

Property today: what differentiates a leader  
from a follower?



## Creating value

We are delighted to report on an outstanding year for Land Securities, generating a return on equity for shareholders of 21.3% (pre-exceptional charge), and a 16.6% increase in the total dividend this year. In the Chairman's Statement and the first section of the Operating and Financial Review we discuss the key financial and operational highlights and performance drivers for the business. We also review our operating environment and the prospects for the business. [Page 11](#)



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## Using our expertise

We have focused our activities on areas of the market where we can benefit fully from the expertise of our people. Section Two of the Operating and Financial Review demonstrates how we are using this expertise to create value. Here, we explain the performance and activity of our Retail, London and Property Outsourcing businesses as well as providing an update on our Urban Community Development activities. [Page 31](#)



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## Acting responsibly

Land Securities' core values of integrity, customer service, respect for the individual, excellence and innovation instil in our people a strong desire to manage the business in a responsible way. Section Three brings together all the elements of the Annual Report which demonstrate how we live up to these values. [Page 57](#)

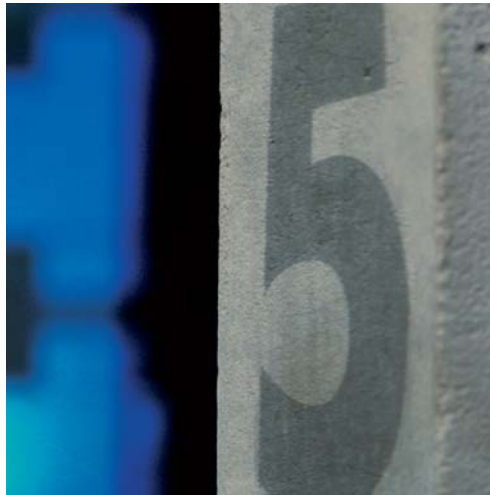


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## Welcome to Land Securities' Annual Report 2005

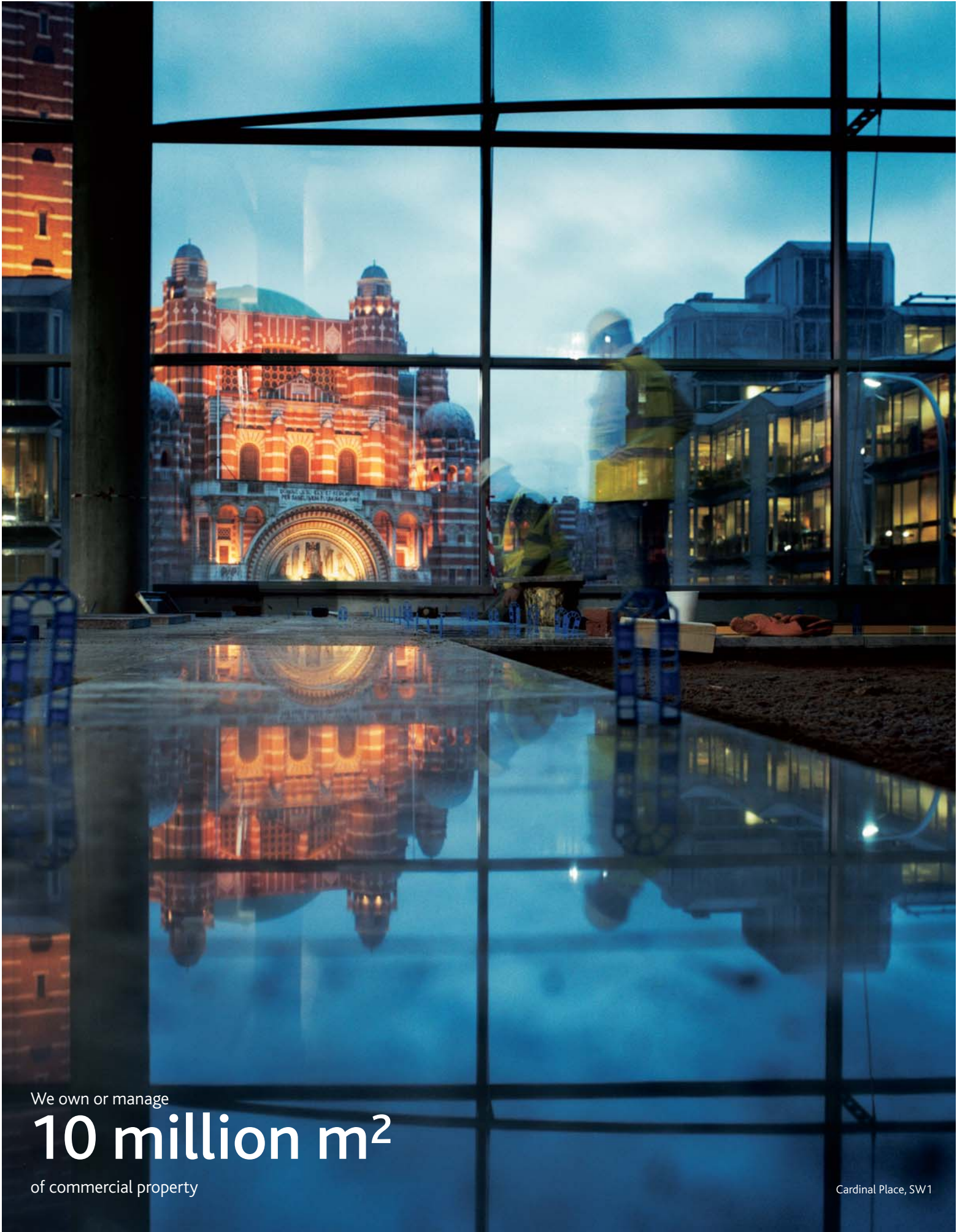
As the UK's leading quoted property company our aim is to create attractive, sustainable returns for shareholders through a strategy of investing in commercial property in markets and activities where we believe we can deliver total business returns in excess of our cost of equity. Our focus will be on areas where we have expertise and operational skills, where we can benefit from our risk management skills and active recycling of capital.

