
22 May 2002.

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.

The maintenance and integrity of the Land Securities PLC website is the responsibility of the Company; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditors' Report to the members of Land Securities PLC

We have audited the financial statements on pages 52 to 76 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 pages 56 and 57.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on this page.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards issued by the Auditing Practices Board and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. 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 of 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 corporate governance statement on pages 44 and 45 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, 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, 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 2002 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
22 May 2002

making finance work...

Consolidated profit and loss account

for the year ended 31 March 2002

	Notes	Group £m	Interest in joint venture £m	Total 2002 £m	2001 (restated) £m
GROSS PROPERTY INCOME	4	**977.1**	**48.5**	**1,025.6**	650.4
OPERATING PROFIT	4	**497.5**	**19.3**	**516.8**	450.6
Profit on sales of properties		**13.4**	**–**	**13.4**	6.3
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION	4	**510.9**	**19.3**	**530.2**	456.9
Interest receivable and similar income	5	**4.2**	**.8**	**5.0**	7.6
Interest payable and similar charges – gross	5	**(168.2)**	**(24.6)**	**(192.8)**	(151.1)
– interest capitalised	5	**21.1**	**–**	**21.1**	11.3
		(147.1)	**(24.6)**	**(171.7)**	(139.8)
Revenue profit		**361.3**	**3.5**	**364.8**	323.4
Profit/(loss) on sales of properties and bid costs		**6.7**	**(8.0)**	**(1.3)**	1.3
Share of loss before taxation of joint venture	33		**(4.5)**		–
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**368.0**	**(4.5)**	**363.5**	324.7
Taxation on:					
Revenue profit				**(100.0)**	(91.0)
Property sales and bid costs				**.1**	.9
Taxation	9			**(99.9)**	(90.1)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION				**263.6**	234.6
Dividends	10			**(178.4)**	(170.1)
RETAINED PROFIT FOR THE FINANCIAL YEAR	27			**85.2**	64.5

		2002		2001 (restated)	
		Basic	**Diluted**	Basic	Diluted
EARNINGS PER SHARE	11	**50.27p**	**49.54p**	44.87p	44.41p
ADJUSTED EARNINGS PER SHARE	11	**51.61p**	**50.81p**	45.38p	44.89p

		2002	2001
DIVIDENDS PER SHARE	10	**34.0p**	32.5p

All income was derived from within the United Kingdom from continuing operations. No operations were discontinued during the year.

The comparative figures for the year ended 31 March 2001 have been restated to reflect the changes in accounting policies described on page 32 and in Note 1.

Trillium was acquired in November 2000. Results for the year ended 31 March 2001 therefore include four months' trading for that business.

The interest in the joint venture was acquired on 13 December 2001. Results for the year ended 31 March 2002 therefore include just over three months' of the group's share of the trading results of that business.

The notes on pages 56 to 76 form an integral part of these financial statements.

Balance sheets

31 March 2002

	Notes	Group 2002 £m	Group 2001 (restated) £m	Company 2002 £m	Company 2001 (restated) £m
FIXED ASSETS					
Intangible assets					
Goodwill	13	**38.9**	41.2	**–**	–
Tangible assets					
Investment properties	14	**7,800.0**	7,899.1	**2,505.5**	2,664.5
Operating properties	15	**428.9**	323.1	**–**	–
Properties	16	**8,228.9**	8,222.2	**2,505.5**	2,664.5
Other tangible assets	18	**45.3**	34.1	**–**	–
Investment in joint venture					
Share of gross assets of joint venture	33	**1,297.8**			
Share of gross liabilities of joint venture	33	**(1,109.0)**			
		188.8	–	**–**	–
Investments in group undertakings	19			**5,099.0**	4,866.5
		8,501.9	8,297.5	**7,604.5**	7,531.0
CURRENT ASSETS					
Trading properties		**36.9**	–	**–**	–
Debtors falling due within one year	20	**254.8**	176.0	**65.8**	60.3
Debtors falling due after more than one year	20	**5.5**	1.3	**.2**	.2
Investments: short term deposits		**60.9**	22.0	**.1**	9.1
Cash at bank and in hand		**7.5**	7.3	**–**	–
		365.6	206.6	**66.1**	69.6
CREDITORS falling due within one year	21	**(690.9)**	(594.6)	**(285.8)**	(246.6)
NET CURRENT LIABILITIES		**(325.3)**	(388.0)	**(219.7)**	(177.0)
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,176.6**	7,909.5	**7,384.8**	7,354.0
CREDITORS falling due after more than one year					
Debentures, bonds and loans	22	**(1,744.0)**	(1,480.4)	**(1,267.0)**	(1,267.0)
Convertible bonds	23	**(243.3)**	(246.1)	**(36.0)**	(39.3)
Other creditors	24	**(22.8)**	(31.8)	**(11.7)**	(12.1)
PROVISIONS FOR LIABILITIES AND CHARGES	25	**(129.9)**	(133.4)	**(44.1)**	(39.1)
		6,036.6	6,017.8	**6,026.0**	5,996.5
CAPITAL AND RESERVES					
Called up share capital	26	**524.3**	523.6	**524.3**	523.6
Share premium account	27	**314.9**	312.0	**314.9**	312.0
Capital redemption reserve	27	**36.0**	36.0	**36.0**	36.0
Revaluation reserve	27	**3,376.9**	3,673.4	**3,820.0**	3,959.0
Other reserves	27	**550.4**	324.6	**160.5**	.1
Profit and loss account	27	**1,234.1**	1,148.2	**1,170.3**	1,165.8
EQUITY SHAREHOLDERS' FUNDS		**6,036.6**	6,017.8	**6,026.0**	5,996.5
NET ASSETS PER SHARE	12	**1151p**	1149p		
DILUTED NET ASSETS PER SHARE	12	**1132p**	1130p		
ADJUSTED NET ASSETS PER SHARE	12	**1176p**	1172p		
ADJUSTED DILUTED NET ASSETS PER SHARE	12	**1155p**	1152p		

I J Henderson A E Macfarlane

Directors

The financial statements on pages 52 to 76 were approved by the directors on 22 May 2002.

Consolidated cash flow statement

for the year ended 31 March 2002

	Notes	2002 £m	2002 £m	2001 (restated) £m	2001 (restated) £m
NET CASH INFLOW FROM OPERATING ACTIVITIES	28		**406.2**		462.0
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest received		**4.2**		9.8	
Interest paid		**(166.5)**		(103.8)	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			**(162.3)**		(94.0)
TAXATION – Corporation tax paid			**(111.3)**		(87.5)
NET CASH INFLOW FROM OPERATING ACTIVITIES AND INVESTMENTS AFTER FINANCE CHARGES AND TAXATION			**132.6**		280.5
CAPITAL EXPENDITURE					
Development expenditure		**(256.4)**		(161.9)	
Acquisitions and other capital expenditure		**(306.1)**		(419.5)	
Additions to properties		**(562.5)**		(581.4)	
Sales of properties		**549.2**		491.3	
Investing in properties		**(13.3)**		(90.1)	
Increase in other tangible assets		**(19.6)**		(7.5)	
NET CASH OUTFLOW ON CAPITAL EXPENDITURE			**(32.9)**		(97.6)
ACQUISITIONS					
Acquisition of group undertaking		**–**		(114.2)	
Investment in joint venture	33	**(146.4)**		–	
			(146.4)		(114.2)
EQUITY DIVIDENDS PAID			**(172.5)**		(164.1)
CASH OUTFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING			**(219.2)**		(95.4)
MANAGEMENT OF LIQUID RESOURCES	29(a)		**(38.9)**		118.1
FINANCING					
Issues of shares	26	**1.1**		1.2	
Purchase and cancellation of own shares		**–**		(6.0)	
Increase/(decrease) in debt	29(b)	**239.6**		(14.1)	
NET CASH INFLOW/(OUTFLOW) FROM FINANCING			**240.7**		(18.9)
(DECREASE)/INCREASE IN CASH IN YEAR			**(17.4)**		3.8

RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET DEBT	Notes	2002 £m	2001 (restated) £m
(Decrease)/increase in cash in year		**(17.4)**	3.8
Cash inflow from increase/(decrease) in liquid resources	29(a)	**38.9**	(118.1)
Cash (inflow)/outflow from (increase)/decrease in debt	29(b)	**(239.6)**	14.1
Change in net debt resulting from cash flow	30	**(218.1)**	(100.2)
Non-cash changes in debt	30	**3.8**	1.4
Loans acquired with new group undertaking		–	(212.8)
Movement in net debt in year		**(214.3)**	(311.6)
Net debt at 1 April	30	**(1,727.8)**	(1,416.2)
Net debt at 31 March	30	**(1,942.1)**	(1,727.8)

Other primary statements

for the year ended 31 March 2002

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	Notes	2002 £m	2001 (restated) £m
Profit on ordinary activities after taxation (page 52)		**263.6**	234.6
Unrealised (deficit)/surplus on revaluation of investment properties	27	**(105.5)**	284.8
Share of unrealised surplus on revaluation of investment properties held in joint venture	27	**46.8**	–
Taxation on revaluation surpluses realised on sales of investment properties	27	**(12.0)**	(1.8)
Total gains and losses relating to the financial year		**192.9**	517.6
Prior year adjustment	3	**(133.1)**	–
Total gains and losses recognised since last financial statements		**59.8**	517.6

NOTE OF HISTORICAL COST PROFITS AND LOSSES	Notes	2002 £m	2001 (restated) £m
Profit on ordinary activities before taxation (page 52)		**363.5**	324.7
Revaluation surplus arising in previous years now realised on sales of investment properties	27	**237.8**	185.3
Taxation on revaluation surpluses realised on sales of investment properties	27	**(12.0)**	(1.8)
Historical cost profit on ordinary activities before taxation		**589.3**	508.2
Taxation	9	**(99.9)**	(90.1)
Historical cost profit on ordinary activities after taxation		**489.4**	418.1
Dividends	10	**(178.4)**	(170.1)
Retained historical cost profit for the year		**311.0**	248.0

RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS	Notes	2002 £m	2001 (restated) £m
Profit on ordinary activities after taxation (page 52)		**263.6**	234.6
Dividends	10	**(178.4)**	(170.1)
Retained profit for the financial year (page 52)		**85.2**	64.5
Unrealised (deficit)/surplus on revaluation of investment properties	27	**(105.5)**	284.8
Share of unrealised surplus on revaluation of investment properties held in joint venture	27	**46.8**	–
Taxation on revaluation surpluses realised on sales of investment properties	27	**(12.0)**	(1.8)
Issues of shares	26	**.7**	1.2
Premium arising on issues of shares	27	**3.6**	7.5
Purchase and cancellation of own shares		**–**	(.1)
Net change in shareholders' funds		**18.8**	356.1
Opening equity shareholders' funds:			
As previously reported		**6,150.9**	5,781.8
Prior year adjustment	3	**(133.1)**	(120.1)
As restated		**6,017.8**	5,661.7
Closing equity shareholders' funds		**6,036.6**	6,017.8

1 Accounting Policies

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost convention modified by the revaluation of investment properties and, in the case of the holding company, investments in group undertakings. 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 (h) (iii) 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 2002. Group undertakings and interests in joint ventures acquired during the year are accounted for from the date of acquisition.

Joint ventures are included under the gross equity method in accordance with FRS9 'Associates and Joint Ventures'. This requires the group's share of the joint venture's profit and loss account to be shown separately in the income statement, and the group's share of the joint venture's gross assets and liabilities to be shown on the face of the balance sheet.

The group has interests in various partnerships. The group's share of the assets, liabilities, income and expenditure are included in the relevant sections of the consolidated profit and loss account and balance sheet as required by FRS9.

(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. In accordance with FRS3 "Reporting Financial Performance", profits and losses on properties sold during the year are 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, net of attributable taxation. They are not included in the profit and loss account.

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

(c) Gross Property Income

The group's gross property income comprises rental income, service charges and other recoveries from tenants of its investment properties, property services income earned by its total property outsourcing business and proceeds of sales of trading properties.

The Accounting Standards Board's Urgent Issues Task Force Abstract 28 'Operating Lease Incentives' (UITF28) requires property companies to treat any incentive for lessees to enter into lease agreements as a revenue cost and also to account for rental income from the commencement and not, as was the group's prior practice, the expiry date, of any rent-free period. The group has, therefore, changed its accounting policy for leases commencing on or after 1 April 2000. The cost of all lease incentives (such as rent-free periods or contributions to fitting out costs) is now offset against the total rent due and the net rental income is then spread evenly over the shorter of the period from the rent-free or rent commencement date, as appropriate, to the date of the next rent review or the lease end date.

(d) Bid Costs

The Accounting Standards Board's Urgent Issues Task Force Abstract 34 'Pre-Contract Costs' (UITF34) requires bid costs which do not comprise incidental costs associated with the acquisition of fixed assets or finance costs to be expensed until the group is virtually certain of entering into a contract. The group has, therefore, changed its accounting policy for these bid costs and will now expense costs incurred prior to exchange of contract. Previously the group capitalised bid costs where it was known that preferred bidder status had been achieved.

(e) Pensions

Contributions to defined benefit pension schemes, which are 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.

The group has applied the transitional provisions of FRS17 "Retirement Benefits" and appropriate additional disclosures have been included in Note 6. The group will fully adopt FRS17 in its financial statements for the year ending 31 March 2004.

(f) Taxation

In accordance with FRS 16 "Current Taxation", taxation arising on the sale 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 the taxation which would become payable under present legislation if the group's properties were sold at the amounts at which they are carried in the financial statements. However an estimate of the potential liability is shown in Note 25.

FRS19 'Deferred Tax' requires that deferred tax is recognised in full in respect of transactions or events that have taken place by the balance sheet date and which could give the group an obligation to pay more or less tax in the future. However, FRS19 requires that deferred tax is not recognised on revaluation gains and losses where these are not taken to the profit and loss account. The group's accounting policy had been to account for deferred tax to the extent that liabilities or assets were expected to be payable or receivable in the foreseeable future. In accordance with FRS19, the group has now changed its policy to make full provision for timing differences which, in the group's case, arise primarily from capital allowances and industrial building allowances. Following the sale or demolition of a property, any deferred tax provisions not required will be released to the profit and loss account.

(g) Goodwill

Goodwill arising on the acquisition of Trillium, calculated as the excess of cost over the fair value of net assets acquired, was capitalised in the year in which it arose and amortised over the remaining life of the PRIME contract.

