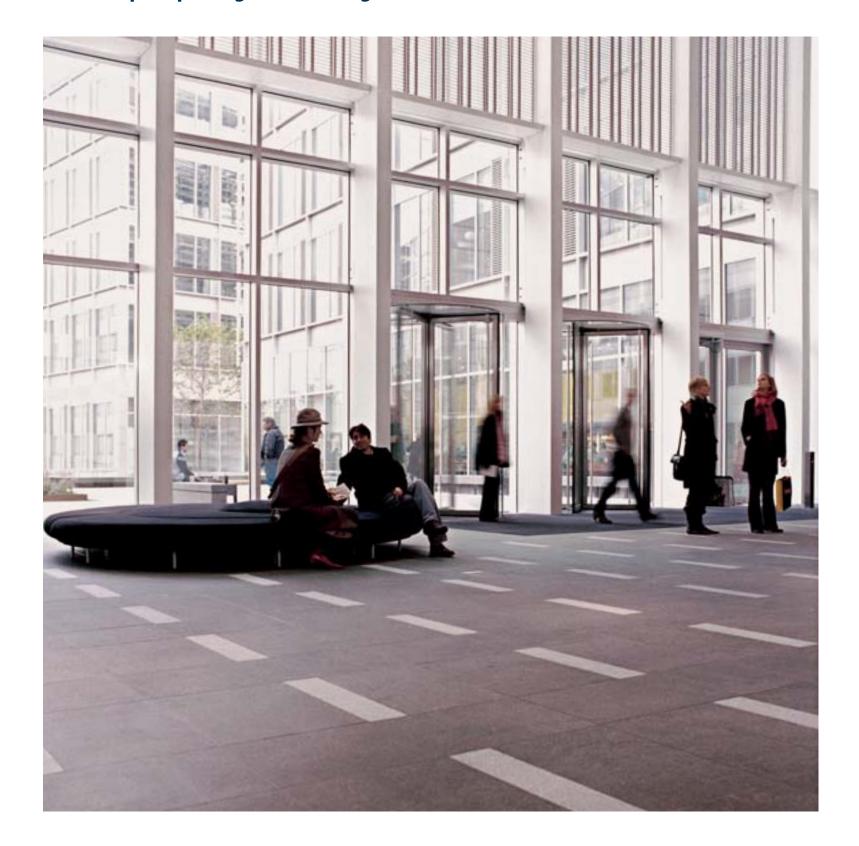


What does it take to be a leader in the property industry?



A clear understanding of our strengths and what it takes to be successful...





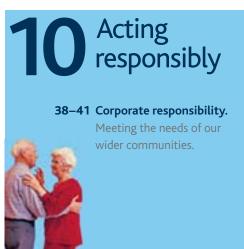














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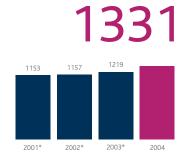
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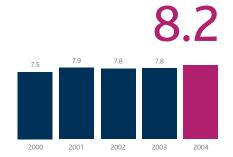
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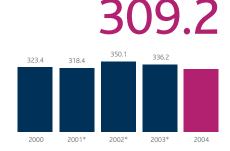
100 Investor information

> One New Change illustrates our approach to investing in Central London. Acquired in 2000 the property offers $substantial\ redevelopment\ opportunities$ when it is vacated in 2006.









Adjusted diluted net asset value per share up 9.2% to 1331p (2003: 1219p)

Investment portfolio valuation uplift of 5.3% to £8.15bn (2003: £7.84bn), with the like-for-like portfolio recording a 6.7% increase to £6.22bn (2003: £5.73bn)

Profit before tax rose by 16.7% to £373.1m (2003: £319.6m)

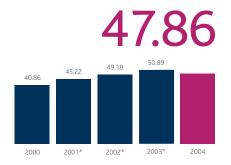
Pre-tax revenue profit decreased, as expected, by 8.0% to £309.2m (2003: £336.2m)

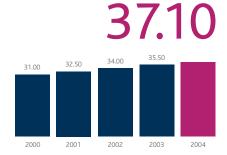
Adjusted earnings per share decreased, as expected, by 6.0% to 47.86p per share (2003: 50.89p per share)

Proposed full year dividend increase of 4.5% to 37.1p (2003: 35.5p)

Adjusted earnings per share (pence)

Dividends per share (pence)





*restated

Financial highlights			
	31/3/2004	31/3/2003	% Change
Gross property income Property investment and trading (including 50% share of joint ventures) Property outsourcing	£650.2m £830.9m	£579.3m £660.2m	+12.2% +25.9%
Total	£1,481.1m	£1,239.5m	+19.5%
Operating profit (total)	£565.8m	£550.2m	+2.8%
Pre-tax profit	£373.1m	£319.6m	+16.7%
Revenue profit (pre-tax) ¹	£309.2m	£336.2m	-8.0%
Adjusted earnings per share ²	47.86p	50.89p*	-6.0%
Earnings per share	61.84p	46.46p	+33.1%
Dividends per share	37.10p	35.50p	+4.5%
Adjusted diluted net assets per share ³ Diluted net assets per share	1331p 1293p	1219p* 1188p	+9.2% +8.8%
Carrying value of investment properties ⁴ Net borrowings Equity shareholders' funds Gearing (net) ⁵	£7,880.9m £2,435.8m £6,030.1m 40.5%	£7,823.9m £2,589.3m £5,532.7m 47.3%	

^{*}as restated – Notes 9 and 10

- Excludes results of fixed asset property sales and exceptional items in 2003
- 2 Based on revenue profits. Tax charge adjusted to exclude deferred tax arising from capital allowances and capitalised interest on investment properties
- 3 Excludes deferred tax arising from capital allowances and capitalised interest on investment properties and adding back the net liabilities of Telereal
- 4 Market value less UITF28 adjustment of Group Investment Properties
- 5 Net borrowings (including bank overdraft less short term deposits and cash), at book value, plus non-equity B shares as a percentage of equity shareholders' funds
- 6 The calculation basis has been refined this year and the comparatives have been restated



Sixty years of Land Securities

From modest beginnings Land Securities has grown steadily to become the UK's leading property company. A member of the FTSE since the index was created in 1984, the Group now manages more than 10 million m² of property across the UK. From three houses in Kensington the Group's investment portfolio is now valued at more than £8bn.

The Group's objective is to create attractive and sustainable returns for shareholders. It will do this by providing its customers with products that match their needs. With a 25-year track record of dividend growth, Land Securities is recognised for its financial stability and responsible management.

Over the course of 60 years the Group has, through investment, development, management and property outsourcing, become a major force in the UK property industry. Land Securities is proud of the reputation it has created.

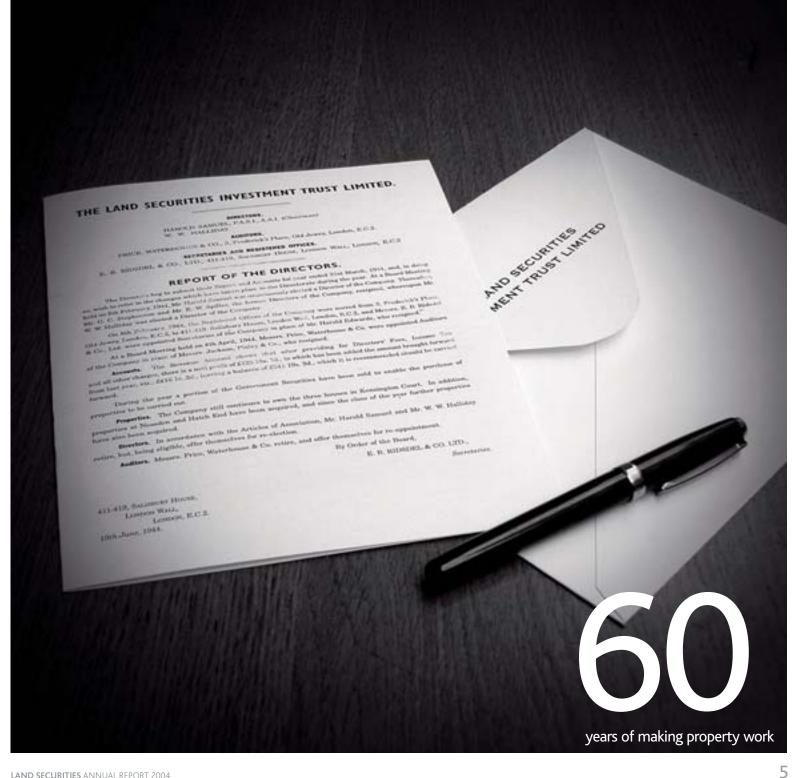
Lord Samuel of Wych Cross, Land Securities' founder and chairman until 1987 (left).

Sir Peter Hunt, Lord Samuel's successor and Land Securities' chairman until 1997 (right).

Land Securities Investment Trust 1944 Annual Report, the first issued after Lord Samuel bought the company, a copy of which is included in this year's Annual Report.









Overview

Land Securities offers investors:

- A commitment to the creation of attractive and sustainable returns through its activities in the UK property market
- A strategic focus on its customers
- Ownership of £8bn of investment property in the UK
- Market leading positions in three sectors:
- Retail (including retail warehouses)
- Central London offices
- Property outsourcing
- Cash flow through six-monthly dividend payments
- Potential for capital and revenue growth through:
- Superior management of assets
- 170,000m² development pipeline
- New property outsourcing business

Aiming to be recognised as the UK's leading property company

Strategic focus on value creation



Our objectives

We have a clear view of what we are trying to achieve. The objectives for our business are to:

- Maximise the returns from our investment portfolio.
- Complete and let our development programme.
- Continue to grow our property outsourcing business by winning new contracts and expanding existing ones.
- Focus on our customers with products that meet their needs.
- Build and retain the best team in the property industry.
- Focus on earnings generation from capital investment and drive total returns, so creating value for our shareholders.

Our achievements

Throughout this year's Annual Report you will find evidence of the success we have had in meeting our objectives. However, we have taken the opportunity to outline below a few notable examples of our activities which particularly demonstrate our achievements to date.

- In each of our core sectors and on an overall portfolio basis, we have outperformed the Investment Property Databank.
- We sold £682.1m of investment property, creating FRS3 profits of £52.1m.
- We completed 152,500m² of development, including the Birmingham Alliance's awardwinning Bullring, which opened September 2003 receiving more than 20 million visits from shoppers since then.
- We let (or agreed subject to contract to let) 82,000m² of development, which included fully letting the newly-launched Soho Square building, the first Landflex office scheme and a department store letting in Cardiff.
- Land Securities Trillium agreed the expansion of the DWP contract to cover the Employment Services estate, welcoming a further 35,000 DWP customers to our property outsourcing business and was appointed preferred bidder by Aviva for part of its Norwich Union estate.

- Land Securities Trillium successfully received its re-accreditation for Investors in People and, over time, we will roll this out across the Group.
 Our employee survey demonstrates upper quartile results for employee satisfaction and morale.
- Since unveiling the Group's new strategy in 2000, Land Securities has shown a total shareholder return (share price appreciation plus dividends re-invested) of 71.85% as compared to a negative 24.52% for the FTSE100 and 66.06% for the FTSE Real Estate Index. Over the 12-month period to 31 March 2004, Land Securities return has been 55.14% as compared to 25.74% for the FTSE and 61.67% for the FTSE Real Estate Index.



Peter G. Birch CBE



Chairman's statement

Introduction

We made good progress in the year to 31 March 2004 with adjusted diluted net asset value per share up by 9.2% to 1331p (2003: 1219p), once again demonstrating the benefits of a clearly defined strategy and a soundly financed and well-managed asset-backed business. During the year our asset and property management activities increased the value of our like-for-like investment portfolio by 6.7%; we completed 152,500m² and let or agreed to let 82,000m² of development; and won an expansion to our contract for the Department for Work and Pensions ('DWP') which went live in December, resulting in a further 1,078 properties coming under our management.

The scale of our operations across the UK reinforces our market leading position. We now provide office accommodation to more than 2.6% of the UK office workforce and we estimate that our retail properties are visited more than 300 million times per annum by shoppers.

A diversified portfolio, secure income from quality occupiers and strong and growing revenues from Land Securities Trillium back the Group's progressive dividend policy and we are increasing the dividend by 1.6p this year, maintaining our long record of year-on-year increases.

Results

Pre-tax profit increased to £373.1m (2003: £319.6m), although last year's profits were reduced by exceptional items associated with the return of capital to shareholders.

As expected, revenue profits (our measure

of underlying pre-tax profits) decreased from £336.2m to £309.2m as a result of:

- mobilisation and bid costs relating to the expanded DWP contract (although these are mitigated by improved results from Telereal and the BBC);
- the impact of our Central London development programme;
- the full year impact of the increase in interest payable resulting from the return of capital; and
- the dilutive effect of property sales in the past two years.

Adjusted earnings per share (calculated on revenue profits) were 6.0% lower at 47.86p per share (2003: 50.89p per share).

The Board recommends a final dividend of 27.2p per share (2003: 26.0p), making a total distribution for the year of 37.1p (2003: 35.5p), a 4.5% increase on 2003. The dividends paid and proposed will be covered 1.3 times by adjusted earnings (2003: 1.5 times). The dividend will be paid on 26 July 2004 to shareholders on the register on 25 June 2004.

The Group is focused on the efficient use of its capital. During the year, it received cash totalling £700.2m from property disposals and a £172m distribution from Telereal. The Group reinvested £506.3m into property acquisitions and development and £234.5m into its property outsourcing activities.

The total investment portfolio was valued at £8.15bn (2003: £7.84bn), representing an increase in assets, in spite of the level of sales

activity. This portfolio includes 54.9% retail, 36.6% Central London office and 4.3% industrial. At the half-year, we introduced additional disclosure with a 'like-for-like portfolio' definition, which gives a better indication of the underlying performance of the portfolio. The like-for-like portfolio was valued at £6.22bn, showing a capital growth of 6.7% over the year.

The retail assets, including retail warehouses, now represent 55.2% of the like-for-like portfolio. Retail continued to perform well with an 11.5% valuation surplus. In Central London, our holdings showed a nominal 0.8% increase in value over the year, demonstrating clear signs of improving market conditions. This trend was particularly evident in the second half of the year, when our Central London portfolio as a whole showed a positive valuation uplift of 2.5%.

Regulatory environment

We have come a step closer to the introduction of a liquid, tax transparent vehicle for property investment in the UK with the publication of the Government's consultation document on Property Investment Funds ('PIFS'), more commonly known as Real Estate Investment Trusts ('REITS'). While welcoming the consultation, we would caution Government not to be too prescriptive about the structure of such a vehicle. To be able to deliver the regeneration and flexible property contracts desired by Government, and the returns that investors will find attractive, REITS will need to sustain a reasonable level of gearing, undertake some development activity and embrace property outsourcing activities. In addition, to encourage conversion, Government

must make sure that it sets a fair, not punitive, conversion charge.

In principle we are attracted by the idea that Land Securities might become a REIT, but our decision to convert or not will be determined by the details and costs of conversion. We will only convert if it is clearly in shareholders' interests to do so.

We were also pleased that Stamp Duty was not increased in the last Budget. We continue to remind Government of the adverse impact of higher Stamp Duty on commercial property, both on liquidity in the market and as an asset class compared to bonds and equities.

The regulatory environment is becoming increasingly complex and onerous. In its last budget, the Government included proposals for, or references to, Stamp Duty on limited partnerships, a new development land tax, increased disclosure requirements for quoted companies and VAT avoidance on commercial property, among other things. All of these could directly impact upon our business. Furthermore, Government is about to start its consultation on lease reforms. We view regulation as unnecessary since the market has already taken steps to provide a wide range of lease options for occupiers. We have led the industry through our Landflex and property outsourcing solutions.

Board

On 31 March 2004 we announced that Francis Salway will succeed Ian Henderson as Group Chief Executive at the Annual General Meeting on 14 July when Ian steps down from the Board. Ian will, however, remain with the Group until December 2004 to lead our representations on various Government and private sector initiatives. The Board would like to take this opportunity to thank Ian for his substantial contribution over 33 years of which 17 years were on the Board. During his tenure he has guided the Group through a period of great transformation while at the same time ensuring, through his work with the British Property Federation, that the industry is poised to benefit from the Government better understanding the contribution property makes to the wider economy.

Peter Freeman will also be stepping down as a non-executive director from the Board at the AGM. The Board would like to thank Peter for his valuable input and are pleased that the Group will still benefit from his sage counsel as a consultant on property matters.

During the year the Group appointed David Rough as senior independent director. It also established a formally constituted Nominations Committee and updated corporate governance processes to achieve compliance with current best practice.

The Group will be appointing Bo Lerenius to the Board as a non-executive director. Bo, 57, is currently Chief Executive of Associated British Ports, and was previously Chief Executive of Stena.

People

The team at Land Securities continues to demonstrate great enthusiasm and a positive

approach to our business. We have had a good year and the Board would like to thank everyone who works for the Group for their valued contribution to our progress.

Outlook

In the year to 31 March 2004, the FTSE Real Estate index rose by 61.7% compared with a 25.7% rise in the All-Share index. Our share price has increased by 55.1%. There is no doubt that market interest in REITS has been a contributing factor, but institutions have also increased their weightings in the direct property market with yields tightening in all our markets, reflecting strong investment demand for commercial property assets. In the retail sector, we expect rents to continue to rise modestly and we are seeing firm evidence of a recovery in our London office markets, particularly the West End.

We remain very encouraged by the potential for our investment portfolio and the schemes in our development programme and the opportunities available to us in the property outsourcing market.

We are also pleased by the potential for the Group should an appropriate REIT structure be introduced. We believe that this will attract new capital into property and be positive for the economy.

Over four years the Group has transformed itself from an asset accumulator to a modern, customer focused property business. The Board's confidence in our prospects is reflected in this year's dividend increase.

3 Meeting expectations

Land Securities returns Return on equity Return on average capital employed Weighted average cost of capital (all figures are pre-tax) 16 — 14 — 10 — 8 — 6 — 4 — 2 — 0 — 2000 2001 2002 2003 2004 Vears ended 31 March

Operating and financial review

For more than two years, economic and property market conditions have been challenging. It is therefore all the more gratifying that we have met and, at times, exceeded market expectations of our performance. The results to 31 March 2004 are no different. We have increased adjusted diluted net asset value per share by 9.2% and profit before tax is 16.7% higher. We are particularly pleased with the performance of the investment portfolio over the past twelve months where in each of our core sectors and on an overall portfolio basis we have outperformed the Investment Property Databank ('IPD').

The restructuring of our investment portfolio is now broadly complete, although we continue to increase average lot sizes and seek active

management opportunities. The development programme is on course to deliver good returns to shareholders in the future. We believe that both our investment and development properties are particularly well placed to benefit from a recovery in the Central London markets. Land Securities Trillium has made excellent progress this year and now represents 14.6% (ignoring the impact of Employment Services start-up costs) of the Group's operating profit, leaving it on course to achieve our business plan target of a 25% contribution by 2007.

The Group has performed well during the difficult conditions over the past few years but is now beginning to benefit from the upturn, as illustrated in the graph above. Although weak conditions in the Central London office market meant that returns on capital were disappointing in 2002 and 2003, in 2004 we have produced an encouraging return on capital employed of 11.5%, 4.0% ahead of our cost of capital. Return on equity was 13.4%.

Adjusted financial information

We supplement our reporting by including certain adjusted financial information to demonstrate more clearly the Group's underlying financial performance. This year we refined the basis on which we calculate adjusted information to reflect changes in our business. The changes affect this and prior

year's revenue profits, adjusted earnings per share, and adjusted net asset value per share. Full details of the changes to the adjustments are contained in the Finance and Tax section of this review. The figures presented throughout this review, and in the financial statements that follow it, are all presented on the new basis and prior year figures have all been restated. The financial effect of the changes is summarised in the table below:

		Year to 31/3/2004	Change %	Year to 31/3/2003
Revenue profits	*	£309.2m	(8.0)	£336.2m
	†	£315.4m	(7.5)	£340.9m
Adjusted earnings	*	47.86p	(6.0)	50.89p
per share	†	46.90p	(6.9)	50.39p
Adjusted net asset	*	1333р	9.3	1220p
value per share	†	1316р	8.3	1215p
Adjusted diluted				
net asset	*	1331p	9.2	1219p
value per share	†	1314р	8.1	1215p

Year to 31 March – * new basis † old basis

Net asset value

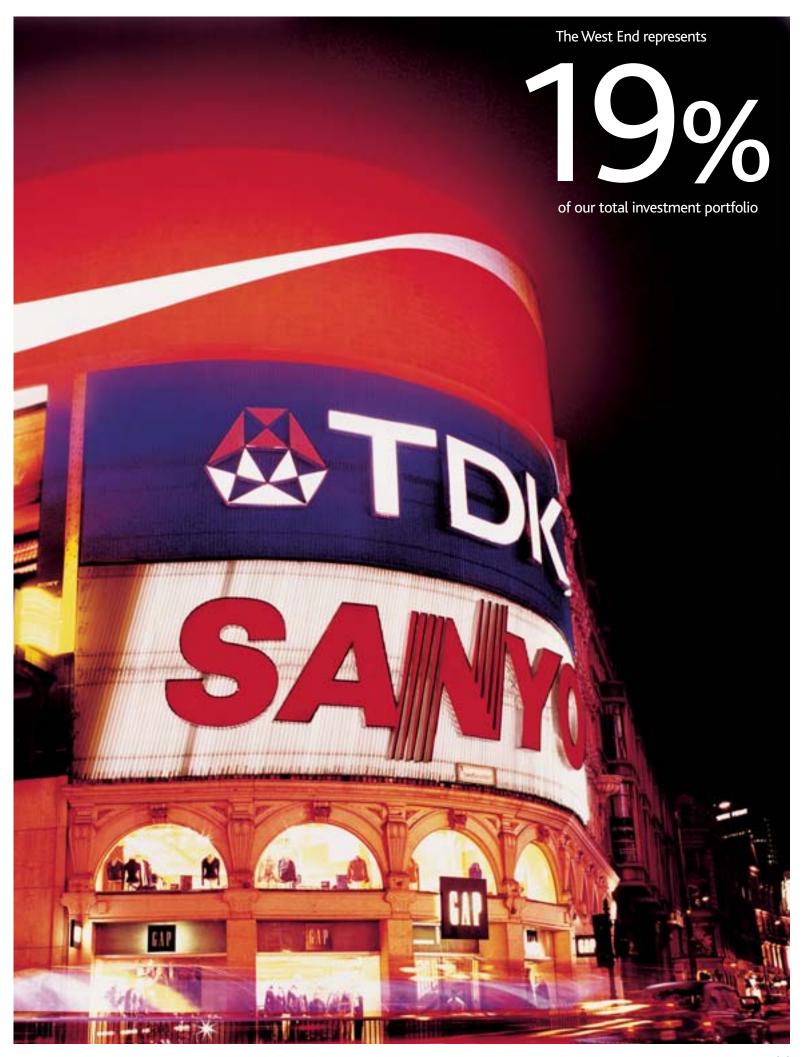
The performance of property companies is primarily measured by changes in net asset value. We believe this focus will continue until the introduction of REITS when, over time, investors may adopt a stronger focus on earnings, dividends and the growth in earnings and dividends.

lan J Henderson Group chief executive

Andrew MacfarlaneGroup finance director

San Hennan

Piccadilly Circus, London W1. 5,820m² of retail, restaurants, offices and the world famous illuminated advertising.



The main driver of net asset value was the performance of our investment portfolio, including the property joint venture, which notwithstanding sales is worth £306.2m more than a year ago at £8.15bn. This increase reflects a valuation uplift of £406.9m or 5.3% after accounting for the impact of property purchases, sales and development capital expenditure over the period, as shown below:

	Group	Share of joint ventures	Total £m
At 1/4/2003*	7,844.0	_	7,844.0
Purchases	205.1	_	205.1
Sales and transfers	(899.0)	237.3	(661.7)
Development spend	324.6	_	324.6
Other property			
related expenditure	31.3	_	31.3
Valuation increase	400.7	6.2	406.9
At 31/3/2004*	7,906.7	243.5	8,150.2

(* Investment and development assets)

Given the strength of investment demand for well-let commercial property, we found relatively few attractively priced opportunities to buy assets during the year but, conversely, we took advantage of market conditions to sell assets with low growth prospects at premium prices. As a result, we were net sellers of investment property over the period; although this was partially offset by the delivery of new schemes from the development programme, such as Bullring, Birmingham.

The increase in net asset value was augmented by £115.1m of retained earnings, which has resulted in an adjusted diluted net asset value per share of 1331p.

Further details of the valuation results are contained in the Portfolio Management and Business Analysis sections of this report.

Earnings

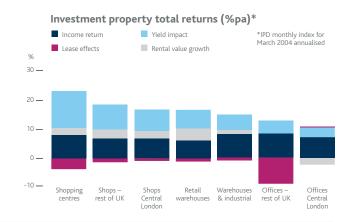
Profit before interest and tax was £629.7m for the year to 31 March 2004, a £37.8m or 6.4% increase over 2003. However revenue profits were 8.0% lower than last year. The principal causes for these changes are summarised below:

	Profits before tax £m	Revenue profits £m
Year ended 31/3/2003	319.6	336.2
Exceptional items	58.3	_
Profit before tax and exceptional items	377.9	336.2
Rental income growth (A)	10.8	10.8
Net effect of asset sales and purchases (B)	15.8	(9.7)
Impact of developments (C)	(8.5)	(8.5)
Existing Land Securities Trillium contracts (D)	23.7	27.0
Employment Services (E)	(16.1)	(16.1)
Interest on return of capital (F)	(12.1)	(12.1)
Other factors	(18.4)	(18.4)
Year ended 31/3/2004	373.1	309.2

- A. Rental income growth reflects increases in rent from rent reviews (predominantly from our retail portfolio) and the new rents from developments completed in the first half of the year. Rents from developments have been partially offset by the interest cost associated with financing these projects.
- B. We have sold more properties than we have bought over the last two years. This has

- reduced profits because average rental yields have exceeded the cost of borrowing.
- C. The cost of financing completed but unlet development projects and the loss of rent on properties on which redevelopment has started this year have reduced profits by £8.5m.
- D. Profits for existing Land Securities Trillium contracts have improved as a result of Telereal's strong trading and the BBC contract becoming profitable. This follows the completion and occupation of the new White City Media Village by the BBC last autumn.
- E. The bid, mobilisation and initial costs associated with the Employment Services contract have reduced profits by £16.1m, as expected. The contract is on track to produce some £10m of operating profits in the year to 31 March 2005.
- F. We returned £511m to shareholders in September 2002. The associated debt was financed for the whole of the year as compared to 5½ months in the prior period. This has cost an extra £12.1m.

Boding well for a REIT environment, should these be introduced and we decide to convert, the Group has always had a high dividend distribution rate relative to the industry. This year is no exception and, as disclosed in the Chairman's statement, the Group is proposing to increase its full year dividend by 4.5% to 37.1p per share for 2004.



Competitive environment and our markets

As mentioned in the Chairman's statement. we welcome the consultation exercise currently being carried out by Government on REITS which, if introduced, could effect an enormous change on the competitive environment for quoted property companies. Not only could this substantially increase the flow of capital into our sector, but it could also provide a step change in the way in which investors hold property. In particular, certain smaller offshore limited partnerships, which are relatively illiquid and unregulated investment vehicles, could become less attractive and these assets may be transferred into a REIT. In addition, certain pension funds may elect to divest their direct property holdings and switch into REITS to minimise the cost of investing in property.

Notwithstanding the potential for this major structural change in the quoted property investment market, we continue to exploit our competitive advantages of financial strength, scale and the ability to innovate to maximise shareholder returns.

A significant proportion of our business, some 91.7% of our rents, is focused on two sectors of the UK property market. The office sector is defined by its geographic location within Central London, the other by its asset class, retail property across the UK. We believe

that we have a leadership or top quartile position in both these markets. Both sectors are characterised by supply side constraints although, as evidenced in the City office market, supply can increase substantially during an occupier-led downturn. These sectors, and the property market as a whole, are also impacted by changes in inflation and interest rates. Shareholders also benefit from the diversified nature of the Group's activities, its exposure to more than one market and its property outsourcing activities, where we believe that Land Securities Trillium now strongly demonstrates its market leadership credentials.

Investment property market

There continue to be substantial sums of money available to invest in property in the UK creating a pent-up demand for most types of investment property. Anecdotal market evidence suggests that institutions have made large allocations to property in 2004. Property yields are tightening and, for certain asset types, there is a disconnection between occupier demand and investment yields. We anticipate that this situation will exist for the foreseeable future, as investors continue to see the diversification benefits of property as an asset class and as a long-term investment for savings. At the same time, if Government creates attractive REITS, there is likely to be an ongoing, or even strengthening, flow of capital into the UK property market, to the benefit of occupiers.

Retail market

We have consistently stated that occupier demand in the retail market remains strongly dependent upon retailers' performance and consumer spending. Over the past 12 months retailers' performance has been less strong; with some continuing to trade well while others are finding market conditions more challenging. The consumer continues to be fairly resilient to increased interest rates and the threat of a slowing housing market as a result of low levels of unemployment and the improving outlook for the economy.

Our experience of retailers' requirements reflects these fortunes. Across our retail portfolio, particularly in the retail warehouse market, there is still strong demand for the right unit in the right location but demand has fallen off for more secondary locations. As we anticipated last year, while this market still shows positive rental growth, this rate of growth has slowed.

With a portfolio of dominant shopping centres, development plans for four major new schemes and a large number of retail warehouse parks, we are one of the leaders in the retail sector.



We have received notification from the City Corporation that it is 'minded to grant' planning consent for our New Street Square scheme

Central London market

At the half-year, we stated that we were increasingly optimistic about certain subsectors of the Central London office market, particularly the West End. This remains the case and we now believe that we have reached the low point for asset values in the Central London office markets. While conditions in the occupational market will continue to be difficult in the City, and we do not expect a return to rental growth in this sub-sector until 2006, rental growth will be evident in the West End this year. While tenant demand has been subdued there are now clear indications that it is improving. The Central London market vacancy rate has improved marginally over the last quarter, moving from 13.3% of total stock to 13.1% overall (Source: DTZ Research). Market void rates now stand at 15.5% in the City and 11.0% in the West End as a whole although vacancy rates in our own portfolio are significantly lower.

Over the past few years we have been restructuring our Central London portfolio and forward planning our development pipeline. We believe that we are now well placed to benefit as market conditions improve. The range of development opportunities we have in several of the core sub-markets leaves us strongly positioned to satisfy occupier demand for new, large, modern office buildings across Central London between now and the end of the decade.

Last year we highlighted London as one of the main engines of the UK's growth and the need to maintain its attraction to businesses as one of the foremost global financial centres. In particular, we focused on the continued neglect of the capital's infrastructure. It is unfortunate to see little change over the year. We need to see investment of capital by the Government, both for existing services and new infrastructure projects such as Crossrail.

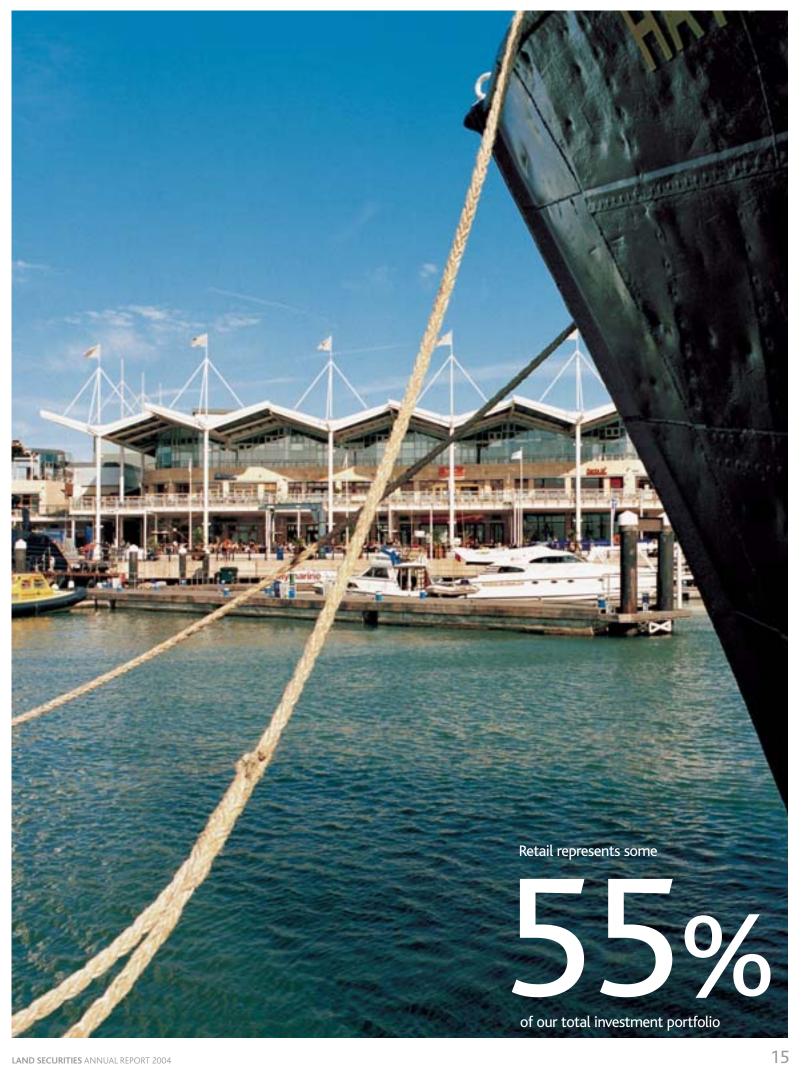
Property outsourcing market

Last year we reported that we were seeing an increase in the level of interest in property outsourcing. This remains the case. In the corporate sector, businesses are seeking to align property strategy to business drivers and are focused on minimising costs and streamlining operations, although financial criteria are not always the main driver of the decision to outsource.

In addition, in the public sector we are assessing how the property outsourcing model might work for local authorities while continuing to work with Government on their requirements. Although still waiting for the final document to be published, we believe that the Gershon public sector efficiency review may offer some real opportunities for us since we can demonstrate that property outsourcing assists organisations in meeting cost efficiency and quality targets.

In this market each property outsourcing solution is bespoke to an individual occupier's requirements. There is no such thing as a 'one size fits all' property outsourcing contract. Consequently we believe that growth will continue to be driven by a relatively small number of meaningful transactions each year.

We now own 100% of the award winning Gunwharf Quays, Portsmouth. A 41,290m² designer outlet scheme.





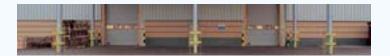
Portfolio management

The success of the continued rationalisation and active management of the portfolio is demonstrated by a 6.7% like-for-like increase in value.

Total investment portfolio valuation As at 31 March 2004

Industrial and other up 9.4% on 2003 to

£352.9_m



In addition to our core sectors of retail and Central London, we own a number of south-east industrial properties. We have substantial land holdings in Kent where we plan to deliver major regeneration projects.

Retail warehouses

up 13.6% on 2003 to

£1,293.4m



We have assembled a leading portfolio of retail warehouse properties. We provide accommodation to nearly 150 retailers in 24 properties, from Dundee, Scotland to Bexhill on the south coast.

Central London offices

down 2% on 2003 to

£2,985.7m

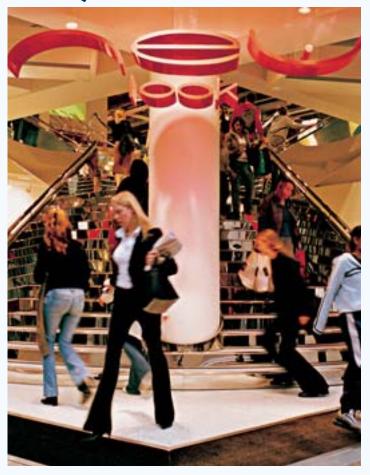


We are a market leader in London where we have a substantial office portfolio. Stretching from Stratford in the east to Earl's Court in the west, the majority of these holdings are concentrated in the City and Westminster. For decades we have been enthusiastic about London and we remain committed to one of the world's greatest capital cities.

Regional shopping centres and shops

up 9.5% on 2003 to

£3,177.4m



This portfolio covers a wide spectrum of the UK retail market, from Central London shopping districts to Land Securities' managed shopping centres. We provide accommodation to more than 700 retail occupiers together with restaurant and leisure businesses.