Today, as a result of this strategy, we own more than £10bn of commercial property across the UK which, together with the property we manage for our outsourcing customers, makes us responsible for over 10 million m<sup>2</sup> of accommodation. This is equivalent in floorspace terms to more than all the offices in London's West End.

As a business we place great value on our private and public sector customers. We have 2,000 occupiers across our investment portfolio and six property outsourcing clients.

We hope that you find this report informative and helpful; if you have any views on our progress, or the Report, we would be delighted to hear from you. Our contact details are on the inside back cover.





We own or manage

**10 million m<sup>2</sup>**


of commercial property

Cardinal Place, SW1



## About Land Securities

### Retail



**Richard Akers** Managing Director,  
Retail

**Key points**

- 21 shopping centres and 26 retail warehouse parks
- over 1.1 million m<sup>2</sup> of retail accommodation
- more than 1,300 retailer occupiers
- nearly 300m shopper visits per year
- almost 60,000 people work in our shopping centres
- planning consents for some 300,000m<sup>2</sup> of retail space
- recommended offer made for Tops Estates PLC, which owns seven shopping centres

### London Portfolio



**Mike Hussey** Managing Director,  
London Portfolio

**Key points**

- over 1 million m<sup>2</sup> of office and retail accommodation
- more than 50,000 people work in offices owned by us
- provide accommodation for over 650 organisations
- potential to develop 500,000m<sup>2</sup> of commercial and residential space over next 10 years
- over 100,000m<sup>2</sup> of developments on-site