(h) Investment Properties

(i) Valuation

Investment properties, including those that comprise part of the development programme, are carried in the financial statements at open market values based on the latest professional valuation. A valuation was carried out by Knight Frank as at 31 March 2002 and a copy of their report is set out on page 78. The valuation treats properties as acquired when the group enters into an unconditional purchase contract and as sold when subject to an unconditional contract for sale. Additions to properties consist of costs of a capital nature and, in the case of investment properties under development, certain capitalised interest (see note h(ii) below). Other costs in respect of developments and refurbishments are treated as revenue expenditure and written off as incurred.

(ii) Capitalisation of interest
Interest associated with direct expenditure on properties under development is capitalised. The rate used is the group's pre-tax weighted average cost of borrowings or, if appropriate, the rate on specific associated borrowings. Interest is capitalised as from the commencement of the development work until the date of practical completion. The capitalisation of finance costs is suspended, however, if there are prolonged periods when development activity is interrupted. Interest is also capitalised on the purchase cost of a site or property if it was acquired specifically for redevelopment in the short term. Interest is not capitalised on the acquisition cost of properties previously held as investments, or on refurbishment projects.

The above represents a change in accounting policy from previous years when all interest costs were expensed as incurred. Financing costs are potentially a material element of the total costs of development projects. As the group's development programme gathers momentum, the inclusion of interest in development costs will give a better view of the expenditure on developments and the surpluses created by this activity.

(iii) Depreciation and amortisation
In accordance with SSAP 19, depreciation is not provided on investment properties that are held as freeholds or on leases having more than 20 years unexpired. This is a departure from the Companies Act 1985 which requires all tangible assets to be depreciated. In the opinion of the directors, this departure is necessary for the financial statements to give a true and fair view and comply with applicable accounting standards which require properties to be included in the financial statements at open market value.

The effect of depreciation on the value is already reflected in the valuation of investment properties, and the amount attributable to this factor cannot reasonably be separately identified or quantified by the valuers. 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 and revaluation surpluses/deficits would have been correspondingly increased/decreased.

(i) Operating Properties
These are properties owned and managed by LS Trillium, the group's total property outsourcing business unit, and which typically do not satisfy the definition of "investment properties". Operating properties are carried at depreciated cost and not revalued.

Freehold land is carried at historical cost and is not depreciated.

Freehold buildings are depreciated in equal annual instalments over 50 years. Any premiums paid to acquire leaseholds are amortised over their unexpired lease terms.

Expenditure which enhances the economic benefits of a building is capitalised and depreciated over the shorter of its useful life and the remaining life of the building up to a maximum of 50 years. Repair and maintenance expenditure is written off to the profit and loss account as incurred.

(j) Other Tangible Assets
These comprise computers, motor vehicles, furniture, fixtures and fittings and improvements to group offices and are depreciated on a straight-line basis over their estimated useful lives of between two to ten years.

(k) Investments in Group Undertakings
(i) Valuation
The company's investments in the shares of group undertakings are stated at directors' valuation on a basis which takes account of the net assets of the group undertakings at 31 March 2002 which will include, where applicable, the professional valuation of properties. Surpluses and deficits arising from the directors' valuation are taken to revaluation reserve.

(ii) Acquisitions
Assets and liabilities of acquired entities are brought into consolidation at fair value as at the date of acquisition. Where the cost of acquisition exceeds the fair values attributable to the net assets acquired, the difference is treated as goodwill and capitalised in the group's balance sheet in the year of acquisition. Goodwill is amortised to the profit and loss account over 20 years or its useful life whichever is the shorter.

The results and cashflows of acquired group undertakings are included in the consolidated profit and loss account and the consolidated cash flow statement from the date of acquisition.

(l) Trading Properties
Trading properties are carried at the lower of cost and net realisable value.

(m) Provisions for Liabilities and Charges
A provision is recognised where there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reasonable estimate can be made of the amount of the obligation.

(n) Financial Instruments
The group uses interest rate swaps to help manage its interest rate risk.

Where interest rate swaps have commenced the differences between the rates payable by the group and the rates payable by the counterparties are dealt with on an accruals basis.

2 Comparatives
The consolidated profit and loss account, consolidated cash flow statement and other primary statements for the year ended 31 March 2001 together with the balance sheets at that date have been restated for the effects of adopting UITF28 and FRS19 as explained in Notes 1(c) and 1(f) respectively, UITF34 relating to pre-contract costs in Note 1(d) and the change in accounting policy relating to the capitalisation of interest in Note 1h(ii).

Trillium, the group's total property outsourcing business, was acquired in November 2000. Its results are included in the prior year for the four months to 31 March 2001.

3 Restatement of Comparatives

The effects of adopting UITF28, FRS19, UITF34 and capitalisation of interest for the current and comparative prior years are as follows:

	Year ended 31 March 2002						Year ended 31 March 2001					
		Effects of changes in accounting policies						Effects of changes in accounting policies				
	Without changes in accounting policies £m	Capital-isation of interest £m	Adoption of UITF28 £m	Adoption of FRS19 £m	Adoption of UITF34 £m	As reported £m	As previously reported £m	Capital-isation of interest £m	Adoption of UITF28 £m	Adoption of FRS19 £m	Adoption of UITF34 £m	As restated £m
(i) PROFIT AND LOSS ACCOUNT												
Gross property income	1,022.1		3.5			1,025.6	647.2		3.2			650.4
Operating profit	528.0		3.5		(14.7)	516.8	451.8		3.2		(4.4)	450.6
Profit before interest and taxation	541.4		3.5		(14.7)	530.2	458.1		3.2		(4.4)	456.9
Interest payable and similar charges	(192.8)	21.1				(171.7)	(151.1)	11.3				(139.8)
Revenue profit before taxation	340.2	21.1	3.5			364.8	308.9	11.3	3.2			323.4
Profit before taxation	353.6	21.1	3.5		(14.7)	363.5	314.6	11.3	3.2		(4.4)	324.7
Taxation	(88.2)	(6.3)	(1.3)	(5.9)	1.8	(99.9)	(81.5)	(3.4)	(1.1)	(4.8)	.7	(90.1)
Profit after taxation	265.4	14.8	2.2	(5.9)	(12.9)	263.6	233.1	7.9	2.1	(4.8)	(3.7)	234.6
EARNINGS PER SHARE												
– basic (pence)	50.59	2.82	.42	(1.1)	(2.46)	50.27	44.57	1.51	.41	(.92)	(.7)	44.87
– diluted (pence)	49.89	2.67	.40	(1.1)	(2.32)	49.54	44.14	1.43	.38	(.87)	(.67)	44.41
(ii) BALANCE SHEET												
Goodwill	39.6			(.7)		38.9	41.9			(.7)		41.2
Investment properties	7,810.9		(10.9)			7,800.0	7,905.9		(6.8)			7,899.1
Trading properties	36.5	.4				36.9	–					–
Debtors falling due within one year	263.0		10.9		(19.1)	254.8	173.6		6.8		(4.4)	176.0
Creditors falling due within one year	(691.0)		(2.4)		2.5	(690.9)	(594.2)		(1.1)		.7	(594.6)
Provisions for liabilities and charges	9.9	(12.2)		(127.6)		(129.9)	(5.8)	(5.9)		(121.7)		(133.4)
Revaluation reserve	3,424.1	(40.5)	(6.7)			3,376.9	3,696.4	(19.8)	(3.2)			3,673.4
Profit and loss account	1,346.0	28.7	4.3	(128.3)	(16.6)	1,234.1	1,258.3	13.9	2.1	(122.4)	(3.7)	1,148.2
Equity shareholders' funds	6,195.7	(11.8)	(2.4)	(128.3)	(16.6)	6,036.6	6.150.9	(5.9)	(1.1)	(122.4)	(3.7)	6,017.8
NET ASSETS PER SHARE												
– basic (pence)	1178	(1)	1	(24)	(3)	1151	1175	(1)		(24)	(1)	1149
– diluted (pence)	1158	(1)	1	(23)	(3)	1132	1154	(1)		(23)		1130

4 Segmental Information

(i) PROFIT AND LOSS ACCOUNT	2002 Property Investment £m (Note (a))	2002 Total Property Outsourcing: Land Securities Trillium £m (Note (b))	2002 Total Property Outsourcing: Joint Venture £m (Note (b))	2002 Property Trading £m (Note (b))	2002 Group £m	2002 Total £m	2001 (restated) Property Investment £m (Note (a))	2001 (restated) Total Property Outsourcing £m (Note (b))	2001 (restated) Total £m
Rental income (c)	525.9				525.9	525.9	501.6		501.6
Service charges and other recoveries	53.1				53.1	53.1	51.5		51.5
Property services income		357.7	48.5		357.7	406.2		97.3	97.3
Proceeds of sales of trading properties				40.4	40.4	40.4			–
GROSS PROPERTY INCOME (page 52)	579.0	357.7	48.5	40.4	977.1	1,025.6	553.1	97.3	650.4
Rents payable	(17.4)	(92.7)	–	–	(110.1)	(110.1)	(17.5)	(30.2)	(47.7)
Other direct property or contract expenditure (d)	(62.0)	(187.9)	(14.4)	–	(249.9)	(264.3)	(57.4)	(41.5)	(98.9)
Indirect property or contract expenditure (e)	(33.2)	(16.7)	(3.0)	(1.5)	(51.4)	(54.4)	(25.3)	(8.7)	(34.0)
Bid costs	–	(6.7)	(8.0)	–	(6.7)	(14.7)	–	(5.0)	(5.0)
	(95.2)	(211.3)	(25.4)	(1.5)	(308.0)	(333.4)	(82.7)	(55.2)	(137.9)
Costs of sales of trading properties				(34.6)	(34.6)	(34.6)			–
	466.4	53.7	23.1	4.3	524.4	547.5	452.9	11.9	464.8
Depreciation	(.2)	(10.9)	(3.8)	–	(11.1)	(14.9)	(0.2)	(3.9)	(4.1)
Amortisation of goodwill		(2.3)	–	–	(2.3)	(2.3)		(0.8)	(0.8)
	466.2	40.5	19.3	4.3	511.0	530.3	452.7	7.2	459.9
Profit on sales of properties	10.1	3.3	–	–	13.4	13.4	6.3	–	6.3
SEGMENT PROFIT	476.3	43.8	19.3	4.3	524.4	543.7	459.0	7.2	466.2
Less: Common costs (f)						(13.5)			(9.3)
OPERATING PROFIT (page 52)						516.8			450.6
Profit on sales of properties (page 52)						13.4			6.3
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION (page 52)						530.2			456.9

(ii) NET ASSETS	2002 Property Investment £m	2002 Total Property Outsourcing £m	2002 Property Trading £m	2002 Total £m	2001 (restated) (Note (b)) Property Investment £m	2001 (restated) (Note (b)) Total Property Outsourcing £m	2001 (restated) (Note (b)) Total £m
Properties in development programme	1,050.1	–	–	1,050.1	904.5	–	904.5
Other investment properties	6,749.9	–	–	6,749.9	6,994.6	–	6,994.6
Operating properties	–	428.9	–	428.9		323.1	323.1
Other fixed assets	17.7	66.5	–	84.2	15.7	59.6	75.3
FIXED ASSETS	7,817.7	495.4	–	8,313.1	7,914.8	382.7	8,297.5
INVESTMENT IN JOINT VENTURE	–	188.8	–	188.8	–	–	–
NET CURRENT (LIABILITIES)/ASSETS	(346.8)	(22.2)	43.7	(325.3)	(382.9)	(5.1)	(388.0)
	7,470.9	662.0	43.7	8,176.6	7,531.9	377.6	7,909.5
LONG TERM LIABILITIES AND PROVISIONS				(2,140.0)			(1,891.7)
NET ASSETS				6,036.6			6,017.8

Notes:

(a) Includes the results of investment properties under development and the group's share of the results of its partnerships (Note 34).

(b) No comparatives exist for the joint venture and property trading segments, as these activities commenced in the year ended 31 March 2002. Also, as Trillium was acquired in November 2000, the results for the year ended 31 March 2001 include only four months' trading for that business.

(c) As a consequence of adopting UITF28, rental income includes **£3.5m** (2001 £3.2m) of rent receivable allocated to rent free periods falling in the respective financial years.

(d) Other direct property or contract expenditure, previously described as other property outgoings, are costs incurred in the direct maintenance and upkeep of properties and in providing services in compliance with outsourcing contracts. Void costs, which include those relating to empty properties pending redevelopment and refurbishment costs, and costs of investigating potential development schemes which are not proceeded with are also included.

(e) Indirect property or contract expenditure are indirect costs of managing the portfolio. It includes the costs of staff involved in development projects, together with the costs of rent reviews and renewals, relettings of properties and all office administration and operating costs other than common costs.

(f) Common costs, comprise all costs, including premises costs, associated with the Senior Executive Team, company secretarial and non-executive directors and non-segment related depreciation charges.

4 Segmental Information (continued)

The group total of indirect property or contract expenditure, depreciation and common costs includes:

	2002 £m	2001 £m
Auditors' remuneration:		
Audit fees (Company: **£72,000**; 2001 £70,000)	**.3**	.3
Non-audit fees for:		
Bids – Trillium	**.2**	.7
Acquisitions	**.1**	.6
Taxation and other advice	**1.0**	1.0
	1.3	2.3
Directors' remuneration	**4.2**	2.8
Depreciation	**16.0**	7.8

In addition, the auditors also received non-audit fees of **£2.6m** (2001 £Nil) from Telereal as part of Telereal's bid costs.

5 Interest

	Group £m	Telereal £m	Total 2002 £m	2001 (restated) £m
RECEIVABLE:				
Short term deposits and corporate bonds	**3.3**	**.8**	**4.1**	6.9
Other interest receivable	**.9**	**–**	**.9**	.7
	4.2	**.8**	**5.0**	7.6
PAYABLE:				
Borrowings not wholly repayable within five years	**132.6**	**20.0**	**152.6**	140.5
Borrowings wholly repayable within five years	**32.6**	**3.7**	**36.3**	8.2
Other interest payable	**3.0**	**.9**	**3.9**	2.4
	168.2	**24.6**	**192.8**	151.1
Less: Capitalised as costs of properties under development	**(21.1)**	**–**	**(21.1)**	(11.3)
	147.1	**24.6**	**171.7**	139.8

Interest payable includes **£16.0m** (2001 £4.5m) in respect of bank borrowings.

Interest has been capitalised at the group's pre-tax weighted average borrowing rate for the year of **8.5%** (2001 9%), as explained in Note 1(h)(ii).