Financial performance						
		Rental income	9		Market value	
	31/3/2004 £m	31/3/2003 £m	%	31/3/2004 £m	31/3/2003 £m	Valuation surplus %
Shopping centres and shops Retail warehouses Offices South-east industrial properties Other	147.9 58.0 193.7 18.0 6.0	141.0 54.4 197.3 17.4 6.8	4.9 6.6 -1.8 3.4 -11.8	2,270.3 1,165.5 2,441.8 258.2 87.6	2,034.1 986.8 2,378.9 235.8 93.8	10.2 14.0 0.7 8.4 1.4
Like-for-like Completed developments Purchases Sales and restructured interests Development Joint venture	423.6 23.8 16.1 41.7 9.3 0.6	416.9 11.8 4.6 76.2 10.2	1.6 n/a n/a n/a n/a	6,223.4 559.8 326.2 – 797.3 243.5	5,729.4 453.6 128.0 827.9 705.1	6.7 10.0 0.5 - -5.3 2.6
Total portfolio	515.1	519.7	-0.9	8,150.2	7,844.0	5.3

Portfolio management continued

While a proportion of the valuation change can be ascribed to yield shift, a substantial element is accounted for by the success of our asset and property management activities, and we are very positive about the potential we have to continue this year's outperformance of the Investment Property Databank.

Total property returns - year to 31 March 2004

	LS% ⁽ⁱ⁾	IPD% ^{(i) (ii)}	Relative return %
Shopping centres	18.6	16.0	+2.2
Retail warehouses	19.6	16.9	+2.4
Central London offices	7.2	4.6	+2.5
South-east industrial			
properties	15.9	11.4	+4.1
Total portfolio/All property	12.7	12.4	+0.3

Source: IPD

Financial performance

As shown in the table above, the like-for-like investment portfolio showed a 1.6% growth in rental income over the year, mainly as a result of rent reviews in the retail and retail warehouse portfolios. Our office portfolio is generally over-rented and rental increases in the last year were an exception in this part of the portfolio.

During the year, five schemes were transferred from the development programme, the four significant ones being Bullring, Birmingham, Phase 1, Kingsway West Retail Park, Dundee, 7 Soho Square and Portman House, London W1. These schemes generated rents of £17.4m to 31 March 2004 and will contribute £23.5m next year. Sales and purchases have decreased rental income by £23.0m as compared to the prior year.

We have focused on keeping our buildings occupied and void levels across the like-for-like portfolio were 3.4% at the year-end, compared with 2.6% at the start of the year with almost half this void space currently undergoing refurbishment.

We were pleased with the 6.7% increase in the value of the like-for-like portfolio over the year, which is a 4.3% increase over the six months since 30 September. As indicated in our interim results, approximately £55.6m (14.2%) of the valuation surplus is attributable to the removal of Stamp Duty from assets in Disadvantaged Areas until 2006. We review further the drivers of this change, which are predominantly attributable to the strong growth in retail, throughout this section of the report.

During the last 12 months, the net reversionary potential of the like-for-like portfolio, excluding voids, has reduced to 1.8% at 31 March 2004, compared with 5.5% at the end of the prior year. However this is little changed from the half year figure at September 2003 of 1.9%. The mean weighted unexpired lease term for

the like-for-like portfolio is 10.4 years (2003: 11.0 years) assuming all lease breaks and expiries occur.

Total investment portfolio value movements

	£m
Investment portfolio at 1/4/2003	6,876.6
Purchases	205.1
Sales (inc. properties sold to joint venture)	(830.1)
Transfer in of completed development	451.0
Transfer out for redevelopment	(18.1)
Joint venture properties	237.3
Valuation increase	404.7
Other (inc. refurbishment expenditure)	89.6
Investment portfolio at 31/3/2004*	7,416.1

(* including our share of the property joint venture)

To ensure that the properties we own provide good future growth opportunities, we continue to recycle capital through an active programme of sales and purchases. To this end, during the period under review, we sold a total of £636.4m of property out of the investment portfolio (excluding joint ventures and net of sale costs) generating FRS3 profits of £43.8m (7.4% above book value) while buying £205.1m of assets. Although the investment portfolio was reduced as a result of this net sales activity, the transfer of £451.0m of assets from the development programme meant that acquisitions and disposals were broadly equal.

⁽i) Includes acquisitions, sales and developments

⁽ii) IPD December Universe (extrapolated to March 2004) unfrozen



During the year we created the Scottish Retail Property Limited Partnership with the British Land Company PLC, pooling our Aberdeen (pictured) and East Kilbride properties

Including assets sold out of the development programme, total sales of investment property were £682.1m. These included a portfolio of industrial assets for £86.8m, four retail warehouse assets for £30.3m and £463.5m of Central London properties. In total we sold 35 investment properties (including developments) with an average yield of 6.1%.

Of the £205.1m invested, the most significant acquisitions were the purchase of 120 Cheapside and 4 Wood Street, London EC2 for £36.5m, Allington Towers, London SW1 for £36.6m and the acquisition of full control of Gunwharf Quays, Portsmouth for a further £88m. The average yield on present income for all purchases (taking into account the cost of stamp duty and acquisition fees) was 7%.

Retail

Shopping centres, shops and Central London retail

	2004	2003	Increase
Valuation	£2,270.3m	£2,034.1m	11.6%
Rental income	£147.9m	£141.0m	4.9%
Gross ERV	£165.0m	£158.1m	4.4%
Void by ERV	1.5%	1.5%	n/a
Running yield	6.1%	6.6%	n/a

Like-for-like investment portfolio extract from total investment portfolio analysis on pages 88 and 89

Again this year, we continued to see strong performance across our retail portfolio, with the in-town portfolio performing well and the net reversionary potential remaining strong. Our management activities are focused on ensuring that we remain in a position to satisfy retailer demand while also establishing market evidence in advance of rent reviews.

Our like-for-like shopping centre portfolio showed strong growth with a 13.1% increase in value. Centres such as the White Rose Shopping Centre, Leeds continued to deliver strong rental growth while activity at Stratford, London E15, and St John's Liverpool also created good returns. In Central London, our retail assets showed an 8.8% like-for-like increase in value despite the negative effects of congestion charging and a decline in tourism.

During the year we took full control of the Gunwharf Quays limited partnership from the Berkeley Group Plc, as a result of which we became 100% owners of the 42,000m² Gunwharf Quays Designer Outlet scheme in Portsmouth. This property benefits from strong retailer demand and demonstrates considerable growth potential.

In March we created the £500m Scottish Retail Property Limited Partnership ('SRPLP') a 50/50 joint venture partnership with The British Land Company PLC. This resulted in the transfer of the shopping centre assets, totalling some 130,000m² of retail space, of both companies in Aberdeen and East Kilbride to SRPLP. The assets currently produce gross rents of circa £30m per annum from over 330 tenancies.

SRPLP is further evidence of our strategy of working with adjoining property owners to maximise the long-term value of our assets by creating an improved retail environment for shoppers and retailers alike.

In Aberdeen, the Bon Accord Centre was transferred to the Partnership alongside British Land's St Nicholas Centre. These centres make up the current prime retail pitch. In East Kilbride, British Land contributed the Plaza Centre and the recently completed Centre West while we added Princes Mall and Olympia.

Progress at Maidstone, our forward funded 29,270m² shopping centre which is being developed for us by Centros Miller, continues well with more than 77.5% of the scheme's rental income by ERV now let or in solicitors' hands. We are looking forward to it opening in March 2005.



The refurbishment of 50 Queen Anne's Gate, London SW1, demonstrates how the business is working together to provide accommodation and a full range of property services for the Department for Constitutional Affairs' occupation in 2007.

Portfolio management continued

Retail warehouses

	2004	2003	Increase
Valuation	£1,165.5m	£986.8m	18.1%
Rental income	£58.0m	£54.4m	6.6%
Gross ERV	£69.5m	£66.3m	4.8%
Void by ERV	2.2%	3.3%	n/a
Running yield	5.1%	5.7%	n/a

Like-for-like investment portfolio extract from total investment portfolio analysis on pages 88 and 89

The continued strength of the out-of-town retail market is evidenced by another very strong like-for-like increase in value this year of 14.0%. We continue to manage actively this portfolio and are still experiencing strong demand from High Street retailers for out-of-town units.

In a number of our assets, we created space for new lettings through the reconfiguration of units. At Team Valley, Gateshead, our largest retail warehouse asset, we secured lettings to Next and Boots and both these units have now opened. In Manchester, at White City we are reconfiguring the estate, replacing a two-storey leisure property with 2,790m² pre-let

to Currys and providing a further 2,040m² with open A1 consent. In Swansea, we have taken the surrender of an 8,080m² MFI unit, and reconfigured it to create pre-lets to M&S Simply Foods, Dreams and a smaller unit for MFI plus a further 1,120m² which is available to let. At Thurrock, our second largest retail warehouse asset, work is proceeding well for the new M&S Lifestore, a 9,310m² unit which is due to commence trading next year.

We also successfully sold a portfolio of four smaller retail warehouse assets for £30.3m.

Central London offices

	2004	2003	Increase/ Decrease
Valuation	£2,383.8m	£2,320.9m	2.7%
Rental income	£188.4m	£192.3m	-2.0%
Gross ERV	£175.7m	£190.9m	-8.0%
Void by ERV	4.6%	2.5%	n/a
Running yield	7.5%	7.8%	n/a

Like-for-like investment portfolio extract from total investment portfolio analysis on pages 88 and 89

The overall increase of 0.8% in the like-for-like value of our Central London portfolio reaffirms our belief that we are beginning to see an upturn in the occupier market. As anticipated at the half year, this recovery is being led by the West End where we saw a 3.0% increase in the value of our like-for-like portfolio. The strong performance of the West End also reflects specific asset and property

management activity such as the conclusion of the lease extension at Queen's Anne's Mansions, London SW1 which is currently the Home Office but, following refurbishment, will be occupied in 2007 by the Department for Constitutional Affairs.

At the end of 2003, the Lyons Review was published. While there have been concerns expressed that it will have a major impact on the market, from our own analysis of the different Government departments cited and our own portfolio, we feel that the risk to us is less than 5% by area of the Central London office portfolio.



Land Securities has some £600m invested in Scottish retail property. The Designer Outlet centre is part of our holdings in Livingston, which includes the Almondvale shopping centre and three retail park assets.

We are firmly of the view that the action we have taken over the last three years to transfer more than £883m of capital out of certain types of long let over-rented Central London investment properties into other activities, offering better growth potential, leaves us extremely well placed to benefit from the market upturn.

This is clearly illustrated by the sales of Salisbury Square House, London EC3 and Lacon House, London WC1. In the case of both buildings we created considerable value over time through development and subsequent successful lettings and taking advantage of strong investment market conditions for well-let Central London property, we secured attractive prices for both these properties.

On the acquisition front, 120 Cheapside and 4 Wood Street, London EC4 were purchased for £36.5m, providing the opportunity to buy a well-located investment property with a

strong income stream and future development potential at an attractive price. The two buildings are located between our existing holdings at One New Change, London EC4 and 30 Gresham Street, London EC2 and total some 9,280m² of office and retail accommodation and 50 parking spaces. The net rent is approximately £3.4m, representing a net initial yield of 9.4%.

South-east industrial properties

	2004	2003	Increase
Valuation	£247.7m	£226.0m	9.6%
Rental income	£16.9m	£16.6m	1.8%
Gross ERV	£19.4m	£19.0m	2.1%
Void by ERV	10.5%	10.2%	n/a
Running yield	6.8%	7.0%	n/a

Like-for-like investment portfolio extract from total investment portfolio analysis on pages 88 and 89

At the half-year we reported that we intended to dispose of a portfolio of industrial properties for £86.8m taking advantage of this strong investor demand. This sale was concluded during the second half of the year. The remainder of the portfolio comprises a number of industrial properties let to a wide range of tenants generating £20.3m of income per annum and continues to provide good returns.

The south-east industrial portfolio has shown a good like-for-like increase in value over the year of 8.1%. This performance has primarily been driven by the strong investment market, but we have also seen early signs of a stronger occupational market.



At our 33,890m² Lakeside Retail Park, the trend for High Street retailers to move to out-of-town locations is demonstrated by this 1,900m² Borders Books outlet.

Value creation

Forecast spend on development pipeline Actual Development programme Em 450 400 350 350 250 200 150 100 Actual 2004 2005 2006 2007 2008 2009

Development

We aim to create value through our development programme by progressing and positioning schemes to take advantage of improving markets, while at the same time creating new assets for the investment portfolio, which are not readily available for purchase at attractive yield levels in today's investment markets.

During the year we completed 152,500m² of developments, started 14,800m² of new schemes, received planning consent or resolutions to grant consent for 193,400m². In addition, we applied for planning permission for a further 65,300m² of new space and

MARKS & SPE

achieved 82,000m² of lettings. Full details of our development pipeline are contained in the Business Analysis section.

Major development schemes require a substantial skills base. Over the years we have assembled a first class development team, encompassing a range of development skills. These skills are now a commodity that we can market to others. For example, following on from the success of the White City development, we have been selected by the BBC to project manage the Broadcasting House, London W1 development. In addition we are participating alongside Land Securities Trillium in its proposal to deliver the Aviva contract, where a substantial 33,000m² refurbishment of Aviva's head office in Norwich is required.

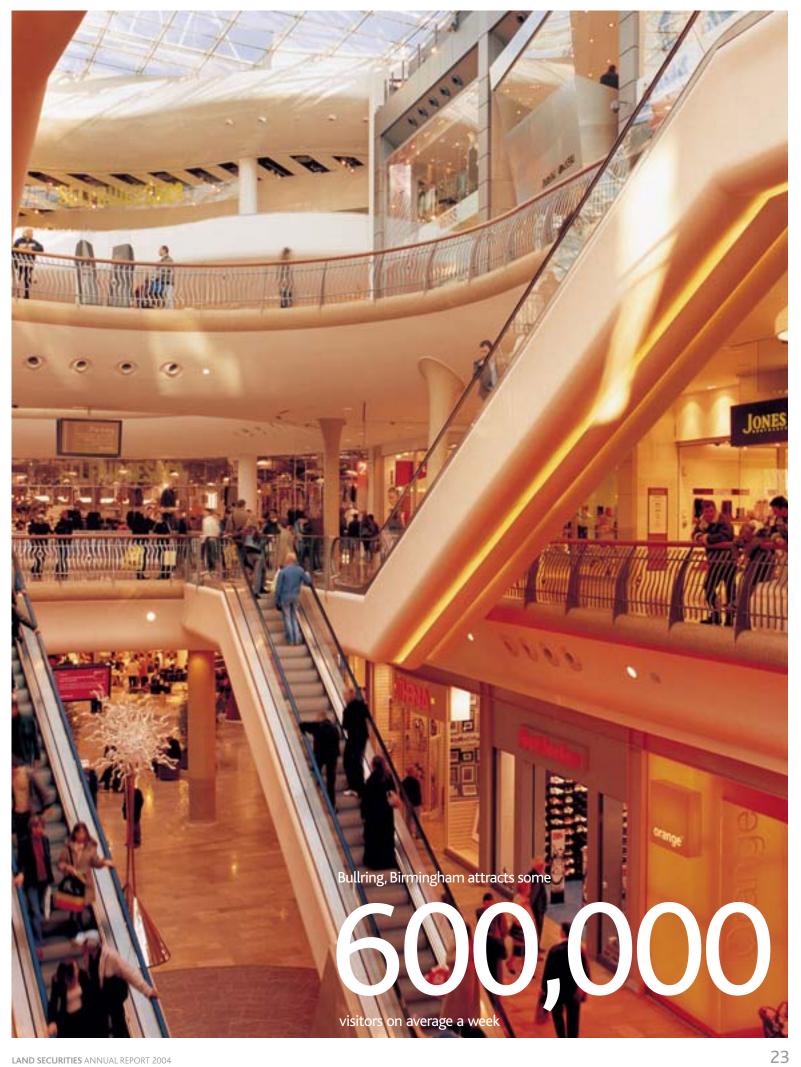
Financial performance

The carrying value of our development programme assets was £734.1m (2003: £967.4m). The movements in the development programme are summarised in the following table:

	£m
Programme at 31/3/2003	967.4
Capital expenditure	213.6
Capitalised interest	25.4
Sale of completed schemes	(40.4)
Transfers of completed schemes	
to Portfolio Management	(451.0)
Transfers of properties into the	
development programme	18.1
Valuation movements	2.2
Other	(1.2)
Programme at 31/3/2004	734.1

During the year, we spent £213.6m, excluding capitalised interest, on schemes in the programme, with most of the expenditure being to complete Bullring, Birmingham and 30 Gresham Street, London EC2 and on the continuing development at Cardinal Place, London SW1. During the year, we sold or transferred out of the development programme seven completed schemes. Five were transferred fully let to the investment portfolio and 190 High Holborn, London WC1 and an industrial scheme in Hemel Hempstead were sold. We recognised total surpluses (including FRS3 profits) of £90m on these, equivalent to an average profit on cost of 21.8%.

At Cardinal Place we let the 3,760m² major store to Marks & Spencer for its first ever mixed offer retail store in SW1. The Birmingham Alliance's award-winning Bullring scheme which opened in September 2003, in which we have a one-third share.





The largest Tesco in Scotland is located adjacent to Land Securities' Kingsway West Retail Park, Dundee, completed in December 2003.

Development continued

Schemes in the development programme incurred a small overall valuation surplus (excluding FRS3 profits) of £2.2m over the course of the year, with surpluses on retail projects being largely offset by reductions in value of certain London office projects. We expect the value of the London assets to improve once they are let.

We estimate that we will incur cash costs to complete the development programme (excluding interest) of some £262m. In addition, capital expenditure on proposed developments could total £870m (excluding Kent Thameside) if a decision is made to proceed. These schemes, which are currently held as part of the investment portfolio, have a current carrying value of £179.3m.

Retail

We made substantial progress with our retail developments, completing 40,500m² and letting a further 53,000m², and gained detailed planning consents for 83,700m² of retail and 26,100m² of associated residential. We have established one of the most exciting retail development pipelines in the UK with four substantial city centre shopping centre schemes.

Shopping centres

Since it opened in September, the award-winning Bullring, Birmingham has been attracting an average of 600,000 visitors a week. This is 20% higher than anticipated.

This 111,480m² scheme, developed by the Birmingham Alliance, is now 98% let and our share of the annual rent roll income exceeds £13.0m. This is a material addition to Group rental income. We continue to assess our options for a further phase of retail-led, mixed-use development at Martineau Galleries, Birmingham and expect to submit an outline planning application within the next 12 months.

At Whitefriars, Canterbury, we are making excellent progress. Our 37,690m² retail scheme is now 62% let or in solicitors' hands to retailers including Marks & Spencer, Boots, Next and Zara. The first phase will be opening on schedule this summer with the balance of the scheme completing in Summer 2005. In Exeter, where we have planning consent for a 37,360m² retail-led scheme, we agreed to let the anchor department store to Debenhams in April, just after the financial year-end, and we are in active negotiations with retailers for a further 22% of the retail space. The main construction work will start early in 2005.

In Bristol, through the Bristol Alliance, we have outline consent for an 118,790m² retail-led development, together with 260 residential units, and are in active discussions for the letting of the anchor store. In Cardiff, at the St David's 2 scheme, we have agreed terms for a letting to John Lewis, for its first ever department store in Wales. We are delighted with the support for this scheme, where in partnership, we are seeking detailed planning consent for a 70,000m² of retail space with 39,750m² (gross) of hotel and residential space.

Following the decision of the Office of the Deputy Prime Minister to reject our plans at York, we are awaiting supplementary planning guidance on the site from the City Council.

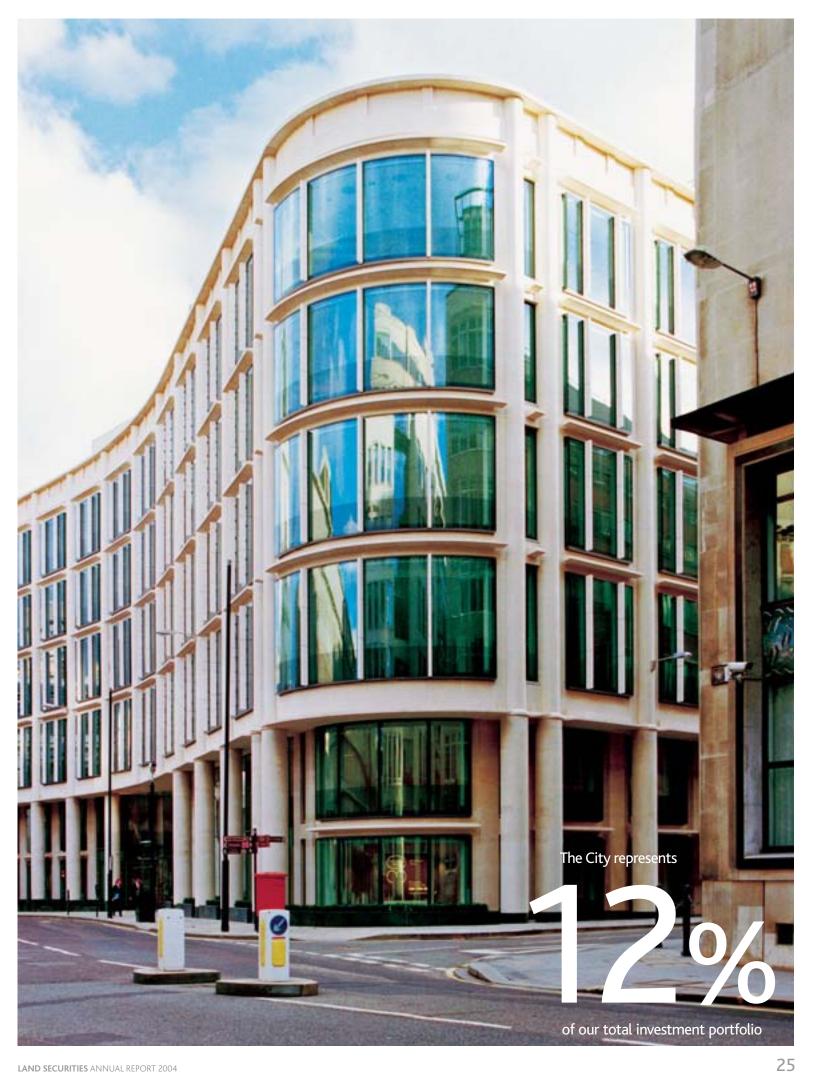
Retail warehouses

We are in the course of constructing approximately 13,900 m² of new retail warehouse space, 54% of which is pre-let. This includes the final phase of Kingsway West, Dundee that will become a regional shopping park of 38,000m².

Despite restrictive planning policies, we have 9,000m² of consents across the retail warehouse portfolio, which we shall implement once we have sufficient pre-lettings. This includes 7,300m² at Livingston and Bexhill.

Gresham Street, London EC2, our 36,450m² office headquarter scheme, completed in December 2003.

¹ floor areas are based upon our proportionate share of areas on partnership schemes.





Since opening last year, the new Fenwicks Store in Canterbury has vastly exceeded trading expectations.

Development continued

Central London

We progressed our activities in Central London in anticipation of the upturn. Earlier this year we launched the Capital Commitment marketing campaign targeting major occupiers. The campaign aims to build awareness of our activities across Central London and reinforces the strength of our development pipeline, which has been positioned so that we are able to respond to any major occupier's requirement for new accommodation between now and 2010.

Good progress has also been made on lettings and lettings enquiries. During the year Portman House, London W1, 190 High Holborn, London WC1 and 7 Soho Square, London W1 (our first Landflex building) were fully let, representing some 22,000m² of Central London offices and 4,000m² of retail space from the London development programme.

We completed the 35,150m² office headquarter scheme at 30 Gresham Street, London EC2 on schedule in December 2003 and are in discussions with three companies potentially interested in leasing half or more of the building.

In July last year, we also completed the 41,290m² office refurbishment at Empress State, London SW6 (our second Landflex building). We have been asked by the Metropolitan Police to submit a proposal for a significant letting at the building and this proposal is now subject to final approval by the Metropolitan Police Authority.

In addition, after the year-end, we exchanged contracts with IPC Media Limited on a forward sale of the whole of the office element of Building 1, Bankside 123, London SE1. The office floor area of the building is approximately 42,500m². We will commence construction of Building 1 immediately and we will develop Buildings 2 and 3 only upon securing pre-lets.

In April 2004, we received notice from the City Corporation that it was 'minded to grant' consent for our revised scheme at New Street Square, London EC4 (formerly New Fetter Lane) where we expect to secure vacant possession in September. This 62,530m² office scheme is arranged in four buildings. We are seeking pre-lets for two of the buildings, but may take advantage of the flexibility of the layout to complete the balance of the scheme speculatively.

At Cardinal Place, London SW1 construction continues and we expect to launch this 51,100m² office scheme in late summer 2005, when we anticipate a shortage of new buildings in the West End. In the meantime we have let 40% (by area) of the 9,400m² of retail accommodation to Marks & Spencer for its first mixed offer store in Victoria.

We continue to prepare schemes for future development and, while not formally included in our development pipeline, are examining the potential for our holdings at Bankside Industrial Estate, London SE1, Bowater House, London SW1 and Park House, London W1.

We are particularly excited by the potential for One New Change, London EC4 where, following an extensive selection process, we have appointed Atelier Jean Nouvel with Sidell Gibson as architects for the scheme. These schemes could produce more than 150,000m² of new space, including over 37,500m² of retail space. This, together with our scheme at Cardinal Place, represents a material percentage of the new retail accommodation likely to be developed in Central London over the next five years.



Empress State, Earl's Court, was completed during the year for leasing on a Landflex basis.



A computer generated image of Building 1, at our 85,370m² development scheme, Bankside 123, Southbank, which has been forward sold to IPC Media.

South-east industrial properties

We have completed 100,000m² of our development programme, of which 50% has been let or sold. A further 11,600m² is due for completion in June of this year. We continue to achieve rents at or above anticipated levels with satisfactory lease lengths.

Leisure

During the year, we continued to secure additional lettings at the Gate, Newcastle upon Tyne which is now 92% let, with Aspinalls taking a 4,180m² unit as their first casino outside London, due to open towards the end of this year.

Other

From time to time opportunities arise outside our core markets which are ideal for a Group of our scale. These opportunities provide us with the potential to generate good returns for shareholders over a substantial period of time.

Kent Thameside

A prime example is Kent Thameside, where we continue to make good progress with our plans. At Eastern Quarry, we submitted an outline planning application for 7,250 residential units and approximately 200,000m² of leisure, retail, office and community accommodation in January last year.

We expect the application to be determined in the early summer of this year. At Ebbsfleet, where we already have outline planning consent, we have now received approval for the Quarter Master Plan for the first phase of office and residential development, which is the precursor to our submitting detailed planning applications next year.

Where residential development is already under way at Waterstone Park in partnership with Copthorne Homes, a subsidiary of Countryside Properties, all of the units in the first phase have now been sold. Planning consent has been obtained for the second phase of up to 450 units.



Debenham's is set to anchor our 37,360m² retailled development scheme in Exeter, where we are due to be on site in 2005.

6 Innovative products

Property outsourcing

The achievements of our property outsourcing activities, through Land Securities Trillium, are evidenced by the strong performance of our existing contracts and the success we have had over the past 12 months in securing new business.

Accommodation under management

BBC

372,000 m²



In 2001 we entered into a 30-year partnership covering property transfer, property development, ongoing capital investment and estate strategy development throughout England and Scotland. We have invested £257m to develop a new broadcasting centre at White City, enabling the BBC to free-up capital for investment in programme making.

DWP – PRIME

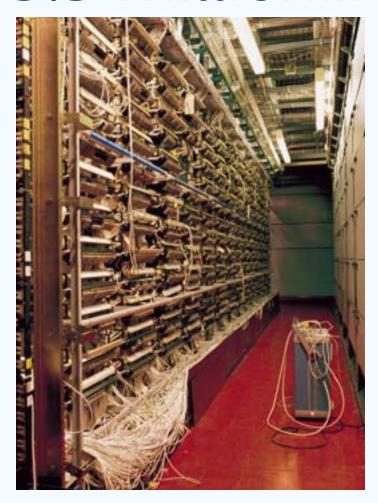
1.7 million m²



The pioneering PRIME contract was established with the DWP in 1998. The largest-ever government property transaction saw the transfer of some 700 buildings to Land Securities Trillium. The success of this contract has been verified by the National Audit Office which estimates that the DWP should save £560m over the life of the contract.

Telereal

5.3 millionm²



In 2001, Telereal – a joint venture between Land Securities Trillium and The Pears Group – acquired 6,700 properties from BT. At the same time 350 BT property staff transferred to Telereal. The deal was financed by the largest ever bond issue in the UK which enabled Telereal to make a £2.38bn payment to BT.

DWP – Employment Services

870,000 m²



In November 2003 we expanded the PRIME contract to include the former Employment Services Estate ('ES'). As a result we now own, manage and service over 1,700 buildings accommodating 250,000 DWP employees. The partnership runs until 2018.

Financial results		
Year ended 31 March	2004 £m	2003 £m
Operating profit - DWP (PRIME) - DWP (ES) - BBC Central costs (including amortisation of goodwill)	59.7 (10.4) 6.6 (11.7)	62.9 - (11.5) (14.8)
Profit on sale of properties	44.2 (0.1)	36.6 0.1
Segment profit	44.1	36.7
Share of Telereal segment profit Telereal interest	112.5 (82.2)	102.9 (75.7)
Share of Telereal profit before tax	30.3	27.2

Property outsourcing continued

Property outsourcing

We have seen a 20% increase in profits from the existing DWP, BBC and BT (Telereal) contracts. Our new business successes include: the DWP contract expansion, the agreement to redevelop Broadcasting House for the BBC, our appointment as preferred bidder for the Aviva contract and our inclusion on the shortlist for the Driver and Vehicle Licensing Agency contract. The combination of these two factors has made it a very good year for this part of the business with contract income growing 22% to £802.0m, leaving us confident that we will grow property outsourcing to 25% of our operating profits within three years.

Financial performance

Land Securities Trillium generated some 56% of the total gross property income (2003: 53%). Segmental profit was £156.6m, despite the positive performance of the existing contracts being impacted by £10.4m of bid and start-up costs for the ES contract. The profits earned on our individual contracts are shown in the table above.

Revenue and profits from PRIME continue to perform in line with our expectations and we have earned additional fees on client driven fit-out work. The ES expansion will add in excess of £150m annually to income generated from the DWP. As expected, ES reduced pre-tax profits in the year to 31 March 2004 by

£10.4m when bid and start-up costs resulting from contract mobilisation are added to this year's revenue loss. We expect this contract to produce operating profits of some £10m next year as the start-up costs will not recur.

On the BBC contract, we expended £106.7m in the year on the construction of the White City Media Village, bringing our total investment in the contract to £288.8m. The BBC is now in occupation of this building, paying the full accommodation charge and as expected this contract is now profitable. We made operating profits of £10m in the second half compared with an operating loss of £3.4m in the first half of the year. We will also earn fees from the management of the Broadcasting House refurbishment and redevelopment over the next six years.

Telereal continued to make a good contribution, providing pre-tax profits (profits after interest on joint venture debt) of £30.3m compared with £27.2m last year. Telereal has successfully sold surplus properties from its portfolio, which has more than compensated for the reduction in revenue caused by the sale of its investment property portfolio last year.

Department for Work and Pensions

PRIME progresses well and we continue to deliver a range of services. The level of estate management and capital projects activity remains high. In the year we delivered a further 123 Job Centre Plus offices and four new pension processing centres. In total our Capital Projects Team delivered £124.3m of fee generating extra contract works funded by the DWP.

In the past six months our major focus has been the mobilisation and integration of ES, which went live on 15 December, into the DWP contract. This estate comprises 1,078 Jobcentres and administrative buildings, totalling some 834,000m², evenly spread across the UK. Of the properties, 70% are leasehold. We made a £100m payment to the DWP as part of the agreed valuation of the freehold estate.

As with the original PRIME contract, the DWP purchased the ability to vacate part of the former ES estate. A total allowance of 228,000m² becomes available over the next three years, which combined with the vacation allowance already factored into the original contract, means that the DWP could vacate up to approximately 440,000m² of accommodation over the next three years. In light of the Treasury's efficiency review and its intention to decrease the number of DWP employees, we would expect the DWP to take up this option over the next few years. However, the full use of the vacation allowance is already priced into the contract and historically we have been successful in re-letting and managing vacant space.

BBC

The BBC contract continues to make good progress, with some notable achievements during the year. We reached agreement with the BBC to manage the construction of the new 78,000m² Broadcasting House facility in London, a development which will bring together on one site the BBC World Service, BBC Radio and BBC News by the time it is completed.



During the year the BBC took occupation of the newly developed White City Media Village, as a result of which this contract moved into profit.

We completed the BBC's new Media Village at White City ahead of schedule, enabling the BBC to commence occupation in October 2003. By the time we have completed the migration of BBC staff into this complex in the final quarter of 2004, we will have moved some 2,500 personnel into this new development. In addition we let 10 units to occupiers including Starbucks, Tesco and Davy's Wine Bar, encouraging the general public to enter the

complex, thereby supporting the BBC's stated

goal to become more accessible to the public.

Telereal (BT)

Telereal is progressing well. During the year we continued to rationalise the BT estate, with the disposal of over £92m of surplus property, including Faraday North Building in the City of London for £26m and two buildings in Leeds for £14.8m.

In March 2004, Telereal re-financed part of its existing Floating Rate Note obligations and also raised further bank debt. The combined net proceeds totalling £231m were used to repay the joint venture partnership's loan capital. Although, in accounting terms Telereal now has an excess of liabilities over assets, Telereal's lenders have no recourse to Land Securities Group PLC. In practice, the economic value of Telereal's assets exceeds their book value (these assets are held at depreciated cost), a fact upon which lenders to the joint venture rely.

New business

Following the success we have had in the past twelve months in securing new business, we remain confident that we are on track to achieve our growth ambitions. During the year, we completed and successfully mobilised the ES contract as previously described. We were delighted to be appointed preferred bidder on the Aviva contract, which encompasses some 107,000m² of office accommodation, including the refurbishment of 33,000m² in Norwich City Centre. The contract will be for 25 years.

Our new business pipeline remains strong and we are aware of activity in both the public and private sectors that should bring further opportunities to the market in the next 12 months. Currently we have a further one million m² of accommodation under active discussion.

Landflex

Landflex was officially launched in May 2003 following completion of the refurbishment of a 5,720m² building at 7 Soho Square. Since then we have fully let this building to a number of clients, including Expedia and the Metropolitan Police, on leases ranging from one to 10 years with break clauses after two to three years. We continue negotiations with several potential occupiers for our 43,300m² property at Earl's Court, Empress State; including the Metropolitan Police proposal previously mentioned.

Given the weak London market, we are very pleased with the response that this new product has received. We are achieving rents on current lettings at or slightly better than market rates, with shorter rent free periods, which results in an improved contribution to our profit and loss account.

Created in response to our research into modern business needs, Landflex enables clients to create lease profiles that match their business plan and allows them to change the size of their accommodation over time. Rents are RPI linked and on an all-inclusive price and clients can purchase a variety of additional services. We believe that these features, in particular the ability to create a blend of lease lengths, are a strong differentiator of this product in current market conditions. In addition Landflex responds to the requirements under the Code of Practice for Commercial Leases.

Once the existing buildings are let, we intend seeking further properties, both from our existing portfolio and new acquisitions, into which we can expand the Landflex concept.

Customer focus

Shopping centre results (1 equals very poor, 5 equals excellent)					
Objective	Results 2002	Target	Result 2003		
Understanding retailer needs	3.26	3.39	3.71		
Communication	3.49	3.58	3.92		
Willingness to recommend	80%	85%	89%		
Responsiveness	n/a	3.80 by 2005	3.90		
Overall satisfaction	3.71	3.75 by 2005	3.81		

Central London managed offices results					
Objective	Results 2002	Target	Result 2003		
Understanding occupier needs	3.42	3.84	3.37		
Communication	3.46	3.73	3.57		
Willingness to recommend	74%	78%	89%		
Responsiveness	n/a	3.80 by 2005	3.67		
Overall satisfaction	3.50	3.75 by 2005	3.53		

Meeting needs

Land Securities has a total of more than 2,000 occupiers and three main property outsourcing clients. Client and occupier satisfaction therefore is key to the long-term success of our business. This is monitored through annual surveys.