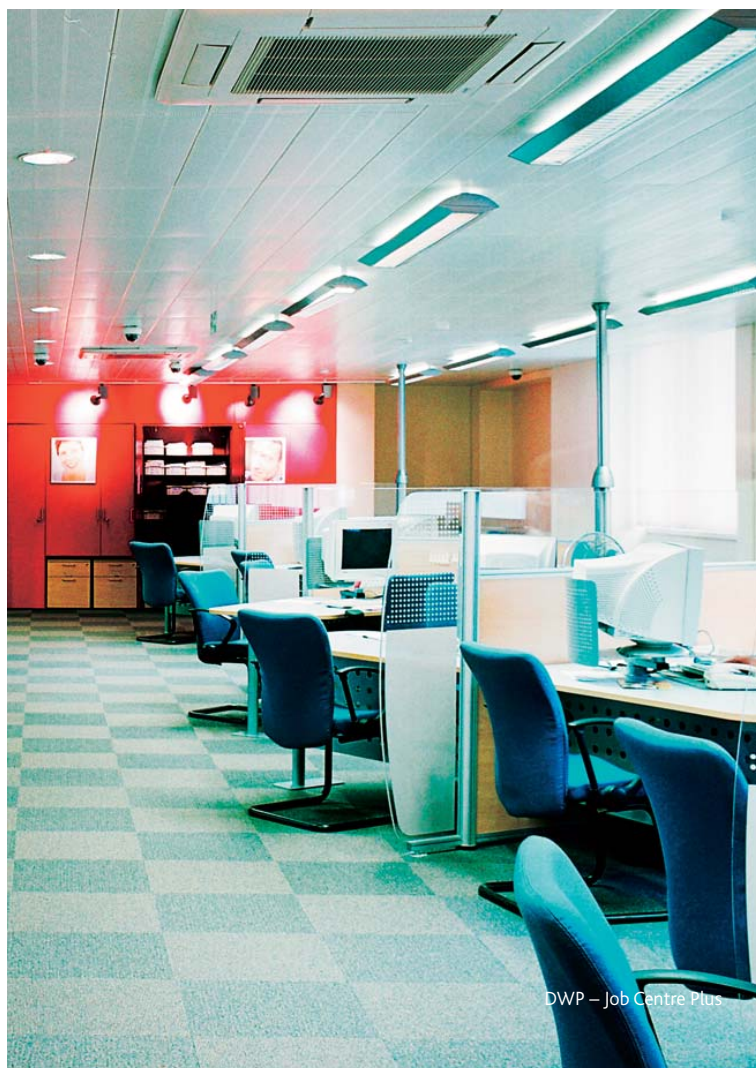


## Property Outsourcing




**Ian Ellis** Chief Executive,  
Land Securities Trillium

Key points	Floorspace	No of Properties
▪ DWP	2.58m m <sup>2</sup>	1,700
▪ BBC	0.37m m <sup>2</sup>	174
▪ BT	4.99m m <sup>2</sup>	6,500
▪ Norwich Union	0.12m m <sup>2</sup>	24
▪ Barclays	0.03m m <sup>2</sup>	14
▪ DVLA	0.09m m <sup>2</sup>	58
▪ 10,000 people across the UK provide facilities management		
▪ 250,000 people work in offices managed by us		



## Urban Community Development



**Mark Collins** Chief Operating Officer,  
New Business Development, Group Operations and Urban Community Development

**Key points**  
Kent Thameside

Approximately 700 hectares of land with potential for

- 15,000 new homes
- 700,000m<sup>2</sup> of commercial space
- 300,000m<sup>2</sup> of retail, leisure and community facilities

**Eastern Park, Stansted, Essex**

- 660 hectare site acquired in July 2004 for long-term redevelopment potential

**Coldhams Lane, Cambridge**

- 32 hectare site



## Financial highlights

Pre-tax loss

# £155.8m

as a result of the exceptional costs relating to the debt refinancing carried out during the year

Revenue profit

# £401.1m

**Up 29.7%**  
demonstrating a busy year and strong performance across the business



Full year dividend

# 43.25p

**Up 16.6%**  
in recognition of the outstanding results this year and demonstrating our confidence in the future

Adjusted diluted net assets per share

# 1460p

**Up 9.7%**  
reflecting the strong growth in the value of our portfolio even after a 102p reduction in net assets per share as a result of the exceptional costs

Combined portfolio valuation

# £9.4bn

**Up 10.3%**  
demonstrating continued success at creating value from our retail and London portfolios.

Property Outsourcing segment profit

# £259.8m

**Up 65.9%**  
this year, representing 26% of the Group's operating profits





Financial highlights			
	31/03/05	31/03/04	% change
Gross property income			
Property investment and trading (including share of joint ventures)	£811.2m	£650.2m	+24.8%
Property outsourcing (including share of joint venture)	£1,054.5m	£830.9m	+26.9%
<b>Total</b>	<b>£1,865.7m</b>	<b>£1,481.1m</b>	<b>+26.0%</b>
Operating profit <sup>1</sup>	£648.4m	£565.8m	+14.6%
Pre-tax (loss)/profit	(£155.8m)	£373.1m	n/a
Revenue profit (pre-tax) <sup>1</sup>	£401.1m	£309.2m	+29.7%
Adjusted earnings per share <sup>2</sup>	68.67p	47.86p	+43.5%
(Loss)/earnings per share	(7.69p)	61.84p	n/a
Dividends per share	43.25p	37.10p	+16.6%
Adjusted diluted net assets per share <sup>3</sup>	1460p	1331p	+9.7%
Diluted net assets per share	1414p	1293p	+9.4%
Combined portfolio valuation <sup>4</sup>	£9,388.8m	£8,150.2m	+10.3%
Net borrowings	£2,923.1m	£2,435.8m	+20.0%
Equity shareholders' funds	£6,636.6m	£6,030.1m	+10.1%
Gearing (net) <sup>5</sup>	44.0%	40.5%	

1 Excludes results of fixed asset property sales and exceptional items

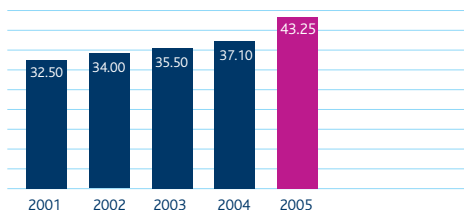
2 Based on revenue profit. Tax charge adjusted to exclude deferred tax arising from capital allowances and capitalised interest on investment properties