6 Staff and Pensions

	2002 No.	2001 No.*	2002 £m	2001 £m*
EMPLOYEES				
The average number of employees during the year, excluding directors, and the corresponding aggregate staff costs were:				
Indirect property or contract and administration	**329**	431	**22.9**	20.8
Direct property or contract services:				
Full time	**1,026**	615	**32.8**	6.6
Part time	**56**	50	**.6**	.3
	1,411	1,096	**56.3**	27.7
STAFF COSTS				
Salaries			**40.1**	21.1
Social Security			**4.7**	2.3
Other pension			**4.9**	3.1
Incentive schemes			**6.6**	1.2
			56.3	27.7

*includes Land Securities Trillium for the period 29 November 2000 to 31 March 2001 only

In addition to the above, on 1 February 2002, 338 staff transferred from BT, in accordance with TUPE regulations, to Land Securities Trillium Telecom Services Limited, a wholly owned subsidiary of Land Securities PLC, formed for the purpose. These staff are made available to Telereal Services Limited to deliver services to BT. All related staff costs are reimbursed by Telereal Services Limited.

PENSIONS

The charge to the profit and loss account for pension costs during the year is made up as follows:

	2002 **£m**	2001 £m
Regular pension cost	**3.1**	2.8
Variations from regular cost	**1.0**	.6
Other schemes	**2.6**	.9
Net pension cost	**6.7**	4.3

The amount under other schemes includes the actual contributions paid to the group's defined contribution schemes and sums paid to the BBC and BT schemes, as required under the terms of the participation agreements in those schemes, explained below.

DEFINED BENEFIT SCHEME

The Pension & Assurance Scheme of the Land Securities Group of Companies ("the Scheme") is the only material defined benefit pension scheme of the group.

The Scheme, which is closed to new entrants and which is non-contributory for employees, 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.

As the Scheme is closed to new members, the current service cost will be expected to increase as a percentage of salary, under the projected unit method, as members approach retirement.

The last formal actuarial valuation, undertaken for the purposes of setting the ongoing contribution rate, was carried out as at 6 April 2001. The valuation showed that there was a deficit of £1.2m.

The actuary recommended that the employer contribution rate be increased from 25% to 30% of pensionable salaries with effect from April 2001. Employer contributions were paid at this rate during the year to 31 March 2002.

Employer contributions will continue at 30% of pensionable salaries until completion of the next formal valuation to be carried out no later than as at 6 April 2004. Interim valuations will, however, be undertaken to monitor the adequacy of the contribution rate.

The market value of the Scheme's invested assets (excluding the value of annuities purchased to provide certain pensions in payment) as at 6 April 2001 was £60.8m. The actuarial value of these assets represented 99% of the value of the Scheme's liabilities at that date.

The key assumptions adopted for this valuation were as follows:

	At valuation 6 April 2001 %
Rate of increase in pensionable salaries	5.00
Rate of increase in pensions in payment	2.75
Discount rate	
– prior to retirement	6.50
– in retirement	5.50
Inflation assumption	2.75
Actuarial value of assets (% of market value)	106.00

CONTRIBUTORY MONEY PURCHASE SCHEME

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. A separate similar scheme, previously set up by Trillium, is also in operation for Land Securities Trillium staff. In addition, as part of the PRIME Agreement, the group is obliged to provide pension benefits under a now closed funded defined benefit scheme applicable to less than 20 employees.

OTHER SCHEMES

During the year the group participated in the BBC and BT pension schemes in respect of employees who were transferred from those businesses to the group as part of Land Securities Trillium's outsourcing contracts with those entities. Separate pension arrangements will be set up for these employees in due course. Land Securities Trillium Telecom Services Limited has put in place a defined benefit scheme with the same terms and conditions as the BT scheme. Staff who transferred from BT on 1 February 2002 can transfer to this new scheme from 1 May 2002. All relevant pension costs are recharged to Telereal Services Limited.

There are also certain historic unfunded pensions being paid to three former directors or their dependants in accordance with their service contracts.

All death-in-service and benefits for incapacity arising during employment provided by the group are wholly insured.

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

6 Staff and Pensions (continued)

ADDITIONAL DISCLOSURES UNDER FRS17 'RETIREMENT BENEFITS'

As noted above, a full actuarial valuation was undertaken on 6 April 2001. This valuation was updated to 31 March 2002 by a qualified actuary for the purposes of the following additional disclosures required by the transitional provisions of FRS17. The major assumptions used by the actuary in this valuation were (in nominal terms):

	2002 %
Rate of increase in pensionable salaries	5.00
Rate of increase in pensions in payment	2.75
Discount rate	6.00
Inflation assumption	2.75

The market value of the assets in the scheme (including the value of annuities purchased to provide certain pensions in payment) and the expected rate of return (net of investment management expenses) were:

	Expected rate of return %	Fair Value £m
Equities	7.5	46.2
Bonds and insurance contracts	6.0	12.9
Other		18.5
Total market value of assets		77.6
Actuarial value of scheme liabilities		(87.5)
Deficit in the scheme		(9.9)
Related deferred tax asset		3.0
Net pension liability		(6.9)

7 Executive and Savings Related Share Option Schemes

	Option price	No. of Options: 2000 Executive Share Option Scheme	1984 Executive Share Option Scheme	1983 & 1993 Savings Related Share Option Schemes
At 1 April 2001		**1,176,562**	**295,250**	**399,655**
Granted	**713p**			**232,003**
	869p	**1,601,000**		
	813p	**122,000**		
Exercised (Note 26)		**–**	**(89,500)**	**(81,835)**
Lapsed		**(216,000)**	**–**	**(29,923)**
At 31 March 2002		**2,683,562**	**205,750**	**519,900**

The options outstanding under the 2000 scheme are exercisable at prices between 801p and 869p up to 2012, provided the associated performance conditions are met, and those under the 1984 executive share option scheme at 618.6p up to July 2004. The options outstanding under the savings related share option schemes are exercisable at prices between 487p and 736p, after three, five or seven years from the date of grant.

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

EMOLUMENTS

The emoluments of the directors, including pension contributions and the value of shares in the company awarded under the company's long-term incentive plan ('LTIP'), of **£Nil** (2001 £190,800 at 880p per share), amounted to **£4,050,000** (2001 £3,580,000).

		Benefits				Total emoluments excluding pensions		Pension contributions	
£'000	**Basic Salary**	**Profit Sharing & Bonuses**	**LTIP Shares**	**Car & Medical**	**Fees**	**2002**	2001	**2002**	2001
EXECUTIVE:									
I J Henderson	**480**	**130**	**–**	**9**	**–**	**619**	573	**213**	151
M R Griffiths	**260**	**37**	**–**	**14**	**–**	**311**	350	**104**	81
K Redshaw (retired 20.3.2001)	**–**	**–**	**–**	**–**	**–**	**–**	350	**–**	620
J I K Murray (retired 28.6.2001)	**75**	**52**	**–**	**3**	**–**	**130**	533	**702**	87
P Walicknowski (resigned 19.12.2001)	**309**	**198**	**–**	**10**	**–**	**517**	446	**84**	8
M J Chande (appointed 29.11.2000; resigned 28.2.2002)	**310**	**200**	**–**	**26**	**–**	**536**	124	**105**	25
F W Salway (appointed 2.4.2001)	**200**	**42**	**–**	**6**	**–**	**248**	–	**59**	–
A E Macfarlane (appointed 1.10.2001)	**137**	**–**	**–**	**9**	**–**	**146**	–	**34**	–
NON-EXECUTIVE:									
P G Birch (Chairman)	**–**	**–**	**–**	**–**	**143**	**143**	138	**–**	–
P B Hardy	**–**	**–**	**–**	**–**	**33**	**33**	31	**–**	–
Sir Alistair Grant (to 22.1.2001)	**–**	**–**	**–**	**–**	**–**	**–**	21	**–**	–
Sir Winfried Bischoff	**–**	**–**	**–**	**–**	**32**	**32**	29	**–**	–
G I Henderson (appointed 2.10.2000)	**–**	**–**	**–**	**–**	**27**	**27**	13	**–**	–
P G Freeman (appointed 1.1.2002)	**–**	**–**	**–**	**–**	**7**	**7**		**–**	–
Total 2002	**1,771**	**659**	**–**	**77**	**242**	**2,749**		**1,301**	
Total 2001	1,514	611	191	60	232		2,608		972

Benefits include all taxable 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 and a bonus of 18 per cent of salary payable under the senior executive annual bonus scheme apportioned equally in cash and shares.

Bonuses received by I J Henderson include **£69,000** in recognition of 30 years service to the group.

In addition to the emoluments set out above, the following compensations for loss of office were also paid:

J I K Murray	£452,708 (plus a benefit of £10,500 on his purchase of his company car)
P Walicknowski	£125,000

In addition, J I K Murray received £16,500 for consultancy services during the year after his retirement. The company was required to make a payment of £676,000 towards J I K Murray's pension scheme funds as he commenced drawing his undiscounted pension before his normal retirement date.

The total emoluments of the highest paid director, including **£Nil** (2001 £43,900) received in shares under the long term incentive plan and gains before tax of **£5,800** (2001 £Nil) made on the exercise of share options during the year but excluding pension contributions, amounted to **£624,900** (2001 £588,700). The accrued pension as at 31 March 2002 for the highest paid director was **£294,700** (2001 £153,100).

Pensions of **£166,000** (2001 £175,000) were paid to former directors or their dependants.

A brief explanation of pension arrangements for directors, including a table of accrued pension entitlements as at 31 March 2002, and details of amounts receivable under the LTIP are provided on pages 46 and 47.

8 Directors' Emoluments, Share Options and Interests in Ordinary Shares (continued)

OPTIONS OVER ORDINARY SHARES

			Granted during year		Exercised/Lapsed (L) during year			Options at 31 March 2002		
		No. of options at 1 April 2001	No.	Grant price (pence)	No.	Exercise price (pence)	Market price on exercise (pence)	No.	Exercise price (pence)	Exercisable dates
I J Henderson	(1)	**27,000**						**27,000**	**618.6**	**7/1997 – 7/2004**
	(2)	**174,562**						**174,562**	**820**	**9/2003 – 9/2010**
	(2)		**27,500**	**869**				**27,500**	**869**	**7/2004 – 7/2011**
	(3)	**4,310**			**(1,601)**	**487**	**850**	**2,709**	**680.9***	**7/2001 – 7/2004**
M R Griffiths	(1)	**33,500**						**33,500**	**618.6**	**7/1997 – 7/2004**
	(2)	**50,000**						**50,000**	**820**	**9/2003 – 9/2010**
	(2)		**41,000**	**869**				**41,000**	**869**	**7/2004 – 7/2011**
	(3)	**3,539**	**271**	**713**	**(800)**	**487**	**851**	**3,010**	**646.1***	**7/2001 – 7/2005**
F W Salway	(2)	**35,000**						**35,000**	**801**	**11/2003 – 11/2010**
	(2)		**40,000**	**869**				**40,000**	**869**	**7/2004 – 7/2011**
A E Macfarlane	(2)		**75,000**	**813**				**75,000**	**813**	**11/2004 – 11/2011**
J I K Murray	(1)	**12,500**			**(12,500)**	**618.6**	**863**	**–**		
	(3)	**3,481**			**(823)**	**672**	**771**	**–**		
					(2,104)	**504**	**884**			
					(L) (337)	**672**				
					(L) (217)	**504**				
P Walicknowski	(2)	**200,000**			**(L) (200,000)**			**–**	**–**	
M J Chande	(2)	**150,000**						**150,000**	**824**	**05/2004**

(1) 1984 Executive Share Option Scheme (2) 2000 Executive Share Option Scheme (3) 1983 & 1993 Savings Related Share Option Schemes

*weighted average exercise price

The range of the closing middle market prices for Land Securities shares during the year was 762p to 929.5p. The middle market price at 31 March 2002 was 893p.

The aggregate of gains before tax made by directors on exercise of share options during the year amounted to **£48,100** (2001 £58,000).

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.

The Land Securities PLC 2000 Executive Share Option Scheme was introduced in July 2000 and a summary of this scheme is set out in the Remuneration Committee Report on pages 46 and 47. The remainder of the options granted to directors under the savings related schemes are exercisable at prices between 504p 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.

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	
	2002	2001
P G Birch	**22,864**	22,864
I J Henderson	**89,440**	82,433
M R Griffiths	**34,931**	30,771
F W Salway	**8,108**	2,273*
A E Macfarlane	**1,000**	1,000*
P B Hardy	**19,200**	19,200
Sir Winfried Bischoff	**10,000**	10,000
G I Henderson	**3,000**	3,000
P G Freeman	**5,000**	5,000*

*at date of appointment

There have been no changes in the beneficial and non-beneficial shareholdings of the directors between the end of the financial year and 22 May 2002.

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.

9 Taxation

	2002 £m	2001 (restated) £m
Current tax		
Corporation tax on revenue profit for the year at 30% (2001 30%):	**91.6**	86.8
Adjustments in respect of previous years	**.2**	(.6)
	91.8	86.2
Deferred taxation on revenue profit (Note 25)	**17.6**	12.2
Release of deferred taxation (Note 25)	**(10.7)**	(7.4)
On joint venture's revenue profit	**1.3**	–
	100.0	91.0
On property sales and bid costs		
Current taxation	**1.2**	(.9)
Joint venture	**(1.3)**	–
	99.9	90.1

	2002 £m	2001 (restated) £m
Factors affecting the tax charge for the year		
The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 30% (2001 30%).		
The differences are explained below:		
Profit on ordinary activities before taxation (page 52)	**363.5**	324.7
Profit on ordinary activities multiplied by the standard rate of corporation tax at 30%	**109.1**	97.4
Expenses disallowed	**2.9**	2.4
Reduced tax on property sales	**(2.3)**	(2.1)
Deferred tax – principally capital allowances	**(17.6)**	(12.2)
Other items	**.9**	(.2)
Current tax including current tax on property sales and bid costs	**93.0**	85.3
(Less)/add: Current taxation (charge)/credit on property sales and bid costs	**(1.2)**	.9
Current taxation on revenue profit	**91.8**	86.2

10 Equity Dividends

	2002 pence per share	2001 pence per share	2002 £m	2001 £m
Interim paid	**9.05**	8.65	**47.5**	45.2
Proposed final	**24.95**	23.85	**130.9**	124.9
	34.00	32.50	**178.4**	170.1

11 Earnings per Share

	Profit after taxation		Weighted average no. of shares		Earnings per share	
EARNINGS PER SHARE	2002 £m	2001 (restated) £m	2002 m	2001 m	2002 pence	2001 (restated) pence
Earnings per share	**263.6**	234.6	**524.2**	523.0	**50.27**	44.87
Effect of dilutive securities:						
Convertible bonds	**10.9**	11.1	**29.7**	30.2		
Share options			**.2**	.2		
Diluted earnings per share	**274.5**	245.7	**554.1**	553.4	**49.54**	44.41
ADJUSTED EARNINGS PER SHARE						
Earnings per share	**263.6**	234.6	**524.2**	523.0	**50.27**	44.87
Effect of results of property sales and bid costs after taxation	**1.2**	(2.2)			**.24**	(.41)
Effect of additional deferred tax arising on the adoption of FRS19	**5.9**	4.8			**1.10**	.92
Adjusted earnings per share	**270.7**	237.2	**524.2**	523.0	**51.61**	45.38
Diluted earnings per share	**274.5**	245.7	**554.1**	553.4	**49.54**	44.41
Effect of results of property sales and bid costs after taxation	**1.2**	(2.2)			**.23**	(.39)
Effect of additional deferred tax arising on the adoption of FRS19	**5.9**	4.8			**1.04**	.87
Adjusted diluted earnings per share	**281.6**	248.3	**554.1**	553.4	**50.81**	44.89

Profits on the sales of properties and bid costs are excluded from adjusted earnings as these are potentially non-recurring items. The additional deferred tax arising from the adoption of FRS19 is also excluded as the group's experience is that it is very unusual for plant allowances to be claimed back through balancing charges on the disposal of a property. Adjusted earnings and adjusted diluted earnings per share have been disclosed, therefore, to show measures of earnings that better reflect the principal operating activities of the group.