Portfolio management

In October 2002 we carried out our first independent 'Occupier Satisfaction Survey' with 500 retailers across eight shopping centres. All areas of shopping centre management were covered, from the centre's physical appearance and on-site management to service charges and marketing. As a result of the findings, we devised action plans for each centre and increased communication with retailers. Our second survey in 2003, showed clear improvement across all areas. Surveys are also carried out with the occupiers of our Central London managed office portfolio.

Shopping centres – overview

Highlights from the 2003 survey were:

- Strong improvements in the Group's demonstration of understanding customer needs and communication at Centre level.
- Improved willingness to recommend Land Securities as a landlord.
- Some significant improvements in service.
- Some very good evidence of engaging retailers at local level.
- Positive feedback from retail directors about

Land Securities' open style and commitment to improve.

Central London managed offices

Highlights from the 2003 survey were:

- Evidence of improved communication and commitment to service.
- Strong improvement in willingness to recommend.
- Customer experience inconsistent across portfolio in terms of service delivery.
- Disruption problems and post handover problems in connection with certain refurbishment and development projects.
- Customer survey process is valued but feedback needs to be more timely.

Landflex

Landflex undertook its first independent survey with occupiers at 7 Soho Square to measure hand-over satisfaction. The study revealed that the new occupiers are 'very satisfied' with the design of the building, leasing package and service provided by the Landflex team.

Property outsourcing

Surveys are also carried out with the occupants of the buildings we manage through Land Securities Trillium particularly measuring customer satisfaction.

DWP

Our performance on the DWP contract is measured by an annual survey carried out by the DWP itself when it asks its staff to assess their level of satisfaction with the services they receive from us. This survey, which can be analysed at regional level, asks questions about every Land Securities Trillium service and generates a score across each of the primary areas of security, cleaning, maintenance and catering provision.

Through this survey an overall level of satisfaction is derived from customer responses. In 2003 this overall measure increased to 89.6%, representing a material increase over the previous year's score of 86.9%, reflecting the continuous improvement being achieved through our service delivery teams on the DWP contract.

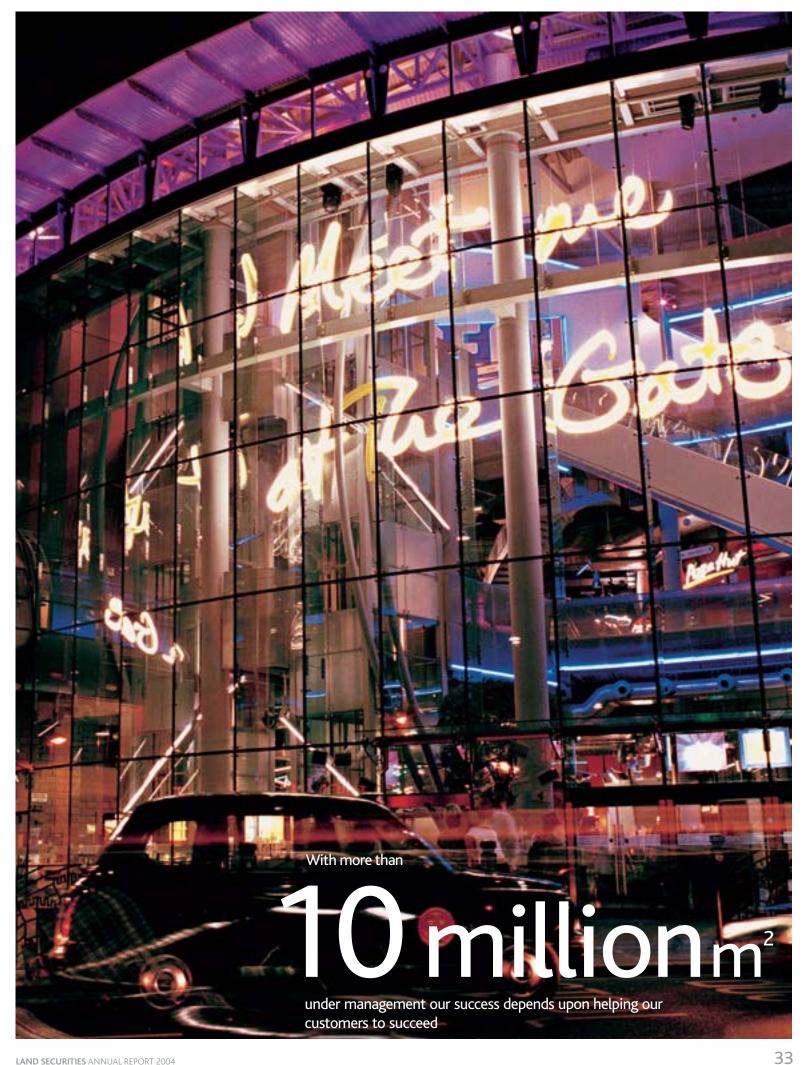
BBC

A different methodology is applied to identify customer satisfaction levels on the BBC contract. The BBC retains an external organisation, the Leadership Factor, to undertake an independent survey of customer views each year and to set performance targets for the following year.

The 2002 survey, the first since Land Securities Trillium won the BBC contract, saw the highest year-on-year increase in customer satisfaction levels since the BBC started these surveys some five years previously. Accordingly the target for 2003 was to maintain this increase, so we were delighted to secure a further meaningful increase in customer satisfaction from 65.4% in 2002 to a score of 70.8% in 2003.

Our award-winning scheme The Gate, Newcastle upon Tyne, a 17,560m² leisure and entertainment centre.

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Net debt	
	£m
Net cash inflow from operating activities	
after interest and tax	251.8
Net capital expenditure	(48.8)
Cash inflow from Telereal	121.0
Payment of dividends	(167.5)
Purchase of own share capital	(22.0)
Other items	19.0
	153.5

Finance and tax

Adjusted financial information

As explained on page 10, this year we refined the basis upon which we calculate adjusted financial information.

Revenue profits no longer exclude Land Securities Trillium's costs of bidding for new contracts, which are now an established feature of its business. Revenue profits are now defined as profits before tax, exceptional items and the sale of fixed assets. We exclude profits on the sale of fixed assets because they are volatile.

Adjusted earnings per share are based on revenue profits. The tax associated with revenue profits does not include a deferred tax charge on capital allowances on investment properties because our experience is that such allowances are not clawed back in practice. We are now also adjusting for deferred tax on capitalised interest on these properties, as this too is not clawed back as Corporation Tax. This change is being made now because the amounts involved are becoming increasingly significant.

Adjusted net asset value per share now reflects the write-back of deferred tax on capitalised interest as well as that on capital allowances on investment properties, for the reasons explained above. In addition, we have added back to net assets the £47.9m accounting deficit that has occurred this year as a result

of Telereal's recent distributions to its owners. Although Telereal's liabilities exceed the book value of its assets, Telereal remains solvent and its lenders have no recourse to the partners.

We have identified that the adjusted earnings per share figures presented in the financial accounts for the period to 30 September 2003 required revision. These revised figures are set out in Note 9 to the Accounts on page 70.

Treasury management

The Group operates a centralised Treasury function, which is responsible for funding activities, taxation and insurance across the Group. The Treasury function operates under delegated authority from the Board and follows policies and procedures designed to monitor, control and report on interest rate, liquidity, credit and other financial risks.

Cash flow and net debt

At 31 March 2004, Group net debt stood at £2,435.8m (2003: £2,589.3m), representing gearing of 40.5% against 47.3% a year ago. Gearing has reduced as a result of lower debt and the increase in net assets, largely attributable to this year's valuation uplift.

The reduction in net debt of £153.5m over the year is explained in the table above.

Gross debt was £2,677.6m (2003: £2,688.7m) against which the Group had cash and short-term investments of £241.8m (2003: £99.4m).

The Group's debt strategy is primarily based on unsecured funding and no new secured debt was added during the year. Land Securities Trillium funded the original PRIME contract with long-term amortising bank debt, secured on the project's cash flow. Following the extension of the PRIME contract to incorporate the Employment Services estate, the relevant project finance facility was restructured and increased to £280m in May this year. During the year, the Group launched a €1bn Euro Commercial Paper programme to diversify its funding sources and lower the cost of shortterm borrowing. At year-end, some £358.1m was outstanding under this programme. The programme is fully underwritten with committed bank facilities.

At 31 March 2004, the Group had £1,550m of committed bank facilities, of which £800m matures in May 2005 and £600m in April 2006. Our intention is to renegotiate those facilities expiring in May 2005 during the course of this calendar year. The average maturity of the Group's borrowings was 12.4 years (2003: 13.3 years) while the average cost of the Group's debt is 7.3% compared with 7.9% at March 2003. At the balance sheet date, the Group's interest rate exposure on floating rate debt was fully hedged.

Credit rating

The Group's credit ratings are as follows:

Agency	Credit rating 2004	Outlook	Credit rating 2003
Moody's	А3	Stable	A2
Standard and Poors	Α-	Stable	A-
Fitch	A flat	Stable	A flat

Our ECP programme has an A2/P2 rating.

Interest charge

Net interest payable was £256.6m for the year (2003: £220.3m), before taking into account the exceptional costs incurred last year to redeem the convertible bonds and cancel surplus interest rate swaps.

Net interest payable, before capitalised interest and exceptional charges was covered 2.1 times (2003: 2.4 times) by Group profits before interest and tax.

Taxation

The Group's effective tax rate was 22.7% (2003: 28.1%). The reduction reflects the release of deferred tax on capital allowances associated with properties that we sold during the year. We do not expect to sell such significant quantities of property in the year to 31 March 2005, with the result that the effective tax rate is likely to rise.

As indicated last year the current or 'cash' tax charge, which was 12.1%, reflected the benefit of various transactions during the year which were not expected to recur. As expected, the rate rose to 23.2% in the year to 31 March 2004. This rate reflects the benefits of capital

allowances on development and refurbishment expenditure, as well as a full deduction for interest that is capitalised in the profit and loss account. It is likely to be more representative of our tax position for the future.

Following the latest property valuation, and assuming that all properties are sold at the revalued amounts, without any tax mitigation, the Group has an estimated potential capital gains tax liability in the region of £490m (2003: £435m). However, as indicated in the Notes to the Accounts, it is unlikely that this amount would be payable in full, even in the event of a sale of all investment property assets. In particular, the sale of property portfolios by means of the disposal of certain asset owning companies could reduce this amount by up to some £75m (2003: £110m).

Pension schemes

The Group operates a number of defined benefit pension schemes. These schemes are closed to new members. At 31 March 2004, the schemes had a combined deficit on an FRS17 basis of £12.0m (2003: £13.0m). The Group made a special contribution into its principal defined benefits pension scheme during the year to 31 March 2003 and has increased the contribution rate to address the deficit. However, it is possible that further special contributions may be appropriate in the year to 31 March 2005 and this is under review.

International Financial Reporting Standards International Financial Reporting Standards ('IFRS') are obligatory for UK quoted companies for accounting periods ending on or after 31 December 2005. As a result, we will adopt them when we report our results during the year ending 31 March 2006, and our first statements under IFRS will be for the half-year to 30 September 2005. At that time, we will also restate the comparative figures for the prior period.

IFRS has the potential to confuse significantly the accounts of property companies, particularly if any leases of buildings to tenants meet the definition of a 'finance lease'. This is a complex area, requiring us to review the correct classification of each of our 4,000 leases. Because of the potential for confusion, we are supporting work being carried out by the Best Practices Committee of the European Public Real Estate Association and by the British Property Federation to help ensure that property companies deal with these issues in a consistent, pragmatic but compliant manner.

We have an active project underway to manage the transition to IFRS which has wider ramifications than just the presentation of our financial statements. For example, because IFRS will change the way in which profits are measured and reported, performance criteria in the Group's bonus and share schemes may need to be modified so as to be consistent with our new reporting.

When we adopt IFRS for the first time, we will present information under both our current and new accounting polices, together with reconciliation statements to aid an understanding of the principal differences.

Sound management

Board of directors

1. Ian J Henderson CBE (60)

Executive Director

Joined the Group in 1971. Appointed to the Board in 1987 and Chief Executive in December 1997. Past 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. He will retire from the Board on 14 July 2004.

2. Andrew E Macfarlane (47) Executive Director

Joined the Board as Finance Director in October 2001. Formerly a partner in Ernst & Young and, prior to joining Land Securities, Chief Financial Officer of Bass Hotels and Resorts division (now Intercontinental Hotels Group plc). A Non-Executive Director of Invensys PLC.

3. Francis W Salway (46) Executive Director

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. Appointed Chief Operating Officer in January 2003 and Group Chief Executive with effect from 14 July 2004.

4. Ian D Ellis (48)

Executive Director

Joined the Board in November 2002. An original member of the management team which set up Trillium. Previously Chief Executive of the investment management division of Insignia Richard Ellis. Chief executive of the Group's Property Outsourcing business unit.

5. A Mark Collins (47)

Executive Director

Appointed to the Board in November 2002 after joining the Group in May 2002. Previously Senior Managing Director at GE Capital Real Estate. Chief Executive of the Group's Portfolio Management business unit.

6. Peter G Birch CBE (66)

Non-Executive Director

Appointed a Director in 1997 and Chairman in July 1998. Chief Executive of Abbey National plc until March 1998. Chairman of Kensington Group plc. Director of NM Rothschild & Sons Limited, Dah Sing Financial Holdings Limited, Travelex plc, Sainsbury's Bank plc and Senior Independent Director at Trinity Mirror plc.

7. Sir Winfried Bischoff (62)

Non-Executive Director

Appointed to the Board in 1999. Chairman of Citigroup Europe, and a Director of the McGraw-Hill Companies, USA, Eli Lilly & Company, USA and Ifil-Finanziaria di Partecipazioni SpA Italy.

8. Peter G Freeman (48)

Non-Executive Director

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. He will retire from the Board on 14 July 2004.

9. David Rough (53)

Non-Executive Director

Joined the Board as a Non-Executive Director in April 2002 and appointed Senior Independent Director in November 2003.

Group Director (Investments) of Legal and General Group PLC until December 2001. A Director of Mithras, BBA Group PLC, EMAP Group PLC and Xstrata Group PLC.

10. Stuart Rose (55)

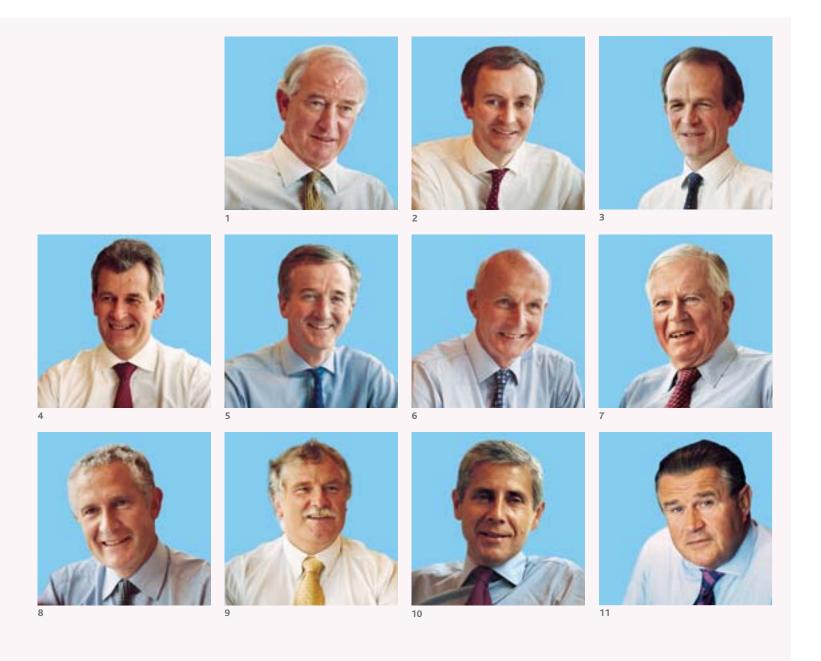
Non-Executive Director

Joined the Board as a Non-Executive Director in May 2003. Previously chief executive of Arcadia Group until December 2002. Chief executive of Booker PLC from 1998 until 2000.

11. Bo Lerenius (57)

Non-Executive Director

Agreed to join the Board as a Non-Executive Director from June 2004. Group Chief Executive of Associated British Ports Holdings PLC. Previously Vice-Chairman of Stena Line and Director of new business investments at Stena AB until 1999.





With so many visitors to our retail assets we have wide-ranging community programmes. At White Rose, Leeds this includes tea dancing (pictured) and mall walking.

Corporate responsibility

In its 2003 Annual Report Land Securities updated shareholders on the steps taken to formalise its activity under corporate responsibility. During 2004 it completed this process and published its first Corporate Responsibility (CR) report, the objective of which is to provide stakeholders with a clear understanding of the Group's CR policies, its key objectives and the performance indicators against which progress will be measured in the future. To ensure that its activities are in line with best practice, we retained external advisers who have worked with the Company on developing the CR framework and who will be monitoring future progress against objectives.

As reported last year, the Group now has in place a CR committee, which is responsible for:

- Appraisal and review of the Group's CR policy and advising the Board of directors, through the director with CR responsibilities, on the committee's activities.
- Demonstrating the links between strong financial performance and good environmental and social performance, and using these to demonstrate to both shareholders and employees, as well as other stakeholders, the business benefits of an enlightened approach to CR.

- Appraisal and review of the Group's CR objectives.
- Confirming and adopting a set of annual CR targets, supporting the agreed objectives.
- Considering how the Group's policy,
 objectives, targets and achievements should
 be communicated to all stakeholder groups,
 including: members of staff; shareholders; the
 financial community; occupiers and clients;
 suppliers and advisers; local authorities and
 statutory bodies; the general public.
- Appraisal and review of the CR activities across the Group including the introduction of relevant CR business panels and the role of CR in the management of social, economic and environmental risks.
- Ensuring that the business units are playing an appropriate role in achieving the Group's CR objectives and targets.

During the year the committee examined the Group's CR management structure in relation to:

- Policies, programmes, initiatives and case study examples addressing CR issues.
- External standards and/or certification systems with which it already complies.
- Existing measurement and monitoring systems and performance related information.

• Organisational responsibilities for different aspects of CR.

As a result the committee has:

- Introduced a statement of business principles to define the way the Group aims to go about its business.
- Revised the Group's business ethics policy, and objectives relating to each stakeholder group (available on the Group's website: www.landsecurities.com).
- Set performance targets for the year to 31 March 2005.

The Group maintained its membership of the FTSE4Good Index and the Dow Jones Sustainability Index, in addition it achieved membership of the BiTC Corporate Responsibility Index and was included in the Times listing of 'Top 100 Companies that Count'.

A full copy of the CR report will be sent out on request or can be downloaded from our website.

Employees

We continued our long tradition of encouraging employees to participate in community based initiatives with the introduction of a Group-wide volunteering programme where we now match up to two days of an employee's time spent on voluntary activities.





Education initiatives play a part in our community programmes. Pictured is the White Rose Education Centre.

The Red Cap wardens outside our Oxford Street, New Look Store, funded by us through our participation in the New West End Company in London.

Corporate responsibility continued

We gave 33 awards to employees, service partners and suppliers under our 'Values into Action' awards programme which aims to encourage employees to embrace our core values of:

Integrity
Respect for the Individual
Customer Service
Excellence
Innovation.

We also introduced 'Ideas into Action' an initiative aimed at encouraging all employees to suggest ideas which might improve business practices or results. This was launched in direct response to the employees' survey which highlighted the need to encourage and reward staff for innovation and creativity. The survey, our second, once again received an above average response rate and demonstrated upper quartile results for employee satisfaction and morale, and second quartile results for loyalty as compared to the benchmark used by the external research group, ETS.

The Group is committed to providing equal opportunities to all its employees, whether full-time, part-time, temporary, seconded, or job applicant regardless of age, gender, disability, marital status, sexual orientation, religion, race, colour, creed, ethnic origin or national origin.

It also provides training and development opportunities to ensure that it maximises the potential of all employees and helps them to achieve their own aims and the Group's business objectives.

A wide range of further education and training initiatives are made available through the personal development planning process.

The Group sets and closely monitors its targets for internal promotions and maintains a comprehensive succession and career development system.

The new statement of business principles and revised business ethics policy was circulated during the year to all employees and is being provided to all new employees in their induction pack. All employees are required to abide by the provisions in the statements and relevant managers will be required in future to verify compliance on an annual basis.

All our employment policies are available on our website.

Health and safety

The Corporate Health and Safety ('H&S') team's objective is to deliver a uniform and fully compliant approach to Health and Safety across the business. We set specific objectives and targets which underpin our work and demonstrate our commitment to progress.

• We are developing processes and procedures with a view to achieving certification to the OHS18001 health and safety standard. First it is intended to seek certification for the PRIME estate and then to seek certification for our activities within the BBC. Our target is to achieve accreditation by the end of 2005.

- We have developed a new procurement tendering process that establishes an approved supplier list for service partners and contractors.
- In parallel, we are undertaking a review of our existing suppliers to ensure that they deliver the required level of H&S Management.
- We have assessed staff training requirements and an appropriate training programme has been developed and implemented. During the year we trained 44 members of staff to the NEBOSH general certificate standard and 121 were trained in IOSH Managing Safety.
- We have developed and implemented programmes to ensure that we comply with the Disability Discrimination Act and the Control of Asbestos at Work regulations, with extensive asbestos surveys being undertaken across our managed portfolios.
- We are developing monitoring and inspection regimes to ensure the risks associated with the Construction and Development activities (all generally undertaken by contractors and service partners) are minimised. We also use these processes to monitor compliance with Construction Design and Management regulations.
- We have implemented a quantifiable risk assessment and audit programme, with regular reporting to the Board. The statistics are used to identify areas of risk.

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Aware of the environment

The environment

We have made considerable progress over the last 12 months. We were pleased to be ranked in the 'Premier League' amongst 177 companies in the annual Business in the Environment Index of environmental engagement and first in the real estate sector. We were also ranked first in the Property Environment Group environment survey of the property sector, which we consider to be our industry benchmark.

Our achievements have also been recognised by a wide variety of external awards. In partnership with the DWP we jointly won the 2003 Premises and Facilities Management magazine 'Partners In Sustainability' award for the PRIME contract. We also collected three Green Apple Awards for our activities.

We have bettered our reductions target in the UK Emissions Trading Scheme. In two years, emissions of CO₂ have been cut by 4,906 tonnes across our portfolio of managed offices. We have also collaborated closely with the Carbon Trust on three projects designed to reduce emissions.

In 2003 we became one of the first companies in the UK to be awarded the UK Wildlife Trusts Business and Biodiversity Benchmark. This was a direct result of our participation in the initial benchmarking pilot study. Our biodiversity management programme is currently being applied to the 2000-plus sites managed by the Group.

All our shopping centres have developed and implemented site-specific environment policies and, having participated in a national benchmarking survey, are actively implementing programmes to increase waste recycling. White Rose and Bon Accord shopping centres have both received Tidy City awards.

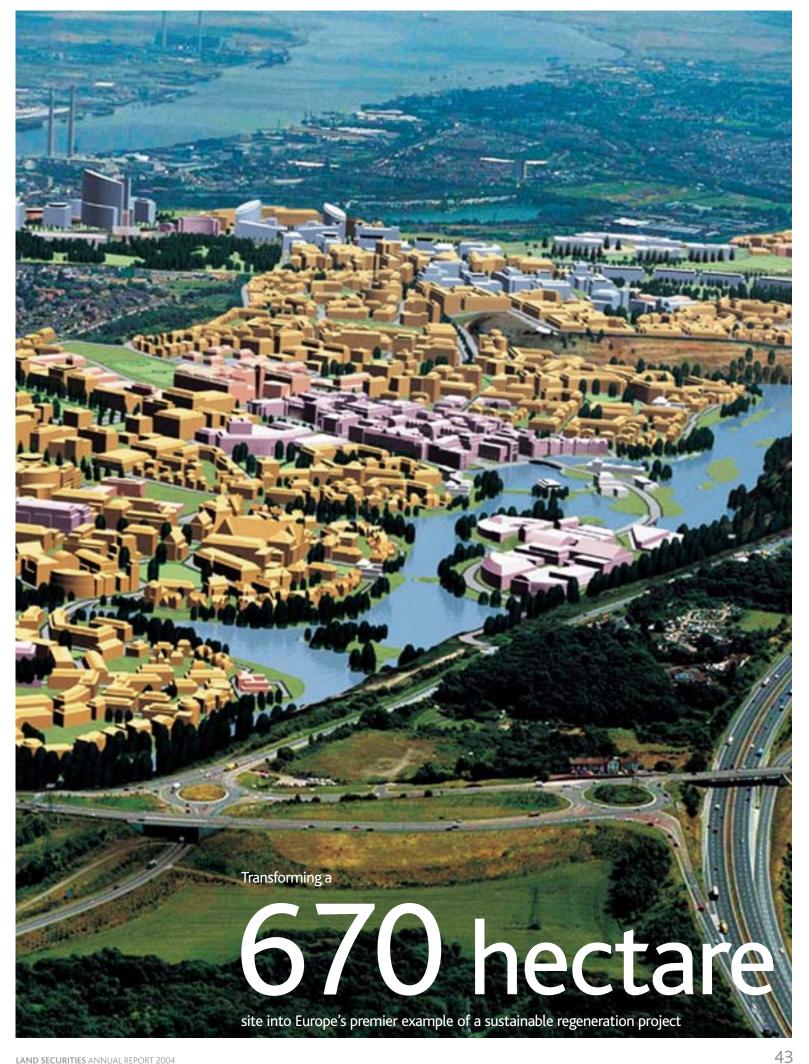
As one of the UK's largest construction clients, the Group has a significant opportunity to influence business practices. We led, in conjunction with other developers and contractors, a project which has developed guidelines for procuring construction products and services based on the principles of Corporate Responsibility. For the DWP estate, we are also working closely with our principal suppliers to guarantee that all timber used on the DWP estate is legally logged and acquired from sustainable forests.

In 2004/05 we plan to broaden the coverage of our Environmental Management Systems ('EMS'). The ISO 14001 certification held by Land Securities Trillium will be extended to cover the additional 1,100 properties within the expanded PRIME Contract. A revised EMS for the Group's other activities will be implemented during 2004.

Our Corporate Environment Day is now firmly established and 2003 saw significant public involvement at our shopping centres, with support provided for Rainforest Concern. We also helped to organise the BBC's London Portfolio Environment Day.

A fuller report of all of our activities, both Environmental and Health and Safety is contained in the Group's 2004 Corporate Responsibility Report.

> The masterplan of Ebbsfleet Valley, a 20-year regeneration project in Kent, which will create 10,000 new homes as well as up to 700,000 m² of commercial, retail and leisure buildings.



12 Effective governance

Corporate governance

The Combined Code – principles of good governance and code of best practice

Land Securities complied with the Combined Code on Corporate Governance as it applied to the Company during the year, except initially with regard to the requirements to appoint a senior independent director and to establish a formally constituted Nominations Committee. These requirements were addressed in November 2003 with the appointment of David Rough as senior independent director and the establishment of a formally constituted Nominations Committee. As a result, with effect from that date, the Company complied fully with the version of the Combined Code applicable to the year under review.

During the year under review, a comprehensive review of the Company's corporate governance procedures was carried out following the publication in July 2003 of the revised Combined Code which applies to reporting years commencing on or after 1 November 2003. The principal outcomes of this review comprised:

- updated terms of reference for the Audit and Remuneration Committee
- new terms of reference for the Nominations Committee
- adoption of a revised letter of appointment for non-executive directors

The terms of reference of Board Committees, together with the schedule of matters reserved for Board approval, the procedure for directors to take independent legal advice and the revised letter of appointment for non-executive directors, together with the Memorandum and Articles of Association of the Company, are available on the Group's website at www.landsecurities.com or copies may be obtained on request from the Company Secretary.

Directors

The Board meets at least nine 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 authorisation of expenditure on property developments, refurbishments, acquisitions and disposals and significant transactions in excess of £50m, 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 Investment Committee appraises and, where appropriate, approves 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. No director made use of this facility during the year.

The roles of chairman and chief executive are split and there exists a strong non-executive element on the Board which currently consists of the chairman, five executive and five non-executive directors. David Rough is the senior independent director. The Board is actively seeking to recruit an additional independent non-executive director. While the Board considers that all the non-executive directors are independent, under some definitions Sir Winfried Bischoff may not be regarded as 'independent'. However the unanimous view of his colleagues on the Board is that, by virtue of his personality, experience and knowledge of business, he is robustly independent.

The Board is supplied with comprehensive management information on a regular and timely basis, principally by means of monthly management reports of actual and forecast performance. In addition the Board formally reviews strategy at least once a year, resulting in a five year Business Plan. Each business unit is reviewed at regular intervals against the targets set each year in the Business Plan.

Attendance at Board and Committee meetings The number of principal Board and Committee meetings attended by each director during the financial year was as follows: Audit Nominations Remuneration **Board** Committee Committee Committee Meetings Meetings Meetings Meetings (11 meetings) (3 meetings) (4 meetings) (5 meetings) Peter Birch 11 5 3 4 Sir Winfried Bischoff 10 2 4 3 David Rough 11 5 4 3 Peter Freeman 8 _ Stuart Rose *7/8 *3/3 2/4 3 11 Ian Henderson 11 Francis Salway Andrew Macfarlane 11 _ Mark Collins 11 Ian Fllis 11

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. 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 as required. Their induction programme, which includes training on the responsibilities of a director occurs 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.

Board appraisal

A formal appraisal of the performance of the Board and Board Committees was carried out, for the first time, in autumn 2003. This was an internal process, led by the chairman. Further appraisals will be carried out each year. The wide-ranging, appraisal questionnaire was based on the process and questions outlined in the Higgs Review of Corporate Governance and the results were reviewed in detail by the Board in September 2003.

Evaluation of individual directors in their role as members of the Board will also be conducted by the chairman in 2004. The senior independent director will be responsible for the evaluation of the chairman and he will meet at least annually with the other non-executive directors to appraise the chairman's performance. During the year under review, the executive directors were evaluated under the Company's standard performance appraisal system, with the performance of the Group chief executive being evaluated by the chairman. As recommended by the Combined Code, the non-executive directors meet at least annually, both with and without the presence of the chairman.

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 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.

Nominations committee

The members of the Nominations Committee are the chairman, the senior independent director and the chief executive. For all Board appointments the Committee consults with the other members of the Board and puts

forward formal recommendations for consideration by the Board. In the event that the Committee deals with the appointment of a successor to the chairman of the Board, the chairman will step aside from the Committee to be replaced by another non-executive director who will act as his alternate. In such circumstances the Committee will be chaired by the senior independent director. Similarly, when dealing with the appointment of a successor to the position of chief executive, the present incumbent will step aside to be replaced by an alternate chosen from among the executive directors.

The Committee meets periodically when required and external search consultants are generally used, both to identify appropriate candidates for appointment to the Board, or, if an internal appointment is being considered, to benchmark the internal candidate against potential external candidates. In relation to Board appointments made during the year under review and subsequently, external search consultants were used.

Directors' remuneration

The report of the Company's Remuneration Committee is on pages 51 to 56.

Investor relations

Land Securities is committed to maintaining the highest standards in its investor relations programme ('IRP'). This activity, which is led by the chief executive and finance director, who call on other directors as required, includes

^{*} Actual attendance/maximum number of meetings a director could attend as a member.

Corporate governance continued

regular presentations and meetings with key audiences, including institutional, both equity and bond investors, private shareholders and sell- and buy-side analysts. These are conducted within the constraints imposed to ensure the protection of price sensitive information which has not already been made available to all investors.

The effectiveness of the communication programme is monitored directly through feedback to the company and indirectly through third party perception audits, which are commissioned from time to time. The most recent independent survey was conducted in July 2003. The survey concluded that the company had conducted an extensive IRP, both in absolute terms and in comparison with the programmes of its other clients and concluded that the Group's activities match what the consultants regard as investor relations best practice.

Annual general meeting

The Board welcomes the move towards a more constructive use of Annual General Meetings and regards the Annual General Meeting as the principal opportunity to meet private shareholders. At its Annual General Meeting, the Company complies with the provisions of the Combined Code relating to the disclosure of proxy votes, the separation of resolutions and the attendance of Committee Chairmen. 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.

Audit Committee

The Audit Committee consists of all the nonexecutive directors other than Peter Freeman and is chaired by David Rough. It operates in accordance with written terms of reference.

The Audit Committee has no single member who fully meets the requirements of the revised Combined Code in respect of 'recent and relevant' financial experience. However, the Board considers that the collective and individual experience of the Audit Committee is more than adequate to enable them to carry out their role.

The Committee met five times this year. The following items were covered:

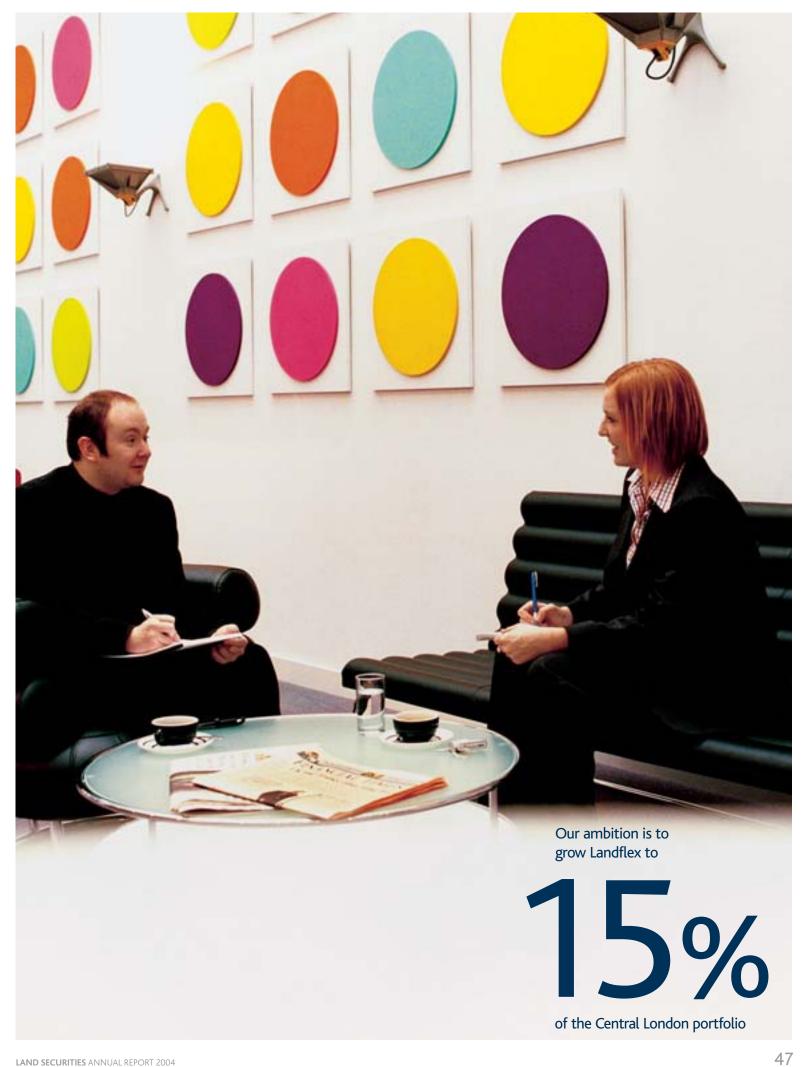
- ongoing review and reports from management to ensure that appropriate accounting systems and financial controls are in operation and that the Group's financial statements comply with statutory and other requirements;
- reporting and consultation with the internal and external auditors:
- reviewing the interim and annual results and consideration on any matters raised by the internal and external auditors; and
- monitoring the scope, cost effectiveness, independence and objectivity of the external audit.

Auditors

The directors, and our external auditors, PricewaterhouseCoopers LLP, have safeguards in place to maintain the independence and objectivity of the audit. Set out below is our policy on the provision of services by our external auditors:

- 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 our business or issue, or because the work has a strong relationship to the audit itself. It is possible that certain tax work, together with support for Land Securities Trillium's bid activities and the work involved in the acquisition of new contracts, would fall within this category.
- General consulting work: significant general consulting work will normally be put out to tender. We will not generally invite the external auditor to tender for such work. The auditors may only participate in such tenders with the Audit Committee's prior approval.
- Approval procedures: senior management approval is required in advance of significant non-audit work being undertaken by the external auditors. Such approvals will be reported periodically to the Audit Committee.

Soho Square, London W1, a 5,720m² Landflex building which was fully-let during the year.



Corporate governance continued

Valuers

The Group gives the valuers and auditors access to each other. These advisers have a dialogue and exchange of information which is entirely independent of the Group. The chairman of the Audit Committee attends key valuation meetings (as do the auditors) to be assured of the independence of the process.