3 Excludes deferred tax arising from capital allowances and capitalised interest on investment properties and adding back the net liabilities of Telereal

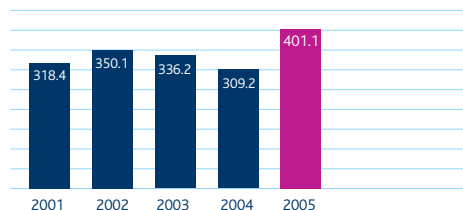
4 Market value of investment portfolio including our share of joint ventures. Percentage change is valuation surplus

5 Net borrowings (including bank overdraft less short-term deposits and cash), at book value, (plus in 2004 non-equity B shares) as a percentage of equity shareholders' funds

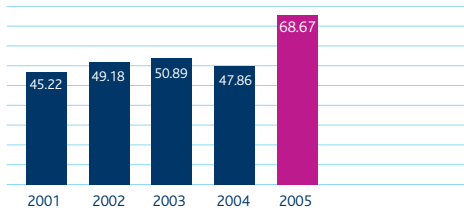
#### Dividends (pence)



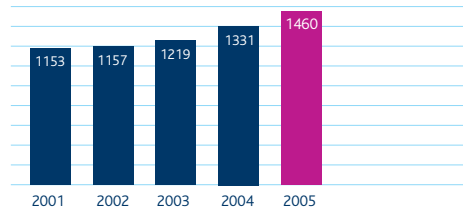
#### Revenue profit (pre-tax) (£m)



#### Adjusted earnings per share (pence)



#### Adjusted diluted net assets per share (pence)



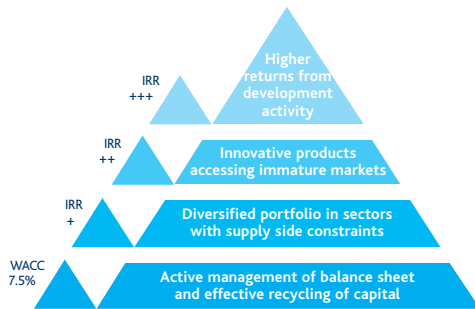
## Our accounts explained

To help you understand our accounts we detail below some of the key terms we use and conventions we have adopted, with an explanation of their meaning:

- Revenue profit:** This is our measure of underlying profits and comprise profit before tax, excluding profits on the sale of fixed asset properties and any exceptional items
- Adjusted earnings per share:** These are based on revenue profits (after tax) and adjusted to exclude deferred tax associated with investment properties
- Net asset value per share:** This is often used to evaluate the performance of a property company and is calculated by dividing equity shareholders' funds by number of shares in issue
- Combined portfolio:** The combined portfolio, see page 110, is our wholly-owned investment portfolio combined with our share of the value of assets held in joint ventures. Unless stated these are the pro-forma numbers we use when discussing the investment property business
- Investment portfolio:** This includes Land Securities' wholly-owned properties and the value of the properties held in the development programme and excludes our share of the value of joint venture properties
- Operating properties:** Land Securities Trillium properties acquired as part of property outsourcing contracts which do not meet the accounting definition of investment properties
- Retail:** This business includes our shopping centres, shops, retail warehouse properties and assets held in retail joint ventures
- London Portfolio:** This business includes all London offices and retail, but excludes those assets held in the Metro Shopping Fund

## Investor overview

### Focus on value creation



### Land Securities offers investors:

- A commitment to the creation of attractive, sustainable returns through its activities in the UK property market
- A strategic focus on its customers
- Ownership of £9.4bn of investment property in the UK (including joint ventures)
- Market leading positions in three sectors:
  - Retail
  - London offices
  - Property Outsourcing
- Cash flow through dividend payments every six months
- Potential for capital and revenue growth through:
  - superior management of assets
  - active recycling of capital
  - extensive development pipeline
  - new property outsourcing business



### Vision

Our vision is to be recognised as the UK's leading property company. The achievement of this vision will be measured by returns generated for shareholders, new business wins, customer retention and satisfaction levels, employee satisfaction and third party recognition of our achievements.

### Strategy

To invest in commercial property in markets and activities where we believe we can deliver total business returns in excess of our cost of equity. Our focus will be on areas where we have expertise and operational skills, where we can benefit from our risk management skills and active recycling of capital.

### Business objectives and achievements

Since embarking upon this strategy, our business objectives have remained constant and this is our third year of reporting progress against them. We review our objectives regularly, in light of our competitive environment and market conditions, and from time to time will refine and augment them.