12 Net Assets per Share

	Net assets 2002 £m	Net assets 2001 (restated) £m	Number of shares 2002 m	Number of shares 2001 m	Net assets per share 2002 pence	Net assets per share 2001 (restated) pence
Net assets per share	**6,036.6**	6,017.8	**524.3**	523.6	**1151**	1149
Effect of additional deferred tax arising on the adoption of FRS 19	**128.3**	122.4			**25**	23
Adjusted net assets per share	**6,164.9**	6,140.2	**524.3**	523.6	**1176**	1172
Net assets per share	**6,036.6**	6,017.8	**524.3**	523.6	**1151**	1149
Adjustments for: convertible bonds	**243.3**	246.1	**29.7**	30.2		
Exercise of oustanding share options	**27.6**	14.0	**3.4**	1.9		
Diluted net assets per share	**6,307.5**	6,277.9	**557.4**	555.7	**1132**	1130
Diluted net assets per share	**6,307.5**	6,277.9	**557.4**	555.7	**1132**	1130
Effect of additional deferred tax arising on the adoption of FRS 19	**128.3**	122.4			**23**	22
Adjusted diluted net assets per share	**6,435.8**	6,400.3	**557.4**	555.7	**1155**	1152

The additional deferred tax liability arising on the adoption of FRS19 has been excluded from the calculations of the adjusted values as the group's experience is that deferred tax on capital allowances in relation to properties is unlikely to crystallise in practice.

13 Goodwill

	Cost £m	Amortisation £m	Net £m
At 1 April 2001	42.7	(.8)	41.9
Prior year adjustment	(.7)	–	(.7)
At 1 April 2001 as restated	42.0	(.8)	41.2
Amortisation for the year		(2.3)	(2.3)
At 31 March 2002	42.0	(3.1)	38.9

Goodwill, which arose on the group's acquisition of Trillium Investments GP Limited ('Trillium') in November 2000, has been restated for the effects of pre-acquisition deferred tax resulting from the adoption of FRS19 by Trillium. The prior year adjustment has no material effect on amortisation.

14 Investment Properties

	Freehold £m	Leasehold: Over 50 years to run £m	Leasehold: Under 50 years to run £m	Total £m
(a) GROUP				
At 1 April 2001: at valuation	5,842.5	1,993.4	70.0	7,905.9
Prior year UITF28 adjustment	(3.1)	(3.6)	(.1)	(6.8)
At 1 April 2001 as restated: Net book amount	5,839.4	1,989.8	69.9	7,899.1
Additions	345.0	160.3	.3	505.6
Sales	(395.1)	(99.3)	(3.7)	(498.1)
	5,789.3	2,050.8	66.5	7,906.6
Depreciation	–	–	(1.1)	(1.1)
Unrealised deficit on revaluation (Note 27(a))	(74.0)	(29.9)	(1.6)	(105.5)
At 31 March 2002: Net book amount	5,715.3	2,020.9	63.8	7,800.0
Amount included in prepayments under UITF28	5.4	5.4	.1	10.9
Open market value (page 78)	5,720.7	2,026.3	63.9	7,810.9

	£m
The movement on investment properties forming part of the group's development programme, excluding the BBC development and the trading properties, included above are as follows:	
At 1 April 2001: at open market value	904.5
Properties transferred into the development pipeline during the year (at cost or at 1 April 2001 valuation)	29.2
Expenditure during the year including development property acquisitions	325.4
Capitalised interest	19.9
Deficit on valuation	(70.3)
	1,208.7
Developments completed, let and transferred out of development pipeline during the year	(137.6)
Developments removed from the development programme	(21.0)
At 31 March 2002: at open market value	1,050.1

The current schemes in the development programme are set out on pages 22 and 23. The new schemes added during the year, including acquisitions, are 7 Soho Square, W1, 190 High Holborn, WC1, 40/50 Eastbourne Terrace, W2, Commerce Way, Croydon and St. David's Centre, Cardiff. Developments are taken out of the development programme when physically completed and 95% let. Schemes completed during the year comprise Martineau Place, Birmingham, 6/16 Market Square, Sunderland, Racecourse Retail Park, Liverpool and Industrial units at Juniper Phase I, Basildon, and Horizon Point Phase I, Hemel Hempstead.

	Freehold £m	Leasehold Over 50 years to run £m	Leasehold Under 50 years to run £m	Total £m
(b) COMPANY				
At 1 April 2001: at valuation	2,316.0	335.7	13.2	2,664.9
Prior year UITF28 adjustment	(.4)	–	–	(.4)
At 1 April 2001 as restated: Net book amount	2,315.6	335.7	13.2	2,664.5
Additions	91.9	26.3	.2	118.4
Transfer to group undertaking	(146.0)	–	–	(146.0)
Sales	(3.1)	(22.6)	(3.7)	(29.4)
	2,258.4	339.4	9.7	2,607.5
Depreciation	–	–	(.5)	(.5)
Unrealised deficit on revaluation (Note 27(b))	(89.4)	(12.0)	(.1)	(101.5)
At 31 March 2002: Net book amount	2,169.0	327.4	9.1	2,505.5
Amount included in prepayments under UITF28	.7	.1	.1	.9
Open market value	2,169.7	327.5	9.2	2,506.4

At 31 March 2002, the cumulative interest capitalised in investment properties under development are: group **£39.7m** (2001 – restated £19.8m); company **£2.7m** (2001 – restated £1.3m).
In respect of the group: freeholds include **£366.1m** (2001 £376.7m) of leaseholds with unexpired terms exceeding 900 years; leaseholds under 50 years to run include **£10.3m** (2001 £10.9m) with unexpired terms of 20 years or less.
The historical cost of investment properties are: group **£4,261.4m** (2001 – restated £4,016.1m); company **£1,016.3m** (2001 £913.8m).

15 Operating Properties

	Freehold land and buildings £m	Leasehold buildings Over 50 years to run £m	Leasehold buildings Under 50 years to run £m	Total £m
COST				
At 1 April 2001	257.6	34.2	32.9	324.7
Additions	96.3	11.1	17.1	124.5
Sales	(12.3)	–	–	(12.3)
At 31 March 2002	341.6	45.3	50.0	436.9
ACCUMULATED DEPRECIATION				
At 1 April 2001	(1.3)	(.2)	(.1)	(1.6)
Depreciation for the year	(4.7)	(.9)	(.9)	(6.5)
Sales	.1	–	–	.1
At 31 March 2002	(5.9)	(1.1)	(1.0)	(8.0)
NET BOOK AMOUNT				
At 31 March 2002	335.7	44.2	49.0	428.9
At 31 March 2001	256.3	34.0	32.8	323.1

Certain of the assets acquired under the PRIME Agreement are subject to a first charge granted to the DWP (formerly known as the DSS). The amount of this charge at 31 March 2002 is **£13m** (2001 £26m) which reduces to nil on a straight line basis after a further year. The charge secures amounts which would become payable to the DWP on early termination of the PRIME Agreement in the relevant year.
At 31 March 2002, the cumulative interest capitalised in operating properties under development amounts to **£0.8m** (2001 £Nil).

16 Properties

	Freehold £m	Leasehold Over 50 years to run £m	Leasehold Under 50 years to run £m	Total £m	Investment Properties (Note 14(a)) £m	Operating Properties (Note 15) £m
BOOK AMOUNT/COST						
At 1 April 2001	**6,100.1**	**2,027.6**	**102.9**	**8,230.6**	**7,905.9**	**324.7**
Prior year UITF28 adjustment	**(3.1)**	**(3.6)**	**(.1)**	**(6.8)**	**(6.8)**	**–**
At 1 April 2001 as restated	**6,097.0**	**2,024.0**	**102.8**	**8,223.8**	**7,899.1**	**324.7**
Additions	**441.3**	**171.4**	**17.4**	**630.1**	**505.6**	**124.5**
Sales	**(407.4)**	**(99.3)**	**(3.7)**	**(510.4)**	**(498.1)**	**(12.3)**
	6,130.9	**2,096.1**	**116.5**	**8,343.5**	**7,906.6**	**436.9**
Unrealised deficit on revaluation	**(74.0)**	**(29.9)**	**(1.6)**	**(105.5)**	**(105.5)**	**–**
At 31 March 2002	**6,056.9**	**2,066.2**	**114.9**	**8,238.0**	**7,801.1**	**436.9**
ACCUMULATED DEPRECIATION						
At 1 April 2001	**(1.3)**	**(.2)**	**(.1)**	**(1.6)**	**–**	**(1.6)**
Depreciation for the year	**(4.7)**	**(.9)**	**(2.0)**	**(7.6)**	**(1.1)**	**(6.5)**
Sales	**.1**	**–**	**–**	**.1**	**–**	**.1**
At 31 March 2002	**(5.9)**	**(1.1)**	**(2.1)**	**(9.1)**	**(1.1)**	**(8.0)**
NET BOOK AMOUNT						
At 31 March 2002	**6,051.0**	**2,065.1**	**112.8**	**8,228.9**	**7,800.0**	**428.9**
At 31 March 2001	6,095.7	2,023.8	102.7	8,222.2	7,899.1	323.1

At 31 March 2002, the cumulative capitalised interest in properties amounts to **£40.5m** (2001 – restated £19.8m).

17 Commitments for Future Expenditure on Properties

	Group 2002 £m	Group 2001 £m	Company 2002 £m	Company 2001 £m
Under contract	**574.1**	254.8	**36.8**	12.6
Board authorisations not contracted	**312.1**	293.2	**221.6**	7.9
Contracted and authorised commitments	**886.2**	548.0	**258.4**	20.5
Less: Commitments outside the development programme	**(70.3)**	**(135.4)**		
Estimated additional expenditure on the development programme (excluding future interest)	**918.2**	**1,141.3**		
Capital creditors (included in Note 21) relating to the development programme	**86.9**	**26.0**		
Total outstanding costs of the development programme (including the BBC development)	**1,821.0**	**1,579.9**		

18 Other Tangible Assets

	Cost £m	Depreciation £m	Net £m
At 1 April 2001	**54.0**	**(19.9)**	**34.1**
Additions during the year	**19.8**		**19.8**
Disposals	**(1.8)**	**1.6**	**(.2)**
Depreciation for the year		**(8.4)**	**(8.4)**
At 31 March 2002	**72.0**	**(26.7)**	**45.3**

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

19 Investments in Group Undertakings

	Shares £m	Loans £m	Total £m
At 1 April 2001	4,564.6	395.2	4,959.8
Prior year adjustment	(93.3)	–	(93.3)
At 1 April 2001 as restated	4,471.3	395.2	4,866.5
Increase during the year	14.0	96.5	110.5
Unrealised revaluation surplus (Note 27(b))	122.0		122.0
At 31 March 2002	4,607.3	491.7	5,099.0

The prior year adjustment is a consequence of the group undertakings adopting FRS19, UITF28, UITF34 and the deferred tax effect of capitalising interest in their financial statements.

Shares comprise ordinary shares of group undertakings and are stated in accordance with the accounting policy explained in Note 1(k).

Shares at 1 April 2001 included revaluation surpluses of £2,496.1m. 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 in Note 32. 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.

20 Debtors

	Group		Company	
	2002 £m	2001 (restated) £m	2002 £m	2001 (restated) £m
Falling due within one year:				
Trade debtors	96.1	33.4	8.4	9.5
Property sales debtors	27.9	52.1	–	–
Other debtors	49.6	29.4	4.3	4.6
Prepayments and accrued income	81.2	61.1	6.2	11.7
Taxation recoverable	–	–	46.9	34.5
	254.8	176.0	65.8	60.3
Falling due after more than one year:				
Other debtors	5.5	1.3	.2	.2
	5.5	1.3	.2	.2

21 Creditors falling due within one year

	Group		Company	
	2002 £m	2001 (restated) £m	2002 £m	2001 (restated) £m
Debentures and loans (Note 22)	1.4	26.4	.3	.3
Overdraft	21.8	4.2	–	–
Trade creditors	28.9	15.5	–	–
Taxation and Social Security	68.4	61.5	–	–
Proposed final dividend	130.8	124.9	130.8	124.9
Capital creditors	108.3	59.5	51.8	12.4
Other creditors	29.6	29.2	6.7	9.1
Accruals and deferred income	301.7	273.4	96.2	99.9
	690.9	594.6	285.8	246.6

Capital creditors represent amounts due under contracts to purchase properties, which were unconditionally exchanged at the year end, and for work completed on investment properties but not paid for at the financial year end.

Debentures and loans include **£0.4m** (2001 £0.4m) and **£0.3m** (2001 £0.3m) of instalments of borrowings, repayable by the group and company respectively, that mature after more than one year.