In line with the Carsberg Committee report we have a fixed fee arrangement with our valuers, Knight Frank LLP. The fees paid to Knight Frank LLP for services other than valuation services amounted to less than 10% of the total amount of fees paid to other advisors for similar services.

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 ('OFR'). In preparing the OFR, the directors have taken into account the guidance issued by the DTI, the OFR Working Party and the Accounting Standards Board. Recognising that these represent drafts only at this stage, we await publication of the final documentation before formally evaluating and reporting upon compliance with the relevant guidance.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this

reason, they continue to adopt the going concern basis in preparing the accounts.

Internal control

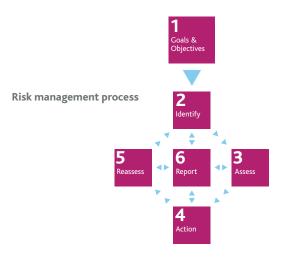
The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to meet business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss. The Board confirms that this system is designed to be in accordance with the Turnbull guidance and has been in place for the year under review and up to the date of approval of the Report and Financial Accounts. The Audit Committee on behalf of the Board has reviewed the effectiveness of the systems of internal control and risk management specifically for the purposes of this statement.

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. Balanced scorecards are prepared that set out targets for a wide variety of key performance indicators, including risk management;
- (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; profitability, cash flow and capital expenditure are closely montored 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 and operating expenditure and other key business transactions and decisions;
- (e) Risk management; we have an ongoing process to identify, evaluate and manage the significant risks faced by the Group. Further details of our risk management process and our principal business risks are set out in the separate section below;
- (f) Six-monthly assessments; a compliance questionnaire is completed twice a year and signed off by senior managers, providing assurances that controls are both embedded and effective within the business; and;
- (g) An internal audit function; responsible for reviewing the business processes and controls including following up the implementation of management actions. The head of internal audit and risk management has direct access to the chairman of the Audit Commitee. The internal audit function operates a risk-based approach and provides a summary on the operation of the system of risk management and internal control to support the Board's annual statement.

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- 1 Business goals and objectives set the context for our risk management process
- 2 Identify the risks
- 3 Assess and quantify the risks identified
- 4 Develop action plans to manage the risks
- 5 Reassess the risks after mitigating actions have been taken
- 6 Report on risks, extent of mitigation and status of action plans

The Audit Committee on behalf of the Board reviews the scope of work, authority and resources of the internal audit function on an annual basis.

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

Risk management

Doing business inherently involves taking risks and by taking measured risks, we seek to achieve long-term sustainable returns for our shareholders. During the current year, we have continued to develop our risk management process, including our analysis of the potential impact of the major risks discussed below. We have also enhanced the related mitigating actions and controls.

Risk management process

Our risk management process is an important part of our system of internal control and has linkages with each of the other elements of the system, particularly the strategic planning, investment appraisal and financial monitoring processes.

The diagram above shows the six steps in our risk management process, which covers a broad spectrum of business risks. The Group's 2004 Corporate Responsibility Report sets out

in more detail how we address the key social, environmental and ethical risks inherent in our business.

Major risk factors

The Group undertakes comprehensive risk assessments and identifies the principal risks that affect it and its activities. Those risks that are considered by senior management to have the most significant potential impact on the Group are set out below. In line with the OFR guidance issued by the Accounting Standards Board, we include, for each risk, an indication of the areas of potential impact and our approach to managing them.

Principal market risks and external factors

We invest in commercial property to generate returns for shareholders, with rents contributing to profits and increases in capital values building the Group's net asset value.

The commercial property markets are typically cyclical. Rental levels are determined by the supply of suitable space in a market and occupiers' demand. Markets tend to be location specific. The value of a commercial property depends upon the characteristics of the lease, the credit worthiness of the tenant, the prospects for rental growth and investors' target returns. The latter are informed by their perception of the attractiveness of real estate compared with other types of investment and interest rates.

Portfolio management

We have concentrated our investment portfolio in areas of the market and types of property that we believe will offer the prospect of superior rental growth over the medium term as we consider this offers the best prospects for value creation. We are exposed to the risk of underperformance if we misjudge the dynamics of the markets, or if individual assets do not achieve their anticipated returns (for example due to tenant insolvency). We formally review the performance of each property at least annually. Key performance measures such as voids, expiry profiles, progress on rent reviews and tenant defaults are reported on monthly and actively managed to mitigate risks.

Development

Development offers the prospect of higher returns than standing investments. It also offers the ability to create new assets if purchasing is difficult because prices are high. However, the development process can be long and complex because it requires us to obtain planning permission, build to budget and schedule and let the buildings. Failure to manage any of these elements, and in particular to let the building, exposes us to the risk of loss or underperformance. We monitor development progress against budget and programme and report regularly on letting progress. We also set internal financial limits as to the amount of development, in particular speculative development, that we will undertake.

Corporate governance continued

Property outsourcing

An outsourcing contract will typically require the Group to provide accommodation and certain associated services to an occupier in return for an indexed unitary charge. Outsourcing clients may transfer significant elements of the risk in their property portfolios to the Group and it is our ability to manage these risks that creates profit for us. Land Securities is exposed to loss if the unitary charge set at the outset of the contract either does not reflect the property and operational risks involved, or if the Group does not deliver the contracted services to the required standard. We have developed rigorous financial models and systems to measure our performance against contract requirements, all of which, together with Land Securities Trillium's financial performance, are reviewed monthly by senior management.

Investment performance and returns

There is a potential risk that management decisions about the allocation and investment of capital and other resources may not deliver the appraised returns, or may fail to maximise potential value for the Group. Our investment appraisal procedures and controls are designed to monitor and mitigate this risk.

Commercial property is subject to cyclical fluctuations in value and we continuously monitor current and future market sentiment against industry benchmarks such as IPD and update our forecast 'house view' accordingly. This house view is a key element of our forecasting and capital allocation decision-making processes.

Regulation

As set out in the chairman's statement, there remains uncertainty as to the impact of both REITS and the Government's consultation on lease code reforms.

The Group is exposed to risks from increases in tax rates and changes to VAT, stamp duty, and the basis of taxation of profits and capital gains. The Group is also exposed to changes in planning regulation.

We are active participants in many industry organisations, including the British Property Federation, through whom we seek a constructive dialogue with government on issues affecting us.

Other principal risks and internal factors Human resources

Our objective is to build and retain the best team in the property industry. To ensure that we limit the risk to the successful achievement of this objective, we have succession planning and career development programmes in place.

Disaster planning

Without sufficient recovery planning, there is a risk that the business may fail to recover from a 'disaster' and potentially suffer long term damage. While we believe that our exposure in this area is lower than that faced by many other major companies, we have in place disaster recovery plans that are updated and rehearsed.

IT integrity and performance

A major failure in our IT systems could result in financial and reputational loss. To mitigate against this risk, IT back-up plans are a key element of our disaster recovery plans.

Health, safety and environment (HSE)

Failure to manage these risks across the Group may result in financial penalties, criminal proceedings and reputational impact. Further, the cost of complying with major changes in related laws and regulations could have a negative impact on profitability. Our HSE management systems are detailed on pages 40 and 42.

Stakeholder relationships

We conduct relationship management programmes to ensure we engage appropriately with our key stakeholder groups. Our 2004 Corporate Responsibility Report outlines in detail how we conduct our business to minimise the variety of risks that could arise from poor management of these relationships.

Remuneration report

Directors' remuneration

The Company complies with the requirements of the Combined Code in relation to directors' remuneration and with the Directors' Remuneration Report Regulations 2002, which introduced new statutory requirements for the disclosure of directors' remuneration. The Regulations require the auditors to report to the Company's members on the information in tables 3, 4, 5 and 6 of the remuneration report and to state whether, in their opinion, those parts of the report have been properly prepared in accordance with the Companies Act 1985 (as amended by the Regulations).

1. Composition of the Committee

The Board has established a Remuneration Committee which operates within written terms of reference which are available on the Company's website. The Committee consists solely of the non-executive directors and is chaired by Sir Winfried Bischoff.

All of the non-executive directors are considered to be independent by the Company. Sir Winfried Bischoff is a member of the Management Committee of the holding Company of the one of the Group's principal relationship banks. He does not participate in any discussions between or regarding the relationship between these two parties.

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. During the year the Committee met four times.

The Committee consults the chief executive in relation to proposals for the remuneration of other executive directors. It also reviews the chief executive's remuneration proposals for the Group's staff other than the executive directors. During the year the human resources director also provided information and advice to the Committee. Neither the chief executive nor any other director is involved in deciding their own remuneration.

The Committee has appointed and during the year sought advice from New Bridge Street Consultants LLP on various aspects of remuneration. In considering future remuneration levels the human resources director also makes use of various published surveys to assist the Committee in their determination of market appropriate remuneration levels.

3. Remuneration Strategy

The Group's remuneration strategy has three key objectives:

• To allow the Company to attract and retain the talent needed to meet its business aims,

- To motivate and encourage superior performance.
- To align rewards with the interests of shareholders.

To achieve this strategy, the Remuneration Committee recommends policies to the Board for the design of pay and benefits of employees at all levels and in all companies across the Group.

4. 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 range of UK based companies of similar size and complexity, focusing on companies in the FTSE 100 Index but with particular emphasis on the property industry. In deciding on the appropriate level of remuneration the Board is mindful of the longterm nature of the business and the importance of aligning any performance awards with returns to shareholders. It attempts to achieve this through 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. A significant proportion of the directors' total remuneration is comprised of performance related elements to align their interests with those of shareholders. It is the committee's aim to deliver superior reward for achieving the Company's strategic plan.

Table 1 – Criteria for dir	ectors' 2004/05 bonuses			
I J Henderson	Total returns in excess of WACC	Group profit before tax	Implementation of strategy	Performance of our Business Units
F W Salway	Total returns in excess of WACC	Progress of Development	Returns on developments	Strategic projects
		programme		
A E Macfarlane	Total returns in excess of WACC	Capital structure	Investor Relations	Development of the finance function and management information
I D Ellis	Total returns in excess of WACC	New business development	Client satisfaction	Resource planning
A M Collins	Total returns in excess of WACC	Investment performance	Portfolio sales and acquisitions	Product development

Remuneration report continued

The Committee will keep the existing remuneration, as detailed in this report, under review during 2004/05 to ensure that Land Securities' remuneration arrangements remain competitive and provide appropriate incentive for performance.

Base salary

Each executive director receives a salary which reflects his responsibilities, experience and performance. Salary is reviewed annually in July and the review process includes using comparator information (focusing on the companies in the FTSE 100 Index which are similar to the Company in size and complexity) and reports from specialist consultants. Our policy is to set base salary around the midmarket rate. 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 current salaries of the executive directors are as follows:

Directors' base salary

I J Henderson (Chief Executive)	£550,000
F W Salway (Chief Operating Officer)	£330,000
A E Macfarlane	(205,000
(Group Finance Director)	£305,000

I D Ellis (Chief Executive Land
Securities Trillium) £275,000

A M Collins (Chief Executive
Portfolio Management) £275,000

Annual bonus

Under the annual bonus plan executive directors will have the opportunity to earn a bonus of up to 20% of salary in cash and 20% of salary in shares for meeting rigorous targets and the opportunity to receive up to a maximum of 40% of salary in cash and 40% of salary in shares for exceptional results. All shares are deferred for three years and are normally forfeited if the executive leaves employment during that period. The key performance criteria are reviewed annually to ensure that individual, business unit and group targets are set as a balanced scorecard and in line with prevailing business circumstances and the group strategy. Current criteria for the executive directors are set in the areas shown in table 1.

For the financial year ended 31 March 2004, the executive directors' individual bonus payments range from 45% to 70% of salary except for I D Ellis whose bonus will be 119% of salary reflecting the exceptional nature of his contribution to the development of Land Securities Trillium new business activities, whose performance the Committee wished to see materialise before awarding any additional bonus. These bonus payments will be paid partly in cash in June 2004 and partly in deferred shares.

Performance Share Plan

As mentioned above, half of an executive's bonus is in deferred shares. Under the Performance Share Plan, which was approved by shareholders at the 2002 Annual General Meeting, executives can receive up to two shares for each deferred share depending on the extent to which the performance conditions are satisfied. No variations have been made to the rules of the Performance Share Plan since it was implemented.

One of the two performance shares will be dependent on the real increase in the Company's normalised adjusted earnings per share over the three financial years, the first financial year being the financial year current at the date of grant. The other performance share is subject to the Company's total property return compared to the Investment Property Databank All Fund Universe index (the IPD Index) over a three year rolling period. Vesting of the shares is as follows:

Increase in real earnings per share pa	% that vests
Less than 2.5%	0%
2.5%	25%
4%	100%
Between these limits	Pro rata
Extent total property return exceeds the IPD Index pa	% that vests
	,,,
the IPD Index pa	that vests
the IPD Index pa Less than index	that vests
the IPD Index pa Less than index Equal to index	0% 25%

Table 2 – Performance shares							
	Cycle ending	Award date	Market price at award date(p)	Shares at 1/4/2003	Shares awarded	Shares/value vested	Vesting date
I J Henderson	2005 2006	11/7/2002 1/7/2003	854 787.2	25,292	25,724	0	11/7/2005 1/7/2006
F W Salway	2005 2006	11/7/2002 1/7/2003	854 787.2	7,142	13,190	0	11/7/2005 1/7/2006
A E Macfarlane	2005 2006	11/7/2002 1/7/2003	854 787.2	9,050	13,962	0	11/7/2005 1/7/2006
I D Ellis	2005 2006	11/7/2002 1/7/2003	854 787.2	11,472	10,798	0	11/7/2005 1/7/2006
A M Collins	2005 2006	1/7/2003	787.2		8,090	0	1/7/2006

The maximum amount of performance shares which could potentially vest in respect of the executive directors is shown in table 2.

Share Options

Under the Land Securities Group 2000 Executive Share Option Scheme (the 2000 Scheme), over a period of ten years executives could be granted options with a value of up to four times annual remuneration on a phased basis. All options granted under the scheme are 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 exceeding the growth in the retail price index by at least 2.5% per annum.

An earnings per share target was chosen as executives will only be rewarded if there has been absolute improvement in the Company's performance. During 2002/03 the 2000 Scheme was replaced by the Land Securities Group PLC 2002 Executive Share Option Scheme (the 2002 Scheme) as a consequence of the return of capital and introduction of a new holding company implemented in September 2002. The rules of the 2000 Scheme and the 2002 Scheme are in all material respects the same. For grants made in 2003 earnings per share performance will be assessed in 2006, 2007 and 2008 and if not then met the options will lapse.

The remuneration committee has recently reviewed the re-testing provision and has decided that future grants under this scheme will have no retesting opportunities under the performance conditions if the earnings per share test is not met after three years. During the year options were granted under the scheme to the executive directors and also to a number of employees of the Group. No payment is made by participants in the 2000 and 2002 Schemes in consideration for the grant of options. The options granted to executive directors are shown in table 4.

Shareholding guidelines

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 shareholders. The committee has established share ownership guidelines for the Company's executive directors, requiring each executive to own shares with a value equal to his base salary. An executive director must satisfy the guidelines within five years of his first grant of long term incentives after appointment to qualify for future grants.

In addition, non-executive directors are required to own shares with a value equal to their annual fees within three years of the date of their appointment.

Pensions

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. Additional arrangements are in place for pension provisions in excess of the Inland Revenue regulations. Pension contributions made during the year are shown in table 6.

I J Henderson participates in a non-contributory defined benefit pension scheme which was open to property management and administrative staff until 31 December 1998. This scheme is designed to provide, at normal retirement age and subject to length of service, a pension of two-thirds of final salary subject to Inland Revenue limits and other statutory rules. The scheme also provides lump sum death-in-service benefits on death before normal retirement age of four times pensionable salary and pension provision for dependants of members. Only basic salary is treated as pensionable pay.

I J Henderson reached the pension scheme's normal retirement age on 18 July 2003 and is therefore no longer accruing further benefits in the Scheme. He has deferred drawing his pension. On late retirement his pension will be the pension that he had earned at normal retirement date increased in accordance with actuarial advice to reflect the late payment. The transfer value shown is the value of his benefits earned from qualifying service if he had retired on 31 March 2004.

Table 3 – Directors' Emoluments									
	Basic Salary	Bonuses £'000	Benefits(1)	Fees £'000	Total Emo		Pension Co	ontributions	Deferred Bonus Shares (2) 2004
Executive:		£ 000	£ 000	£ 000	2004	2003	2004	2003	2004
I J Henderson F W Salway appointed 02.04.01 A E Macfarlane (3) appointed 01.10.01 I D Ellis (4) appointed 20.11.02 A M Collins (5) appointed 20.11.02 M R Griffiths (retired 08.07.02) NON-EXECUTIVE: P G Birch (Chairman) S A R Rose Sir Winfried Bischoff (6) D Rough P G Freeman P B Hardy (retired 08.07.02)	534 321 301 275 275	104 52 55 277 218	19 9 20 13 13	153 29 36 41 33	758 434 431 608 538 153 29 36 41 33	748 408 380 317 104 194 148 - 34 35 30 9	0 80 75 69 107	229 67 71 24 24	101 52 55 43 32
G I Henderson (retired 20.11.02)						18			
Total	1,706	706	74	292	3,061	2,425	331	415	283

- (1) Benefits consist of the provision of a company car or car allowance, private medical facilities and life assurance premiums.
- (2) Deferred bonus shares represent the value ascribed to shares received under the deferred bonus plan.
- (3) A E Macfarlane also received fees of £39,000 from Invensys plc in respect of his non-executive directorship of that company.
- (4) In accordance with his service contract, I D Ellis received a payment of £215,000. This amount reflected a change to his service contract following the acquisition of Trillium by Land Securities
- (5) In accordance with his service contract, A M Collins received a payment of £171,150 which reflected the amount and timing of incentive arrangements which he was eligible to receive from his former employer. A further amount of £208,033 is payable to A M Collins on 30 June 2007, provided that he has not left the Group of his own volition or his contract has not been terminated or he has not been given notice of termination other than on the grounds of ill-health or redundancy. The 2004 pension contribution for A M Collins includes £38,000 in respect of amounts due for payment in 2003
- (6) Until 26 October 2003, the fees of Sir Winfried Bischoff were paid to Citigroup Europe; thereafter his fees were paid to Sir Winfried Bischoff himself. Pensions of £138,840 (2003: £140,117) were paid to former directors or their dependants.

			Granted du	ring year	Exe	rcised/Lapsed during year	J(L)			
		No of Options at 1/4/2003	No.	Grant price (pence)	No.	Exercise Price (pence)	Market price on exercise (pence)	Options at 31/3/2004 No.	Exercise price (pence)	Exercisable dates
I J Henderson	(1) (2) (2) (3)	27,000 174,562 27,500 3,585						27,000 174,562 27,500 3,585	618.6 820.0 869.0 673.4*	07/1997-07/2004 09/2003-09/2010 07/2004-07/2011 07/2004-07/2005
F W Salway	(2) (2) (2) (4)	35,000 40,000 30,500	41,250	788.0				35,000 40,000 30,500 41,250	801.0 869.0 812.0 788.0	07/2003-11/2010 07/2004-07/2011 07/2005-07/2012 07/2006-07/2013
A E Macfarlane	(2) (2) (4)	75,000 30,500	38,125	788.0				75,000 30,500 38,125	813.0 812.0 788.0	11/2004-11/2011 11/2005-11/2012 07/2006-07/2013
A M Collins	(2) (4) (5)	70,000	34,375 2,477	788.0 677.0				70,000 34,375 2,477	812.0 788.0 677.0	07/2005-07/2012 07/2006-07/2013 07/2008
I D Ellis	(2) (2) (4) (3)	40,500 40,000 2,546	34,375	788.0				40,500 40,000 34,375 2,546	869.0 812.0 788.0 650.0	07/2004-07/2011 07/2005-07/2012 07/2006-07/2013 08/2007

^{*} Weighted average exercise price

- (1) 1984 Executive Share Option Scheme
- (2) 2000 Executive Share Option Scheme
- (3) 1993 Savings Related Share Option Scheme
- (4) 2002 Executive Share Option Scheme.
- (5) 2003 Savings Related Share Option Scheme

The range of the closing middle market prices for Land Securities' shares during the year was 724.5p to 1121.5p. The middle market price at 31 March 2004 was1090.0p.

Table 5 – Directors' interests in share	es			
	2004	2004 'B' Shares	2003	2003 'B' Shares
P G Birch	20,005	_	20,005	13,000
I J Henderson	106,210	1,928	93,102	20,879
D Rough	7,675		5,175	
F W Salway	17,725	_	11,064	2,273
A E Macfarlane	10,680		3,485	
Sir Winfried Bischoff	8,750	_	8,750	
P G Freeman	4,375		4,375	
S A R Rose (appointed 21.05.03)	10,000			
A M Collins	9,231	_	5,145	
I D Ellis	9,196	_	3,744	

Remuneration report continued

The 'Increase in transfer value less contributions made by directors' differs from the 'Transfer value of increase in accrued benefit' in that it reflects changes in market conditions over the year and includes the value of statutory revaluation on the accrued pension at the start of the year. During the year there was a change in market conditions and a change to the actuarial assumptions used to calculate transfer values which led to an increase in transfer values.

The transfer values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11. The transfer values of the accrued entitlement in respect of qualifying service represents the value of assets that the pension scheme would need to transfer to another pension provider on transferring the liability in respect of the directors' pension benefits that they earned in respect of qualifying service. They do not represent sums payable to individual directors and, therefore, cannot be added meaningfully to annual remuneration.

Table 6 – Directors' accrued pensions

lable 6 - Directors accided pens	10115
Name of director	J Henderson £
Accrued pension at 1/4/2003 Increase in accrued pension (excluding infla Transfer value of increase in accrued be	
(excluding inflation) Increase in accrued pension	990,000
(including inflation) Transfer value of the increase Accrued pension at 31/3/2004 Transfer value of pension at 31/3/2003	57,613 1,176,000 388,349 5,307,000
Transfer value of pension at 31/3/2004 Increase in transfer value less contribution made by director	7,926,000

5. Fees for non-executive directors

The annual fees of the chairman of the Board, P G Birch, are 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.

6. Service agreements

	Date of contract
I J Henderson	4/6/1998
F W Salway	31/5/2001
AE Macfarlane	12/6/2002
I D Ellis	28/1/2003
A M Collins	13/3/2003

The unexpired term and the notice periods (both from the Company and from the executive director) are 12 months, except in the case of A E Macfarlane where his notice period to the Company is six months.

In July 2003 I J Henderson reached his normal retirement date and a deed of variation to his service agreement was executed which provides for his employment to continue until 31 December 2004 and for his notice period to be reduced by 1/12 for every completed month (or proportion thereof) between 1 January 2004 and 31 December 2004.

The chairman and the other non-executive directors do not have service agreements with the Company.

7. Former long-term incentive arrangements

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 expired on 24 April 1995.

The Long Term Incentive Plan closed to new entrants on 31 March 2000 and current performance periods will expire on 31 March 2005. I | Henderson is the sole remaining participating executive director at 31 March 2004. In summary, an award of shares, up to a maximum of 55% of salary, is made if over the previous five years the total shareholder return of the Company is such that it warrants an award. 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. Performance has been such that no awards were made under the Plan in respect of the year to 31 March 2004.

8. Directors' interests in shares

The beneficial interests of the directors in the shares of the Company as at 31 March are shown in table 5.

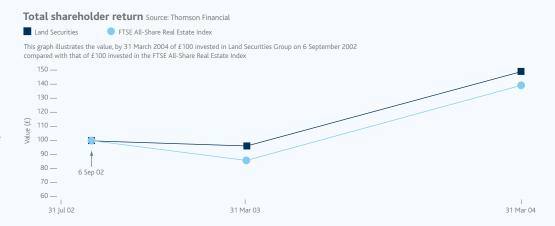
Remuneration report continued

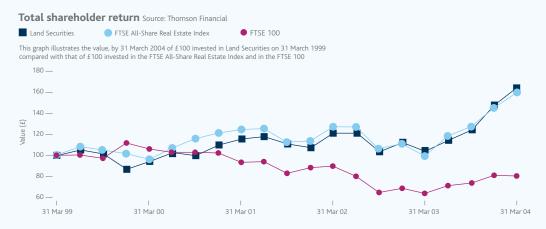
There have been no changes in the beneficial shareholdings of the directors between the end of the financial year and 24 May 2004. No director had any other interests in securities of Land Securities Group PLC or any of its subsidiary undertakings during the year.

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. Performance graph

As required by recent legislation regarding the directors' remuneration report, this graph illustrates the performance of the Company measured by total shareholder return (share price growth plus dividends paid) against a 'broad equity market index' over the period since the 6 September 2002 return of capital. As the Company is a constituent of the FTSE All Share Real Estate sector this index is considered to be the most appropriate benchmark for the purposes of the graph. Given the short time that has elapsed since the return of capital, the Committee felt that it would be helpful to provide an additional graph illustrating performance compared with the FTSE 100 index and the FTSE All Share Real Estate sector over the previous five years of the Company and its predecessor.





Directors' responsibilities

Independent auditors' report

to the members of Land Securities Group PLC

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 Group 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.

We have audited the financial statements on pages 60 to 79 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out in the statement of accounting policies. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the directors' remuneration report ('the auditable part').

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. The directors are also responsible for preparing the directors' remuneration report.

Independent auditors' report continued

to the members of Land Securities Group PLC

Our responsibility is to audit the financial statements and the auditable part of the directors' remuneration report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the auditable part of the directors' remuneration report have been 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 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. The other information comprises only the directors' report, the unaudited part of the directors' remuneration report, the chairman's statement, the financial highlights, the operating and financial review and the corporate governance statement.

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the auditable part of the directors' remuneration report 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 2004 and of the profit and cash flows of the Group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the directors' remuneration report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

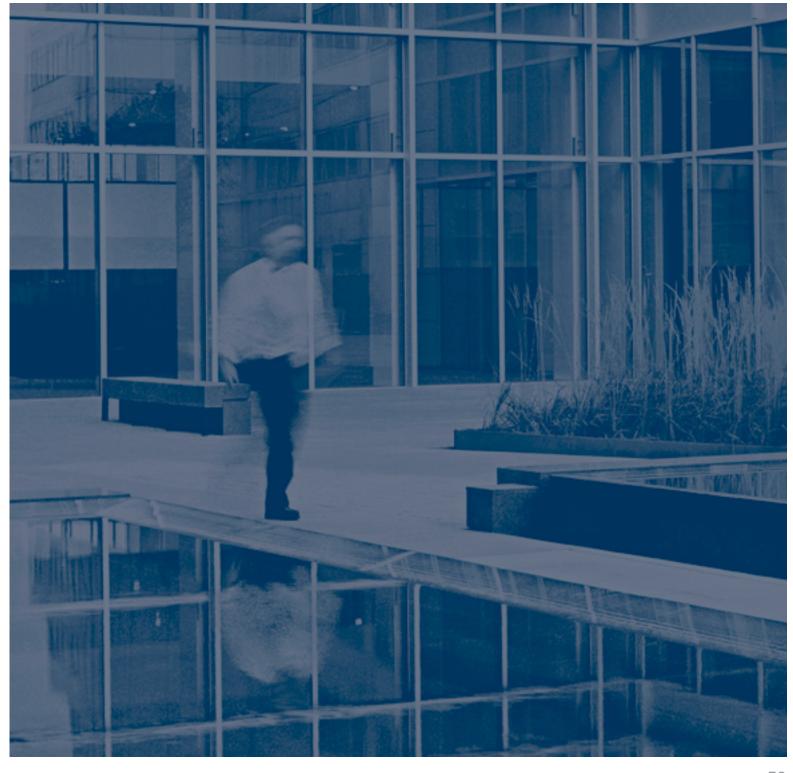
PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors London 18 May 2004

Financials

- 60 Consolidated profit and loss account
- Statement of total recognised gains and losses
- Note of historical cost profits and losses
- Balance sheets
- Consolidated cash flow statement
- Reconciliation of net cash flow to movements in net debt
- Reconciliation of Group operating profit to net cash inflow from operating activities

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- Five and ten year records
- Directors' report



Consolidated profit and loss account for the year ended 31 March 2004			
	Notes	2004 £m	2003 £m
Gross property income – Group Plus share of joint ventures	2	1,285.8 195.3	1,071.3 168.2
Gross property income – Total	2	1,481.1	1,239.5
Operating profit – Group Share of operating profits of joint ventures Profit on sales of fixed asset properties (including share of joint ventures)	2,3 2 2	464.7 101.1 63.9	462.4 87.8 41.7
Profit on ordinary activities before interest and taxation Net interest payable by Group – ordinary – exceptional Net interest payable by joint ventures – ordinary – exceptional	2 6 6 6	629.7 (174.4) – (82.2)	591.9 (144.9) (51.7) (75.4) (0.3)
Profit on ordinary activities before taxation Taxation	7	373.1 (84.8)	319.6 (89.7)
Profit on ordinary activities after taxation Dividends	8	288.3 (173.2)	229.9 (167.4)
Retained profit for the financial year	21	115.1	62.5
Earnings per share Basic earnings per share Diluted earnings per share Adjusted earnings per share* Adjusted diluted earnings per share*	9 9 9 9	61.84p 61.76p 47.86p 47.80p	46.46p 46.44p 50.89p 50.88p
Dividends per share	8	37.10p	35.50p

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

^{*}the comparatives in respect of the above have been restated as set out in Note 9

Statement of total recognised gains and losses for the year ended 31 March 2004		
	2004 £m	2003 £m
Profit on ordinary activities after taxation Unrealised surplus/(deficit) on revaluation of investment properties	288.3 400.7	229.9 (56.8)
Unrealised surplus on revaluation of joint venture's investment properties Taxation on revaluation surpluses realised on sales of investment properties	6.2 (27.3)	(25.4)
Total gains and losses recognised since the last financial statements	667.9	147.7

Note of historical cost profits and losses		
	2004 £m	2003 £m
Profit on ordinary activities before taxation Revaluation surplus arising in previous years now realised on sales of investment properties	373.1 333.0	319.6 281.2
Historical cost profit on ordinary activities before taxation Taxation Taxation on revaluation surpluses realised on sales of investment properties	706.1 (84.8) (27.3)	600.8 (89.7) (25.4)
Historical cost profit on ordinary activities after taxation Dividends	594.0 (173.2)	485.7 (167.4)
Retained historical cost profit for the financial year	420.8	318.3

The Notes on pages 63 to 79 form an integral part of these financial statements.

Balance sheets at 31 March 2004					
		Gro	up	Com	pany
		2004	2003	2004	2003
	Notes	£m	£m	£m	£m
Fixed assets					
Intangible asset	11	242	26.7		
Goodwill	11	34.3	36.7	_	_
Tangible assets Investment properties	12	7,880.9	7,823.9	_	
Operating properties	12	7,880.9	557.4	_	_
,					
Total properties	12	8,650.1	8,381.3	-	_
Other tangible fixed assets	12	51.0	41.5	-	
	12	8,701.1	8,422.8	-	_
Investment in Group undertaking	13			4,092.7	4,092.7
Investment in joint ventures					
Share of gross assets of joint ventures	14	257.2	1,170.2		
Share of gross liabilities of joint ventures	14	(5.1)	(1,063.4)		
		252.1	106.8		
		8,987.5	8,566.3	4,092.7	4,092.7
Current assets					
Trading properties		85.0	52.6	_	_
Debtors falling due within one year	15	339.7	273.5	7.8	5.1
Debtors falling due after one year	15	20.4	15.9	_	_
Investments: short term deposits		219.0	3.4	_	0.9
Cash at bank and in hand		22.8	96.0	5.2	0.1
		686.9	441.4	13.0	6.1
Creditors falling due within one year	16	(1,371.2)	(594.9)	(591.9)	(495.6)
Net current liabilities		(684.3)	(153.5)	(578.9)	(489.5)
Total assets less current liabilities		8,303.2	8,412.8	3,513.8	3,603.2
Creditors falling due after one year					
Debentures, bonds and loans	17	(1,995.9)	(2,648.4)	-	_
Other creditors	18	(35.9)	(22.3)	_	_
Provision for liabilities and charges	19	(185.0)	(179.0)	-	_
Investment in joint ventures (Telereal)					
Share of gross assets of joint venture	14	1,108.0	-		
Share of gross liabilities of joint venture	14	(1,155.9)	_		
		(47.9)	- -	2 542 0	2.602.2
		6,038.5	5,563.1	3,513.8	3,603.2
Capital and reserves					
Called up share capital	20	55.0	76.9	55.0	76.9
Share premium account	21	15.9	13.3	15.9	13.3
Merger reserve	21	-	-	373.6	373.6
Capital redemption reserve	21	22.1	0.1	22.1	0.1
Revaluation reserve	21	3,112.8	3,038.9	20470	2 120 2
Profit and loss account	21	2,832.7	2,433.9	3,047.2	3,139.3
Shareholders' funds (including non-equity interests)	21	6,038.5	5,563.1	3,513.8	3,603.2
Net assets per share (basic)	10	1294p	1188p		
Adjusted net assets per share (diluted)*	10	1331р	1219p		

I J Henderson A E Macfarlane Directors

The financial statements on pages 60 to 79 were approved by the directors on 18 May 2004.

^{*}the comparative in respect of the above has been restated as set out in Note 10

Consolidated cash flow statement for the year ended 31 March 2004		
	2004	2003
	£m	£m
Net cash inflow from operating activities	456.4	484.4
Distributions received from joint venture*	51.0	55.3
Interest received from joint venture	7.6	7.7
Returns on investments and servicing of finance nterest received	16.1	4.3
nterest paid	(221.1)	(292.0)
Cost of re-profiling an interest rate swap	(21.1)	(232.0)
Net cash outflow from investments and servicing of finance	(226.1)	(287.7)
Taxation (Corporation tax paid)	(37.1)	(95.8)
Net cash inflow from operating activities and investments after finance charges	251.8	163.9
Capital expenditure		
Development programme expenditure	(190.2)	(301.4)
Acquisition of investment properties	(205.1)	(139.1)
Other investment property related expenditure	(111.0)	(52.5)
Capital expenditure associated with property outsourcing	(234.5)	(120.2)
Capital expenditure on properties	(740.8)	(613.2)
Sale of fixed asset investment properties	698.2	425.5
Sale of fixed asset operating properties	2.0	10.8
Net expenditure on properties	(40.6)	(176.9)
Net expenditure on non-property related fixed assets	(8.2)	(12.9)
Net cash outflow from capital expenditure	(48.8)	(189.8)
Acquisitions		
Repayment of loan capital by joint venture*	121.0	25.3
Equity dividends paid	(167.5)	(176.6)
Cash inflow/(outflow) before use of liquid resources	156.5	(177.2)
Management of liquid resources (Investments: short term deposits)	(215.6)	57.5
Financing		4.0
Issue of shares Purchase of own share capital	2.7 (22.0)	1.2 (516.2)
Purchase of own share capital Increase in debt	22.0	728.2
Net cash inflow from financing	2.7	213.2
(Decrease)/increase in cash in year	(56.4)	93.5
Victoria (Control of the Control of	(551.)	

Reconciliation of net cash flow to movements in net debt		
	2004 £m	2003 £m
(Decrease)/increase in cash in year Cash outflow/(inflow) from increase/(decrease) in liquid resources Cash inflow from increase in debt	(56.4) 215.6 (22.0)	93.5 (57.5) (728.2)
Change in net debt resulting from cash flow Non-cash changes in debt	137.2 16.3	(692.2) 45.0
Movement in net debt in year Net debt at 1 April	153.5 (2,589.3)	(647.2) (1,942.1)
Net debt at 31 March	(2,435.8)	(2,589.3)

Reconciliation of Group operating profit to net cash inflow from operating activities		
	2004 £m	2003 £m
Operating profit – Group Depreciation and amortisation Increase in trading properties Increase in debtors Increase in creditors	464.7 31.5 (3.6) (91.9) 55.7	462.4 28.6 (15.7) (16.1) 25.2
Net cash inflow from operating activities	456.4	484.4

^{*}the presentation of the cash flow statement has been revised to show loan repayments and distributions from the joint ventures separately and the comparative figures have been reclassified accordingly

for the year ended 31 March 2004

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. Compliance with SSAP19 '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 following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

(a) Consolidation

The consolidated financial statements of the Group include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2004. Subsidiaries, joint ventures and joint arrangements with an accounting reference date other than 31 March have been consolidated on the basis of management accounts made up to 31 March 2004. Group undertakings and interests in joint ventures and joint arrangements acquired during the year are accounted for from the date of acquisition.