Our objectives	Our achievements
<ul style="list-style-type: none"> <li>Maximise the returns from our investment portfolio.</li> </ul>	<ul style="list-style-type: none"> <li>In each of our core sectors of shopping centres, retail warehouses and London offices and on an overall portfolio basis, we outperformed the Investment Property Databank (IPD).</li> <li>We sold £763.1 m of investment property, creating FRS3 profits of £82.4 m.</li> </ul>
<ul style="list-style-type: none"> <li>Complete and let our development programme.</li> </ul>	<ul style="list-style-type: none"> <li>We completed 110,000m<sup>2</sup> of development. We let, agreed subject to contract to let, or sold 200,000m<sup>2</sup> of office and retail floorspace including Gresham Street, EC2; Bankside1, SE1; Empress State, SW6; and department stores in Bristol and Exeter.</li> </ul>
<ul style="list-style-type: none"> <li>Continue to grow our property outsourcing business by winning new contracts and expanding existing ones.</li> </ul>	<ul style="list-style-type: none"> <li>We won three new property outsourcing contracts with Norwich Union, Barclays Bank and Driver and Vehicle Licensing Agency.</li> </ul>
<ul style="list-style-type: none"> <li>Focus on our customers with products that meet their needs.</li> </ul>	<ul style="list-style-type: none"> <li>We created new property outsourcing solutions for Barclays and Norwich Union, provided tailored solutions for occupiers at Empress State, SW6; 50 Queen Anne's Gate, SW1; and Bankside1, SE1. We also introduced flexibility into the BBC contract in response to their changed property requirements.</li> </ul>
<ul style="list-style-type: none"> <li>Attract, develop, retain and motivate high performance teams and individuals.</li> </ul>	<ul style="list-style-type: none"> <li>We continue to work towards Investors in People accreditation across the Group. This year we introduced a talent management and personal development planning system. We also received a 92% response rate to our employee survey.</li> </ul>
<ul style="list-style-type: none"> <li>Review the Group's capital structure to ensure that it benefits fully from the credit strength of its investment portfolio and allows the Group to maximise its returns from capital invested.</li> </ul>	<ul style="list-style-type: none"> <li>We carried out a £3.2bn restructuring of our debt, resulting in future annual savings of some £25m of interest to the Group and a lower future cost of borrowing. Our existing debt investors benefited from an enhanced AA credit rating.</li> </ul>
<ul style="list-style-type: none"> <li>Focus on earnings generation from capital investment and drive total returns, so creating value for our shareholders.</li> </ul>	<ul style="list-style-type: none"> <li>Revenue profit (excluding exceptional items) grew by 29.7% over the year. Our returns are detailed in the graphs and chart above right.</li> </ul>

Total shareholder returns		
	% return for year to 31/03/05	% return for period since 31/03/00
Land Securities	21.6	110.3
FTSE 100	14.8	(12.9)
FTSE Real Estate	24.9	108.2

Source: Datastream



Land Securities' total property returns			
Year to 31/03/05	LS% <sup>(i)</sup>	IPD% <sup>(ii)</sup>	Relative return % <sup>(iii)</sup>
Shopping centres	16.2	14.8	+1.2
Retail warehouses	22.1	22.0	+0.1
Central London offices	18.1	15.8	+2.0
Total portfolio/all property	17.7	16.9	+0.7

Source: IPD  
 (i) Includes acquisitions, sales and developments  
 (ii) IPD December Universe (extrapolated to March 2005) unfrozen  
 (iii) Relative return relates to the geometric (not arithmetic) difference between Land Securities and IPD





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16	1.1	Operating and Financial Review

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### **Creating value**

We are delighted to report on an outstanding year for Land Securities generating a return on equity for shareholders of 21.3% (pre-exceptional charge), together with a 16.6% increase in the total dividend this year. In the Chairman's Statement and first section of the Operating and Financial Review we discuss the key financial and operational highlights and performance drivers for the business. We also look at our operating environment and the prospects for the business.

## Chairman's Statement



Peter G Birch CBE Chairman

Full year dividend

# 43.25p

**Up 16.6%**

in recognition of the outstanding results this year and demonstrating our confidence in the future

It is with pleasure that I can report an outstanding performance by Land Securities this year, distinguished by the securing of additional income from major new contracts across all our businesses. We are recommending a 20.8% increase in the final dividend to 32.85p making a total for the year of 43.25p, up 16.6% on last year. This is a higher level of growth than usual and reflects our exceptional performance this year. The Group's continued achievements demonstrate the soundness of our strategy and its successful implementation by our people.