22 Debentures, Bonds and Loans

	Group 2002 £m	Group 2001 £m	Company 2002 £m	Company 2001 £m
UNSECURED				
$10\frac{3}{4}$ per cent Exchange Bonds due 2004	**21.2**	21.2	**21.2**	21.2
$9\frac{1}{2}$ per cent Bonds due 2007	**200.0**	200.0	**200.0**	200.0
£200m 9 per cent Bonds due 2020	**196.6**	196.4	**196.6**	196.4
Bank borrowings	**265.0**	25.0	**–**	–
	682.8	442.6	**417.8**	417.6
SECURED				
$6\frac{1}{4}$ per cent Mortgage Debenture 2000/05	**8.6**	8.7	**8.6**	8.7
$6\frac{1}{2}$ per cent Mortgages 2000/05	**8.6**	8.7	**8.6**	8.7
$7\frac{3}{4}$ per cent Mortgage 2008	**5.5**	5.6	**–**	–
$6\frac{3}{8}$ 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
Bank loan	**207.6**	208.9	**–**	–
	1,745.4	1,506.8	**1,267.3**	1,267.3
Falling due within one year (Note 21)	**(1.4)**	(26.4)	**(.3)**	(.3)
Falling due after more than one year	**1,744.0**	1,480.4	**1,267.0**	1,267.0

The interest rate on the secured bank loan, which is variable and includes a margin which varies according to the group's credit rating, has been swapped to an effective rate of 6.8%. Secured loans are charged on properties of the company and its group undertakings. The bank loan is guaranteed by the holding company, Land Securities PLC, and secured on the unitary charge receivable from the DWP under the PRIME Agreement and also on most properties held by Land Securities Trillium. 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 2002, short term deposits of the group **£Nil** (2001 £9.1m) and of the company **£Nil** (2001 £9.1m) were charged as temporary security for borrowings until substitutions have been agreed for properties taken out of charge.
Borrowings of group undertakings of **£5.5m** (2001 £5.6m) are secured by charges on properties of the company and its group undertakings.

23 Convertible Bonds

	Group 2002 £m	Group 2001 £m	Company 2002 £m	Company 2001 £m
£210m 6 per cent Guaranteed Convertible Bonds due 2007	**207.3**	206.8	**–**	–
7 per cent Convertible Bonds due 2008	**36.0**	39.3	**36.0**	39.3
	243.3	246.1	**36.0**	39.3

In accordance with the terms of their relevant Trust Deeds:
1) The 6 per cent Guaranteed Convertible Bonds, issued by Land Securities Finance (Jersey) Limited and guaranteed by the company, (i), at the holder's option may be converted, up to and including 22 March 2007, into $2\frac{1}{2}$ per cent Exchangeable Redeemable Preference Shares in the issuer which are exchangeable for up to a maximum of 24,027,345 ordinary shares of £1 each in Land Securities PLC at 874p per share or (ii), at the option of the issuer may be redeemed at par.
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 5,620,937 fully paid shares of £1 each at a conversion price of 640p per share or (ii), at the option of the company, may be redeemed at par. During the year, **£3,310,000** of the bonds were converted into **517,186** fully paid shares of £1 each.
On 22 May 2002 redemption notices were issued on the 2007 and 2008 bonds.

24 Other Creditors falling due after more than one year

	Group 2002 £m	Group 2001 £m	Company 2002 £m	Company 2001 £m
Deferred income	**16.7**	20.4	**6.6**	7.1
Other creditors	**6.1**	11.4	**5.1**	5.0
	22.8	31.8	**11.7**	12.1

25 Provisions for Liabilities and Charges

	Dilapidations £m	Deferred taxation £m	Group Total £m	Company Deferred taxation £m
At 1 April 2001	**4.7**	**1.1**	**5.8**	**–**
Prior year adjustment (Note 3)	**–**	**127.6**	**127.6**	**39.1**
At 1 April 2001 as restated	**4.7**	**128.7**	**133.4**	**39.1**
Net charge for the year	**.6**	**17.6**	**18.2**	**5.3**
Released in respect of property disposals during the year		**(10.7)**	**(10.7)**	**(.3)**
Other movements		**(11.0)**	**(11.0)**	**–**
At 31 March 2002	**5.3**	**124.6**	**129.9**	**44.1**

The amount of tax on capital gains which would become payable in the event of sales of the investment properties at the amounts at which they are stated in Note 14 is in the region of **£535m** (2001 £540m) for the group and **£170m** (2001 £230m) for the company.

The deferred taxation which would be released in such circumstances, on the assumption that no balancing charge would be incurred, is **£130.6m** (2001 £122.3m).

26 Called up Share Capital

	2002 £m	2001 £m
Ordinary shares of £1 each:		
Authorised	**720.0**	720.0
Allotted and fully paid	**524.3**	523.6

The movements in share capital during the year were:	Cash consideration received £m	No. of shares
Allotted:		
On the exercise of options granted under:		
1983 and 1993 Savings Related Share Option Schemes (Note 7)	.5	**81,835**
1984 Executive Share Option Scheme (Note 7)	.6	**89,500**
On conversion of 7 per cent Convertible Bonds due 2008 (Note 23)		**517,186**
	1.1	**688,521**

The exercise of all options outstanding at 31 March 2002, granted under the savings related and executive share option schemes, would result in the issue of a further 3,409,212 ordinary shares.

27 Reserves

	Share premium account £m	Capital redemption reserve £m	Revaluation reserve £m	Other reserves £m	Profit and loss account £m	Total £m
(a) GROUP						
At 1 April 2001	**312.0**	**36.0**	**3,696.4**	**324.6**	**1,258.3**	**5,627.3**
Prior year adjustment (Note 3)	**–**	**–**	**(23.0)**	**–**	**(110.1)**	**(133.1)**
At 1 April 2001 as restated	**312.0**	**36.0**	**3,673.4**	**324.6**	**1,148.2**	**5,494.2**
Premium arising on issues of shares	**3.6**					**3.6**
Unrealised deficit on revaluation of investment properties (Note 14(a))			**(105.5)**			**(105.5)**
Share of unrealised surplus on revaluation of properties held in joint venture (Note 33)			**46.8**			**46.8**
Realised on sales of investment properties			**(237.8)**	**237.8**		
Taxation on revaluation surpluses realised on sales of properties				**(12.0)**		**(12.0)**
Retained profit for the year (page 52)					**85.2**	**85.2**
Amortised discount and issue expenses of bonds	**(.7)**				**.7**	
At 31 March 2002	**314.9**	**36.0**	**3,376.9**	**550.4**	**1,234.1**	**5,512.3**

27 Reserves (continued)

(b) COMPANY	Share premium account £m	Capital redemption reserve £m	Revaluation reserve £m	Other reserves £m	Profit and loss account £m	Total £m
At 1 April 2001	**312.0**	**36.0**	**4,058.9**	**.1**	**1,198.4**	**5,605.4**
Prior year adjustment (Note 3)	**–**	**–**	**(99.9)**	**–**	**(32.6)**	**(132.5)**
At 1 April 2001 as restated	**312.0**	**36.0**	**3,959.0**	**.1**	**1,165.8**	**5,472.9**
Premium arising on issues of shares	**3.6**					**3.6**
Unrealised deficit on revaluation of investment properties (Note 14(b))			**(101.5)**			**(101.5)**
Realised on sales of properties			**(159.5)**	**159.5**		
Revaluation of shares in group undertakings (Note 19)			**122.0**			**122.0**
Taxation on revaluation surpluses realised on sales of properties				**.9**		**.9**
Retained profit for the year					**3.8**	**3.8**
Amortised discount and issue expenses of bonds	**(.7)**				**.7**	
At 31 March 2002	**314.9**	**36.0**	**3,820.0**	**160.5**	**1,170.3**	**5,501.7**

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 **£3.8m** (2001 – restated £56.4m).

28 Reconciliation of Group Operating Profit to Net Cash Inflow from Operating Activities

	2002 £m	2001 (restated) £m
Operating profit (group) (page 52)	**497.5**	450.6
Depreciation and amortisation	**18.3**	8.6
Increase in trading properties	**(36.9)**	–
(Increase)/decrease in debtors	**(107.9)**	14.1
Increase/(decrease) in creditors	**35.2**	(11.3)
Net cash inflow from operating activities	**406.2**	462.0

29 Analysis of Net Cash Flows

(a) MANAGEMENT OF LIQUID RESOURCES	2002 £m	2001 £m
Net (increase)/decrease in short term deposits	**(38.9)**	118.1
Net cash (outflow)/inflow from management of liquid resources	**(38.9)**	118.1

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

(b) CASH MOVEMENT IN DEBT	2002 £m	2001 £m
Debt due within one year – Repayment of secured debt	**(.4)**	(.4)
– Repayment of unsecured debt	**–**	(28.7)
– Unsecured bank loan	**(25.0)**	25.0
	(25.4)	(4.1)
Debt due after one year – Unsecured bank loan	**265.0**	–
Repayment of secured debt	**–**	(10.0)
	265.0	(10.0)
Increase/(decrease) in debt	**239.6**	(14.1)

30 Analysis of Net Debt

	1 April 2001 £m	Movements during year: Cash Flow £m	Movements during year: Non-Cash £m	31 March 2002 £m
Net bank balance/(overdraft)	**3.1**	**(17.4)**		**(14.3)**
Liquid resources	**22.0**	**38.9**		**60.9**
Debt due within one year	**(26.4)**	**25.4**	**(.4)**	**(1.4)**
Debt due after one year	**(1,726.5)**	**(265.0)**	**4.2**	**(1,987.3)**
Net debt	**(1,727.8)**	**(218.1)**	**3.8**	**(1,942.1)**

31 Financial Assets and Liabilities

This note should be read in conjunction with the comments set out in the Financial Review on page 32.

The group has defined financial assets and liabilities as those assets and liabilities of a financial nature, namely cash, investments, borrowings and interest rate swaps. 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 committed bank facility, at fixed rates.

	Book value		Fair value		Excess of fair value over book value	
The group's financial assets and liabilities and their fair values are:	**2002 £m**	2001 £m	**2002 £m**	2001 £m	**2002 £m**	2001 £m
FINANCIAL ASSETS						
Short term investments and cash	**72.3**	31.8	**72.3**	31.8	**–**	–
FINANCIAL LIABILITIES						
Debentures, bonds, other loans and overdraft	**(1,767.2)**	(1,511.0)	**(2,205.6)**	(1,964.5)	**(438.4)**	(453.5)
Convertible bonds	**(243.3)**	(246.1)	**(274.9)**	(287.7)	**(31.6)**	(41.6)
FINANCIAL INSTRUMENTS						
Interest rate swaps	**–**	–	**(4.9)**	(12.2)	**(4.9)**	(12.2)
					(474.9)	(507.3)

	Financial assets		Financial liabilities	
Weighted average period of fixed interest rates	**3 days**	35 days	**14.1 years**	17.1 years
Weighted average interest rate	**3.0%**	5.3%	**8.3%**	8.8%

Fair value has been calculated by taking the mid-market value, where one is available, or using a discounted cash flow approach for those financial assets and liabilities that do not have a published market value. 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, or repaid, at a price different to the nominal value.

The group has entered into the following interest rate swaps:

Each for £m	Start date	Receives	Pays	Duration (years)
100	29 September 2000	6-month LIBOR	5.59%	30*
100	29 September 2000	6-month LIBOR	5.58%	30*
100	28 June 2002	6-month LIBOR	5.00%	20*
100	30 June 2002	6-month LIBOR	5.00%	20*
100	31 March 2002	6-month LIBOR	5.46%	10
100	31 March 2002	6-month LIBOR	5.45%	10
100	31 March 2002	6-month LIBOR	5.28%	18

*The counterparties have the right to terminate the swaps mid-way through the life of the swaps.

As the intention of these swaps is to fix the interest rate on existing and new borrowings, the value of the swaps have not been incorporated into the financial statements. Once they have commenced operating, interest receipts and payments on swaps are dealt with on an accruals basis.

In addition there is a further swap which was taken out by Trillium to hedge the secured bank loan included in Note 22. This swap has a maximum life of 16 years and mirrors the repayment schedule for that bank loan. As part of the fair value accounting for the acquisition of Trillium, this swap was marked to market at a cost of £14.9m. The cost, which is included in the bank loan, is being amortised over the life of the swap as a credit to interest payable.

31 Financial Assets and Liabilities (continued)

The maturity and repayment profiles of the group's financial assets and liabilities and the expiry periods of its undrawn committed borrowing facilities are:

	Financial assets		Financial liabilities		Borrowing facilities	
	2002 £m	2001 £m	**2002 £m**	2001 £m	**2002 £m**	2001 £m
One year or less, or on demand	**72.3**	29.8	**23.2**	30.6	**250**	50.0
More than one year but no more than two years	**–**	2.0	**6.7**	1.4	**–**	–
More than two years but no more than five years	**–**	–	**537.6**	62.3	**335**	–
More than five years	**–**	–	**1,443.0**	1,662.8	**–**	600.0
	72.3	31.8	**2,010.5**	1,757.1	**585**	650.0

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

The repayment profile of the company's financial liabilities is:

	Company	
	2002 £m	2001 £m
Repayable in:		
One year or less, or on demand	**.3**	.3
More than one year but no more than two years	**.3**	.3
More than two years but no more than five years	**37.8**	38.1
More than five years	**1,264.9**	1,267.9
	1,303.3	1,306.6

32 Principal Group and Associated Undertakings

The principal group undertakings of Land Securities PLC, all of which are wholly owned, and its associated undertakings are:

GROUP UNDERTAKINGS

GROUP OPERATIONS
Land Securities Properties Limited

INVESTMENT PROPERTY BUSINESS
Ravenseft Properties Limited
The City of London Real Property Company Limited
Ravenside Investments Limited
Ravenseft Industrial Estates Limited

TOTAL PROPERTY OUTSOURCING
Land Securities Trillium Limited

ASSOCIATED UNDERTAKINGS

The principal associated undertakings, all of which are 50% owned, are:
Telereal Services Limited
Telereal Trading Property Limited
Telereal Securitised Property Limited Partnership
Telereal General Property Limited Partnership

33 Joint Venture

The group has a 50% interest in the Telereal group of companies ("Telereal"), which draws up accounts to 31 March. Telereal, a 50:50 joint venture between Land Securities Trillium and The William Pears Group, acquired the majority of the properties of British Telecommunications ("BT") on 13 December 2001. Telereal is responsible for providing accommodation and estate management services to BT in return for a total availability and service charge under a 30-year contract. Telereal was funded with £2.5bn to meet the consideration of £2.4bn due to BT and the other costs of £112m associated with bidding for and mobilising the contract. The funding was provided externally by way of securitisation of £1.8bn and bank debt of £400m, both secured on Telereal's properties without any recourse to the shareholders of Telereal, and equity investment by the shareholders of £292.8m shared equally. The property portfolio has been financed according to the different occupational needs within the BT portfolio.

The "specialised estate" consists primarily of telephone exchanges and associated property and is characterised by a long term commitment for occupation by BT. The purchase of these assets was funded through a securitisation.