The 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 which are treated as 'joint arrangements' in the Group's financial statements. The Group's share of the assets, liabilities, income and expenditure of these partnerships is 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.

Surpluses and deficits relating to previous years realised on investment properties sold during the year are transferred directly from the revaluation reserve to retained profits and do not pass through the profit and loss account.

Unrealised capital surpluses and deficits, including those arising on the periodic revaluation of properties, are taken to the 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 and trading properties, property services income earned by its property outsourcing business and proceeds of sales of trading properties. Income is credited to the profit and loss account as space and other services are provided to customers. Gross property income includes costs recovered from tenants and outsourcing customers. Rental income includes the net income from managed operations such as car parks, food courts, serviced offices and flats.

Service charges and other recoveries include income in relation to service charges and directly recoverable expenditure together with any chargeable management fee.

Property services income represents unitary charges and the recovery of other direct property or contract expenditure reimbursable by customers.

In accordance with the Accounting Standards Board's (ASB) Urgent Issues Task Force Abstract 28 'Operating Lease Incentives' (UITF28) the Group treats any incentive for lessees to enter into lease agreements as a revenue cost and accounts for rental income from the commencement date of any rent-free period. The cost of all lease incentives (such as rent-free periods or contributions to tenants' fitting out costs) is, therefore, offset against the total rent due. The net rental income is then spread evenly over the shorter of the period from the rent commencement date to the date of the next rent review or the lease end date.

(d) Bid costs

In accordance with the ASB's Urgent Issues Task Force Abstract 34 'Pre-contract Costs' (UITF34), bid costs incurred prior to the exchange of a contract, with no material pre-conditions to completion, and which do not comprise incidental costs associated with the acquisition of fixed assets or finance costs, are expensed.

(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 costs 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 5.

(f) Taxation

In accordance with FRS16 'Current Taxation', taxation arising on the sales of properties is charged to the profit and loss account in respect of the excess of net sale proceeds over book value and to the statement of total recognised gains and losses in respect of prior year revaluation surpluses realised on those sales.

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 19.

In accordance with FRS19 'Deferred Tax':

- (i) 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.
- (ii) deferred tax is not recognised on revaluation gains and losses where these are not taken to the profit and loss account.
- (iii) full provision is made for timing differences which, in the Group's case, arise primarily from capital allowances and industrial building allowances and the capitalisation and timing of recognition of certain interest payable. Following the sale or demolition of a property, any deferred tax provision not crystallised is released to the profit and loss account.

(g) Goodwill

The 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 is amortised to the profit and loss account over the 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 market values based on the latest professional valuation. A valuation was carried out by Knight Frank as at 31 March 2004. Properties are treated 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). Pre-commitment expenditure incurred in studying the feasibility of potential development and refurbishment schemes is written off to the profit and loss account and included in 'other direct property expenditure' if it is likely that the related project will be abortive or that the expenditure will be of no benefit to an alternative scheme that is being pursued. Prior to the decision being made as to whether a potential development or refurbishment scheme should proceed or be aborted, pre-commitment costs are carried as a prepayment in the balance sheet. Certain internal staff and associated costs directly attributable to the management of major development schemes during the construction phase are capitalised. Other overhead costs in respect of developments and refurbishments are treated as revenue expenditure and written off

Notes to the financial statements

for the year ended 31 March 2004

1. Accounting policies (continued)

(ii) Capitalisation of interest

Gross interest associated with direct expenditure on properties under development or undergoing major refurbishment 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.

(iii) Depreciation and amortisation

In accordance with SSAP19, 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 market value. The effect of depreciation is implicitly 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 Land Securities Trillium, the Group's property outsourcing business unit, and which do not satisfy the definition of 'investment properties'. Operating properties are carried at depreciated cost and not revalued, and are subject to periodic impairment reviews. Such reviews compare forecast book values with forecast net sales proceeds at the point in the future when the assets are expected to be sold. Provisions are made if any shortfall in value is identified.

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 freehold building is capitalised and depreciated over appropriate periods up to a maximum of 50 years. Capital expenditure on leasehold properties is depreciated over the shortest of the life of the asset, the expected period of occupation of the relevant building and the remaining life of the underlying property outsourcing contract. Repair and maintenance expenditure is written off to the profit and loss account as incurred.

(j) Other tangible fixed 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 and five years.

(k) Investments in Group undertakings

The Company's investments in the shares of Group undertakings are carried at cost. 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 value of the net assets acquired, the difference is treated as goodwill and capitalised in the Group's balance sheet in the year of acquisition. The goodwill arising is amortised to the profit and loss account in accordance with Note (g).

The results and cash flows 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 those properties held as stock for sale and, being current assets, are carried at the lower of cost and net realisable value.

Transfers of property from fixed assets – Investment Properties to current assets – Trading Properties are made at the current carrying value at the date of transfer. This departure from the requirements of the Companies Act 1985, which requires current assets to be held at the lower of cost or net realisable value, is, in the opinion of the directors, necessary for the financial statements to show a true and fair view in accordance with applicable accounting standards. Had the provisions of the Act been followed, the net assets of the Group could be artificially reduced on transfer and the profit on disposal, calculated by reference to a lower carrying value, could give rise to an artificially high profit.

Transfers of property from current assets – Trading Properties to fixed assets – Investment Properties are made at the current carrying value at the date of transfer.

Trading profits are recognised upon exchange of contracts for the unconditional sale of property.

(m) Provisions for liabilities and charges

Provision is made for dilapidations that will crystallise in the future where, on the basis of the present condition of the property, an obligation already exists and can be reliably estimated. The estimate will be revised if necessary over the remaining period of the lease to reflect changes in the condition of the building or other changes in circumstances. Unless there is evidence to the contrary, it is assumed that the dilapidations obligation arises in the last five years of a lease. The estimate of the amount of the likely obligation takes account of relevant external advice.

(n) Financial instruments

The Group uses interest rate swaps to help manage its interest rate risk.

Where interest rate swaps are hedging existing interest rate exposures or are expected to hedge future interest rate exposures, the differences between the interest payable by the Group and the interest payable to the Group by the swap counterparties are dealt with on an accruals basis. Where interest rate swaps are not deemed likely to hedge interest rate exposures for the foreseeable future, the mark to market value of the relevant interest rate swaps is taken to the profit and loss account.

Gains and losses arising on the cancellation of swaps are taken to the profit and loss account unless the swaps had been pre-designated as hedging specific borrowings. In the latter case, the accounting treatment of the gain or loss on cancelling the swaps will typically mirror the accounting treatment of the hedged borrowing.

(o) Long-term contracts

Turnover on long-term contracts is recognised according to the stage reached in the contract by reference to the value of work completed. An appropriate estimate of the profit attributable to work completed is recognised once the outcome of the contract can be assessed with reasonable certainty. The amount by which the turnover exceeds payments on account is shown under debtors as amounts recoverable on contracts. The costs on long-term contracts not yet taken to the profit and loss account, less any related foreseeable losses and payments on account are shown in stocks.

2. Segmental information

An analysis of turnover, profit before interest and taxation, and net assets by business sector is set out below. The business sectors consist of property investment (which comprises the investment portfolio and development activities) and property outsourcing.

		ness sectors ults of join		res Gro	lysis of total ults between up and share pint ventures	Business sectors including the results of joint ventures			Analysis of total results between Group and share of joint ventures	
	Property investment	Property out- sourcing	Total	Group	Share of joint ventures	Property investment	Property out- sourcing	Total	Group	Share of joint ventures
(i) Profit and loss account	2004 £m	2004 £m	2004 £m	2004 £m	2004 £m	2003 £m	2003 £m	2003 £m	2003 £m	2003 £m
Rental income (Note (a)) Service charges and other recoveries Property services income (Note (b)) Long term contract income Proceeds of sales of trading properties	515.1 65.6 - 49.6 19.9	- 802.0 - 28.9	515.1 65.6 802.0 49.6 48.8	514.5 65.6 636.2 49.6 19.9	0.6 - 165.8 - 28.9	519.7 55.9 - - 3.7	- 658.3 - 1.9	519.7 55.9 658.3 – 5.6	519.7 55.9 492.0 – 3.7	- 166.3 - 1.9
Gross property income Rents payable Other direct property or contract expenditure (Note (c)) Indirect property or contract expenditure Long term contract expenditure Bid costs Costs of sales of trading properties	650.2 (14.9) (87.1) (44.5) (49.6) – (18.2)	830.9 (164.7) (422.7) (30.4) – (6.2) (23.3)	1,481.1 (179.6) (509.8) (74.9) (49.6) (6.2) (41.5)	1,285.8 (139.7) (509.8) (56.8) (49.6) (6.2) (18.2)	195.3 (39.9) - (18.1) - - (23.3)	579.3 (17.0) (71.1) (35.3) – – (2.4)	660.2 (146.0) (327.8) (23.7) – (4.7) (1.4)	1,239.5 (163.0) (398.9) (59.0) – (4.7) (3.8)	1,071.3 (115.0) (398.9) (43.0) - (4.7) (2.4)	168.2 (48.0) - (16.0) - - (1.4)
Operating profit before depreciation and amortisation Depreciation Amortisation of goodwill	435.9 (4.1) –	183.6 (36.4) (2.4)	619.5 (40.5) (2.4)	505.5 (27.6) (2.4)	114.0 (12.9) –	453.5 (9.8) –	156.6 (29.9) (2.2)	610.1 (39.7) (2.2)	507.3 (24.7) (2.2)	102.8 (15.0) –
Profit on sale of fixed asset properties	431.8 52.1	144.8 11.8	576.6 63.9	475.5 52.0	101.1 11.9	443.7 26.6	124.5 15.1	568.2 41.7	480.4 26.6	87.8 15.1
Segment profit	483.9	156.6	640.5	527.5	113.0	470.3	139.6	609.9	507.0	102.9
Common costs (Note (d)) Group reorganisation costs			(10.8) –					(11.7) (6.3)		
Profit on ordinary activities before interest and taxation			629.7					591.9		

Notes

- (a) Rental income includes £9.3m (2003: £7.3m) of rent receivable allocated to rent free periods.
- (b) Property services income for property outsourcing comprises £449.4m (2003: £342.4m) in respect of unitary charge and £186.8m (2003: £149.6m) in respect of capital projects and other reimbursable costs.
- (c) Other direct property or contract expenditure includes pre-commitment costs written off of £2.4m (2003: £3.1m).
- (d) Common costs are costs associated with central Group management.

(ii) Net assets	Property investment £m	Property outsourcing £m	Total 2004 £m	Property investment £m	Property outsourcing £m	Total 2003 £m
Properties in development programme (Note 12) Other investment properties Operating properties – relating to the PRIME contract – relating to the Employment Services contract – relating to the BBC contract Goodwill and other tangible fixed assets	732.2 7,148.7 - - - 9.1	- 380.7 99.7 288.8 76.2	732.2 7,148.7 380.7 99.7 288.8 85.3	963.3 6,860.6 - - - 12.0	- 372.7 - 184.7 66.2	963.3 6,860.6 372.7 – 184.7 78.2
Fixed assets Investment in joint ventures Net current assets/(liabilities) (excluding financing and dividends)	7,890.0 252.1 (139.0) 8,003.1	845.4 (47.9) 44.2 841.7	8,735.4 204.2 (94.8) 8,844.8	7,835.9 - (50.2) 7,785.7	623.6 106.8 37.9 768.3	8,459.5 106.8 (12.3) 8,554.0
Financing and dividends payable Long term liabilities and provisions Net assets			(2,585.4) (220.9) 6,038.5			(2,789.6) (201.3) 5,563.1

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3. Operating profit		
	2004 £m	2003 £m
Operating profit is stated after charging		
Directors' remuneration	3.8	3.2
Depreciation	29.1	26.4
Auditors' remuneration:		
Audit fees (Company £82,000 (2003: £80,000))	0.5	0.5
Non-audit fees		
Bid support – Land Securities Trillium Limited	0.1	0.2
Taxation	0.4	1.0
Other advice	0.2	0.5
Total non-audit	0.7	1.7

4. Revenue profit								
	Notes	Group £m	Share of joint ventures £m	Total 2004 £m	Group £m	Share of joint ventures £m	Total 2003 £m	
Profit on ordinary activities before taxation Profit on sale of fixed asset properties Exceptional items		342.3 (52.0)	30.8 (11.9)	373.1 (63.9)	292.4 (26.6)	27.2 (15.1)	319.6 (41.7)	
Deficit on purchase and redemption of convertible bonds	6	_	_	_	28.2	_	28.2	
Cost of cancellation/novation of interest rate swaps Group reorganisation costs	6	_ _	- -	_ _	23.5 6.3	0.3	23.8 6.3	
Revenue profit before taxation		290.3	18.9	309.2	323.8	12.4	336.2	

As bid costs have become a normal part of Trillium's business it is no longer considered appropriate to eliminate them when calculating revenue profit. The basis of the calculation of revenue profit has therefore been revised, and the comparatives have been restated in accordance with this new definition of revenue profits. Revenue profits are now defined as profits before taxation, adjusted to eliminate only profits on disposal of fixed asset properties and the effect of exceptional items.

5. Employees, directors and pensions				
	2004 No.	2003 No.	2004 £m	2003 £m
Employees				
The average number of employees during the year, excluding directors, and the corresponding				
aggregate employee costs were:				
Indirect property or contract and administration	411	392	30.9	31.6
Direct property or contract services:				
Full time	1,200	984	47.7	43.2
Part time	66	52	1.4	0.6
	1,677	1,428	80.0	75.4
Employee costs				
Salaries			64.2	59.5
Social Security			6.8	6.4
Other pension			9.0	9.5
			80.0	75.4

In addition to the above, 338 employees are employed by Land Securities Trillium Telecom Services Limited, a wholly owned Group company. These employees are made available to Telereal Services Limited, a joint venture company, to deliver services to BT. All related employee costs are reimbursed to the Group by Telereal Services Limited.

	2004 £m	2003 £m
Directors		
Aggregate emoluments excluding pensions	3.1	2.4
Company contributions to pension schemes	0.3	0.5
	3.4	2.9

Four directors (2003: four) have retirement benefits accruing under money purchase pension schemes. Retirement benefits accrue to one director (2003: one) under the Group's defined benefit pension scheme.

Information on directors' emoluments, share options and interests in the Company's shares is given in the Remuneration Committee's Report on pages 51 to 56.

Pensions

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

	2004 £m	2003 £m
Regular pension cost Variations from regular cost Other schemes	3.3 2.3 4.2	3.2 3.2 3.6
Net pension amount	9.8	10.0

The amount under other schemes includes the actual contributions paid to the Group's defined contribution schemes and, in respect of 2003, sums paid to the BBC scheme as required under the terms of the participation in the BBC scheme in the period to 31 March 2003. This is due to the Land Securities Trillium outsourcing arrangement with the BBC.

Defined benefit scheme

Land Securities Scheme

The Pension & Assurance Scheme of the Land Securities Group of Companies ('the Scheme') is the most significant 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 1 July 2003.

	At valuation 1/7/2003 %
The key assumptions adopted for this valuation were as follows:	
Rate of increase in pensionable salaries	4.75
Rate of increase in pensions in payment	2.50
Discount rate	
Prior to retirement	6.00
In retirement	5.00
Inflation	2.50
Actuarial value of assets (% of market value)	95.00

The deficit in the Scheme has increased from £1.2m as at 6 April 2001 to £22.0m as at 1 July 2003 and this decline has been reflected in the FRS17 figures disclosed in previous years. This increase is primarily due to the sharp fall in equity markets over that period (a fall of some 20%) and an increase in life expectancy that has been revealed by recent industry investigations. The market value of the Scheme's invested assets (excluding the value of annuities purchased to provide certain pensions in payment) as at 1 July 2003 was £65.5m. The actuarial value of these assets represented 79% of the value of the Scheme's liabilities at that date.

As a result of this valuation, the actuary recommended that the employer contributions of 30% of pensionable salary be continued together with additional employer contributions to address the deficit

In order to address the deficit in the Scheme, the Group made an additional one-off cash contribution of £7.5m in March 2003 together with the first payment of an additional annual contribution of £1.5m recommended by the Scheme's actuary. A further annual contribution of £1.5m was made in March 2004.

The £7.5m contribution paid in March 2003 is being amortised and charged to the profit and loss account over 10 years, the estimated remaining service life of the Scheme's active members. The pension charges in 2003 and 2004 reflect the amortisation and the £1.5m additional annual contributions as variations from regular costs.

Employer contributions will continue at 30% of pensionable salaries until completion of the next formal valuation, due no later than 1 July 2006. In addition, discussions are under way between the Trustees of the Scheme and the Group about the level of additional contributions that are required to address the deficit revealed in the 1 July 2003 valuation.

Trillium Plan

The Group participated in the BBC pension scheme until 31 March 2003 in respect of 168 employees who transferred from the BBC to Land Securities Trillium Media Services Limited as part of the Land Securities Trillium's outsourcing contracts with the BBC. With effect from 1 April 2003, Land Securities Trillium Media Services Limited put in place a defined benefit scheme with the same terms and conditions as the BBC pension scheme for the employees who transferred from the BBC ('the Trillium Plan'). As at 31 March 2004 the Trillium Plan had assets of £11.1m. This includes a bulk transfer payment of £8.1m that is expected to be received in due course from the BBC pension scheme. 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. This scheme is included within the Trillium Plan.

The assets and liabilities in respect of the Trillium Plan have been included in the consolidated FRS17 disclosure below.

Contributory money purchase scheme

A contributory money purchase scheme was introduced on 1 January 1999 for all new administrative and senior property based employees, subject to eligibility, together with a separate similar scheme, effective 1 April 1998, for other property based employees. A further separate similar scheme, previously set up by Trillium, is also in operation for Land Securities Trillium employees.

Other schemes

Land Securities Trillium Telecom Services Limited has put in place a defined benefit pension scheme with the same terms and conditions as the BT scheme for 333 staff who transferred from BT to the scheme from 1 May 2002. All relevant pension costs are rechargeable to Telereal Services Limited.

There are also certain historic unfunded pensions being paid to three former directors of Land Securities PLC 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.

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for the year ended 31 March 2004

5. Employees, directors and pensions (continued)

Additional disclosures under FRS17 'Retirement Benefits'

As noted above, a full actuarial valuation of the Land Securities Scheme was undertaken on 1 July 2003. This valuation, and the latest formal valuation of the Trillium Plan, were updated to 31 March 2004 for the purposes of the following additional disclosures required by the transitional provisions of FRS17. The major assumptions used in this valuation, were (in nominal terms):

	2004 %	2003 %	2002 %
Rate of increase in pensionable salaries	4.00*	4.75	5.00
Rate of increase in pensions in payment	2.75	2.50	2.75
Discount rate	5.50	5.50	6.00
Inflation	2.75	2.50	2.75

^{*}plus an allowance of 1% per annum for promotional salary increases in respect of Land Securities Scheme employees.

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

	2004	2003	2002	2004	2003	2002
	%	%	%	£m	£m	£m
Equities	7.50	7.50	7.50	42.9	31.9	46.2
Bonds and insurance contracts	5.00	5.50	6.00	58.8	34.1	28.7
Other	4.00	3.75	4.00	2.9	10.4	2.7
Total market value of scheme assets			104.6	76.4	77.6	
Actuarial value of scheme liabilities			(121.8)	(95.0)	(87.5)	
Deficit in the scheme			(17.2)	(18.6)	(9.9)	
Related deferred tax asset			5.2	5.6	3.0	
Net pension liability				(12.0)	(13.0)	(6.9)

Set out below is an analysis of the amounts that would be charged to the profit and loss account and the statement of total recognised gains and losses in respect of the Group's material defined benefit pension scheme.

Analysis of the amounts that would be charged to the profit and loss account in accordance with FRS17	2004 £m	2003 £m
Analysis of the amount charged to operating profit*		
Current service cost	4.0	3.2
Curtailment and settlement costs	0.3	0.9
Operating cost	4.3	4.1
Analysis of amount credited to other finance income*		
Expected return on pension scheme assets	5.4	5.3
Interest on pension scheme liabilities	(6.0)	(5.3)
Net return	(0.6)	_

^{*}these analyses show the amounts that would have been recognised in the statement of recognised gains and losses and the profit and loss account had FRS17 been fully implemented

Analysis of the amounts that would be recognised in the statement of total recognised gains and losses in accordance with FRS17	2004 £m	2003 £m
Analysis of gains and losses		
Actual return less expected return on pension scheme assets	13.7	(16.3)
Experience gains and losses arising on the scheme liabilities	0.2	2.7
Changes in assumptions underlying the present value of the scheme assets	(13.6)	(3.6)
Actuarial profit/(loss)	0.3	(17.2)
Movement in deficit during year		
Deficit in the scheme at the beginning of the year	(18.6)	(9.9)
Operating cost	(4.3)	(4.1)
Employer contributions	5.8	12.3
Other income plus any risk benefit premiums paid direct to insurer	0.2	0.3
Net return	(0.6)	_
Actuarial gain/(loss)	0.3	(17.2)
Deficit in the scheme at the end of the year	(17.2)	(18.6)

History of experience gains and losses	2004 £m	2003 £m
Difference between the actual and expected return on scheme assets Value of pension scheme assets Percentage of pension scheme assets	13.7 104.6 13.1%	(16.3) 76.4 –21.3%
Experience gains on pension scheme liabilities Value of pension scheme liabilities Percentage of pension scheme liabilities	0.2 121.8 0.1%	2.7 95.0 2.8%
Actuarial gain/(loss) Value of pension scheme liabilities Percentage of pension scheme liabilities	0.3 121.8 0.2%	(17.2) 95.0 –18.1%

The consolidated balance sheet includes a net pension asset of £6.0m (2003: £6.7m) representing the unamortised balance of the £7.5m special contribution made by the Group in March 2003. Full adoption of FRS17 would result in the pension asset being replaced by the net pension liability of £12.0m (2003: £13.0m), giving rise to a decrease in net assets of £18.0m (2003: £19.7m).

6. Net interest payable						
	Group £m	Share of joint ventures £m	Total 2004 £m	Group £m	Share of joint ventures £m	Total 2003 £m
Interest payable Borrowings not wholly repayable within five years Borrowings wholly repayable within five years Other interest payable Loans from joint venture partners	(154.7) (70.4) (1.0)	(76.9) - - (7.6)	(231.6) (70.4) (1.0) (7.6)	(117.2) (76.2) (2.5)	(70.1) - - (7.7)	(187.3) (76.2) (2.5) (7.7)
Interest capitalised in relation to properties under development	(226.1) 35.6	(84.5) –	(310.6) 35.6	(195.9) 39.0	(77.8) -	(273.7) 39.0
Interest receivable Short term deposits Other interest receivable Loan to joint venture	(190.5) 5.7 2.8 7.6	(84.5) 2.3 – –	(275.0) 8.0 2.8 7.6	(156.9) 0.9 3.4 7.7	(77.8) - 2.4 -	(234.7) 0.9 5.8 7.7
Net interest payable – ordinary	(174.4)	(82.2)	(256.6)	(144.9)	(75.4)	(220.3)
Deficit on purchase and redemption of convertible bonds Cost of cancellation/novation of interest rate swaps	- -	_ _	_ _	(28.2) (23.5)	_ (0.3)	(28.2) (23.8)
Net interest payable – exceptional	_	-	_	(51.7)	(0.3)	(52.0)

Interest has been capitalised at the Group's pre-tax weighted average borrowing rate for non-specific borrowings for the year of 7.7% (2003: 8.3%). Non-specific borrowings exclude certain bank debt which is specific to the PRIME contract.

Group interest payable on borrowings includes £4.8m (2003: £0.7m) in respect of the amortisation of bond discounts and issue expenses.

7. Taxation		
	2004 £m	2003 £m
Analysis of tax charge for the year Corporation tax on Group profit for the period at 30% (2003: 30%) Adjustments to current tax in respect of prior periods Share of joint venture's current tax	73.3 (1.5) 14.7	32.0 (7.8) 14.5
Total current tax	86.5	38.7
Deferred tax on Group timing differences arising in the year Deferred tax released in respect of property disposals in the year Share of joint venture's deferred tax	31.5 (31.6) (1.6)	59.2 (8.2) –
Total deferred tax	(1.7)	51.0
Tax charge for the year	84.8	89.7

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7. Taxation (continued)		
	2004 £m	2003 £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% (2003: 30%) The differences are explained below:		
Profit on ordinary activities before taxation	373.1	319.6
Tax at 30% Effects of:	111.9	95.9
Capital allowances	(26.8)	(29.1)
Depreciation of fixed assets qualifying for capital allowances	5.9	7.9
	91.0	74.7
Tax relief on capitalised interest and other timing differences	(8.4)	(32.0)
Reduced rate of tax on profit on disposal of assets	(5.9)	(3.4)
Telereal depreciation and goodwill amortisation	4.7	5.3
Non-allowable expenses and non-taxable items	6.6	1.9
Prior year corporation tax adjustments	(1.5)	(7.8)
Current tax	86.5	38.7

The Group's share of Telereal's tax charge is stated after disallowing depreciation charges but without the availability of capital allowances which were retained by British Telecom plc. Included in the total tax charge is a net credit of £18.3m (2003: charge of £0.6m) attributable to property sales, including the release of deferred taxation. In 2003 a tax credit of £15.7m was attributable to exceptional items.

8. Dividends	Dividends per	ordinary share	Profit and loss account	
	2004 pence	2003 pence	2004 £m	2003 £m
Ordinary shares — interim — final B shares Additional prior year dividends — ordinary shares	9.90 27.20	9.50 26.00	46.1 126.8 0.3	44.1 121.1 0.5 1.7
	37.10	35.50	173.2	167.4

B shares carry the right to a dividend of 70% of six month LIBOR paid twice yearly. The annualised dividend rates for the periods to 17 April 2003, 17 October 2003 and 17 April 2004 were 2.8%, 2.5% and 2.8% respectively of the nominal value of the shares.

Additional prior year dividends relate to increases in share capital arising after the respective prior period ends but before their corresponding dividend record dates.

9. Earnings per share	Profit after taxation and B share dividends		Weighted average number of ordinary shares		Earnings per share	
	2004 £m	2003 £m	2004 No. m	2003 No. m	2004 pence	2003 pence
Earnings per share Effect of dilutive share options	288.0	229.4	465.7 0.6	493.8 0.1	61.84 (0.08)	46.46 (0.02)
Diluted earnings per share	288.0	229.4	466.3	493.9	61.76	46.44
Earnings per share Fixed asset property disposals after current and deferred tax Effect of exceptional items after taxation Deferred tax arising from capital allowances on investment properties Deferred tax arising from capitalised interest on investment properties	288.0 (82.2) - 8.3 8.8	229.4 (41.1) 42.6 11.1 9.3	465.7	493.8	61.84 (17.65) - 1.78 1.89	46.46 (8.32) 8.62 2.25 1.88
Adjusted earnings per share	222.9	251.3	465.7	493.8	47.86	50.89
Diluted earnings per share Fixed asset property disposals after current and deferred tax Effect of exceptional items after taxation Deferred tax arising from capital allowances on investment properties Deferred tax arising from capitalised interest on investment properties	288.0 (82.2) - 8.3 8.8	229.4 (41.1) 42.6 11.1 9.3	466.3	493.9	61.76 (17.63) – 1.78 1.89	46.44 (8.32) 8.63 2.25 1.88
Adjusted diluted earnings per share	222.9	251.3	466.3	493.9	47.80	50.88

for the year ended 31 March 2004

Adjusted earnings per share is based on revenue profits. In calculating the tax charge on revenue profits, the deferred tax arising on capital allowances in respect of investment properties has been eliminated because experience has shown that these allowances are not in practice repayable. Because capitalised interest on the development programme is becoming increasingly significant, and it is a permanent timing difference, the deferred taxation arising on capitalised interest is also now eliminated when calculating adjusted earnings per share.

Following the recalculation of the adjusted earnings on the revised basis described above, it became apparent that the calculation of the adjusted earnings per share for the six months ended 30 September 2003 required revision. The revised figures are set out below.

		nths ended 9/2003
	Reported pence	Revised pence
Adjusted earnings per share Adjusted diluted earnings per share	26.66 26.65	24.74 24.73

10. Net assets per share	Equity shareholders' funds		Number of ordinary shares		Net assets per share	
	2004 £m	2003 £m	2004 No. m	2003 No. m	2004 pence	2003 pence
Net assets per share Deferred tax arising from capital allowances on investment properties Deferred tax arising from capitalised interest on investment properties Joint venture's negative investment	6,030.1 101.4 30.0 47.9	5,532.7 124.7 21.2 –	465.9	465.6	1294 23 6 10	1188 27 5 –
Adjusted net assets per share	6,209.4	5,678.6	465.9	465.6	1333	1220
Net assets per share Exercise of outstanding share options	6,030.1 –	5,532.7 –	465.9 0.6	465.6 0.1	1294 (1)	1188 -
Diluted net assets per share	6,030.1	5,532.7	466.5	465.7	1293	1188
Diluted net assets per share Deferred tax arising from capital allowances on investment properties Deferred tax arising from capitalised interest on investment properties Joint venture's negative investment	6,030.1 101.4 30.0 47.9	5,532.7 124.7 21.2 –	466.5	465.7	1293 22 6 10	1188 26 5 –
Adjusted diluted net assets per share	6,209.4	5,678.6	466.5	465.7	1331	1219

The additional deferred tax liability arising from capital allowances on investment properties is excluded from the calculation of the adjusted net assets as the Group's experience is that deferred tax on capital allowances in relation to such properties is unlikely to crystallise in practice. In addition, the deferred tax on capitalised interest on these properties is added back as this is a permanent timing difference. This is a change to the basis of calculation and the prior year figures have been restated accordingly.

11. Goodwill			
	Cost £m	Amortisation £m	Net £m
At 1 April 2003 Amortisation for the year	42.0	(5.3) (2.4)	36.7 (2.4)
At 31 March 2004	42.0	(7.7)	34.3

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12. Fixed assets						
	Freehold £m	Leasel Over 50 years to run £m	nold Under 50 years to run £m	Total properties £m	Other tangible fixed assets £m	Total £m
Cost/valuation At 1 April 2003 Additions Reclassifications Sales Investment properties sold to joint venture Investment properties transferred to trading properties	6,222.5 564.8 25.2 (585.4) (105.1) (28.5)	2,057.1 217.5 (40.0) (47.3) (134.9)	120.4 10.2 8.4 - -	8,400.0 792.5 (6.4) (632.7) (240.0) (28.5)	83.7 17.2 6.4 (8.9) –	8,483.7 809.7 – (641.6) (240.0) (28.5)
Unrealised surplus on revaluation	6,093.5 305.6	2,052.4 97.2	139.0 (2.1)	8,284.9 400.7	98.4 –	8,383.3 400.7
At 31 March 2004	6,399.1	2,149.6	136.9	8,685.6	98.4	8,784.0
Accumulated depreciation At 1 April 2003 Depreciation for the year Reclassifications Sales	(10.2) (9.7) 1.8 0.2	(2.0) (0.2) 1.8 –	(6.5) (7.5) (3.2)	(18.7) (17.4) 0.4 0.2	(42.2) (11.7) (0.4) 6.9	(60.9) (29.1) - 7.1
At 31 March 2004	(17.9)	(0.4)	(17.2)	(35.5)	(47.4)	(82.9)
Net book value At 31 March 2004	6,381.2	2,149.2	119.7	8,650.1	51.0	8,701.1
At 31 March 2003	6,212.3	2,055.1	113.9	8,381.3	41.5	8,422.8

Freeholds include £442.9m (2003: £408.9m) of leaseholds with unexpired terms exceeding 900 years; leaseholds under 50 years include £11.4m (2003: £12.1m) with unexpired terms of 20 years or less. Other tangible assets include computers, motor vehicles, furniture, fixtures and fittings, and improvements to Group offices.

Additional analysis in respect of the movements in investment and operating properties is set out below:

	Inv	estment propert	ies		
	Portfolio management £m	Development programme £m	Total £m	Operating properties £m	Total £m
Market value at 1 April 2003 Less amount included in prepayments in respect of UITF28 adjustments	6,876.6 (16.0)	967.4 (4.1)	7,844.0 (20.1)		
Net book value at 1 April 2003	6,860.6	963.3	7,823.9	557.4	8,381.3
Properties transferred from portfolio management into the development programme during the year (at 1 April 2003 valuation) Developments completed, let and transferred from the development programme into	(18.1)	18.1	_	-	-
portfolio management during the year	451.0	(451.0)	_	-	_
Transfer of investment properties to trading properties	(28.5)	_	(28.5)	-	(28.5)
Reclassification of certain costs as other tangible fixed assets	_	1.0	1.0	(7.0)	(6.0)
Property acquisitions	205.1	_	205.1	109.8	314.9
Capital expenditure	111.0	213.6	324.6	117.7	442.3
Capitalised interest	0.8	25.4	26.2	9.1	35.3
Sales	(590.1)	(40.4)	(630.5)	(2.0)	(632.5)
Properties sold to joint venture	(240.0)	_	(240.0)	_	(240.0)
	6,751.8	730.0	7,481.8	785.0	8,266.8
Depreciation	(1.6)	_	(1.6)	(15.8)	(17.4)
Unrealised surplus on revaluation	398.5	2.2	400.7	-	400.7
Net book value at 31 March 2004	7,148.7	732.2	7,880.9	769.2	8,650.1
Plus amount included in prepayments in respect of UITF28 adjustments	23.9	1.9	25.8		
Market value at 31 March 2004 (Group)	7,172.6	734.1	7,906.7		
Market value at 31 March 2004 (Group and share of joint venture)	7,416.1	734.1	8,150.2		

Fixed asset properties include capitalised interest of £111.0m (2003: £79.5m).

The classification of properties between portfolio management and the development programme is defined in the Glossary (page 98). Operating properties are carried at depreciated cost and are not revalued.

The historical cost of investment properties is £4,589.5m (2003: £4,577.9m).

Proposed developments are excluded from the development programme as experience has shown that these schemes can be subject to substantial revision. In addition to the development programme, investment properties include properties to the value of £179.3m (2003: £180.5m) in respect of proposed developments.

Developments are transferred out of the development programme when physically complete and 95% let. Schemes completed during the year include The Bullring (Birmingham), Kingsway West (Phase 1) (Dundee), Portman House (London W1), 7 Soho Square (London W1) and 25/31 Sidwell Street (Exeter). The total development profit earned on schemes completed in the year was £82.7m (2003: £24.3m). This comprises development profits on those properties completed during the first half of £78.8m plus a further uplift in the second half on those properties of £22.4m offset by losses on those projects completed in the second half of £18.5m.

	2004	2003
C	apital commitments £m	£m
Cor	ntracted 665.0	586.6

13. Investment in Group undertaking	
	£m
At 1 April 2003 and 31 March 2004	4,092.7

The investment represents 100% of the issued share capital of Land Securities PLC, a company incorporated and operating in the United Kingdom.

14. Investment in joint ventures						
Summary financial information of Group's share of joint ventures	Telereal £m	Scottish Retail Property Limited Partnership £m	Total 2004 £m	Telereal £m	Scottish Retail Property Limited Partnership £m	Total 2003 £m
Profit and loss account Property services and rental income Proceeds of sales of trading properties	165.8 28.9	0.6	166.4 28.9	166.3 1.9	_ _	166.3 1.9
Gross property income Rents payable Indirect property or contract expenditure Costs of sales of trading properties Depreciation	194.7 (39.9) (18.0) (23.3) (12.9)	0.6 - (0.1) - -	195.3 (39.9) (18.1) (23.3) (12.9)	168.2 (48.0) (16.0) (1.4) (15.0)	- - - -	168.2 (48.0) (16.0) (1.4) (15.0)
Operating profit Profit on sale of fixed asset properties	100.6 11.9	0.5	101.1 11.9	87.8 15.1	_ _	87.8 15.1
Profit before interest and taxation Net interest payable	112.5 (82.2)	0.5	113.0 (82.2)	102.9 (75.7)	- -	102.9 (75.7)
Profit before taxation Taxation	30.3 (13.0)	0.5 (0.1)	30.8 (13.1)	27.2 (14.5)	_ _	27.2 (14.5)
Profit after taxation	17.3	0.4	17.7	12.7	_	12.7
Balance sheet Fixed assets – Investment properties – Operating properties Current assets Liabilities due within one year	- 1,033.5 74.5 1,108.0 (56.1)	243.5 - 13.7 257.2 (5.1)		1,056.9 113.3 1,170.2 (75.3)	- - -	
Liabilities due after one year	(1,099.8) (1,155.9)	(5.1)		(988.1) (1,063.4)	-	
Net investment in joint ventures	(47.9)	252.1		106.8	_	
Net debt	(1,073.0)	-		(949.6)	_	

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for the year ended 31 March 2004

14. Investment in joint ventures (continued)			
		Scottish	
		Retail	
		Property	
	Telereal	Limited Partnership	Total
Net investment in joint ventures	£m	£m	£m
At 1 April 2003	106.8	_	106.8
Properties contributed	_	245.5	245.5
Share of post tax profits	17.3	0.4	17.7
Distributions	(51.0)	_	(51.0)
Loan repayments	(121.0)	_	(121.0)
Unrealised surplus on revaluation	_	6.2	6.2
At 31 March 2004	(47.9)	252.1	204.2

The Group has two joint ventures, both of which are 50% owned and draw up accounts to 31 March, as follows:

- Telereal is a 50:50 joint venture between Land Securities Trillium and the Pears Group, which 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.
- The Scottish Retail Property Limited Partnership is a joint venture between Land Securities Properties Limited and British Land Property Management Limited, which manages four shopping centres in Aberdeen and East Kilbride. The partnership was created on 16 March 2004.