It has been a busy year across the entire Group. The highlights were:

- The focusing of the business on three sectors where we have market-leading positions, namely retail, London offices and property outsourcing
- The Group's exit from the industrial property market through an exchange of our industrial properties for a retail portfolio from Slough Estates PLC. The combined value of the properties exchanged was £709m
- The implementation of a highly successful £3.2bn debt restructuring, which resulted in an improved AA credit rating, a decrease in our future cost of debt and the provision of a long-term, flexible funding structure for the business. The costs associated with this transaction are accounted for as an exceptional charge
- The valuation uplift of 10.3% in the combined portfolio (which includes our share of the value of properties owned by joint ventures) to £9.4bn, demonstrating our continued success at creating value from our retail and London portfolios
- The rise of 9.7% in adjusted diluted net assets per share to 1460p per share or of 17.4% to 1562p, if the post-tax exceptional impact of our debt refinancing is ignored. Basic net assets per share were 1419p
- The growth of adjusted earnings per share by 43.5% reflecting higher revenue profits of £401.1m (2004: £309.2m). We report a loss per share of 7.69p. This is calculated on results after tax which include the exceptional refinancing charge this year
- The sale of £763.1m of property from the investment portfolio, which generated profits of £82.4m in excess of carrying values, as well as the purchase of £786.1m of property, thereby continuing the progress we are making to recycle capital into higher growth activities. This includes the values of the property swap with Slough Estates
- Three new property outsourcing contracts won by Land Securities Trillium as well as a significant contribution to the Group's profits from existing contracts and the receipt of £321.5m as a result of the sale of Media Village, White City
- The agreement of contracts to occupy 101,500m<sup>2</sup> of offices in our London development programme including lettings at Cardinal Place, SW1; New Street Square, EC4; Gresham Street, EC2; Empress State, SW6; and a further 46,400m<sup>2</sup> relating to the forward sale of Bankside1, SE1
- The completion of 43,400m<sup>2</sup> of retail development lettings including the letting of anchor stores to House of Fraser for the Bristol Alliance and to Debenhams in Exeter
- The announcement, since the year end, of a recommended cash offer to acquire Tops Estates PLC, which owns seven shopping centres, for an enterprise value of £517.2m, including the assumption of £207.3m of Tops Estates' debt.



## Results

Before moving on to comment in more detail on the results, I thought it would be helpful to summarise the effect of the debt restructuring that we carried out last November, full details of which are contained in the Operating and Financial Review. In essence, we replaced our existing £1.8bn of secured and unsecured bond debt, at an average interest rate of 8.5%, with £2.3bn of new secured debt, at an average interest rate of 5.35%. This will initially reduce our future cash interest charge by some £25m per annum. As a result, in the year we have had to account for the one-off increase in the nominal value of the new debt together with associated costs through the profit and loss account as a £682.1m exceptional charge. While the effect of this accounting treatment is apparent on both the profit and loss account and our net asset value, it was very largely a non-cash item and we are therefore reporting our numbers on a pre- and post-exceptional basis. The exceptional nature of this charge is demonstrated by our decision to increase the dividend substantially this year.

Pre-tax profits (excluding the exceptional refinancing costs) grew by 41.1% to £526.3m (2004: £373.1m). The exceptional charge, however, results in this becoming a pre-tax loss of £155.8m. Revenue profits, our measure of underlying pre-tax profits, increased by 29.7% to £401.1m from £309.2m mainly as a result of:

- Interest savings of £10.3m over part of the year as a result of the debt refinancing
- A strong performance from Land Securities Trillium, with the extended DWP contract fully profitable and a strong contribution from Telereal which included a £17.6m (2004: £5.6m) contribution from sales of trading properties
- Construction profits of £11.6m mainly from our contract to develop Bankside1, SE1.

Adjusted earnings per share, calculated on pre-tax revenue profits, were 43.5% higher at 68.67p per share (2004: 47.86p per share).

The wholly-owned investment portfolio rose in value by 10.7% to £8.8bn, with the combined portfolio (including our share of joint ventures) showing a 10.3% increase to £9.4bn. The majority of our assets are now split between retail and London offices at 56.9% and 38.3% respectively (combined portfolio). Adjusted diluted net assets per share rose by 9.7% to 1460p per share or by 17.4% to 1562p, if the post-tax exceptional impact of our debt refinancing is ignored.

In recognition of the outstanding results this year and our confidence in the future of the business, we are recommending a final dividend of 32.85p per share (2004: 27.2p), making a total distribution for the year of 43.25p (2004: 37.1p), a 16.6% increase on 2004. Following this one-off increase, we will revert to our historic pattern of steady dividend growth from this new base. At the Interim Results, we stated our intention to distribute more equally our dividend payments. In future we will aim to pay around 40% as an interim dividend payment with the balance making up the final dividend. Subject to approval by shareholders at the Annual General Meeting (AGM) to be held on 12 July 2005, the dividend will be paid on 25 July 2005 to shareholders on the register on 24 June 2005. The dividends paid and proposed are covered 1.6 times by adjusted earnings (2004: 1.3 times).