The "general purpose estate" consists of properties, such as offices and vehicle depots, where the occupational requirements are more normal. The purchase of this part of the estate was primarily funded through bank debt to reflect the need for greater flexibility in the management of these assets.

SUMMARY FINANCIAL INFORMATION OF TELEREAL	13 December 2001 to 31 March 2002 Telereal 100% £m	 **Group's share** **50%** **£m**
Turnover	97.0	**48.5**
Operating profit	38.6	**19.3**
Depreciation	(8.2)	**(4.1)**
Bid costs written off	(16.0)	**(8.0)**
Finance costs (net)	(47.6)	**(23.8)**
Loss before tax	(9.0)	**(4.5)**
Loss after tax	(9.0)	**(4.5)**
Distributions to shareholders	–	**–**

	At 31 March 2002 Telereal 100% £m	 **Group's share** **50%** **£m**
Fixed assets – properties	2,386.8	**1,193.4**
Current assets	208.8	**104.4**
	2,595.6	**1,297.8**
Securitisation	(1,760.0)	**(880.0)**
Bank debt	(391.2)	**(195.6)**
Other liabilities	(66.8)	**(33.4)**
	(2,218.0)	**(1,109.0)**
Net assets	377.6	**188.8**
Financed by:		
Shareholders' equity	292.8	**146.4**
Reserves	84.8	**42.4**
	377.6	**188.8**

The majority of properties held by Telereal are part of a 30-year contract with BT and will be held at cost to the group. The accounting policy adopted for dealing with the properties in Telereal's financial statements is:

Freehold land is stated at historical cost and is not depreciated. Freehold buildings are depreciated in equal annual instalments over 50 years.

Expenditure which enhances the value of a building is capitalised and depreciated over the remaining life of the building up a maximum of 50 years or, if appropriate, its expected life.

Repair and maintenance expenditure is written off to the profit and loss account as incurred.

Six properties are held outside the 30-year contract and are treated as investment properties. These properties are included in the financial statements at open market values based on the latest professional valuation. At 31 March 2002 valuations were carried out by GVA Grimley and The Wheelan Partnership.

The group's 50% share of the fair value of Telereal's financial liabilities as at 31 March 2002 is £1,042.8m.

The group's 50% share of reserves includes **£46.8m** of valuation surplus arising from the revaluation of Telereal's investment properties.

The Telereal entities include two partnerships, Telereal Securitised Property Limited Partnership and Telereal General Property Limited Partnership, which are registered in England and whose accounts, drawn up to 31 March 2002, are dealt with in the group financial statements by way of gross equity accounting and are consolidated in the group's financial information set out above. Advantage has been taken of the exemption conferred by Regulation 7 of The Partnership and Unlimited Companies (Accounts) Regulations 1993 in not delivering the financial statements of the partnerships to the Registrar of Companies.

34 Membership of Certain Undertakings

During the year, the group has been a member of the following limited partnerships, all of which are registered in England, and whose accounts, drawn up to 31 December or 31 March (as indicated below) are dealt with in the group's financial statements as joint arrangements:

	At 31 March 2002			Year ended 31 March 2002	
Partnership	Group share %	Gross assets £m	Gross liabilities £m	Gross property income £m	Profit/(loss) before tax £m
Martineau Limited Partnership (31 December)	33⅓	125.0	(4.8)	4.4	3.9
Martineau Galleries Limited Partnership (31 December)	33⅓	114.8	(1.7)	6.5	5.1
Bull Ring Limited Partnership (31 December)	33⅓	235.9	(85.9)	.2	(.3)
Gunwharf Quays Limited Partnership (31 March)	50	117.0	(2.5)	5.6	5.2
Ebbsfleet Limited Partnership (31 March)	50	26.5	(13.4)	–	–
		619.2	(108.3)	16.7	13.9

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:

35 Related Party Transactions

The group has a 50% interest in the Telereal group of companies ("Telereal"). The group, principally through Land Securities Trillium Telecom Services Limited, provides staff to Telereal to deliver services to BT, for which it received £2.5m in the year ended 31 March 2002.

As at 31 March 2002, the group was owed £151.7m by Telereal. This comprised a subordinated loan from the group of £149.4m, including accrued interest, and an amount rechargeable to Telereal of £2.3m in respect of services provided by the group.

36 Contingent Liabilities

The group has a contingent liability arising from a performance guarantee that Land Securities PLC, as the parent company of Land Securities Trillium Limited, has given, severally with its Telereal joint venture partner, for the performance by Telereal Services Limited of its service obligations to BT together with a guarantee related to transaction issues associated with the BT outsourcing contract. The group's maximum liability under the guarantee is £50m plus a further amount which is capped by reference to amounts either distributed or available for distribution to each shareholder by certain of the Telereal companies up to a further £50.7m. The transaction element of the guarantee is capped at £10m. The maximum potential liability which the company could be exposed to under such arrangements is capped at £110.7m. The total maximum liability of £110.7m will, however, amortise over time in accordance with a contractual formula included and defined in the agreement with BT. At 31 March 2002, the estimated amount of the group's exposure to the guarantee was approximately £52.6m.

37 Post Balance Sheet Events

On 22 May 2002 the group issued redemption notices in respect of its 6% 2007 and 7% 2008 convertible bonds. As an alternative to conversion, the company may purchase bonds in the market place, if these are offered at attractive prices. On the same date, the company announced its intention to return approximately £500m to shareholders. It is also intended that this sum will be increased, pound for pound, to the extent that the bonds convert into issued share capital. These transactions are being funded by additional bank facilities put in place for the purpose.

Ten year record

for the year ended March 2002

	2002 £m	2001 (restated) £m	2000 £m	1999 £m	1998 £m	1997 £m	1996 £m	1995 £m	1994 £m	1993 £m
ASSETS EMPLOYED										
Goodwill	**38.9**	41.2	–	–	–	–	–	–	–	–
Investment properties	**7,800.0**	7,899.1	7,453.7	6,910.5	6,435.7	5,760.0	5,265.7	5,169.6	5,032.4	4,098.6
Operating properties	**428.9**	323.1	–	–	–	–	–	–	–	–
Other tangible fixed assets	**45.3**	34.1	14.7	13.1	9.7	7.5	4.8	4.9	4.3	4.8
Investment in joint venture	**188.8**	–	–	–	–	–	–	–	–	–
Short term deposits, corporate bonds and cash	**68.4**	29.3	140.1	486.6	547.4	486.7	335.2	209.6	241.5	234.2
Trading properties	**36.9**	–	–	–	–	–	–	–	–	–
Other assets	**260.3**	177.3	182.6	72.5	98.0	84.1	89.8	97.6	94.4	88.5
	8,867.5	8,504.1	7,791.1	7,482.7	7,090.8	6,338.3	5,695.5	5,481.7	5,372.6	4,426.1
FINANCED BY										
Share capital	**524.3**	523.6	522.4	554.3	541.1	515.5	510.2	510.0	509.8	504.8
Reserves	**5,512.3**	5,494.2	5,259.4	4,916.1	4,460.4	3,521.7	3,014.3	3,023.8	2,943.3	2,039.5
EQUITY SHAREHOLDERS' FUNDS	**6,036.6**	6,017.8	5,781.8	5,470.4	5,001.5	4,037.2	3,524.5	3,533.8	3,453.1	2,544.3
Borrowings	**2,010.5**	1,757.1	1,556.3	1,569.3	1,652.3	1,849.4	1,767.2	1,572.6	1,573.3	1,515.6
Other liabilities	**820.4**	729.2	453.0	443.0	437.0	451.7	403.8	375.3	346.2	366.2
	8,867.5	8,504.1	7,791.1	7,482.7	7,090.8	6,338.3	5,695.5	5,481.7	5,372.6	4,426.1
PROPERTY MOVEMENTS AND ACQUISITIONS (book value)										
Property additions	**630.1**	588.8	403.5	267.3	189.6	261.9	199.0	190.9	150.6	237.1
Property sales	**(510.4)**	(424.9)	(314.3)	(125.4)	(246.9)	(206.1)	(53.3)	(81.0)	(40.8)	(132.0)
Acquisitions	**146.4**	169.5	–	–	–	–	–	–	–	–
REVENUE										
Gross property income	**1,025.6**	650.4	528.2	500.2	484.0	471.0	462.2	460.4	448.9	436.9
Net property income	**606.0**	499.7	457.2	427.5	414.1	405.1	400.6	400.0	389.4	380.7
Revenue profit	**364.8**	323.4	301.7	292.7	265.9	235.7	238.7	241.3	234.8	233.4
Profit/(loss) on sales of properties/bid costs	**(1.3)**	1.3	26.0	.6	.1	8.1	(1.1)	3.4	2.3	(4.3)
Pre-tax profit	**363.5**	324.7	327.7	293.3	266.0	243.8	237.6	244.7	237.1	229.1
Profit attributable to shareholders	**263.6**	234.6	252.0	216.4	196.7	178.4	171.9	179.7	180.6	165.7
Retained profit for the year	**85.2**	64.5	86.3	51.2	45.1	39.3	39.3	52.2	58.4	50.4
CASH FLOWS										
Operating activities	**406.2**	462.0	432.2	409.9	399.5	366.8	389.0	374.6	375.9	373.8
Operating activities and investments less finance charges and taxation	**132.6**	280.5	246.5	229.1	168.2	194.7	183.4	196.2	184.7	175.4
Free cash flow (post dividend) for investing	**(39.9)**	116.4	79.7	73.5	25.7	60.5	54.6	72.6	67.7	64.1
Net cash (outflow)/inflow (excludes liquid resources and financing)	**(219.2)**	(95.4)	(114.9)	(61.9)	72.3	34.6	(69.9)	(32.4)	(76.8)	(73.0)
EARNINGS PER SHARE (pence)	**50.27**	44.87	45.44	39.21	36.84	34.85	33.69	35.23	35.66	32.83
*ADJUSTED EARNINGS PER SHARE (pence)	**51.61**	45.38	40.86	39.11	37.07	33.17	33.92	34.56	35.20	33.68
DILUTED EARNINGS PER SHARE (pence)	**49.54**	44.41	44.97	38.95	36.55	34.50	33.46	34.91	35.30	32.76
*ADJUSTED DILUTED EARNINGS PER SHARE (pence)	**50.81**	44.89	40.63	38.86	36.77	32.92	33.67	34.28	34.87	33.59
DIVIDENDS PER SHARE (pence)	**34.00**	32.50	31.00	29.50	28.00	27.00	26.00	25.00	24.00	22.85
DIVIDEND COVER (times)	**1.48**	1.38	1.52	1.31	1.30	1.28	1.30	1.41	1.48	1.44
*ADJUSTED DIVIDEND COVER (times)	**1.52**	1.39	1.37	1.31	1.31	1.22	1.30	1.38	1.46	1.47
NET ASSETS PER SHARE (pence)	**1151**	1149	1107	987	924	783	691	693	677	504
*ADJUSTED NET ASSETS PER SHARE (pence)	**1176**	1172	–	–	–	–	–	–	–	–
DILUTED NET ASSETS PER SHARE (pence)	**1132**	1130	1090	975	910	774	688	691	676	504
*ADJUSTED DILUTED NET ASSETS PER SHARE (pence)	**1155**	1152	–	–	–	–	–	–	–	–
MARKET PRICE PER SHARE AT 31 MARCH (pence)	**893**	880	749	820	1058	773	626	594	628	526

*These figures exclude the results of property sales after tax and after deducting (i) in 1997, the cost of terminating interest rate swaps and (ii) in 2001 and 2002, as appropriate, bid costs and the effects of adopting FRS19.

Properties, reserves and net assets per share reflect valuations of investment properties made by Knight Frank at each year end. In 2002, however, reserves and net assets also include the group's 50% share of Telereal's revaluation surplus arising on the revaluation of its investment properties.

With the introduction of FRS3 effective for the year ended 31 March 1994, comparatives, where appropriate, have been restated. 2001 has been restated, as appropriate, for prior year adjustments arising from the adoption of FRS19 and UITF28 which became effective for the year ended 31 March 2002 and the change in accounting policy to capitalise interest effective from 1 April 2000. 2001 and 2002 also reflect the change in accounting policy introduced in 2002 in response to the treatment of bid costs under UITF34 which will become effective in 2003. However, figures for 2000 and prior years have not been restated to reflect changes in accounting policies made in 2002.

for the year ended 31 March 2002

The Directors,
Land Securities PLC,
5 Strand,
London WC2N 5AF.

24 April 2002

Dear Sirs,

In accordance with your instructions to prepare a valuation for financial reporting purposes we have 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 investment properties owned by your Company and its subsidiaries or held by way of Limited Partnership arrangements (excluding Telereal) as at 31st March 2002, 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 reflect usual deductions in respect of Purchaser's costs and, in particular, full liability for UK Stamp Duty.

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

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

We last reported upon the value of the properties as at 30th September 2001. We have not re-inspected all properties for the purpose of this re-valuation but can confirm that the properties have been inspected within the last twelve months.
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.

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 2002 totalled £7,598,646,000 (Seven Thousand, Five Hundred and Ninety Eight Million, Six Hundred and Forty Six Thousand Pounds).
In addition, we have undertaken valuations of those properties held by way of Limited Partnership interests. These comprise the Birmingham Alliance Limited Partnership, in which the Company holds a one third share, and the Ebbsfleet Limited Partnership and Gunwharf Quays Limited Partnership, in each of which the Company holds a one half share. In respect of the Gunwharf Quays Limited Partnership, the Company has acquired its interest subject to an agreement under which part only of the total purchase consideration has been paid and which provides for the balance, to be determined in relation to performance criteria, to be paid at specified future dates. For the avoidance of doubt, our valuation reflects the obligation to meet these payments when due.

We are of the opinion that the aggregate values of the interests in land held by the Limited Partnerships in which the Company held an interest as at 31st March 2002 totalled £564,945,000 (Five Hundred and Sixty Four Million, Nine Hundred and Forty Five Thousand Pounds). For the avoidance of doubt, we confirm that this valuation is of the total assets held by the Limited Partnerships and is not a valuation of the Company's shareholdings 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 interests in land held by Limited Partnerships is included as a mathematical share (The Birmingham Alliance Limited Partnership at one third; Gunwharf Quays Limited Partnership and Ebbsfleet Limited Partnership each at one half) of the value reported above, thus producing a total as at 31st March 2002 of £7,810,961,000.
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

Portfolio analysis

This analysis excludes trading properties and all properties owned through Land Securities Trillium's property outsourcing business.