The Group's share of Telereals' securitised and bank debt of £1,079.7m (2003: £988.1m) is non-recourse to the Group. The Group's notional 50% share of the fair value of Telereal's financial liabilities is £1,149.1m (2003: £1,050.8m).

Telereal includes two limited partnerships, Telereal Securitised Property Limited Partnership and Telereal General Property Limited Partnership, which are registered in England and Wales and whose accounts are dealt with in the Group financial statements by way of gross equity accounting as 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.

15. Debtors	Group		Company	
	2004	2003	2004	2003
	£m	£m	£m	£m
Falling due within one year				
Trade debtors – property investment	29.5	34.7	_	_
property outsourcing	147.2	77.7	_	_
Property sales debtors	3.4	24.6	_	_
Other debtors	54.4	52.0	_	_
Prepayments and accrued income	105.2	84.5	_	_
Taxation recoverable	_	_	7.8	5.1
	339.7	273.5	7.8	5.1
Falling due after one year				
Other debtors	20.4	15.9	_	_

16. Creditors falling due within one year	Gre	Group		
	2004 £m	2003 £m	2004 £m	2003 £m
Debentures, bonds and loans (Note 17)	681.7	23.5	_	_
Loans from Group undertakings	_	_	465.0	374.1
Overdrafts	_	16.8	_	_
Trade creditors	80.8	58.5	_	_
Taxation and Social Security	85.1	23.9	_	_
Proposed Final Dividend	126.8	121.1	126.8	121.1
Capital creditors	92.6	69.2	_	_
Other creditors	22.7	15.4	_	_
Accruals and deferred income	281.5	266.5	0.1	0.4
	1,371.2	594.9	591.9	495.6

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. Deferred income principally relates to rents received in advance.

The Company's loans from Group undertakings comprises £358.9m (2003: £338.1m) repayable on the earlier of 31 December 2005 and demand and £106.1m (2003: £36.0m) with no fixed repayment date.

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17. Debentures, bonds and loans	Nominal value		Unamortise and issu	ed discount ue costs	Book value	
	2004 £m	2003 £m	2004 £m	2003 £m	2004 £m	2003 £m
Unsecured						
10 ³ / ₄ per cent Exchange Bonds due 2004	21.2	21.2	_	_	21.2	21.2
9 ½ per cent Bonds due 2007	200.0	200.0	_	_	200.0	200.0
5 1/8 per cent Bonds due 2013	400.0	400.0	(5.4)	(6.0)	394.6	394.0
9 per cent Bonds due 2020	200.0	200.0	(3.0)	(3.2)	197.0	196.8
6 3/8 per cent Bonds due 2024	200.0	200.0	(2.0)	(2.1)	198.0	197.9
Syndicated bank debt	289.0	603.0	(1.4)	(2.5)	287.6	600.5
Commercial paper	358.1	_	_	_	358.1	_
	1,668.3	1,624.2	(11.8)	(13.8)	1,656.5	1,610.4
Secured						
6 ½ per cent Mortgage Debenture 2000/05	-	8.4	_	_	-	8.4
6 ½ per cent Mortgages 2000/05	-	8.4	_	_	_	8.4
7 ³ / ₄ per cent Mortgage 2008	5.4	5.5	_	_	5.4	5.5
6 3/8 per cent First Mortgage Debenture Stock 2008/13	32.3	32.3	_	_	32.3	32.3
10 per cent First Mortgage Debenture Stock 2025	400.0	400.0	_	_	400.0	400.0
10 per cent First Mortgage Debenture Stock 2027	200.0	200.0	_	_	200.0	200.0
10 per cent First Mortgage Debenture Stock 2030	200.0	200.0	_	_	200.0	200.0
Bank loan	193.1	198.4	(9.7)	8.5	183.4	206.9
	1,030.8	1,053.0	(9.7)	8.5	1,021.1	1,061.5
	2,699.1	2,677.2	(21.5)	(5.3)	2,677.6	2,671.9
Falling due within one year (Note 16)	(691.4)	(23.5)	9.7		(681.7)	(23.5)
Falling due after one year	2,007.7	2,653.7	(11.8)	(5.3)	1,995.9	2,648.4

In accordance with FRS4 'Capital Instruments' where bonds are issued at a discount or incur issue expenses they are stated net of those costs.

The carrying value of the secured bank loan comprises the loan amount (currently £193.1m (2003: £198.4m)), the fair value of the linked interest rate swap outstanding at the time of the acquisition of Trillium and the upfront arrangement fees relating to this funding. Both the swap and the upfront fees are being written off over the life of the borrowings. Either party to the swap can terminate the agreement on 15 April 2005 and every second anniversary thereafter. The loan and swap were restructured after the year-end to reflect the Employment Services addition to the PRIME contract.

The interest rate on the secured bank loan, which is variable, includes a margin which varies according to the Group's credit rating. This has been swapped into a current fixed rate of 5.09%.

Secured loans are charged on properties of Group undertakings. From time to time, short term deposits are charged as temporary security until substitutes have been agreed for properties taken out of charge. At 31 March 2004 short term deposits of £154.0m (2003: £nil) were charged as temporary security for borrowings until substitutions have been agreed for properties taken out of charge. The bank loan is secured on the unitary charge receivable from the DWP under the PRIME Agreement and also on most properties held by Land Securities Trillium.

18. Other creditors falling due after one year	Gr	Group		Company		
	2004	2003	2004	2003		
	£m	£m	£m	£m		
Deferred income	15.5	16.9	_	_		
Other creditors	20.4	5.4	_	_		
	35.9	22.3	_	_		

19. Provision for liabilities and charges			
	Dilapidations £m	Deferred taxation £m	Total £m
At 1 April 2003 Net charge for the year Released in respect of property disposals during the year Other movements	5.9 5.8 —	173.1 31.5 (31.6) 0.3	179.0 37.3 (31.6) 0.3
At 31 March 2004	11.7	173.3	185.0

Notes to the financial statements

for the year ended 31 March 2004

19. Provision for liabilities and charges (continued)		
Different for the constitution follows	2004	2003
Deferred tax is provided as follows	£m	£m
Excess of capital allowances over depreciation — investment properties	101.4	124.7
 operating properties 	34.8	21.7
Capitalised interest — investment properties	30.0	21.2
 operating properties 	4.4	3.0
Other timing differences	2.7	2.5
	173.3	173.1
	2004	2003
Estimated tax on contingent capital gains are as follows	£m	£m
Tax on capital gains that would become payable by the Group, if it were to dispose of all of its investment properties		
at the amount stated on the balance sheet	490.0	435.0
Potential reduction in tax on contingent capital gains if properties were sold within their owning companies	(75.0)	(110.0)
Tax on contingent capital gains assuming no further mitigation	415.0	325.0

The deferred taxation provision that would be released in the event of sales of investment properties on the assumption that the proceeds of qualifying assets equate for tax purposes to the tax written down value would be £101.4m (2003: £124.7m), and a further £30.0m (2003: £21.2m) would be released in respect of capitalised interest.

20. Called up share capital	Autho	Authorised		nd fully paid
	2004	2003	2004	2003
	No. m	No. m	£m	£m
Ordinary shares of 10p each Non-equity B shares of £1.02 each Redeemable preference shares of £1 each	600.0	600.0	46.6	46.5
	540.0	540.0	8.4	30.3
	0.1	0.1	–	0.1
			55.0	76.9

The holders of B shares are not entitled to receive notification of any general meeting of Land Securities Group PLC, or to attend, speak or vote at any such meeting. B shares carry the right to a dividend of 70% of six month LIBOR paid twice yearly. In the event of the winding up of Land Securities Group PLC, the holders of the B shares will be entitled to 102p in respect of each B share held together with the relevant proportion of the dividend payable.

The holders of B shares may elect to have their shares redeemed at six-monthly intervals. On 17 April 2003 and 17 October 2003, 18,439,941 and 3,099,927 B shares were redeemed respectively. On 17 April 2004 a further 1,661,077 B shares were redeemed. Land Securities Group PLC may, on giving notice in writing to the holders of B shares, redeem for £1.02 per share all, but not some, of the remaining B shares.

On 31 March 2004 all the redeemable preference shares of £1 each were redeemed at par.

Movements in the share capital of the Company were	Number of shares
At 1 April 2003	465,562,808
Issued on the exercise of options under:	
1993 Savings Related Share Option Schemes	47,237
1984 Executive Share Option Scheme	97,500
2000 Executive Share Option Scheme	217,000
At 31 March 2004	465,924,545

Executive and Savings Scheme Related Share Option Schemes	Option price	2002 Executive Share Option Scheme	2000 Executive Share Option Scheme	1984 Executive Share Option Scheme	1993 Savings Related Share Option Schemes	Total
At 1 April 2003		107,500	3,802,562	133,000	653,790	4,696,852
Granted	788p	1,678,524	_	_	_	1,678,524
Granted	677p	_	_	_	227,578	227,578
Exercised	•	_	(217,000)	(97,500)	(47,237)	(361,737)
Lapsed		(21,157)	(127,500)	· –	(60,805)	(209,462)
At 31 March 2004		1,764,867	3,458,062	35,500	773,326	6,031,755

The options outstanding under the 2002 Executive Share Option Scheme are exercisable at prices between 756p and 788p up to 2013, provided the associated performance conditions are met, those under the 2000 scheme at prices between 801p and 869p up to 2012, and those under the 1984 scheme at 618.6p up to July 2004. The options outstanding under the Savings Related Share Option Schemes are exercisable at prices between 628p and 736p, after three, five or seven years from the date of grant.

21. Shareholders' funds								
(i) Group	Ordinary shares £m	Non-equity B shares £m	Redeemable preference shares £m	Share premium account £m	Capital redemption reserve £m	Revaluation reserve £m	Profit and loss account £m	Total £m
At 1 April 2003 Repayment of B shares Redemption of redeemable preference	46.5 –	30.3 (21.9)	0.1 _	13.3 –	0.1 21.9	3,038.9 –	2,433.9 (21.9)	5,563.1 (21.9)
shares Exercise of options	- 0.1	_ _	(0.1)	– 2.6	0.1	_ _	(0.1)	(0.1) 2.7
Unrealised surplus on revaluation of investment properties Unrealised surplus on revaluation of	_	-	-	_	_	400.7	_	400.7
investment properties within joint venture Realised on disposals of investment	-	_	-	-	_	6.2	_	6.2
properties . Taxation on revaluation surpluses	-	-	-	_	_	(333.0)	333.0	-
realised on disposals of investment properties Retained profit for the financial year	- -		- -	- -		- -	(27.3) 115.1	(27.3) 115.1
At 31 March 2004	46.6	8.4	_	15.9	22.1	3,112.8	2,832.7	6,038.5
Comprising Equity shareholders' funds Non-equity shareholders' funds	46.6 —	- 8.4	- -	15.9 –	22.1 –	3,112.8 –	2,832.7	6,030.1 8.4
	46.6	8.4	_	15.9	22.1	3,112.8	2,832.7	6,038.5

(ii) Company	Ordinary shares £m	Non-equity B shares £m	Redeemable preference shares £m	Share premium account £m	Capital redemption reserve £m	Merger reserve account £m	Profit and loss account £m	Total £m
At 1 April 2003 Repayment of B shares Redemption of redeemable preference share Exercise of options Retained loss for the financial year	46.5 - s - 0.1 -	30.3 (21.9) – – –	0.1 - (0.1) - -	13.3 - - 2.6 -	0.1 21.9 0.1 –	373.6 - - - -	3,139.3 (21.9) (0.1) – (70.1)	3,603.2 (21.9) (0.1) 2.7 (70.1)
At 31 March 2004	46.6	8.4	_	15.9	22.1	373.6	3,047.2	3,513.8
Comprising Equity shareholders' funds Non-equity shareholders' funds	46.6 -	- 8.4	_ _	15.9 –	22.1 –	373.6 -	3,047.2 -	3,505.4 8.4
	46.6	8.4	_	15.9	22.1	373.6	3,047.2	3,513.8

Land Securities Group PLC has not presented its own profit and loss account, as permitted by Section 230(1)(b) Companies Act 1985. The retained loss for the year of the Company, dealt within its financial statements, was £70.1m (2003: profit £18.7m).

22. Analysis of net debt						
			Movements	during year		
	At 1/4/2003 £m	Transfers £m	Cash flow £m	Amortisation of discount and issue costs	Cost of reprofiling an interest rate swap £m	At 31/3/2004 £m
Net bank balance/(overdraft) Liquid resources Debt due within one year Debt due after one year	79.2 3.4 (23.5) (2,648.4)	- (221.8) 221.8	(56.4) 215.6 (454.7) 432.7	- (2.8) (2.0)	- - 21.1 -	22.8 219.0 (681.7) (1,995.9)
Net debt	(2,589.3)	-	137.2	(4.8)	21.1	(2,435.8)

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for the year ended 31 March 2004

23. Financial assets and liabilities

This note should be read in conjunction with the comments set out in the OFR on page 34.

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.

All the Group's financial assets and liabilities are either sterling based or have been swapped into sterling and, with the exception of the committed bank facilities and commercial paper, are at fixed rates.

The Group's financial assets and liabilities and their fair values are:

	Book value		Fair	value	Excess of fair value over book value	
	2004 £m	2003 £m	2004 £m	2003 £m	2004 £m	2003 £m
Financial assets	2.11	2111	2111	2111	2111	2111
Short term investments and cash*	241.8	102.1	241.8	102.1	_	-
Financial liabilities						
Debentures, bonds, other loans and overdrafts	(2,677.6)	(2,688.7)	(3,249.1)	(3,204.9)	(571.5)	(516.2)
Non-equity B shares	(8.4)	(30.3)	(8.4)	(30.3)	_	_
Redeemable preference shares		(0.1)		(0.1)	_	_
Financial instruments						
Interest rate swaps	_	_	(44.5)	(82.3)	(44.5)	(82.3)
	(2,444.2)	(2,617.0)	(3,060.2)	(3,215.5)	(616.0)	(598.5)

^{*}short term investments and cash include £154.0m (2003: £nil) of short term deposits charged as temporary security for borrowings as disclosed in Note 17

Finance	al liabilities
2004	2003
Weighted average period of fixed interest rates Weighted average fixed interest rate 7.3%	,

Fair value has been calculated by taking the market value, for those instruments which have a listing, or where one is not available, the fair value is calculated using a discounted cash flow approach. The difference between book value and fair value will not result in any change to the cash flows of the Group unless, at some stage in the future, fixed rate borrowings are purchased in the market, or repaid, at a price different to the nominal value.

The Group has entered into a number of interest rate swaps in the name of Land Securities PLC. Land Securities PLC has interest rate swaps with a nominal value of £800.0m upon which it pays a fixed rate of interest and receives six month LIBOR, all of which are operational. The interest rate swaps terminate between April 2007 and September 2030, and have fixed interest rates of between 4.999% and 5.585%. Land Securities PLC has a further interest rate swap with a nominal value of £200.0m upon which it receives a fixed rate of interest of 4.895% and pays six month LIBOR. This interest rate swap was entered into in March 2004 with a commencement date of 25 March 2004 and a termination date of April 2007. In the case of four £100m fixed rate payer swaps, the counterparties have a right to terminate the swaps mid-life.

In December 2003, Land Securities PLC novated a swap with a nominal value of £100.0m to Trillium (Prime) Property GP Limited, a related Group company. The swap was repriced and reprofiled to match the expected amortisation of the project finance debt, which it is hedging. The current nominal value of the swap is £78.7m and the Group is paying interest at 4.975%.

As the intention of the above interest rate swaps is to fix the interest rates on existing and new borrowings, their mark to market value has not been recognised in the financial statements and instead net interest is accrued through the profit and loss account.

In addition, there is a further interest rate swap with a notional value of £191.0m, which was taken out by Trillium (Prime) Property Ltd Partnership to hedge the secured bank loan, which funds the PRIME contract. This swap mirrors the repayment schedule of the associated bank loan. As part of the fair value accounting exercise on the acquisition of Trillium, this swap was marked to market at a cost of £14.9m in November 2000. The cost is being amortised over the life of the interest rate swap as a credit to interest payable. The interest rate swap was repriced and reprofiled in December 2003 at a cost of £21.1m. The cost of the repricing and reprofiling is being amortised over the life of the interest rate swap.

Unrecognised gains and losses on instruments used for hedging, and the movements therein are as follows:	Unrecognised losses £m
Unrecognised losses on hedges at 1 April 2003 Losses arising in previous years that were recognised in the year ended 31 March 2004 Gains arising in the year ended 31 March 2004 that were not recognised in the year	(82.3) 3.0 34.8
Unrecognised gains and (losses) on hedges at 31 March 2004	(44.5)
Of which: Gains and (losses) expected to be recognised in the year ending 31 March 2005 Gains and (losses) expected to be recognised in the year ending 31 March 2006 or later	_ (44.5)
	(44.5)

23. Financial assets and liabilities						
	Financial 2004 £m	assets 2003 £m	Financial 2004 £m	liabilities 2003 £m		committed g facilities 2003 £m
The maturity and repayment profiles of the Group's financial assets and liabilities, excluding the non-equity B shares and redeemable preference shares, and the expiry periods of its undrawn committed borrowing facilities are:						
One year or less, or on demand	241.8	102.1	681.7	40.1	_	_
More than one year but no more than two years	_	_	_	29.8	800.0	_
More than two years but no more than five years	_	_	374.0	829.8	580.0	899.5
More than five years	_	_	1,621.9	1,789.0	_	_
	241.8	102.1	2,677.6	2,688.7	1,380.0	899.5

24. Principal Group and associated undertakings

The principal wholly owned Group undertaking of Land Securities Group PLC is Land Securities PLC.

The principal Group undertakings of Land Securities PLC, all of which are wholly owned, and its associated undertakings, which are 50% owned, are:

Wholly owned Group undertakings

Group operations
Land Securities Propert

Land Securities Properties Limited Property outsourcing

Land Securities Trillium Limited

Investment property business

Ravenseft Properties Limited
The City of London Real Property Company Limited
Ravenside Investments Limited

Ravenseft Industrial Estates Limited

Associated undertakings

Telereal Services Limited
Telereal Trading Property Limited

Telereal Securitised Property Limited Partnership

Telereal General Property Partnership Scottish Retail Property Limited Partnership

All principal Group undertakings are incorporated in England and Wales.

During the year, the Group has been a member of the following limited partnerships, all of which are registered in England. The accounts of the partnerships, drawn up to 31 March (with the exception of the partnerships forming the Birmingham Alliance, which are prepared to 31 December), are dealt with in the Group's financial statements as 'joint arrangements' on the basis explained in Note 1(a). The 100% results of the partnerships are set out below:

Partnership	Group share %	Gross 2004 £m	assets 2003	Gross li 2004 £m	abilities 2003	Profit/(loss) 2004 £m	before tax 2003 £m
Martineau Limited Partnership* Martineau Galleries Limited Partnership*	33 ¹ / ₃ 33 ¹ / ₃	116.8 112.4	132.0 112.2	(4.5) (1.3)	(3.5)	5.0 3.5	5.4 4.0
Bullring Limited Partnership*	331//3	747.9	362.9	(316.1)	(213.5)	18.4	(0.7)
Gunwharf Quays Limited Partnership** Ebbsfleet Limited Partnership	n/a 50	- 39.1	147.9 35.3	(0.1)	(3.3) (0.4)	_	7.7

^{*}forming the Birmingham Alliance

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.

The gross liabilities of these partnerships consist generally of capital and revenue accruals and also, in the case of Bullring Limited Partnership, £290.3m (2003: £195.5m) of loans from partners; at 31 March 2004 there was no third party debt in these partnerships (2003: £nil).

25. Related party transactions

The Group has a 50% interest in Telereal. The Group, principally through Land Securities Trillium Telecom Services Limited, provides staff to Telereal to deliver services to BT, for which it received £17.8m (2003: £17.7m) in the year ended 31 March 2004.

The subordinated loan from the Group to Telereal was repaid during the year, (2003: £121.0m).

The Group has a 50% interest in the Scottish Retail Property Limited Partnership. During the year the Group made sales of investment properties to the Partnership for consideration of £240.0m.

The Group receives fees in respect of accounting and asset management services from the partnerships forming the Birmingham Alliance. These fees are calculated on an arms length basis.

26. 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 2004, the estimated amount of the Group's exposure to the guarantee was approximately £100.7m.

Land Securities Group PLC (the Company) has given guarantees in the normal course of business to third parties in respect of the obligations of certain Group companies. The directors consider that the guarantees are unlikely to result in material loss to the Company.

^{**}on 30 November 2003 Land Securities Group PLC acquired the 50% interest in the Gunwharf Quays Limited Partnership it did not already own

Five year record					
		2003	2002	2001	
	2004	(restated)	(restated)	(restated)	2000
	£m	£m	£m	£m	£m
Assets employed					
Goodwill	34.3	36.7	38.9	41.2	_
Investment properties	7,880.9	7,823.9	7,800.0	7,899.1	7,453.7
Operating properties	769.2	557.4	428.9	323.1	_
Other tangible fixed assets	51.0	41.5	45.3	34.1	14.7
Investment in joint ventures	252.1	106.8	188.8	_	_
Short term deposits, corporate bonds and cash	241.8	99.4	68.4	29.3	140.1
Trading properties	85.0	52.6	36.9	_	_
Other assets	360.1	289.4	260.3	177.3	182.6
	9,674.4	9,007.7	8,867.5	8,504.1	7,791.1
Financed by					
Equity share capital	46.6	46.5	524.3	523.6	522.4
Non-equity share capital	8.4	30.4	_	_	_
Reserves	5,983.5	5,486.2	5,512.3	5,494.2	5,259.4
					·
Shareholders' funds	6,038.5	5,563.1	6,036.6	6,017.8	5,781.8
Borrowings	2,677.6	2,688.7	2,010.5	1,757.1	1,556.3
Investment in joint venture	47.9	_	-	-	-
Other liabilities	910.4	755.9	820.4	729.2	453.0
	9,674.4	9,007.7	8,867.5	8,504.1	7,791.1
Property movements and acquisitions (book value)					
Property additions	792.5	625.7	630.1	588.8	403.5
Property sales	(632.7)	(406.9)	(510.4)	(424.9)	(314.3)
		` ′	` ′	(424.9)	` ′
Property sales to joint venture	(240.0) 245.5	_	- 146.4	- 169.5	_
Acquisitions	245.5	_	140.4	109.5	_
Revenue					
Gross property income	1,481.1	1,239.5	1,025.6	650.4	528.2
Revenue profit	309.2	336.2	350.1	318.4	301.7
Profit/(loss) on sales of fixed asset properties/					
bid costs/exceptional items	63.9	(16.6)	13.4	6.3	26.0
Pre-tax profit	373.1	319.6	363.5	324.7	327.7
Profit attributable to shareholders	288.0	229.4	263.6	234.6	252.0
Retained profit for the year	115.1	62.5	85.2	64.5	86.3
Cash flows					
	156 1	484.4	406.2	462.0	432.2
Operating activities	456.4	404.4	406.2	402.0	434.4
Operating activities and investments less finance	2510	1020	122.0	200 5	246 5
charges and taxation	251.8	163.9	132.6	280.5	246.5
Free cash flow (post dividend) for investing	84.3	(12.7)	(39.9)	116.4	79.7
Net cash inflow/(outflow) (excludes liquid resources and financing)	156.5	(177.2)	(219.2)	(95.4)	(114.9)

Ten year record										
	2004	2003 (restated)	2002 (restated)	2001 (restated)	2000	1999	1998	1997	1996	1995
Earnings per share		,	,							
Earnings per share (pence)	61.84	46.46	50.27	44.87	45.44	39.21	36.84	34.85	33.69	35.23
Adjusted earnings per share (pence)*	47.86	50.89	49.18	45.22	40.86	39.11	37.07	33.17	33.92	34.56
Diluted earnings per share (pence)	61.76	46.44	49.54	44.41	44.97	38.95	36.55	34.50	33.46	34.91
Adjusted diluted earnings per share (pence)*	47.80	50.88	48.49	44.74	40.63	38.86	36.77	32.92	33.67	34.28
Dividends										
Dividends per share (pence)	37.10	35.50	34.00	32.50	31.00	29.50	28.00	27.00	26.00	25.00
Dividend cover (times)	1.67	1.38	1.48	1.38	1.52	1.31	1.30	1.28	1.30	1.41
Adjusted dividend cover (times)*	1.29	1.51	1.45	1.39	1.37	1.31	1.31	1.22	1.30	1.38
Net assets per share										
Net assets per share (pence)	1294	1188	1151	1149	1107	987	924	783	691	693
Adjusted net assets per share (pence)*	1333	1220	1178	1174	_	_	_	_	_	_
Diluted net assets per share (pence)	1293	1188	1132	1130	1090	975	910	774	688	691
Adjusted diluted net assets per share (pence)*	1331	1219	1157	1153	_	-	_	_	_	_
Market price per share at 31 March (pence)	1090	733	893	880	749	820	1058	773	626	594

^{*}these figures exclude the results of fixed asset property sales after tax and, for 2001 and thereafter, exceptional items 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.

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 became effective in 2003. In addition 2001, 2002 and 2003 have been restated for the changes in calculation of revenue profit, adjusted earnings per share and adjusted net assets per share. However, figures for 2000 and prior years have not been restated to reflect changes in accounting policies made in 2002 or changes in definition of revenue profit made in 2004.

The directors submit their report with the financial statements for the year to 31 March 2004. 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 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 60.

An interim dividend of 9.9p per share was paid on 5 January 2004 and the directors now recommend the payment of a final dividend of 27.2p per share making a total of 37.1p per share for the year ended 31 March 2004, an increase of 4.5% over that for the previous year.

Subject to authorisation at the Annual General Meeting to be held on 14 July 2004, the final dividend will be paid on 26 July 2004 to shareholders registered on 25 June 2004. The shares are expected to be quoted ex-dividend from 23 June 2004.

3. Valuation and Net Assets

(i) Valuation

Knight Frank LLP valued the Group's investment properties at £7,906.7m as at 31 March 2004. Taken with the Group's holdings by way of limited partnership or joint venture arrangements and the Group's share of the Scottish Retail Property Limited Partnership joint venture, the portfolio had a value of £8,150.2m. This is an increase of £306.2m over that at the previous year-end. Taking into account total expenditure on investment properties of £792.5m and the aggregate book value of properties sold during the year of £872.7m, including sales to Scottish Retail Property Limited Partnership, the surplus on valuation of the Group's portfolio was £400.7m after adjusting for UITF28.

(ii) Net assets

The investment portfolio valuation has been included in the financial statements for the year ended 31 March 2004 and the net assets of the Group at that date amounted to £6,038.5m. 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 1294p. Taking into account shares reserved for issue under the terms of the Group's employee share schemes, the diluted net asset value per share was 1293p.

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 19 on page 76. The amount, in the region of £490m (2003: £435m), represents approximately 105p per share on a fully diluted basis.

4. Directors

The directors who held office during the year were:

Peter G Birch CBE 1,2,3,4 Chairman

lan J Henderson CBE ⁴ Chief Executive

Sir Winfried Bischoff ^{1,2,3}
Mark Collins
Ian D Ellis
Peter G Freeman ^{1,3}
Andrew E Macfarlane
David Rough ^{1,2,3,4}
Francis W Salway
Stuart A R Rose (appointed 21/5/2003) ^{1,2,3}

- 1 Non-Executive
- 2 Member of the Audit Committee
- 3 Member of the Remuneration Committee
- 4 Member of the Nominations Committee

In addition, Bo Lerenius will be appointed a director on 1 June 2004.

Biographical details of the directors appear on page 36.

Since Bo Lerenius is to be appointed a director after the last Annual General Meeting, he will retire from the Board, and, being eligible, offers himself for reappointment. He does not have a service agreement with the Company.

Peter Freeman and Ian Henderson will be retiring as directors on 14 July 2004 and will not be standing for re-election at the 2004 Annual General Meeting. Peter Birch, Sir Winfried Bischoff and David Rough will retire from the Board by rotation and, being eligible, offer themselves for re-election; none 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 on pages 54 and 55.

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 17 July 2003 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 2004 Annual General Meeting. No shares were purchased in the year to 31 March 2004. A resolution to renew this authority in respect of up to approximately 10% of the issued share capital will be proposed at the 2004 Annual General Meeting.

6. Substantial shareholders

At 12 May 2004 the following interests in issued share capital had been notified to the Company under Part VI of the Companies Act 1985.

	Number of shares	%
Barclays Global Investors	22,505,549	4.83
ABP Investments	20,712,943	4.45
Legal & General Investment		
Management	19,119,179	4.10
M&G Investment Management	17,764,019	3.81

7. Employees

Details of the Group's policies on employment and on employee development are given on pages 38 and 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 page 40.

8. Donations

During the year ended 31 March 2004 charitable donations amounted to £804,000. This amount included £635,800 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 20 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 LLP as auditors to the Company will be proposed at the Annual General Meeting.

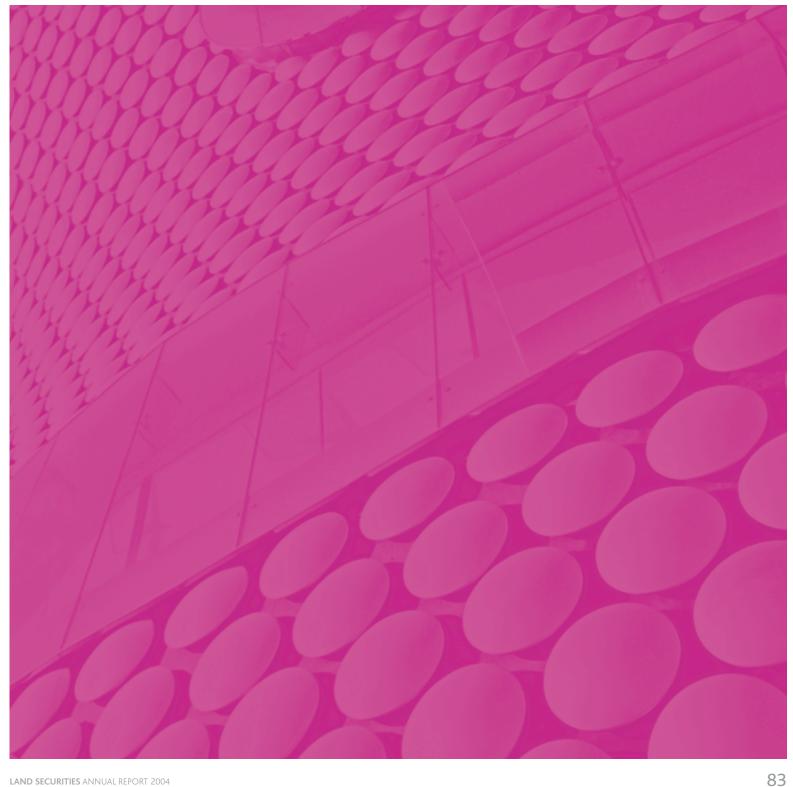
By order of the Board

P M Dudgeon

Secretary 18 May 2004.

Business analysis

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Investment portfolio valuation

The total portfolio including our property joint venture was valued by Knight Frank LLP at £8,150.2m at 31 March 2004. After adjusting for sales, acquisitions and expenditure the value increased by 5.3% as compared to the position at 31 March 2003.

Detailed breakdowns by sector, including comprehensive analyses of the Group's valuation, rental income and yield profiles follow in the investment portfolio analysis.

The freehold, feuhold and leasehold investment properties held by the Group or held by way of limited partnership arrangements (excluding Telereal), with the exception of short leasehold accommodation occupied by the Company for the purposes of its business, were valued by External Valuers Knight Frank LLP, Chartered Surveyors, as at 31 March 2004. The valuation was on the basis of Market Value in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards.

The aggregate of the Market Values of those properties held by the Group as at 31 March 2004 was £7,584.0m.

The aggregate of the Market Values of the interests in land held by the Group by way of limited partnership interests or joint venture arrangements in which the Group had a share as at 31 March 2004 was £949.0m.

This amount represents the total assets held by way of limited partnership interests or joint venture arrangements and is not a valuation of the Group's shareholding therein which was £322.7m as at 31 March 2004.

Additionally, Knight Frank LLP reported directly to the Scottish Retail Property Limited Partnership on the Market Values of the properties held in that partnership. The Market Values of those properties totalled £486.8m and the Group's share was £243.5m as at 31 March 2004.

Within the tables and figures provided in the Annual Report the valuation of the Group interests in land held by limited partnerships is included as a mathematical share in proportion with the Group holding in the limited partnerships and joint ventures, thus producing a total of £7,906.7m. This does not represent a valuation of the Group shareholding in those limited partnerships.

A more detailed extract from the external valuers' report is available on our website.

Performance benchmarking

The analysis by IPD includes properties in joint ventures and those held for development.

Table A – Long term performance relative to IPD Ungeared total returns – periods to 31 March 2004								
	Land Securities %	IPD*	IPD* – Upper Quartile %					
10 years	11.3	10.7	10.9					
20 years	11.1	10.4	11.0					

Table A above compares Land Securities' ungeared total property return over the last 10 and 20 year periods to 31 March 2004 to the IPD December Universe (extrapolated to March 2004), which comprises the same portfolios that contributed to the IPD All Fund Universe in December 2003 (many of these funds are now valued quarterly by IPD while the others were extrapolated forwards). It can be seen that Land Securities' portfolio has outperformed and produced a return which places it in the top quartile of contributing portfolios over these two time periods.

Table B – One year performance rela Ungeared total returns – 12 months		
	Land Securities %	IPD*
Retail	17.9	16.4
Offices	6.1	6.1
Industrial	16.0	12.2
Other Commercial	11.4	12.8
Total portfolio	12.7	12.4

*IPD December Universe (extrapolated to March 2004) unfrozen Source: IPD

Table B 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 2004. We have outperformed IPD due to strong performance from our specific property holdings in our core areas of Central London offices, shopping centres, retail warehouses and industrial property. Central London offices outperformed IPD as a result of higher than average rental value growth and downward yield movements which were greater than IPD. Sales also had a positive impact on overall porfolio performance.

Top twelve properties (by value)



1. Bullring, Birmingham



2. White Rose Centre, Leeds



3. St David's Centre, Cardiff



4. Queen Anne's Mansions, London



5. Almondvale Centre and Designer Outlet, Livingston



6. Gunwharf Quays, Portsmouth



7. Cardinal Place, London



8. The Bridges, Sunderland



9. Gresham Street, London



10. Team Valley, Gateshead



11. Eland House, London



12. Devonshire House, London

1. Bullring, Birmingham

Opened in September 2003, the award winning Bullring scheme totals 111,480m² of retail space. The scheme has two department stores, Selfridges and Debenhams, and 130 high street and independent retailers.

2. White Rose Centre, Leeds

White Rose Centre, Leeds was opened in 1997. The centre is located on the edge of Leeds and has a Debenhams department store. The 60,390m² scheme also includes 11 major space units and a further 73 shops.

3. St David's Centre, Cardiff

A 39,740m² covered shopping centre in the centre of Cardiff. This scheme is set to benefit from the development of St David's 2 an 110,000m² scheme which will be anchored by a John Lewis Department Store.

4. Queen Anne's Mansions, London

30,140m² of West End offices currently occupied by the Home Office. Queen Anne's Mansions will be subject to a major refurbishment scheme following which it will be occupied by the Department for Constitutional Affairs.