## Real Estate Investment Trusts and Lease Reform

Revenue profit

**£401.1m**

**Up 29.7%**

demonstrating a busy year and strong performance across the business

Adjusted diluted net assets per share

**1460p**

**Up 9.7%**

reflecting the strong growth in the value of our portfolio

The Government has stated that, subject to agreeing the outstanding issues on Real Estate Investments Trusts (REITs) as detailed in its most recent consultation document, it would seek to introduce the relevant legislation with the 2006 Finance Bill. The structure now proposed appears to be more flexible but we will have to wait for full details of legislation, including the Government's proposed conversion charge, before we can assess whether conversion will be in the best interests of shareholders.

We were pleased that, for the time being, the Government has decided not to introduce legislation to prohibit upward only rent reviews in lease contracts. We believe that the industry has made great strides to introduce a range of more flexible leasing options and we continue to work with the British Property Federation (BPF) and major landlords to ensure that we deliver a satisfactory solution for our customers and the industry. To this end we have recently become a signatory to the BPF declaration on sub-letting, which we believe is a step towards creating a more flexible sub-letting environment for tenants.

#### **Acquisition of Tops Estates PLC**

On 6 May 2005, we announced that we had reached agreement with the Board of Tops Estates PLC in respect to the terms of recommended offers for the ordinary shares in and convertible unsecured loan stock of Tops Estates. The offers represent an enterprise value for Tops Estates of approximately £517.2m, including net debt at 30 September 2004 of approximately £207.3m. Since announcing the offer, we had purchased, by 4.30pm on Friday 13 May, 29.8% of the shares and 46.7% of the convertible unsecured loan stock in the market which, when combined with the irrevocable undertakings made by Tops Estates management, represent 72.9% of the fully-diluted share capital of the company.

Tops Estates is a specialist investor in town and city centre shopping centres and its property portfolio comprises shopping centres with a total gross area of approximately 230,000m<sup>2</sup> in seven locations: Corby (Town Centre and Oasis Retail Park); Harrogate (Victoria Shopping Centre); Leeds (Shopping Plaza and City Exchange Offices); Liverpool (Clayton Square Shopping Centre); London (West 12 Shopping and Leisure Centre at Shepherds Bush); Stafford (Guildhall Shopping Centre and Gaolgate Place Shopping Centre); and Worcester (Cathedral Plaza). This portfolio was independently valued as at 31 March 2005 at £566.7m, based on current annual net rental income of £30.4m and current estimated annual net rental value of £40.7m.

The acquisition of Tops Estates will strengthen further Land Securities' position in the retail sector and the shopping centres being acquired offer Land Securities asset management and development opportunities to create value. In particular, the Clayton Square Shopping Centre consolidates Land Securities' position in Liverpool; Tops Estates' sites in Corby provide a short- and long-term development opportunity; and the properties in Leeds provide Land Securities with an entry into one of the top 10 city centre retail markets in the UK. Land Securities will also continue to deliver the asset management programmes already initiated in Stafford, Harrogate, Worcester and Shepherd's Bush.



### **Board and senior management changes**

As reported at the half year Francis Salway, who joined the Company in 2000, assumed the role of Group Chief Executive at the Annual General Meeting on 14 July 2004, succeeding Ian Henderson who retired on that date. We would like to reiterate our thanks to Ian for his outstanding contribution over the past 30 years.

Mark Collins, previously Chief Executive Portfolio Management, was appointed Chief Operating Officer and now has responsibility for new business development, Group operations and Urban Community Development (including projects such as Kent Thameside). Mike Hussey assumed the position of Managing Director, London Portfolio and was appointed to the Board in September. Richard Akers was promoted to the role of Managing Director, Retail and we announced his appointment to the Board on 17 May 2005. During the year we were pleased to appoint Bo Lerenius, Group Chief Executive of Associated British Ports Holdings PLC, and Alison Carnwath to the Board as non-executive directors.

### **Our people**

The Group has changed substantially over the last few years. We have continued to implement our new strategy and been careful to ensure we have the skills and resources needed to sustain our success. I would like to offer my thanks and appreciation for the hard work and commitment shown by everyone in the Group over the last year. Their achievements speak for themselves.

### **Outlook**

Sustained demand from investors for commercial property continues to establish it as a mainstream asset class. This position may be further enhanced by the introduction of REITs which, by removing tax inequalities, may bolster the attractiveness of quoted real estate and other indirect investment vehicles. Over the year investor demand has driven property yields down further, which has increased capital values. However, we believe that this trend has now largely run its course with the result that future growth in asset value will be more dependent on rental growth and success in securing lettings. In this environment of lower yields, we believe that our development and asset management skills, together with our ability to grow our outsourcing business, will be key to the creation of attractive returns for our shareholders.