ANALYSIS OF REVERSIONS, VOIDS AND LEASE DURATIONS

Excludes developments

	Net rental income (1) £m	Net ERV (2) £m	Voids £m	Vacancy rates (3) %	Average unexpired lease term Years (4)
Offices					
West End	83.0	100.4	0.5	0.5	8.50
Mid-town	40.3	47.7	–	–	8.00
City	83.7	84.9	0.3	0.3	4.75
Inner London	14.8	17.1	0.1	0.6	3.00
Rest of UK	8.2	8.1	0.5	6.1	3.50
Retail					
Shopping Centres	78.9	84.3	1.0	1.1	11.50
Central London Shops	41.6	45.5	0.1	0.1	8.75
Shops elsewhere in the UK	37.3	38.9	1.0	2.4	9.50
Retail Warehouses and Food Superstores					
Parks	42.9	47.1	1.1	2.4	16.25
Other	13.2	14.4	0.8	4.9	18.75
Industrial premises and warehouses					
South East and Eastern	20.2	21.3	0.3	1.3	8.25
Rest of UK	3.8	3.9	0.1	1.1	8.00
Hotels, Leisure, Residential and Other	16.2	18.0	–	–	N/A
Total	484.1	531.6	5.8	1.0	8.75

Turnover rents total £3.1m and represent 0.6% of the total net rental income figure given above.

Notes:
1. 'Net Rental Income' is annual rents passing at 31 March 2002 after deduction of ground rents.
2. 'Estimated Rental Value' includes vacant space and is calculated after deducting current ground rents.
3. Calculated by ERV.
4. The figures in this column show the number of years until half of the income has been subject to a lease expiry or tenant or mutual break clause.

NUMBER OF PROPERTIES BY SECTOR

	Number of properties
London – Office and Retail	
City	26
West End	38
Mid-town	13
Inner London	9
Offices – Rest of UK	4
Shopping Centres and Shops	
Shopping Centres	18
Shops	62
Retail Warehouses	
Retail Parks	27
Other Retail Warehouses	19
Food Superstores	2
Industrial premises and warehouses	
London, South East and Eastern	31
Rest of UK	4
Hotels, Leisure, Residential and Other	16
Total	269

PORTFOLIO VALUE BY LOCATION

% figures calculated by reference to a portfolio value of £7.81bn

	Offices %	Shopping centres and shops %	Retail Warehouses %	Industrial premises and warehouses %	Hotel, Leisure Residential and Other %	Total %
Central and Inner London	44.3	8.8	–	0.1	3.0	56.2
Rest of South East and Eastern	0.6	3.3	3.7	4.1	1.0	12.7
Midlands	0.2	3.6	2.1	0.2	–	6.1
Wales and South West	0.1	4.6	1.0	0.1	–	5.8
North, North West, Yorkshire and Humberside	0.1	7.0	4.4	0.3	0.5	12.3
Scotland and Northern Ireland	0.2	5.1	1.5	–	0.1	6.9
Total	45.5	32.4	12.7	4.8	4.6	100.0

AVERAGE RENTS

Excludes developments and voids

	Average Rent £/m²	Average ERV £/m²
Offices		
Central and Inner London	330	388
Rest of UK	76	74
Retail		
Shopping Centres	N/A	N/A
Shops	N/A	N/A
Retail Warehouses (including Supermarkets)	131	151
Industrial premises and warehouses		
London, South East and Eastern	57	62
Rest of UK	23	24
Hotels, Leisure, Residential and Other	N/A	N/A

Note:
Average rents and ERVs have not been provided where it is considered that the figures would be potentially misleading (ie, where there is a combination of analysis of rents on an overall and Zone A basis in the retail sector and where there is a combination of uses).

PORTFOLIO TENANT DIVERSIFICATION

As the company's investment portfolio covers four principal sectors of the UK property market, it benefits from inherent diversification in terms of both tenant credit and business sector risk.

The investment portfolio comprises over 4,000 tenancies and over 2,000 tenants. The ten largest tenants account for 26.4% of current rents and are: Central Government (9.8%), Allen & Overy (2.4%), J Sainsbury(2.3%), Dresdner Bank (2.2%), Dixons Group (2.0%), Kingfisher (1.9%), Enterprise Oil (1.6%), Ladbroke Group (1.5%), CMS Cameron McKenna (1.4%), and The Boots Company (1.3%).

at 31 March 2002

At 31 March 2002 there were 269 properties within the portfolio. In the lists which follow, the valuation level for inclusion is £10m and certain of these properties have been combined for ease of description. Properties have been split into values of over £50m, £25m to £50m and £10m to £25m.

Office areas are approximate net areas 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.

West End, Mid-town, City and Inner London properties:

£50m and above

EC1 Mitre House
160 Aldersgate Street: 17,510m² offices, 20 flats and car park, 1990.

EC2 30 Gresham Street
36,330m² offices and 1,300m² retail.

Dashwood House
69 Old Broad Street: 10,550m² offices, 1975 and reinstatement after bomb damage, 1995.

EC3 13/23 Fenchurch Street
15,620m² offices and major retail unit, 1968 and 1984 (R).

49 Leadenhall Street
12,230m² offices and leisure, 1975.

EC4 1 New Change
32,650m² offices, 13 shops 1986/1990 (R).

Cannon Street House and Martin House
8,100m² offices, 1996 (R).

Regis House
King William Street: 8,140m² offices, public house and 530m² retail, 1998.

50 Ludgate Hill
11,040m² offices, 12 shops, 2 public houses and 4 restaurants, 1985 (R).

Fleetbank House
Salisbury Square: 11,370m² offices, 1974.

8 Salisbury Square
10,700m² offices, 1989.

WC1 Warner House
Theobald's Road: 11,820m² offices, 1999.

Lacon House
Theobald's Road: 19,580m² offices and restaurant/leisure, 1999.

WC2 40 Strand
8,570m² offices and 8 shops, 1997 (R).

Grand Buildings
Trafalgar Square: 14,860m² offices and 3,220m² shops, 1991.

W1 475/497 Oxford Street and Park House
Park Street: 6,980m² offices and 9 shops, 1963.

Portman House
9,330m² offices and 1,740m² retail, 2001.

London Hilton on Park Lane
500 rooms, casino and numerous restaurants, 1963.

Devonshire House
Piccadilly: 14,190m² offices and 9 showrooms and shops, 1983 (R), part 1994 (R) and part 1996/97(R).

Piccadilly Circus
44/48 Regent Street, 1/17 Shaftesbury Avenue, Denman Street, Sherwood Street and Glasshouse Street: 2 major retail trading units, 10 shops, kiosk, public house, 3 restaurants, 1,460m² offices and 670m² of illuminated advertising, part 1977 (R), part 1979 (redevelopment) and part 1985 (R).

W2 10/20/30 Eastbourne Terrace
16,780m² offices, 1957/58.

SW1 Bowater House
Knightsbridge: 24,720m² offices, 1958.

Haymarket House
Haymarket: 7,520m² offices and 3,410m² of restaurants, 1955, part 1992 (R) and part 1997/98 (R). Part air conditioned.

10 Broadway
New Scotland Yard: 35,670m² offices, banking space and restaurant, 1966.

The Home Office
50 Queen Anne's Gate: 28,310m² offices, 1977.

Portland House
Stag Place: 27,610m² offices and 1,510m² basement restaurant, 1959, part 1986/87(R), part 1992/95 (R) and part 1996/99 (R). Part air conditioned.

Eland House
Stag Place: 23,170m² offices, 1995.

Kingsgate House
Victoria Street: 14,160m² offices and 18 shops, 1987 (R).

Esso House
Victoria Street: 20,060m² offices, 2 banks, 14 shops and restaurant, 1963 and part 1991 (R).

SE1 The IBM Building
74-78 Upper Ground: 20,160m² offices, 1982.

W11 Notting Hill Gate
8,680m² offices, 52 shops, 2 stores and cinema 1958.

£25m to £50m

EC2 Moorgate Hall
143/171 Moorgate: 6,090m² offices and 1,450m² store, 1990.

130 Wood Street
5,380m² offices and bar/restaurant 1999 (R).

6/12 Fenchurch Street and 1 Philpot Lane
4,780m² offices and shop, 1985.

109/114 Fenchurch Street
6,610m² offices and banking space and 2 shops, 1976, part 1991 (R) and part 1993/94/95 (R).

Gracechurch House
55 Gracechurch Street: 5,790m² offices and 930m² health club, 1993.

37/39 and 40 Lime Street and 4 Fenchurch Avenue
9,380m² offices, 1971/72 (R) part 1988/1990 (R), part 1992/94 (R) and part 1998 (R).

New London House
6 London Street: 6,180m² offices, 2 shops, 2 restaurants and public house, 1993 (R).

EC4 26 Old Bailey
6,030m² offices, 1984 (R).

190 High Holborn
7,770m² offices, 2002 (R).

W1 6/17 Tottenham Court Road
5,710m² retail and 210m² offices, 1999.

12/24 Oxford Street and 2/5 Tottenham Court Road
1 store 8,360m² and 3 shops 490m² pre-war, part 1995 (R) and part 1998.

Oxford House
70/88 Oxford Street: 5,680m² offices and 5 shops. Part 1994 (R).

455/473 Oxford Street
4 shops and restaurant, 1963.

SW1 49/75 Buckingham Palace Road and 29 Bressenden Place
5,150m² offices, 136 bedroom hotel, 30 flats and 7 shops, 1964, offices 1994 (R).

Wellington House
Buckingham Gate: 4,970m² offices, 1978.

Glen House
Stag Place: 9,030m² offices and 16 shops, 1962, part 1983/84 and 1994 (R).

Selborne House
Victoria Street: 10,360m² offices, 1966.

Westminster City Hall
Victoria Street: 15,750m² office and bank, 1965.

Allington House
50 Victoria Street: 3,600m² offices and 930m² retail, 1997.

St Albans House
Haymarket: 4,270m² offices and 2 restaurants, 1963 and part 1987 and 2000 (R).

W2 40/50 Eastbourne Terrace
13,310m² offices and four ground floor units, 1950s.

SE1 St Christopher House
80/112 Southwark Street, 55,420m² offices, 8 shops, 1960.

SW6 Fulham
Empress State Building, Lillie Road: 40,210m² offices and 2,770m² retail/leisure.

West End, Mid-town, City and Inner London properties (continued):

£10m to £25m

EC3 23/39 Eastcheap
1,730m² offices, 5 shops and restaurant, part 1986 (R) and part 1988 (R). Part air conditioned.

14 Fenchurch Avenue
2,490m² offices, 1940s and part 1993 (R).

34/36 Lime Street and 7/11 Cullum Street
3,340m² offices and 6 shops, 1974.

14/15 Philpot Lane
3,010m² offices, 1986.

1 Seething Lane
4,250m² offices and restaurant, 1977 (R) and part 1988 (R).

Tower House
34/40 Trinity Square: 4,140m² offices, 1979 (R).

12/16 Gough Square
2,540m² offices, 1992.

Lintas House
New Fetter Lane: 8,180m² offices, 1958 and 1999 (R).

21 New Fetter Lane
6,220m² offices, 1978 (R), 1993 (R) and 1998 (R).

2/4 Temple Avenue
2,540m² offices and leisure unit, 1999 (R).

WC1 Turnstile House
High Holborn: 192 room apartholet, shop and 2 restaurants, 1997.

WC2 7/8 Essex Street
2,610m² offices, 1998 (R).

W1 26/36 Oxford Street
Air conditioned bank, large shop, kiosk, restaurant and 1,050m² educational use, 1983 (R).

7 Soho Square
5,720m² offices.

1/11 Hay Hill
1,670m² offices and 610m² retail/showroom, 1987 (R).

SW1 Elliot House
Bressenden Place: 2,720m² offices and 710m² retail, 1964.

16 Palace Street
5,240m² offices, 1960.

Roebuck House
116 flats and fitness centre, 1960.

1 Warwick Row
3,400m² offices, 1995 (R).

Neville House
Page Street, 4,780m² offices and a public house, 1952.

Clive House
Petty France, 9,400m² offices, 1950.

SE1 Bankside Industrial Estate
2,550m² offices and 3,720m² industrial space, 1980. Development opportunity 2005.

The aggregate area of offices and retail accommodation including developments and refurbishments owned in the City, Mid-town, West End and Inner London, including the properties listed in this section, amounts to some 826,400m² of offices and approximately 93,300m² of retail, banking and restaurants.

Towns and cities, outside Central London:

£50m and above

Aberdeen
Bon Accord Centre: 23,690m² 4 stores, 53 shops, food court, 4,650m² leisure, 2,690m² offices and car park, 1990.

Birmingham
Caxtongate Phase I: 15 shops and 1,390m² offices, 1997.

Birmingham
Martineau Place: 17,420m² retail, and 6,040m² offices (one-third interest), 2001.

Bull Ring: 110,000m² retail (one-third interest).

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

Bristol
3 stores, 61 shops, 1957/1962/2000/1(Penn Street).

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

Cardiff
St David's Centre 32,520m² 1 store 63 shops, 1981 and 1991 (R).
St David's Link: 12 shops and library, 1986.

East Kilbride
The Olympia 32,520m² 2 stores, 50 shops, ice rink, 9 screen cinema, library, restaurant, public house, night club, food court and 690m² offices, 1989.

Exeter
3 stores, 67 shops and 2,580m² offices, residential and car park, 1952/1964 and 1971.

Leeds
White Rose Shopping Centre 60,390m² 2 anchor stores, 12 major space units, 73 shops, restaurant and food court, 1997.

Liverpool
St Johns Centre 33,440m² 4 stores, 100 shops, 2 public houses, retail market, food court, hotel, car park and Beacon, 1989 (R).

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

Portsmouth
Designer Outlet Shopping and Leisure Centre: 17,000m² 87 shops, 22,060m² leisure and restaurants, 2,230m² offices, 2001 (50% interest).

Sunderland
The Bridges Phase I: 23,220m² 3 stores, 69 shops and mall café, 1969 and 1988 (R): Phase II 24,620m² 2 stores, 25 shops and car park, 2000.

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.

at March 2002

Towns and cities, outside Central London:

£25m to £50m

Stratford E15
Stratford Centre: 27,870m² 6 stores, 57 shops and 2,580m² of air conditioned offices, 1976 and 1998 (R).

Belfast
9 shops, 1957, part 1984 and 1995.

Bootle
Strand Centre: 37,160m² Phases I and II: 3 stores, 130 shops, 2 public houses and 690m² offices, 1989 (R) and 1998.

Coventry
45 shops, public house, 1,250m² offices and hotel, 1955/1961 and 1991.

Ealing
Broadway Centre (part) 3,390m² 11 shops and 2,020m² air conditioned offices, 1984.