5. Almondvale Centre and Designer Outlet, Livingston Adjoining assets that provide a total of 75,100m² of retail and leisure space in the heart of Livingston, Scotland. The shopping centre has a range of high street names on offer, while the outlet centre provides consumers with discounted designer brands.

6. Gunwharf Quays, Portsmouth

In 2004 Land Securities took ownership of the Berkeley Group's 50% interest in this 41,290m² designer outlet scheme. The property comprises 87 shops and is let to major High Street and Designer brands for discount retailing.

7. Cardinal Place, London

Cardinal Place is a major West End development due to complete in 2005. The 60,550m² scheme comprises modern offices in three buildings with ground floor retail. Marks and Spencer has signed a lease for a major retail store.

8. The Bridges, Sunderland

The Bridges shopping centre has a Debenhams department store, as well as a further four major stores and 94 shops providing a major retail attraction in the heart of Sunderland.

9. Gresham Street, London

Newly-developed, Gresham Street is a prestigious 36,450m² office building overlooking the Guildhall in the City of London. The building incorporates a large trading floor, atrium, roof terrace and retail at ground floor.

10. Team Valley, Gateshead

The largest retail park asset in our portfolio, Team Valley, has 22 retail warehouse units and a fast food restaurant. The park has undergone a programme of upgrading and an extension is planned.

11. Eland House, London

Eland House, part of the Group's major Victoria property portfolio, is 23,170m² of offices, occupied by the Offices of the Deputy Prime Minister.

12. Devonshire House, London

Devonshire House is located in the heart of London's West End on Piccadilly. Refurbished in 1997, the 14,190m² property includes offices, showrooms and retail space.

Note: Total value £2.2bn (27.3% of investment portfolio). Values in excess of £145m.

Development pipeline schedule

Developments, let and transferred or sold

Developments completed

Developments approved and in progress

☐ Proposed developments

PR Planning received

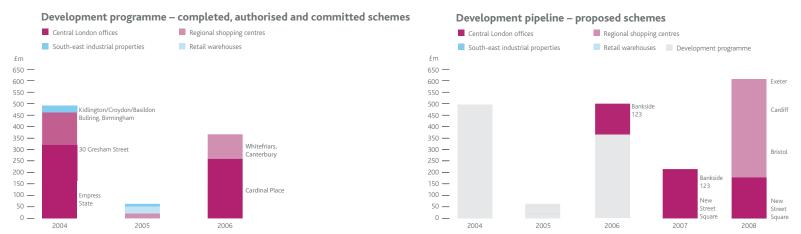
AS Application submitted

MG Minded to grant

PI Planning inquiry

OPR Outline planning received

Property	Description	Size (1)		tus Letting (2)	Estimated/actual completion date	Cost (3) £m
Regional shopping centres						
Bullring, Birmingham (33%) The Birmingham Alliance — a limited partnership with Hammerson plc and Henderson Global Investors	Retail	111,480m²		98%	Sept 2003	141
Sidwell Street, Exeter	Retail	2,420m²		100%	Mar 2003	3
Caxtongate Phase III, New Street, Birmingham	Retail	2,240m²		100%	Jan 2005	5
Rose Lane, Canterbury (50%) A limited partnership	Retail	1,640m²		76%	Nov 2004	4
Summerland Gate, Exeter (formerly Cheeke Street)	Retail/ residential	5,380m² 1,390m²		55%	Feb 2005	11
Whitefriars, Canterbury	Retail/ residential	37,690m² 2,610m²		56%	April 2005	107
Broadmead, Bristol (33%) The Bristol Alliance – a limited partnership with Hammerson plc, and Morley Fund Management O	Retail Leisure ffices/residential	88,790m²/ 5,410m²/ 24,590m²/18,740m²	PR		2008	
Princesshay, Exeter	Retail/ residential	37,360m² 7,200m²	PR		2007	
St David's, Cardiff (50%) St David's Partnership — a partnership with Capital Shopping Centre	Retail/ es residential & leisure	70,000m²/ 39,750m²	OPR		2008	
Retail warehouses						
Kingsway Retail Park, Dundee, Phase I Re	etail warehouses	9,890m²		100%	Jan 2003	29
Almondvale South, Livingston, Phase IIa Re	etail warehouses	5,300m²		51%	Oct 2004	5
Bexhill Retail Park Extension, Bexhill	etail warehouses	3,110m²			Nov 2004	12
Kingsway Retail Park, Dundee, Phase II Re	etail warehouses	8,650m²		55%	May 2004	15
Almondvale South, Livingston, Phase IIb	etail warehouses	4,180m²	PR		2005	



Maturity of development pipeline as at 31 March 2004 by year of anticipated completion and measured by development expenditure (excluding historical land costs and finance charges). Years ending 31 March.

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Property	Description	Size (1)	Sta Planning	tus Letting(2)	Estimated/actual completion date	Cost(3) £m
Central London and Inner London properties						
190 High Holborn, WC1 (sold February 2004)	Offices	8,560m²		100%	Sept 2002	41
Portman House, W1	Offices/retail	9,250m²/2,520m²		100%	Oct 2001	44
7 Soho Square, W1	Offices/retail	4,210m²/1,510m²		100%	Mar 2003	9
Empress State Building, SW6	Offices/retail & leisure	41,290m²/2,040m²			July 2003	103
30 Gresham Street, EC2	Offices/retail	35,150m²/1,300m²			Dec 2003	210
Cardinal Place, SW1	Offices/retail	51,130m²/9,420m²			Sept 2005	253
Bankside 123, SE1	Offices/retail/leisure	75,330m²/8,080m²/1,960m²	PR		2006	
New Street Square, EC4 (previously New Fetter Lane)	Offices/retail & leisure	62,530m²/2,780m²	MG*		2008	
South-east industrial properties						
Horizon Point, Hemel Hempstead, Phase I (sold Feb 2004)	Industrial	10,380m²			Mar 2002	11
Cobbett Park, Guildford	Industrial	11,440m²		41%	Aug 2002	11
Commerce Way, Croydon	Industrial	12,620m²		14%	Oct 2003	12
Juniper, Phase I, Basildon	Industrial/offices	21,820m²/3,660m²		84%/100%	Nov 2001	18
Juniper, Phase II, Basildon	Industrial	11,150m²		47%	April 2003	8
Oxonian Park, Kidlington	Industrial	11,800m²		5%	Sept 2003	9
Zenith, Basildon	Industrial	15,130m²		55%	June 2002	12
Concorde Way, Segensworth, Fareham	Industrial	11,620m²			June 2004	9
Other						_
The Gate, Newcastle upon Tyne	Leisure	17,560m²		92%	Nov 2002	65

^{*}Minded to grant consent received after 31 March 2004

Notes

- (1) For partnership schemes, the floor area figures are for the whole schemes, but the cost figures represent Land Securities' share of cost.
- (2) Letting % is measured by ERV and shows letting status at 31 March 2004.
- (3) Cost (£m) refers to estimated capital expenditure including the cost of third party land acquisitions and excluding finance costs.

Development pipeline – financial statistics											
	Book value at start £m	Capital expenditure to date (1) £m	Estimated total capital expenditure (1) £m	Estimated total cost (2) £m	Disposal proceeds £m	Valuation surplus/ (deficit) 12 months to 31/3/2004 (3) £m	Cumulative valuation surplus/ (deficit) to date (3) £m	Net income/ERV (4) £m			
Completed, let and transferred out of development programme or sold during the year ended 31/3/2004	109	265	283	413	(52)	49	90	27			
Active development programme (schemes in progress, completed but not let, committed and authorised)	171	635	878	1,115	_	(43)	(156)	87			
Proposed schemes (5)	143	52	970	1,208	_	n/a	n/a	95			

Notes

- (1) Excludes capitalised interest.
- (2) Includes land costs/book value of land and capitalised interest, but excludes any allowances for rent free periods. The estimated total cost of the proposed scheme are stated net of other receipts (eg sales of residential units).
- (3) Includes FRS3 profit realised on the disposal of property.
- (4) Net headline annual rental payable on let units plus net ERV at 31 March 2004 on unlet units.
- (5) The book value of the proposed schemes reflects the value as at 31 March 2003 which reflects any value attributable to expenditure incurred prior to 31 March 2003. Therefore the capital expenditure shown in the 'capital expenditure to date' column represents only that expenditure incurred in the year to 31 March 2004.

Total investment portfolio analysis

		Market v	alue ⁽⁶⁾	Valuation surplus			basis tal income	Annual	net rent ⁽⁷⁾
		31/3/2004 £m	31/3/2003 £m	Surp/(def) £m	Surp/def %	31/3/2004 £m	31/3/2003 £m	31/3/2004 £m	31/3/2003 £m
Shopping centres & shops Regional shopping centres Central London shops Other in-town shops		1,014.1 695.4 560.8	895.0 639.1 500.0	117.2 56.5 36.8	13.1% 8.8% 7.0%	69.2 43.0 35.7	64.3 41.0 35.7	61.8 42.9 33.5	59.1 41.4 33.1
		2,270.3	2,034.1	210.5	10.2%	147.9	141.0	138.2	133.6
Retail warehouses Retail parks Other		947.4 218.1	801.2 185.6	113.5 29.5	13.6% 15.7%	44.4 13.6	42.4 12.0	46.2 13.6	43.2 13.5
		1,165.5	986.8	143.0	14.0%	58.0	54.4	59.8	56.7
Total retail		3,435.8	3,020.9	353.5	11.5%	205.9	195.4	198.0	190.3
Offices West End City Midtown Inner London		1,315.4 754.1 227.1 87.2	1,256.9 781.9 222.6 59.5	37.8 (28.4) 4.5 4.1	3.0% -3.6% 2.0% 4.9%	91.2 74.1 20.4 2.7	89.9 74.9 21.2 6.3	86.3 70.0 18.7 2.7	87.7 71.6 20.6 1.5
Central London offices Rest of UK		2,383.8 58.0	2,320.9 58.0	18.0 0.1	0.8% 0.2%	188.4 5.3	192.3 5.0	177.7 4.9	181.4 5.0
Total offices		2,441.8	2,378.9	18.1	0.7%	193.7	197.3	182.6	186.4
Industrial properties South-east Other		247.7 10.5	226.0 9.8	18.5 1.4	8.1% 15.4%	16.9 1.1	16.6 0.8	16.9 1.1	15.9 0.7
		258.2	235.8	19.9	8.4%	18.0	17.4	18.0	16.6
Other		87.6	93.8	1.2	1.4%	6.0	6.8	5.7	6.9
Like-for-like portfolio Completed developments	(2)	6,223.4 559.8	5,729.4 453.6	392.7 50.8	6.7% 10.0%	423.6 23.8	416.9 11.8	404.3 26.8	400.2 13.9
Total Acquisitions Sales and restructured interests Total development programme (inc. Kent Thameside)	(3) (4) (5)	6,783.2 326.2 – 797.3	6,183.0 128.0 827.9 705.1	443.5 1.5 – (44.3)	7.0% 0.5% - -5.3%	447.4 16.1 41.7	428.7 4.6 76.2	431.1 23.1 n/a n/a	414.1 9.9 n/a n/a
Total portfolio excluding joint ventures Joint ventures		7,906.7 243.5	7,844.0 -	400.7 6.2	5.3% 2.6%	514.5 0.6	519.7 -	n/a n/a	n/a n/a
Total portfolio		8,150.2	7,844.0	406.9	5.3%	515.1	519.7	n/a	n/a

Total investment portfolio analysis								
Shopping centres & shops Regional shopping centres Central London shops Other in-town shops	1,786.7 805.8 584.9	1,455.7 732.4 589.1	172.8 60.7 42.7	10.7% 8.1% 7.9%	102.8 47.5 39.8	92.4 46.4 41.8	98.2 47.1 34.4	83.5 44.7 38.0
	3,177.4	2,777.2	276.2	9.5%	190.1	180.6	179.7	166.2
Retail warehouses Retail parks Other	1,051.7 241.7 1,293.4	901.2 215.6 1.116.8	121.9 32.5 154.4	13.1% 15.5% 13.6%	50.2 14.5 64.7	46.0 14.1 60.1	51.5 14.0 65.5	48.8 14.2 63.0
Total retail	4.470.8	3.894.0	430.6	10.7%	254.8	240.7	245.2	229.2
Offices West End City Midtown Inner London Central London offices	1,571.3 958.3 234.3 221.8 2,985.7	1,481.8 945.7 542.8 264.3 3,234.6	24.9 (59.2) (2.5) (25.4) (62.2)	1.6% -5.8% -1.1% -10.3%	98.7 77.7 31.5 9.7 217.6	98.2 80.9 42.5 11.1 232.7	94.3 73.5 19.5 6.5	94.1 73.7 42.4 9.6 219.8
Rest of UK	71.3	77.9	3.0	4.4%	7.2	7.7	6.5	6.7
Total offices	3,057.0	3,312.5	(59.2)	-1.9%	224.8	240.4	200.3	226.5
Industrial properties South-east Other	342.4 10.5	350.2 35.7	28.8 1.4	9.2% 15.4%	22.3 3.2	21.9 4.1	19.2 1.1	21.5 2.8
	352.9	385.9	30.2	9.4%	25.5	26.0	20.3	24.3
Other	269.5	251.6	5.3	2.0%	10.0	12.6	10.0	9.2
Total portfolio	8,150.2	7,844.0	406.9	5.3%	515.1	519.7	475.8	489.2

Like-for-like portfolio year ended 31 March 2004 continued										
	Annual net	estimated value ⁽⁸⁾		yield on income	Annual gros	ss estimated value ⁽⁹⁾	Voids by	y ERV ⁽¹⁰⁾	Lease leng 31/3/2	gth as at 004 ⁽¹¹⁾
	31/3/2004 £m	31/3/2003 £m	31/3/2004 %	31/3/2003 %	31/3/2004 £m	31/3/2003 £m	31/3/2004 %	31/3/2003 %	Median Years ⁽ⁱ⁾	Mean Years ⁽ⁱⁱ⁾
Shopping centres & shops Regional shopping centres Central London shops Other in-town shops	68.5 48.0 38.0	64.9 46.5 36.6	6.1% 6.2% 6.0%	6.6% 6.5% 6.6%	75.5 48.9 40.6	71.3 47.5 39.3	1.1% 0.1% 3.9%	0.7% 1.4% 3.1%	9.3 7.3 7.8	10.4 9.1 9.7
Retail warehouses Retail parks Other	53.4 16.1 69.5	51.7 14.5 66.2	6.1% 4.9% 6.2% 5.1%	5.4% 7.3% 5.7%	165.0 53.4 16.1 69.5	51.8 14.5 66.3	2.2% 1.9% 2.2%	1.5% 4.2% - 3.3%	16.8 15.0 16.5	9.8 15.2 13.4 14.8
Total retail	224.0	214.2	5.8%	6.3%	234.5	224.4	1.7%	2.0%	9.8	11.3
Offices West End City Midtown Inner London	93.6 57.4 18.5 3.1	99.9 64.2 20.7 2.1	6.6% 9.3% 8.2% 3.1%	7.0% 9.2% 9.3% 2.5%	95.2 58.1 19.3 3.1	101.3 65.1 21.5 3.0	5.5% 2.9% 5.3% 4.1%	2.0% 3.4% 0.9% 7.3%	6.5 3.3 5.0 1.8	10.7 9.4 5.1 1.6
Central London offices Rest of UK	172.6 5.6	186.9 4.6	7.5% 8.5%	7.8% 8.6%	175.7 5.7	190.9 4.7	4.6% 12.0%	2.5% 11.6%	6.3 1.5	9.4 5.9
Total offices	178.2	191.5	7.5%	7.8%	181.4	195.6	4.9%	2.7%	5.3	9.4
Industrial properties South-east Other	19.4 1.0 20.4	19.0 0.9 19.9	6.8% 10.6% 7.0%	7.0% 7.1% 7.0%	19.4 1.0 20.4	19.0 0.9 19.9	10.5% 12.4% 10.8%	10.2% 0.3% 10.1%	5.5 13.8 6.3	5.8 18.9 6.6
Other	5.8	7.0	6.5%	7.4%	5.9	7.0	2.2%	-	9.3	21.0
Like-for-like portfolio Completed developments	428.4 33.2	432.6 31.6	6.5% 4.8%	7.0% 3.1%	442.2 33.3	446.9 31.6	3.4% 0.9%	2.6% 22.5%	7.0 14.0	10.4 12.6
Total Acquisitions Sales and restructured interests Total development programme (inc. Kent Thameside)	461.6 21.8 n/a n/a	464.2 6.8 n/a n/a	6.4% 7.1% n/a n/a	6.7% 7.7% n/a n/a	475.5 22.3 n/a n/a	478.5 6.8 n/a n/a	3.2% 2.2% n/a n/a	3.9% 1.5% n/a n/a	7.5 6.3 n/a	10.5 6.9 n/a n/a
Total portfolio excluding joint ventures Joint ventures	n/a n/a	n/a n/a	n/a n/a	n/a n/a	n/a n/a	n/a n/a	n/a n/a	n/a n/a	n/a n/a	n/a n/a
Total portfolio	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Total investment portfolio analysis year ended 31 March 2004 continued							
Shopping centres & shops							
Regional shopping centres	120.9	112.2	5.5%	5.7%			
Central London shops	63.7	51.5	5.8%	6.1%			
Other in-town shops	40.8	43.7	5.9%	6.5%			
	225.4	207.4	5.7%	6.0%			
Retail warehouses							
Retail parks	61.6	59.9	4.9%	5.4%			
Other	16.4	15.6	5.8%	6.6%			
	78.0	75.5	5.1%	5.6%			
Total retail	303.4	282.9	5.5%	5.9%			
Offices							
West End	123.9	141.5	6.0%	6.4%			
City	75.4	83.4	7.7%	7.8%			
Midtown	19.7	45.1	8.3%	7.8%			
Inner London	18.9	19.4	2.9%	3.6%			
Central London offices	237.9	289.4	6.5%	6.8%			
Rest of UK	7.3	6.1	9.1%	8.6%			
Total offices	245.2	295.5	6.6%	6.8%			
Industrial properties							
South-east	26.7	31.2	5.6%	6.1%			
Other	1.0	3.0	10.6%	7.8%			
	27.7	34.2	5.8%	6.3%			
Other	12.7	13.4	3.7%	3.7%			
Total portfolio	589.0	626.0	5.8%	6.2%			

Notes to Portfolio Analysis:

- The like-for-like portfolio includes all properties which have been in the portfolio since 1 April 2002 but excludes those which were acquired, sold or included in the development programme at any time during that period.
 - Capital expenditure on refurbishments, acquisition of headleases and similar capital expenditure has been allocated to the like-for-like portfolio in preparing this table. Changes in valuation from period to period reflect this capital expenditure as well as the disclosed valuation surpluses.
- Completed developments represent those properties, previously included in the development programme, which have been completed, let and removed from the development programme in the period since 1 April 2002.
- Includes all properties acquired in the period since 1 April 2002. This also includes site assembly acquisitions for pre-development schemes.
- (4) Includes all properties sold (other than directly out of the development programme), or where the ownership interest has been restructured, in the period since 1 April 2002.
- (5) Ongoing developments are properties in the development programme and Kent Thameside. They exclude completed developments as defined in note (2) above.
- (6) The market value figures include the group share of the various joint ventures and exclude properties owned by Land Securities Trillium and Telereal.
- (7) Annual net rent is annual rents in payment at 31 March 2004 after deduction of ground rents. It excludes the value of voids and current rent free periods.
- Annual net estimated rental value includes vacant space, rent-frees and future estimated rental values for properties in the development programme and is calculated after deducting expected ground rents.
- 9) Annual gross estimated rental value is calculated in the same way as net estimated rental value before the deduction of ground rents.
- (10) Voids represent all unlet space in the properties, including voids where refurbishment work is being carried out and voids in respect of pre-development properties. Voids are calculated based on their gross estimated rental value as defined in (9) above.
- (11) The definition for the figures in each column is:
 - Mean is rent-weighted average remaining term on leases subject to lease expiry/break clauses.
 - (ii) Median is the number of years until half of income is subject to lease expiry/break clauses.
- (12) Acquisitions and sales and restructured interests reflect movements in the investment portfolio. Acquisitions and sales directly into or out of the development programme are analysed under the development heading.

Total investment portfolio analysis continued

Portfolio value by location % figures calculated by reference to the portfolio value of £8,150.2m								
o	ffices %	Shopping*	Retail ware- houses %	South-east industrial properties %	Other %	Total %		
Central and Inner London	36.6	9.9	_	0.1	0.8	47.4		
Rest of south-east and eastern	0.5	5.2	4.7	4.1	1.6	16.1		
Midlands	0.2	5.6	2.5	_	_	8.3		
Wales and south-west	0.2	5.4	1.3	_	-	6.9		
North, north-west, Yorkshire and Humberside	0.1	7.6	5.4	0.1	0.7	13.9		
Scotland and Northern Ireland	0.1	5.2	2.0	_	0.1	7.4		
Total	37.7	38.9	15.9	4.3	3.2	100.0		

*Includes Regional	shopping centres	and shops,	and Central	London s	shops

Тор	o 12 investment portfolio tenants	Current rents %
1	Central Government	9.8
2	Allen & Overy	2.9
3	Dresdner Bank AG	2.3
4	DSG Retail (Currys/Dixons/PC World)	2.1
5	J Sainsbury PLC	1.7
6	Metropolitan Police Authority	1.4
7	Argos and Homebase	1.4
8	Institute of London Underwriters	1.0
9	MFI	1.0
10	The Boots Company PLC	1.0
11	B&Q	0.9
12	Virgin Retail Group Limited	0.9
To	tal	26.4

Average rents		
	Average rent £/m²	Average ERV £/m²
Offices		
Central and Inner London	362	316
Rest of UK	102	101
Retail		
Shopping centres and shops	n/a	n/a
Retail warehouses (including supermarkets)	159	176
Industrial premises		
London, south-east and eastern	71	72
Rest of UK	n/a	n/a
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 (i.e. where there is a combination of analysis of rents on an overall and Zone A basis in the retail sector or where there is a combination of uses; or small sample sizes).

This is not a like-for-like analysis on previous year. It excludes properties in the development programme and voids.

Like-for-like reversionary potential at 31 March 2004						
Reversionary potential (ignoring additional income from the letting of voids)	31/3/2004 % of rent roll	31/3/2003 % of rent roll				
Gross reversions	9.8	10.8				
Over-rented	8.0	5.3				
Net reversionary potential	1.8	5.5				

The reversion is calculated with reference to the gross secure rent roll and those properties which fall under the like-for-like definition as set out in the Notes to Portfolio Analysis in the Total Investment Portfolio Analysis on page 89. Only 36.7% of the over-rented income is subject to a lease expiry or break clause in the next five years.

% Portfolio by value and number of properties at 31 March 2004						
£m	Value %	No. of properties				
0-9.99	3.9	76				
10-24.99	9.0	45				
25-49.99	22.5	52				
50 – 99.99	19.1	23				
Over 100	45.5	23				
Total	100.0	219				

 ${\it Excludes properties held through the Scottish Retail Property Limited Partnership.}$

Property outsourcing

Unexpired contract term	years
DWP	14
BBC	27
Telereal (BT)	27

Property under management				
000m²		Freehold	Leasehold	Total
Offices	DWP (PRIME)	533	1,134	1,667
	DWP (ES)	246	588	834
	BBC	82	_	82
	ВТ	824	553	1,377
Telephone Exchanges	ВТ	3,835	32	3,867
Total		5,520	2,307	7,827
Under management but estate	DWP (PRIME)	n/a	n/a	67
not transferred	DWP (ES)	n/a	n/a	40
	BBC	n/a	n/a	290
Total				8,224

Unitary charge income received by contract								
£m	DWP (PRIME)	DWP (ES)	BBC	Telereal	Total			
Unitary charge income	326	57	65	332	780			

Note: The Telereal unitary charge is the total unitary charge payable by BT

Regional breakdown by contract							
000m²	DWP (PRIME)	DWP (ES)	ВВС	Telereal	Total		
Northern Ireland	_	_	_	121	121		
London, south-east and west England	517	352	346	2,665	3,880		
Northern England	691	252	_	989	1,932		
Scotland	231	81	26	458	796		
Midland and Wales	294	189	_	1,012	1,495		
Total	1,733	874	372	5,245	8,224		

Number of property transactions concluded by contract						
	DWP	ВВС	Telereal	Total		
Sales	5	_	22	27		
New lettings	35	2	15	52		
Rent reviews	63	_	63	126		
Lease renewals	28	_	7	35		
Freehold buy-ins	5	_	_	5		
Other	15	_	_	15		
Total	151	2	107	260		

Service partr	Service partner agreements					
Service partner	Service element	under mgmt 000m²	Proportion of service providers' turnover			
Compass	Catering	1,999	<5%			
Dalkia	Building maintenance	1,878	10 to 15%			
Group 4	Security	1,671	15 to 20%			
GS Hall	Building maintenance	1,070	20 to 25%			
ISS	Cleaning	1,704	<5%			
MIB	Furniture	2,874	15 to 20%			
MITIE	Cleaning	1,618	<5%			
OCS	Cleaning	372	<5%			
Securitas	Security	814	<5%			
Wilson James	Security	372	20 to 25%			
Total		14,372				

Average contract tenure: 9.2 years Average annual contract value: £11.4m

Number of Land Securities Trillium employees by occupation			
	Total		
Asset management	106		
Call centre	165		
Capital projects	463		
Quality assurance	46		
Facilities management	639		
HR/Finance/Business development	169		
Total	1,588		

Note: These figures include all Telereal staff

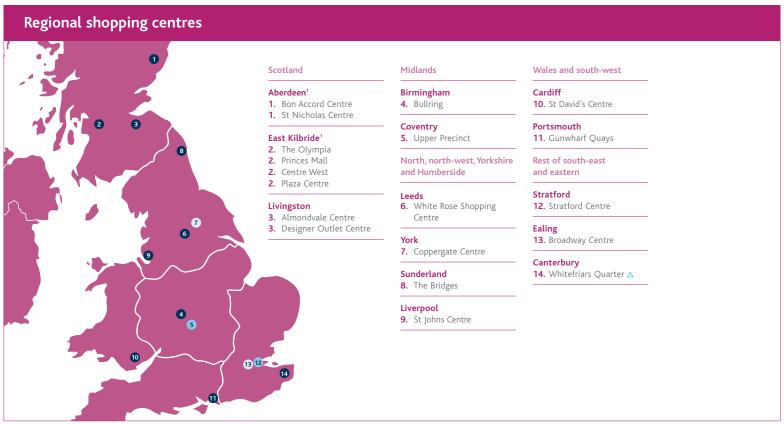




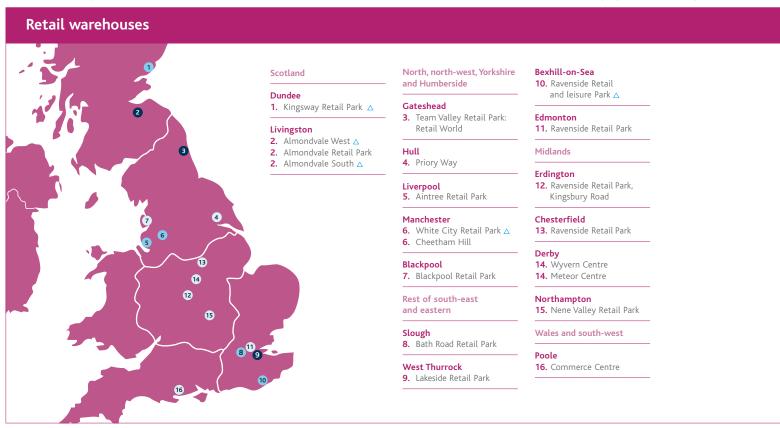
A BT telephone exchange



Property by location



△ In course of development or refurbishment • £100 million and above • £50 – £100 million • £25 – 50 million ¹Assets form the Scottish Retail Property Limited Partnership



△ In course of development or refurbishment • £100 million and above • £50 – £100 million • £25 – 50 million

Central London

EC2

- 1. 30 Gresham Street
- 2. Dashwood House
- Moorgate Hall
 130 Wood Street

EC3

- 5. 13/23 Fenchurch Street
- 6. 49 Leadenhall Street
- 7. 6/12 Fenchurch Street and 1 Philpot Lane
- 8. Gracechurch House
- **9.** 37/39 and 40 Lime Street and 4 Fenchurch Avenue
- 10. New London House

EC4

- 11. New Street Square
- **12.** 1 New Change
- 13. 120 Cheapside and 4 Wood Street
- **14.** Regis House
- **15.** 50 Ludgate Hill
- **16.** 26 Old Bailey
- **17.** Cannon Street House and Martin House
- 18. Fleetbank House

WC1

19. Warner House

WC2

20. 40 Strand

W1

- **21.** 475/497 Oxford Street and Park House
- 22. Portman House
- 23. Devonshire House24. Piccadilly Circus
- 25. 12/24 Oxford Street and 2/5 Tottenham Court Road
- **26.** 6/17 Tottenham Court Ro
- Court Road 27. Oxford House
- 28. 455/473 Oxford Street
- **29.** 26/36 Oxford Street

W2

- **30.** 10/20/30 Eastbourne Terrace
- **31.** 40/50 Eastbourne Terrace

....

32. Notting Hill Gate

SW1

- **33.** Bowater House
- 34. Haymarket House
- 35. 10 Broadway
- **36.** The Home Office (Queen Anne's Mansions)
- **37.** Portland House
- **38.** Eland House
- **39.** Kingsgate House
- **40.** Cardinal Place △ **41.** 49/75 Buckingham
- **41.** 49/75 Buckingham Palace Road and 29 Bressenden Place
- 42. Wellington House
- **43.** Selborne House
- 44. Westminster City Hall
- **45.** Allington House
- **46.** Clive House

SE1

47. Bankside 1, 2, 3

SW6

48. Empress State





△ In course of development or refurbishment • £100 million and above • £50 – £100 million • £25 – 50 million

6/17 Tottenham Court Road London W1 5,920m²



190 High Holborn London WC1 (Sold)



Team Valley Retail Park Gateshead 35,240m²



Major property holdings

As at 31 March 2004 there were 219 properties within the portfolio. In the lists which follow, the valuation level for inclusion is £10m for industrial properties and £25m for properties in other sectors. Certain of these properties have been combined for ease of description. Properties have been split into values of over £100m, £50m to £100m, £50m and £10 to £25m. Office areas are approximate net areas and generally exclude basements, storage and car parking spaces. Dates indicate initial construction, later refurbishment (r) or last extended (e). All properties which are proposed developments are shown with current m^2 – see development pipeline schedule for new dimensions. Unless otherwise stated all properties are Freehold.

Location	Property name, address and description	Principal occupiers	Date built (b)/ last refurbished (r) or extended (e)	Total area m²
Regional sh	ops and shopping centres - £100m and above			
Aberdeen	Part of The Scottish Retail Property Limited Partnership – 50% interest			
	Bon Accord Centre: Leasehold shopping centre with three major stores and a link into the adjacent John Lewis department store. With over 50 shops, food court, leisure, offices and car park, this is the prime pitch for Aberdeen.	Primark, Woolworth, Boots, Disney, Dorothy Perkins, Etam, Laura Ashley, New Look	1990 (b)	31,030
	St Nicholas Centre: Leasehold shopping centre with over 20 units and linking in to the adjacent Marks & Spencer Store. This centre provides the main route between Union Street and Bon Accord	Dixons, Miss Selfridge, Next, River Island, WHSmith	1985	11,750
Birmingham	Bullring: Opened in September 2003, the award winning Bullring has transformed the retail provision in Birmingham with its Selfridges and Debenhams department stores and over 130 further shops and restaurants (one third interest)	Debenhams, Selfridges, Benetton, Borders, Gap, H&M, Next, Zara	2003 (b)	111,480
Canterbury	Whitefriars Quarter: This includes all of the assets listed below which will work together to provide a majority part of the retail floorspace in Canterbury			
	Whitefriars: Shopping centre with Fenwicks department store. Under construction. See Development Pipeline schedule	Fenwick, Boots, Tesco	To be completed 2005	
	Longmarket: Leasehold scheme of 16 shops, conservatory restaurant and museum	Body Shop, Gap, Link, Virgin	1992 (b)	4,650
	Clocktower: Leasehold scheme of five shops, offices and car park	Burger King, Evans, JJB Sports, QS	1993 (b)	2,100
	Marlowe Arcade and Graylaw House: Leasehold shopping centre with one store, 14 shops and 710m ² offices	Bhs, HMV, Miss Selfridge, Top Shop	1985 (b)	10,400
Cardiff	St David's Centre (including St David's Link): The principal covered shopping centre in Cardiff. St David's anchored by Debenhams and with over 70 unit shops links into the adjacent Marks & Spencer and Boots stores. The scheme is set to benefit from the development of the 110,000m ² St David's 2, which is to be anchored by John Lewis	Debenhams, Bhs, Alexon, C&J Clark, Miss Selfridge, Mothercare, Peacocks,	1991 (r)	39,740
East Kilbride	Part of The Scottish Retail Property Limited Partnership – 50% interest			
	Centre West: Leasehold shopping centre completed in March 2003 providing a department store for Debenhams and major stores for Next and Zara along with over 45 other shops and foodcourt.	Debenhams, French Connection, HMV, Next, River Island, Superdrug, USC Zara,	2003 (b)	26,000
	Olympia: Shopping centre with two stores, 50 shops, nine-screen cinema, library, restaurants, food court, nightclub	Safeway, Adams, Allsports, Etam, H&M	1989 (b)	32,520
	Princes Mall: Shopping centre with over 40 shops, public house and 950m² of offices	Argos, Bon Marche, Farm Foods, Poundland, Superdrug	1994 (r)	13,940
	Plaza: Shopping centre with over 50 shops and stores together with 15,000m ² of offices	Marks & Spencer, Bhs, Boots, Mothercare, Primark WHSmith,	1972 (b) 1989 (r)	43,000
Leeds	White Rose: Opened in 1997, this centre is located on the edge of Leeds and is anchored by Debenhams and Sava Centre. There are 11 further stores, over 70 shops and a food court	Sainsburys, Debenhams, Argos, Bhs, Boots, Clinton Cards, Etam, Next, River Island, WHSmith, Woolworth	1997 (b)	60,390
Liverpool	St John's and Williamson Square: St John's is the largest covered centre in Liverpool with over 100 shops and stores, indoor market, food court, car park, hotel and Beacon. Williamson Square links directly with St John's and includes four large shop units.	Wilkinsons, Woolworth, Argos, Iceland, JD Wetherspoon, Mark One, New Look	St John's 1989 (r) Williamson Square 1999 (b)	38,800
Livingston	Almondvale Centre: With over 100 shops and stores and accessible location close to the M8, the Almondvale Centre together with the designer outlet centre and retail parks acts as a major destination for the whole of the central belt of Scotland	Bhs, Argos, Etam, HMV, JJB Sports, Mothercare, New Look, Next, Superdrug, WHSmith, Woolworth	Phase I: 1996 (r) Phase II: 1996 (b)	48,310
Portsmouth	Gunwharf Quays: In late 2003, Land Securities took ownership of the Berkeley Group's remaining 50% interest in this 41,290m² mixed use waterfront destination. The scheme includes 87 shops, Cinema, Bowlplex, Comedy Club, Night Club, Casino, Hotel, Fitness Club, 22 restaurants, marina and car park	rerest in this 41,290m² mixed use waterfront French Connection, Gap, Shops, Cinema, Bowlplex, Comedy Club, Gieves & Hawkes Hobbs,		41,290
Sunderland	The Bridges & Market Square: This leasehold centre is the prime shopping in Sunderland with a Debenhams department store, over 100 shops and associated car parking.	Debenhams, Allsports, Boots, Clarks, Etam, Gap, H&M, Mark One, New Look, Next, Peacocks, TK Maxx, Superdrug, Tesco	The Bridges Phase I: 1969 and 1988 (r) Phase II: 2000 (b) Market Square 2001 (b)	47,840