East Kilbride
Princes Mall 13,940m² 2 stores, 39 shops, public house and 950m² offices,1994 (R).

Livingston
Designer Outlet Shopping and Leisure Centre, 18,910m² 95 shops, 7,880m² leisure and food court, 2000 (50% interest).

Plymouth
1 store, 35 shops, 1952/1965.

York
Coppergate Centre 14,860m² 3 stores, 18 shops, museum, 19 flats and car park, 1984.

£10m to £25m

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

Bath
7 shops, 1961.

Birmingham
Caxtongate Phase II: 6 shops and residential, 2000.

Canterbury
Longmarket 4,650m² 16 shops, conservatory restaurant and museum, 1992.

Canterbury
Clocktower: 5 shops and 1,330m² offices, 1993.

Canterbury
Marlowe Arcade and Graylaw House: store, 14 shops and 710m² offices, 1985.

Glasgow
Buchanan House 16,110m² offices, 1960s.

Hull
34 shops and public house 1952/56.

Kilmarnock
Burns Centre: 2 Phases 17,000m² 3 stores, 27 shops, public house and 1,760m² offices, 1975/79 and 1991 (R).

Leeds
Briggate 2 shops, 1900s.

Liverpool
16 shops and 370m² offices, 1950s and 1999.

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

Reading
Station Hill: 8,030m² offices and 13 shops, 1966. Hogg Robinson House: 3,720m² offices, 1979.

Walsall
13 shops, 1970s and 1987.

Dartford
Ebbsfleet 50% ownership of 153 hectares of land with development potential.

Newcastle upon Tyne
The Gate: 17,770m² leisure complex including multiplex cinema. Completion November 2002.

Sunderland
Market Square 7 shops, 2001.

Retail warehouse and food superstore properties:

£50m and above

Dundee
Kingsway Retail Park: 17,350m² 7 retail warehouses and fast food restaurant, 1985, 1987, 1988 and 1994. Major enlargement and reconfiguration commenced.

Gateshead
Team Valley, Retail World Retail Park: 35,270m² 22 retail warehouses and fast food restaurant, 1987/2000. Being upgraded. Extension planned.

Liverpool
Racecourse Retail Park, Aintree: 27,100m² 11 retail warehouses and fast food restaurant, 1986, 1988, 1990 and 2001.

Manchester
White City Retail Park: 17,830m² 11 retail warehouses, 2 restaurants and ten pin bowling, 1990.

Slough Retail Park
Bath Road: 14,350m² 6 retail warehouses, 1989 and 1998.

West Thurrock
Lakeside Retail Park: 28,860m² 17 retail warehouses and fast food restaurant, 1988, 1989 and 1997. 4,090m² extension under construction.

Livingston
Almondvale West: 9,540m² 5 retail warehouses, 1987.
Almondvale Retail Park 10,055m² 9 retail warehouses 1997.
Almondvale South: Phase 1, 8,360m² under constuction, Phase II planned.

£25m to £50m

Bexhill-on-Sea
Ravenside Retail and Leisure Park: 20,650m² 9 retail warehouses, food superstore, fast food restaurant, ten pin bowling alley and swimming pool, 1989. Extension planned.

Blackpool Retail Park
11,270m² 9 retail warehouses, 1993, 1995 and 1996. Extension planned.

Dartford
Eastern Quarry 245 hectares of land with development potential.

Derby
Wyvern Centre: 11,290m² 6 retail warehouses and fast food restaurant, 1990 and 1996.

Erdington
Ravenside Retail Park, Kingsbury Road: 14,170m² 8 retail warehouses, 1987 and 1989.

Northampton
Nene Valley, 13,700m² 10 retail warehouses 1988.

Retail warehouse and food superstore properties (continued):

£10m to £25m

Birmingham
Great Barr: 7,760m² superstore, 1998.

Bolton
Manchester Road: 7,630m² 6 retail warehouses, 1985, 1989 and 1997.

Bristol
Longwell Green: 7,200m² 2 retail warehouses, 1985/86.

Chadwell Heath
(Near Romford): 8,520m² 5 retail warehouses, 1988 and 1999.

Chesterfield
Ravenside Retail Park, Markham Road: 7,730m² 5 retail warehouses, 1982 and 1997. 1,390 m² Extension commenced.

Derby
Meteor Centre: 17,330m² 11 retail warehouses fast food restaurant and public house, 1988 and 1994.

Edmonton
Ravenside Retail Park: 12,040m² 4 retail warehouses and fast food restaurant, 1988.

Gloucester Retail Park
Eastern Avenue: 10,450m² 4 retail warehouses, 1989.

Hatfield
Oldings Corner: 5,970m² 3 retail warehouses, 1988.

High Wycombe
London Road: 4,370m² 2 retail warehouses, 1988.

Hull
Priory Way: 10,250m² food superstore and retail warehouse, 1984 and 2002.

Manchester – Cheetham Hill
9,280m² retail warehouse under construction.

Plymouth
Friary Centre, Exeter Street: 7,310m² 2 retail warehouses, 1990.

Poole
Commerce Centre 6,580m² 4 retail warehouses 1986 and 87.

Warehouse and industrial:

£25m to £50m

Hatfield
Welham Green: 31,310m² 1986 and extended 1988.

Heston
(Near Heathrow) Heston Centre and Spitfire Trading Estate: 28,730m² 1977, 1982 and 1984.

Sunbury Cross
Hanworth Road (includes Interchange West): 29,360m² 1970 and 1976.

£10m to £25m

Basildon
Juniper: 25,480m² 3 warehouses and 1 office building, 6.3 acres for industrial development.

Zenith, 3,070m² 1unit 1986 and 15,150m² under construction.

Blackpool
Squires Gate Industrial Estate. 107,200m² 1940s.

Chandlers Ford
(Near Southampton) School Lane: 25,850m² 1985, 1988, 1989 and 2001.

Frimley
(Near Camberley): 21,600m² on Albany Park, 1982/84.

Guildford
Cobbett Park, 11,410m² under construction.

Hemel Hempstead
Horizon Point. 10,380m² 4 units 2002. Phase II 13,010m² planned.

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

Tamworth
Centurion Park: 24,420m² high bay warehousing 1996 and 1999.

Welwyn Garden City
Bridge Road: 17,070m² 1955, 1961 and 1976.

Centrapark, 12,920m² unit 2001 and 3,820m² under construction.

West Thurrock
Motherwell Way: 29,070m² 1973, 1975 and 1979 and trailer park of 0.5 hectares.

Outside Central London the Group has holdings which total 450,000m² of retail space, 90,500m² of office space, 512,170m² of warehouse and industrial space and 439,340m² of out of town retail and food superstore space.

Adjusted figures
Reported amount adjusted to exclude the results of property sales, bid costs and additional deferred tax arising from the adoption of FRS19 'Deferred Tax'

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

BREEAM
Building Research Establishment Environmental Assessment Method

CPO
Compulsory Purchase Order

Development Programme
The group's pipeline of major developments comprising the properties held under development as scheduled in the Development Section

Development surplus
Excess of latest valuation over the total development cost

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 weighted average number of shares in issue during the year

ERV
The estimated market rental value of lettable space as determined biannually 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, including bank overdraft, less short-term deposits, corporate bonds and cash, at book value, as a percentage of equity shareholders' funds

IOSH
The Institute of Occupational Safety and Health

Interest cover
Number of times gross interest payable (i.e. pre interest capitalisation) is covered by operating profit and interest receivable but excluding the activities of Telereal

Joint venture
An entity in which the group holds an interest on a long term basis and is jointly controlled by the group and one or more venturers under a contractual arrangement whereby decisions on financial and operating policies essential to the operation, performance and financial position of the venture require each venturer's consent

NEBOSH
The National Examining Board in Occupational Safety and Health

Net assets per share
Equity shareholders' funds divided by the number of shares in issue at the period end

Open A1 planning permission
Planning permission for the retail sale of any goods other than food

Operating properties
Properties acquired and managed by Land Securities Trillium as part of its total property outsourcing contracts with third parties

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)

PFI
Private Finance Initiative under which a public sector (or in the case of Corporate PFI the private sector) passes the risks and responsibilities associated with the ownership or leasing of property to a third party

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

Rental value growth
Increase in the current rental value, as determined by the company's valuers, over the 12-month period on a like-for-like basis

Retail park
A scheme of three or more retail warehouse units aggregating over 4,650m^2 with shared parking

Return on shareholders' equity
Increase in diluted net asset value per share plus dividends per share for the year expressed as a percentage of diluted net asset value per share at the beginning of the year

Reversionary or under-rented
Space where the passing rent is below the ERV

Total development cost
All capital expenditure on a project including the opening book value of the property on commencement of development, together with all finance costs

Total investment property return
Valuation surplus, profit on property sales and net rental income in respect of investment properties expressed as a percentage of opening book value of the investment property portfolio

Unitary charge
A payment under a PFI or property partnership covering the costs of using a property or facility

Weighted average cost of capital (WACC)
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, average for last year 0.43%) applied to fair value of debt and equity market capitalisation and then suitably weighted

31 March 2002

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.

The Registrars provide an on-line service, enabling shareholders to access details of their Land Securities shareholdings. Shareholders wishing to view this information, together with additional information such as indicative share prices and information on recent dividends, should visit www.shareview.co.uk

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. Ltd 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 Ltd, 12 Tokenhouse Yard, London EC2R 7AN. Telephone: 020 7606 1768.

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, contact:
The Share Dividend Team, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA. Telephone: 01903 502541.

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

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

Unclaimed Assets Register
The Company participates in the Unclaimed Assets Register, which provides a search facility for financial assets which may have been forgotten. For further information, contact: The Unclaimed Assets Register, Lloyds Chambers, 1 Portsoken Street, London E1 8DF – Telephone: 0870 241 171; website www.uar.co.uk

Share price information
The latest information on the Land Securities PLC share price is available on the Financial Times Cityline Service: telephone: 0906 8433133 (calls charged at 60p per minute). Share price information is also available on the company's website (www.landsecurities.com) under investor relations/share price.

ANALYSIS OF EQUITY SHAREHOLDINGS
at 31 March 2002

	Number of holdings	%	Balance at 31 March 02	%
BY SIZE OF HOLDING				
UP TO 500	11,794	34.00	3,402,081	0.65
501 TO 1,000	9,903	28.55	7,537,109	1.44
1,001 TO 5,000	10,687	30.81	21,619,888	4.12
5,001 TO 10,000	894	2.58	6,311,504	1.20
10,001 TO 50,000	786	2.26	17,210,808	3.29
50,001 TO 100,000	166	0.48	11,680,966	2.23
100,001 TO 500,000	290	0.84	66,496,244	12.68
500,001 TO 1,000,000	78	0.22	57,489,302	10.96
1,000,001 and above	90	0.26	332,597,143	63.43
	34,688	100.00	524,345,045	100.00

Registered office
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Registered in England and Wales
No. 551412

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Glasgow and Leeds

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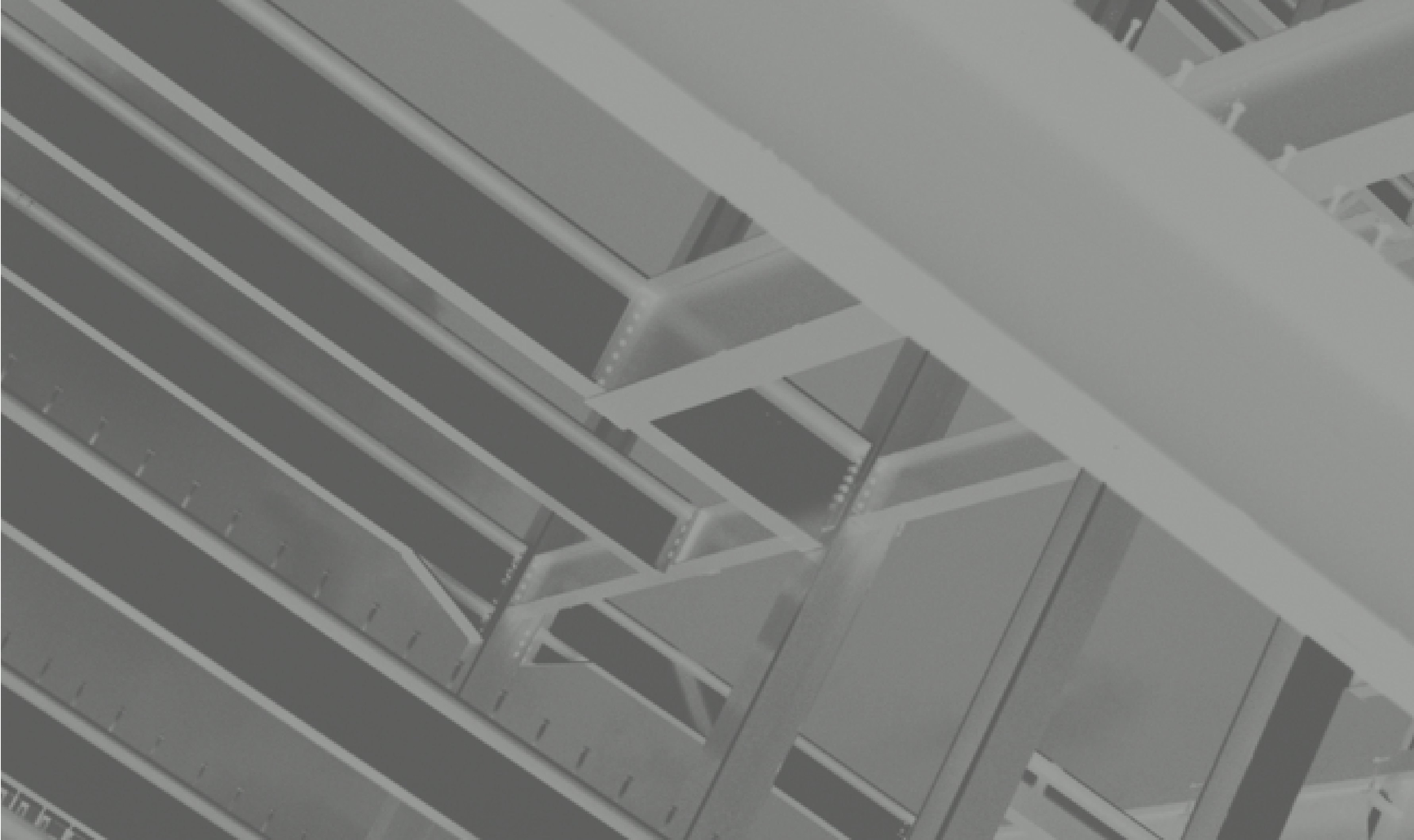

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