Location	Property name, address and description	Principal occupiers	Date built (b)/ last refurbished (r) or extended (e)	Total area m²
Regional sh	ops and shopping centres – £50m to £100m			
Birmingham	Caxtongate: The three phases of Caxtongate provide quality retail units at the junction of New Street and Corporation Street			
	Phase I: 15 shops and 1,390m² of offices	H&M, JD Sports, Jane Norman	1997 (b)	9,750
	Phase II: 6 shops and residential	Jigsaw, Muji, Ted Baker, Tesco	2000 (b)	9,760
	Phase III: 1 store for Tesco with residential above. See Development Pipeline Schedule		To be completed 2004	
Bristol	Broadmead, Merchant Street, Horsefair, Bond Street, and Penn Street: Leasehold. 89 shops	Dixons, Gap, McDonald's, Superdrug	1957 and 1962	27,880
Coventry	Upper Precinct: Leasehold comprising 37 shops, public house and hotel	Bay Trading, Clinton Cards, JD Sports, River Island, Top Shop, Virgin	1955 (b) and 1991	11,000
Exeter	Leasehold comprising 3 stores, 90 shops, and 7,300m ² offices, residential and car park	Dorothy Perkins, Gap, Monsoon, Virgin	1952, 1964 and1971	15,000
Newcastle	The Gate: Leisure complex including multiplex cinema	Odeon, Frankie & Benny's, Pizza Hut, Tiger Tiger	2002 (b)	17,560
Stratford	London E15: Shopping centre with 6 stores, 58 shops, and 2,580m ² of air-conditioned offices	Boots, New Look, Peacocks, Sainsburys, Superdrug, WHSmith	1976 and 1998 (r)	30,450
Regional sh	ops and shopping centres – £25m to £50m			
Birmingham	Martineau Place: Leasehold comprising 17,420m² retail and 6,040m² offices (one-third interest)	Benetton, First Sport, Gap, H&M, Sainsburys	2001 (b)	23,460
Ealing	Broadway Centre: Shopping centre with 11 shops and 2,020m ² air-conditioned offices (part)	Clinton Cards, River Island, Russell and Bromley	1984 (b)	5,410
Hull	Leasehold: 34 shops and public house	C&J Clark, Next	1952/1956 (b)	8,350
Livingston	Designer Outlet Centre: Designer retail outlet with 95 shops, leisure and food court (50% interest)	Vue, Aquascutum, Burberry, Gap, Marks & Spencer, Reebok	2000 (b)	26,790
Plymouth	38 shops	C&J Clark, Next, McDonald's	1952/1965 (b)	10,630
York	Coppergate Centre: Part freehold, part leasehold shopping centre with 3 stores, 18 shops, museum, 19 flats and car park	Fenwick, Marks & Spencer, Allders, Boots, C&J Clark, Dolcis, Prestons, Starbucks	1984 (b)	14,860
Retail ware	house and food superstore properties – £100m and above			
Gateshead	Team Valley Retail Park , Retail World, leasehold, 21 retail warehouses and fast food restaurant. Extension planned	Homebase, TK Maxx, Boots, Next, MFI	2003 (r)	35,240
Livingston	Almondvale West, 5 retail warehouses, 1,300m ² extension under construction	Matalan, TK Maxx, JJB Sports, Pets at Home	2002 (r)	9,540
	Almondvale Retail Park, 9 retail warehouses	Halfords, Currys, MFI, JJB Sports	1997 (b)	10,050
	Almondvale South, Phase I -1 unit, Phase II - being built (5,300m²) planning consent for 4,180m²	Homebase	2002 (b)	9,480
West Thurrock	Lakeside Retail Park, 20 retail warehouses and fast food restaurant, being upgraded and refurbished	Next, Borders, Currys, PC World, Toys 'R' Us	2002 (r)	33,890
Retail ware	house and food superstore properties – £50m to £100m			
Bexhill-	Ravenside Retail and Leisure Park, 9 retail warehouses, food superstore,	Homebase, Currys,	1989 (b)	20,650
on-Sea Dundee	fast food restaurant, ten pin bowling alley, 3,065m² extension under construction Kingsway Retail Park, 11 retail warehouses and fast food restaurant. Major	PC World, Tesco Toys 'R' Us, Halfords,	2002 (e)	27,730
Liverpool	enlargement and reconfiguration commenced Aintree Racecourse Retail Park, Aintree, 11 retail warehouses and fast food	Currys, MFI B&Q, Courts, Comet,	2003 (r)	27,100
Manchester	restaurant, being upgraded White City Retail Park, 11 retail warehouses and 2 restaurants	Halfords, Harveys Homebase, Halfords,	1990 (b)	12,290
	being upgraded and extended	Currys, DFS	1930 (8)	12,230
Slough	Bath Road Retail Park, 6 retail warehouses	Homebase, MFI, Wickes, DFS	1998 (b)	14,200
Retail ware	house and food superstore properties – £25m to £50m			
Birmingham	Great Barr, food superstore	Asda	1998 (b)	8,430
Blackpool	Blackpool Retail Park, 9 retail warehouses. Extension planned	Currys, Halfords, Pets at Home	1996 (e)	11,270
Dartford	Eastern Quarry, 245 hectares of land with development potential		To be developed	
Derby	Wyvern Centre, 6 retail warehouses and fast food restaurant	Currys, Homebase, Halfords, Carpetright	1996 (e)	11,290
	Meteor Centre, 11 retail warehouses, fast food restaurant and public house	Focus, MFI, Lidl, Pets at Home	1994 (e)	17,330
Edmonton	Ravenside Retail Park, 4 retail warehouses and fast food restaurant	Wickes, Courts, Mothercare	1988 (b)	12,040
Erdington	Ravenside Retail Park, Kingsbury Road, 10 retail warehouses	MFI, Halfords, Currys	1999 (r)	14,130
Hull	Priory Way, Food superstore and retail warehouse	Homebase, Sainsbury's	2003 (e)	10,250
	Nene Valley Retail Park, 11 retail warehouses	Currys, Staples, Comet	2003 (r)	13,640
Poole	Commerce Centre, 5 retail warehouses	Homebase, Courts, Allied Carpets	1987 (b)	13,290

Major property holdings continued

Location	Property name, address and description	Principal occupiers	Date built (b)/ last refurbished (r) or extended (e)	Total area m²
Central an	nd Inner London properties – £100m and above			
EC2	30 Gresham Street, leasehold air-conditioned City offices incorporating 1,300m² of retail		2003 (b)	36,450
EC3	13/23 Fenchurch Street, part freehold, part leasehold, air-conditioned City offices and major retail unit	DKW	1984 (r)	15,620
EC4	One New Change, leasehold, air-conditioned City offices and 13 shops	Allen & Overy	1990 (r)	32,650
W1	Portman House, 2 Portman Street, air-conditioned West End offices incorporating 3,546m² retail	Cluttons, Conoco, Trafigura	2001 (b)	12,810
	Devonshire House, Piccadilly, air-conditioned West End offices, 9 showrooms and shops	Alliance Capital, Boston Consulting	part 1996/97 (r)	14,190
	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 with 1,460m² offices and 670m² of illuminated advertising	Gap, Burger King, Boots, Signs: McDonald's, Coca-Cola	part 2003 (r)	5,820
SW1	Bowater House, Knightsbridge, West End offices	Lowe Lintas, Marriott Hotels	1958 (b)	24,720
	The Home Office, 50 Queen Anne's Gate, air-conditioned West End offices	Secretary of State	1977 (b)	30,140
	Portland House, Bressenden Place, part air-conditioned West End offices incorporating 1,510m² basement restaurant	AMEX, Secretary of State, Angel Trains	part 2002 (r)	29,120
	Eland House, Bressenden Place, air-conditioned West End offices	Secretary of State	1995 (b)	23,170
	Kingsgate House, Victoria Street, air-conditioned West End offices and 18 shops	Secretary of State	1987 (r)	18,640
	Cardinal Place (formerly Esso House, Glen House, 16 Palace Street)	Under construction see development pipeline schedule p86		
Central an	nd Inner London properties – £50m to £100m			
EC3	49 Leadenhall Street, air-conditioned City offices and leisure centre	International London Underwriting Centre	1975 (b)	12,230
EC4	Fleetbank House, Salisbury Square, air-conditioned Midtown offices	Secretary of State	1974 (b)	11,370
	Regis House , King William Street, air-conditioned City offices incorporating public house and 530m² retail	Sun Microsystems, GE Frankona	1998 (b)	8,670
	New Street Square, 7 midtown offices (formerly New Fetter Lane)	Secretary of State, Ernst & Young, DJ Freeman, Taylor Raffety Associates	various	30,340
	50 Ludgate Hill, air-conditioned City offices with 12 shops, 2 public houses and 4 restaurants	Secretary of State	1985 (r)	11,040
WC1	Warner House, Theobald's Road, air-conditioned Midtown offices	Warner Bros	1999 (b)	12,390
WC2	40 Strand, air-conditioned Midtown offices and 8 shops	Bain & Co, ICL	1997 (r)	12,690
W1	12/24 Oxford Street and 2/5 Tottenham Court Road, an 8,360m ² store and 3 shops	Virgin Megastore	part 1998 (r)	8,850
	475/497 Oxford Street and Park House	Vacant offices, H&M, Dixons	1963(b)	6,980
W2	40/50 Eastbourne Terrace, Inner London offices and 4 ground floor units	NHS Estates	1950s (b)	12,960
	10/20/30 Eastbourne Terrace, Inner London offices	John Brown	1957/58 (b)	16,780
W11	Notting Hill Gate, Inner London offices, 52 shops, 2 stores and cinema	WHSmith, Boots, McDonald's, Crown Business Communications	1958	18,280
SW1	Haymarket House, Haymarket, part air-conditioned West End offices incorporating 3,410m ² of restaurants.	Secretary of State Curtis Brown, Tiger Tiger	part 2003 (r)	10,030
	10 Broadway, New Scotland Yard, air-conditioned West End offices, banking space and restaurant	Metropolitan Police	1966 (b)	35,670
	Clive House, Petty France, West End offices	Secretary of State	1950 (b)	9,400
SW6	Empress State, Lillie Road, Fulham, air-conditioned Inner London offices with 2,040m² retail/leisure		2003 (r)	43,330
SE1	Bankside 123	Under construction see development pipeline schedule		

Location	Property name, address and description	Principal occupiers	Date built (b)/ last refurbished (r) or extended (e)	Total area m²
Central Lor	ndon and Inner London properties – £25m to £50m			
EC2	Dashwood House, 69 Old Broad Street, air-conditioned City offices	ABN Amro, Pinsent Curtis and AMEX	1995 (r)	10,550
	Moorgate Hall, 143/171 Moorgate, air-conditioned City offices with 1,450m² retail 143/171 Moorgate	Marks & Spencer, Clinton Cards, DLJ, Hamburgische Landesbank	1990 (b)	7,540
	120 Cheapside & 4-9 Wood Street	Citigroup	1970s (b)	9,340
	130 Wood Street, air-conditioned City offices and bar/restaurant	Allen & Overy	1999 (r)	5,380
EC3	6/12 Fenchurch Street and 1 Philpot Lane, air-conditioned City offices and shops	DKW	1985	4,780
	Gracechurch House, 55 Gracechurch Street, air-conditioned City offices with 930m² health club	Royal London, Venton Services, David Lloyd Leisure	1993 (b)	6,720
	37/39 and 40 Lime Street and 4 Fenchurch Avenue, air-conditioned City offices	Small insurance agencies	Part 1998 (r)	9,380
	New London House, 6 London Street, air-conditioned City offices, 2 shops, 2 restaurants and public house	ED & F Man, Faraday Underwriting and other insurance agencies	1993 (r)	6,180
EC4	26 Old Bailey, air-conditioned City offices	Secretary of State	1984 (r)	6,310
	Cannon Street House and Martin House, air-conditioned City offices	Nicholson Graham & Jones	1996 (r)	8,100
W1	7 Soho Square, air-conditioned West End offices and retail.	Expedia, Metropolitan Police, Tesco	2003 (r)	5,720
	6/17 Tottenham Court Road, Retail with 242m² offices	EasyEverything, Sainsbury's, Boots	1999 (b)	5,920
	Oxford House, 70/88 Oxford Street, air-conditioned West End offices and 5 shops	Secretary of State, Universal Pictures	Part 1994 (r)	5,680
	455/473 Oxford Street, 4 shops and restaurant	Mothercare	1963	3,020
	26/36 Oxford Street, air-conditioned bank, large shop, kiosk, restaurant and 1,050m² educational use	Lloyds Bank, Cromwells Madhouse	1983 (r)	5,010
SW1	49/75 Buckingham Palace Road and 29 Bressenden Place, West End offices, 136 bedroom hotel, 30 flats and 7 shops	Royal Westminster Thistle Hotel, IIR	1994 (r)	6,130
	Allington House, 50 Victoria Street, air-conditioned West End offices incorporating 930m² retail	Rolls-Royce, Sainsbury's	1997	4,530
	Allington Towers, 17 Allington Street	Secretary of State	1980s (b)	5,500
	Wellington House, Buckingham Gate, air-conditioned West End offices	Metropolitan Police	1978 (b)	4,970
	Selborne House, Victoria Street, air-conditioned West End offices	Secretary of State	1966	10,030
	Westminster City Hall, Victoria Street, air-conditioned West End offices	Westminster City Council	1965	15,750
	St Albans House, Haymarket, air-conditioned 4,270m ² offices and 2 restaurants	Burberry's, McDonald's	2000 (r)	4,270
Location			2000 (r) Date built (b)/ last refurbished (r) or extended (e)	
	St Albans House, Haymarket, air-conditioned 4,270m² offices and 2 restaurants Property name, address and description industrial properties – £25m to £50m	Burberry's, McDonald's Principal occupiers	Date built (b)/ last refurbished (r)	4,270 Total
South-east	Property name, address and description industrial properties – £25m to £50m Juniper, Phase I: 3 warehouses and 1 office building	Principal occupiers TNT, Ford and Schenker	Date built (b)/ last refurbished (r)	4,270 Total
South-east Basildon Frimley (near	Property name, address and description industrial properties – £25m to £50m	Principal occupiers	Date built (b)/ last refurbished (r) or extended (e)	4,270 Total area m²
South-east Basildon Frimley	Property name, address and description industrial properties – £25m to £50m Juniper, Phase I: 3 warehouses and 1 office building Phase II: 4 warehouse units under construction	Principal occupiers TNT, Ford and Schenker 2002 (b) and 2003 (b) Lucas Industries,	Date built (b)/ last refurbished (r) or extended (e)	4,270 Total area m² 36,630
South-east Basildon Frimley (near Camberley) Hatfield Heston (near	Property name, address and description industrial properties – £25m to £50m Juniper, Phase I: 3 warehouses and 1 office building Phase II: 4 warehouse units under construction Albany Park, 30 industrial/warehouse units Welham Green, Regional distribution centre Heston Centre and Spitfire Trading Estate, 19 industrial/distribution units of differing size and specification.	TNT, Ford and Schenker 2002 (b) and 2003 (b) Lucas Industries, Travelex and Siemens	Date built (b)/ last refurbished (r) or extended (e) 2001 (r) 1982 (b) and 1984 (b) 1986 (b) and extended	4,270 Total area m ² 36,630 26,230
South-east Basildon Frimley (near Camberley) Hatfield Heston (near Heathrow) Sunbury	Property name, address and description industrial properties – £25m to £50m Juniper, Phase I: 3 warehouses and 1 office building Phase II: 4 warehouse units under construction Albany Park, 30 industrial/warehouse units Welham Green, Regional distribution centre Heston Centre and Spitfire Trading Estate, 19 industrial/distribution units of	TNT, Ford and Schenker 2002 (b) and 2003 (b) Lucas Industries, Travelex and Siemens Tesco Distribution Ltd	Date built (b)/ last refurbished (r) or extended (e) 2001 (r) 1982 (b) and 1984 (b) 1986 (b) and extended 1988 1977 (b), 1982 (b),	4,270 Total area m² 36,630 26,230
South-east Basildon Frimley (near Camberley) Hatfield Heston (near Heathrow) Sunbury Cross West	Property name, address and description industrial properties – £25m to £50m Juniper, Phase I: 3 warehouses and 1 office building Phase II: 4 warehouse units under construction Albany Park, 30 industrial/warehouse units Welham Green, Regional distribution centre Heston Centre and Spitfire Trading Estate, 19 industrial/distribution units of differing size and specification. Currently 10,240m² is being refurbished	TNT, Ford and Schenker 2002 (b) and 2003 (b) Lucas Industries, Travelex and Siemens Tesco Distribution Ltd Expeditors, P&O, Hays, and TNT ICI, Unigate,	Date built (b)/ last refurbished (r) or extended (e) 2001 (r) 1982 (b) and 1984 (b) 1986 (b) and extended 1988 1977 (b), 1982 (b), 1984 (b) and 2003 (r)	4,270 Total area m ² 36,630 26,230 31,300 28,330
South-east Basildon Frimley (near Camberley) Hatfield Heston (near Heathrow) Sunbury Cross West Thurrock	Property name, address and description industrial properties – £25m to £50m Juniper, Phase I: 3 warehouses and 1 office building Phase II: 4 warehouse units under construction Albany Park, 30 industrial/warehouse units Welham Green, Regional distribution centre Heston Centre and Spitfire Trading Estate, 19 industrial/distribution units of differing size and specification. Currently 10,240m² is being refurbished Hanworth Road (includes Interchange West), 3 distribution warehouse units	Principal occupiers TNT, Ford and Schenker 2002 (b) and 2003 (b) Lucas Industries, Travelex and Siemens Tesco Distribution Ltd Expeditors, P&O, Hays, and TNT ICI, Unigate, Johnson & Johnson Debenhams, Weir Pumps,	Date built (b)/ last refurbished (r) or extended (e) 2001 (r) 1982 (b) and 1984 (b) 1986 (b) and extended 1988 1977 (b), 1982 (b), 1984 (b) and 2003 (r) 1970 (b) and 1976 (b) 1973 (b), 1975 (b)	4,270 Total area m² 36,630 26,230 31,300 28,330 29,360
South-east Basildon Frimley (near Camberley) Hatfield Heston (near Heathrow) Sunbury Cross West Thurrock South-east	Property name, address and description industrial properties – £25m to £50m Juniper, Phase I: 3 warehouses and 1 office building Phase II: 4 warehouse units under construction Albany Park, 30 industrial/warehouse units Welham Green, Regional distribution centre Heston Centre and Spitfire Trading Estate, 19 industrial/distribution units of differing size and specification. Currently 10,240m² is being refurbished Hanworth Road (includes Interchange West), 3 distribution warehouse units Motherwell Way, 37 warehouse/industrial units. Extension planned	Principal occupiers TNT, Ford and Schenker 2002 (b) and 2003 (b) Lucas Industries, Travelex and Siemens Tesco Distribution Ltd Expeditors, P&O, Hays, and TNT ICI, Unigate, Johnson & Johnson Debenhams, Weir Pumps, Avery Automotive	Date built (b)/ last refurbished (r) or extended (e) 2001 (r) 1982 (b) and 1984 (b) 1986 (b) and extended 1988 1977 (b), 1982 (b), 1984 (b) and 2003 (r) 1970 (b) and 1976 (b) 1973 (b), 1975 (b) and 1979 (b)	4,270 Total area m² 36,630 26,230 31,300 28,330 29,360 29,060
South-east Basildon Frimley (near Camberley) Hatfield Heston (near Heathrow) Sunbury Cross West Thurrock South-east Barking	Property name, address and description industrial properties – £25m to £50m Juniper, Phase I: 3 warehouses and 1 office building Phase II: 4 warehouse units under construction Albany Park, 30 industrial/warehouse units Welham Green, Regional distribution centre Heston Centre and Spitfire Trading Estate, 19 industrial/distribution units of differing size and specification. Currently 10,240m² is being refurbished Hanworth Road (includes Interchange West), 3 distribution warehouse units Motherwell Way, 37 warehouse/industrial units. Extension planned industrial properties – £10m to £25m New England Industrial Estate, 6 warehouse/industrial units	Principal occupiers TNT, Ford and Schenker 2002 (b) and 2003 (b) Lucas Industries, Travelex and Siemens Tesco Distribution Ltd Expeditors, P&O, Hays, and TNT ICI, Unigate, Johnson & Johnson Debenhams, Weir Pumps, Avery Automotive Sheffield Insulations, Royal Mail	Date built (b)/ last refurbished (r) or extended (e) 2001 (r) 1982 (b) and 1984 (b) 1986 (b) and extended 1988 1977 (b), 1982 (b), 1984 (b) and 2003 (r) 1970 (b) and 1976 (b) 1973 (b), 1975 (b) and 1979 (b) 1978 (b), 1981 (b)	4,270 Total area m² 36,630 26,230 31,300 28,330 29,360 29,060
South-east Basildon Frimley (near Camberley) Hatfield Heston (near Heathrow) Sunbury Cross West Thurrock South-east Barking Basildon	Property name, address and description industrial properties – £25m to £50m Juniper, Phase I: 3 warehouses and 1 office building Phase II: 4 warehouse units under construction Albany Park, 30 industrial/warehouse units Welham Green, Regional distribution centre Heston Centre and Spitfire Trading Estate, 19 industrial/distribution units of differing size and specification. Currently 10,240m² is being refurbished Hanworth Road (includes Interchange West), 3 distribution warehouse units Motherwell Way, 37 warehouse/industrial units. Extension planned industrial properties – £10m to £25m New England Industrial Estate, 6 warehouse/industrial units Zenith, New development of 8 warehouse/industrial units and 1 refurbished unit	Principal occupiers TNT, Ford and Schenker 2002 (b) and 2003 (b) Lucas Industries, Travelex and Siemens Tesco Distribution Ltd Expeditors, P&O, Hays, and TNT ICI, Unigate, Johnson & Johnson Debenhams, Weir Pumps, Avery Automotive Sheffield Insulations, Royal Mail Ellis & Everard, Artisan	Date built (b)/ last refurbished (r) or extended (e) 2001 (r) 1982 (b) and 1984 (b) 1986 (b) and extended 1988 1977 (b), 1982 (b), 1984 (b) and 2003 (r) 1970 (b) and 1976 (b) 1973 (b), 1975 (b) and 1979 (b) 1978 (b), 1981 (b) 2002 (b)	4,270 Total area m² 36,630 26,230 31,300 28,330 29,360 29,060 12,930 18,300
South-east Basildon Frimley (near Camberley) Hatfield Heston (near Heathrow) Sunbury Cross West Thurrock	Property name, address and description industrial properties – £25m to £50m Juniper, Phase I: 3 warehouses and 1 office building Phase II: 4 warehouse units under construction Albany Park, 30 industrial/warehouse units Welham Green, Regional distribution centre Heston Centre and Spitfire Trading Estate, 19 industrial/distribution units of differing size and specification. Currently 10,240m² is being refurbished Hanworth Road (includes Interchange West), 3 distribution warehouse units Motherwell Way, 37 warehouse/industrial units. Extension planned industrial properties – £10m to £25m New England Industrial Estate, 6 warehouse/industrial units Zenith, New development of 8 warehouse/industrial units and 1 refurbished unit Commerce Park, 11 warehouse industrial unis	Principal occupiers TNT, Ford and Schenker 2002 (b) and 2003 (b) Lucas Industries, Travelex and Siemens Tesco Distribution Ltd Expeditors, P&O, Hays, and TNT ICI, Unigate, Johnson & Johnson Debenhams, Weir Pumps, Avery Automotive Sheffield Insulations, Royal Mail Ellis & Everard, Artisan Carpetright, Trinity Mirror	Date built (b)/ last refurbished (r) or extended (e) 2001 (r) 1982 (b) and 1984 (b) 1986 (b) and extended 1988 1977 (b), 1982 (b), 1984 (b) and 2003 (r) 1970 (b) and 1976 (b) 1973 (b), 1975 (b) and 1979 (b) 1978 (b), 1981 (b) 2002 (b) 2003	4,270 Total area m² 36,630 26,230 31,300 28,330 29,360 29,060 12,930 18,300 12,620
South-east Basildon Frimley (near Camberley) Hatfield Heston (near Heathrow) Sunbury Cross West Thurrock South-east Barking Basildon Croydon Guildford	Property name, address and description industrial properties – £25m to £50m Juniper, Phase I: 3 warehouses and 1 office building Phase II: 4 warehouse units under construction Albany Park, 30 industrial/warehouse units Welham Green, Regional distribution centre Heston Centre and Spitfire Trading Estate, 19 industrial/distribution units of differing size and specification. Currently 10,240m² is being refurbished Hanworth Road (includes Interchange West), 3 distribution warehouse units Motherwell Way, 37 warehouse/industrial units. Extension planned industrial properties – £10m to £25m New England Industrial Estate, 6 warehouse/industrial units Zenith, New development of 8 warehouse/industrial units and 1 refurbished unit Commerce Park, 11 warehouse industrial units	Principal occupiers TNT, Ford and Schenker 2002 (b) and 2003 (b) Lucas Industries, Travelex and Siemens Tesco Distribution Ltd Expeditors, P&O, Hays, and TNT ICI, Unigate, Johnson & Johnson Debenhams, Weir Pumps, Avery Automotive Sheffield Insulations, Royal Mail Ellis & Everard, Artisan Carpetright, Trinity Mirror Big Yellow and BOC	Date built (b)/ last refurbished (r) or extended (e) 2001 (r) 1982 (b) and 1984 (b) 1986 (b) and extended 1988 1977 (b), 1982 (b), 1984 (b) and 2003 (r) 1970 (b) and 1976 (b) 1973 (b), 1975 (b) and 1979 (b) 1978 (b), 1981 (b) 2002 (b)	4,270 Total area m² 36,630 26,230 31,300 28,330 29,360 29,060 12,930 18,300 12,620 11,440
South-east Basildon Frimley (near Camberley) Hatfield Heston (near Heathrow) Sunbury Cross West Thurrock South-east Barking Basildon Croydon Guildford Hayes	Property name, address and description industrial properties – £25m to £50m Juniper, Phase I: 3 warehouses and 1 office building Phase II: 4 warehouse units under construction Albany Park, 30 industrial/warehouse units Welham Green, Regional distribution centre Heston Centre and Spitfire Trading Estate, 19 industrial/distribution units of differing size and specification. Currently 10,240m² is being refurbished Hanworth Road (includes Interchange West), 3 distribution warehouse units Motherwell Way, 37 warehouse/industrial units. Extension planned industrial properties – £10m to £25m New England Industrial Estate, 6 warehouse/industrial units Zenith, New development of 8 warehouse/industrial units and 1 refurbished unit Commerce Park, 11 warehouse industrial units Silverdale Road, 5 Industrial/warehouse units	Principal occupiers TNT, Ford and Schenker 2002 (b) and 2003 (b) Lucas Industries, Travelex and Siemens Tesco Distribution Ltd Expeditors, P&O, Hays, and TNT ICI, Unigate, Johnson & Johnson Debenhams, Weir Pumps, Avery Automotive Sheffield Insulations, Royal Mail Ellis & Everard, Artisan Carpetright, Trinity Mirror Big Yellow and BOC Siemans, Nalco Foods, Bridisco	Date built (b)/ last refurbished (r) or extended (e) 2001 (r) 1982 (b) and 1984 (b) 1986 (b) and extended 1988 1977 (b), 1982 (b), 1984 (b) and 2003 (r) 1970 (b) and 1976 (b) 1973 (b), 1975 (b) and 1979 (b) 1978 (b), 1981 (b) 2002 (b) 2003	4,270 Total area m² 36,630 26,230 31,300 28,330 29,360 29,060 12,930 18,300 12,620 11,440 8,540
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Glossary

Adjusted EPS

Earnings per share based on revenue profits and adjusted to exclude deferred tax associated with investment properties

Adjusted NAV per share

NAV per share adjusted to add back deferred tax associated with investment property together with any accounting deficits in joint ventures that do not represent actual liabilities of the Group

Average unexpired lease term

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

Balanced scorecard

An approach to strategic management developed in the early 1990s by Drs. Robert Kaplan and David Norton to translate an organisation's vision into a set of performance indicators distributed among four perspectives: Financial, Customer, Internal Business Processes, and Learning and Growth

Book value

The amount at which assets and liabilities are reported in the accounts

Building Research Establishment Environmental Assessment Method

Contingent tax liability

The unprovided further capital gains tax which may become payable if the Group's investments and properties were sold at their balance sheet values including the valuation surplus on trading and development properties net of any tax losses which have not been recognised in the balance sheet

Credit ratingAn independent assessment by Credit Rating Agencies of a borrower's overall ability to meet its financial obligations under debt and similar arrangements

Development pipeline

The Group's development programme and together with any proposed schemes that are not yet included in the development programme but which are more likely to proceed than not

Development programmeThe Group's development programme comprises projects which are completed but less than 95% let; developments on site; committed developments (being projects which are approved and the building contract let); and authorised developments (those projects approved by the Board for which the building contract has not yet been let). For reporting purposes we retain properties in the programme until they are 95% let

Development surplusExcess of latest valuation over the total development cost

Diluted figuresReported amount adjusted to include the effects of potential shares issuable under employee share schemes

Dividend cover

Number of times the equity dividend charge in the profit and loss account is covered by profit after tax attributable to ordinary shareholders

Earnings per share (EPS)

Profit after taxation attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year

Estimated rental value (ERV)

The estimated market rental value of lettable space as determined biannually by the Company's valuers as this will normally be different to the rent being paid

FRS3 profit/(loss)

Profit/(loss) on disposal of fixed asset properties calculated as the excess/(deficit) of net sale proceeds over the book value. For investment properties book value comprises the Company's valuers' annual valuation at the previous financial year end plus any additions in the period

Financial Reporting Standards 17 (FRS17) 'Retirement Benefits'. See Accounting Policy Note 1

Gearing (net)

Total borrowings, including bank overdrafts, less shortterm deposits, corporate bonds and cash, at book value. plus non equity shareholders' funds 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

Interest rate swap

A financial instrument where two parties agree to exchange an interest rate obligation for a pre-determined amount of time

Investment portfolio

All investment properties and development properties excluding Land Securities Trillium properties and trading properties

Investment properties

Properties held for investment purposes, excluding development programme, Kent Thameside, Land Securities Trillium properties and trading properties

Investment property databank. An independent information business which supplies market indices and portfolio benchmarks to the property industry

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

Like-for-like portfolio

Properties that have been in the investment portfolio for the whole of the current and previous financial year

The National Examining Board in Occupational Safety and Health

Net asset value (NAV) per share Equity shareholders' funds divided by the number of Ordinary shares in issue at the period end

Open A1 planning permissionPlanning 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 property outsourcing contracts with third parties

Over-rented

Space that is let at a rent above its ERV

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

A lease signed with an occupier 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 likefor-like basis

Revenue profit

Profit before tax, excluding FRS3 profits/(losses) and any exceptional items

Includes shops, shopping centres, Central London retail and retail warehouses

Retail parkA scheme of three or more retail warehouse units aggregating over 4,650m² with shared parking

Reversionary or under-rented

Space where the passing rent is below the ERV

Reversionary yieldThe anticipated yield, which the initial yield will rise to once the rent reaches the ERV

South-east industrial

Includes high bay distribution and estates suitable for distribution, storage and manufacturing use

Statement of Standard Accounting Practice (SSAP19) 'Accounting for Investment Properties'. See Accounting

Stamp dutyGovernment tax levied on certain legal transactions including the purchase of property

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 returnValuation surplus, FRS3 profit/(loss) 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

The growth in value of a share holding over a specified period, assuming that dividends are reinvested to purchase additional units of the stock

Trading properties

Properties held for trading purposes and shown as current assets in the Balance Sheet. See Accounting Policy Note 1

Urgent Issue Task Force Abstract 28 (UITF28) 'Operating Lease Incentive' requires the Group to treat incentives for lessees to enter a lease to be offset against the total rent due. See Accounting Policy Note 1

UITF34

Urgent Issues Task Force Abstract 34 (UITF34) 'Pre contract Costs' requires bid costs incurred prior to exchange of contract to be expensed. See Accounting Policy Note 1

Unitary charge

The basic payment received by Land Securities Trillium under an outstanding contract

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%, a risk free rate of 4.45% and a beta of 0.62 – calculated using the average Bloomberg beta for the last four quarters), applied to the fair value of debt and equity and then suitably weighted

Yield on present income

The annual net rents generated by the portfolio expressed as a percentage of the portfolio valuation

A means of analysing the rental value of retail space by dividing it into zones parallel with the main frontage. The most valuable zone, Zone 'A', is at the front of the unit. Each successive zone is valued at half the rate of the zone in front of it

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Investor information

The report and financial statements, share price information, company presentations, primary financial statements as excel downloads, the corporate calendar, corporate governance and other investor information on the Group are available through the internet on www.landsecurities.com

Registrar

All enquiries concerning holdings of ordinary shares, B shares, debentures or loan stocks in Land Securities Group PLC, including notification of change of address, queries regarding dividend/interest payments or the loss of a certificate, should be addressed to:

Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA.

Telephone: 0870 600 3972. Textphone: 0870 600 3950. Website: www.shareview.co.uk

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

Payment of dividends/interest

Shareholders who wish to have their dividends/interest paid directly into a bank or building society account should complete a mandate instruction available from the registrars. Under this arrangement tax vouchers are sent to the shareholder's registered address.

Dividend reinvestment plan (DRIP)

The Company offers shareholders the option to participate in a DRIP. This enables shareholders to reinvest cash dividends in Land Securities Group PLC shares.

For further details, contact:

The Share Dividend Team, Lloyds TSB Registrars, The Causeway,

Worthing, West Sussex, BN99 6DA.

Telephone: 0870 241 3018.

International dialling: +44 121 415 7049

Analysis of equity shareholdings			At 31 March 2004		
by size of holding	Number of holdings	%	Balance at 31/3/2004	%	
up to 500	12,118	39.31	3,242,036	0.70	
501 to 1,000	8,401	27.25	6,162,720	1.32	
1,001 to 5,000	8,294	26.90	16,225,689	3.48	
5,001 to 10,000	696	2.26	4,874,503	1.05	
10,001 to 50,000	734	2.38	16,278,695	3.49	
50,001 to 100,000	165	0.54	12,064,603	2.59	
100,001 to 500,000	257	0.83	57,126,982	12.26	
500,001 to 1,000,000	75	0.24	54,504,275	11.70	
1,000,001 and above	88	0.29	295,445,042	63.41	
	30,828	100.00	465,924,545	100.00	

Low cost share dealing facilities

These provide both existing and prospective shareholders with simple, low cost ways of buying and selling Land Securities Group PLC ordinary shares.

Shareview dealing is a telephone and internet dealing service. For telephone dealing call 0870 850 0852 between 8.30am and 4.30pm, Monday to Friday.

For internet dealing log on to www.shareview.co.uk/dealing

A postal dealing service is also available. Full details and a form can be obtained by calling 0870 242 4244.

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 242 4244.

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.

The appropriate values to be used as base costs in respect of shares in Land Securities Group PLC issued under the Scheme of Arrangement are: Ordinary shares – 769p

B shares – 101p

so that the new ordinary shares and the B shares received in respect of the old ordinary shares in Land Securities PLC will attract 86.99% and 13.01% respectively of the base cost in those old ordinary shares.

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, Leconfield House, Curzon Street, London W1J 5JA. Telephone: 0870 241 1713; website www.uar.co.uk

Share price information

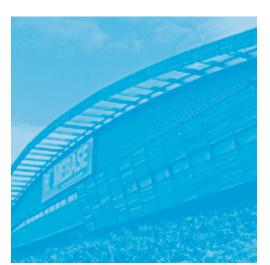
The latest information on Land Securities Group PLC share price is available on our website **www.landsecurities.com** or on the Financial Times Cityline Service: telephone: 0906 8433133 (calls charged at 60p per minute).

Registered office

5 Strand, London WC2N 5AF Registered in England and Wales No. 4369054

Offices

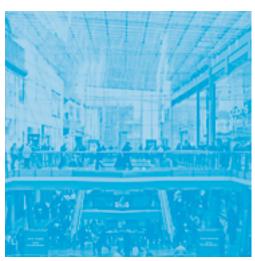
5 Strand, London WC2N 5AF (Telephone: 020 7413 9000) and at 140 London Wall EC2, Glasgow and Leeds





From top (left to right):
Almondvale South
Retail Park, Livingston
Bowater House, London, SW1
New Scotland Yard, London, SW1
Bullring, Birmingham
Cobbett Park, Guildford
Designer Outlet, Livingston









Designed by SAS Photography by Simon Phipps Typeset by Orb Solutions Printed by St Ives Westerham Press, environmentally accredited printers ISO 14001.

This report is printed on paper that meets international environmental standards, contains elemental chlorine free (ECF) virgin pulp, obtained from sustainably managed forests.

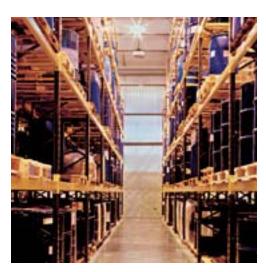
making property work













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