The London office market is showing evidence of a recovery as occupier demand improves, particularly in the West End. While the operating environment for retailers is more challenging, we believe the retail property market should be resilient for as long as unemployment levels remain low and earnings remain stable. The property outsourcing market continues to expand as occupiers recognise its core attractions of price certainty, risk transfer and customer service.

Against this market background, we have moved the business into a position of strength from which it will benefit from these conditions. We have positioned the retail portfolio to concentrate primarily on more dominant assets; established a substantial London office development pipeline and engineered the London portfolio to benefit from rental growth. We have also created a market-leading position in property outsourcing. As demonstrated by the substantial increase in this year's dividend, we remain confident in the future.

# Operating and Financial Review



*A. G. Macfarlane*

**Andrew Macfarlane**  
Group Finance Director

*Francis Salway*

**Francis Salway**  
Group Chief Executive

## Introduction

Land Securities has had an excellent 12 months, performing well in all areas of the business. Across the Group there is a sense of real achievement as we deliver a very strong performance from our investment portfolio, build and let our development programme and grow our property outsourcing business. We have restructured the business to focus on our market-leading positions in retail, London and property outsourcing and improved the debt structure for the Group.

At the same time the commercial property industry as a whole is undergoing a renaissance as Government, investors and the wider public increasingly recognise the role our industry plays in the economic success of the country. A structural shift in the investment property market, upon which we commented last year, has come a step closer. We were very pleased with the positive response from Government in respect to the introduction of REITs as outlined in the last Budget statement.

The Group has benefited from a strong investment market, improving central London occupier demand, increasing demand for property outsourcing and from our focus on driving returns from our investment portfolio. This has resulted in a return on capital of 17.3% (2004: 11.5%), more than 9% higher than our cost of capital. Return on equity was 11.3% (2004: 13.4%) which improves to 21.3%, if the exceptional charge relating to the debt restructuring is excluded.

## Competitive environment and business planning

Land Securities operates in the UK primarily within the commercial property markets. Our activities include investment, development and the provision of commercial property accommodation and associated services. The market is diversified and, as illustrated in Table A, ownership is fragmented.

In a fragmented market we need to be able to exploit our competitive advantages of financial strength, scale, specialist market expertise and our relationships with occupiers in order to maximise shareholders returns. We have now focused our activities almost entirely on three core markets where we have a market-leading position and where the strength of our relationships with customers will help drive outperformance. Our financial strength enables us to transact quickly and efficiently.

Together the value of retail and London office investment property markets is some £187bn, and represents some 74% of the total UK commercial market, of this Land Securities' ownership is 4.8%. As compared to Continental Europe and the United States, the UK commercial property market is characterised by supply side constraints caused by a more stringent planning regime and greenbelt restrictions around our major conurbations controlling land supply. Our share of the retail and London investment markets is summarised in Table B on page 18.

We benefit from low asset concentration risk with our largest property representing only 3.5% of the value of the combined portfolio and an average investment property lot size of £48.4m.

**Table A – UK core commercial property markets**

	£bn	%
UK institutions	73	14.9
Overseas investors	37	7.6
UK listed property companies		
Land Securities	8.2	1.7
Other	27.8	5.7
Total listed property companies	36	7.4
UK unlisted property companies	37	7.6
Unlisted and pooled funds	20	4.1
Limited partnerships	18	3.7
Traditional estates and charities	13	2.6
UK private investors	8	1.6
Other Investors	12	2.4
<b>Total investment property</b>	<b>254</b>	<b>51.9</b>
Owner occupiers*	235	48.1
<b>Total UK commercial property*</b>	<b>489</b>	<b>100</b>

Source: "IPF: The size of the UK Commercial Property Market", values at end 2003, (for all figures except Land Securities' data) and Land Securities' year end 2004 valuation.

\*Excludes property owned by government





Land Securities has  
**£5.3bn**  
invested in retail property

Bullring, Birmingham



## Property equivalent yield vs gilts

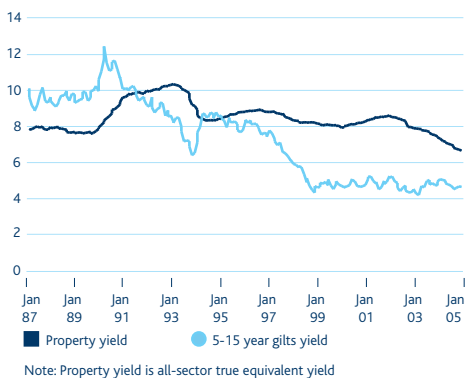


Table B

	Total UK £bn	Land Securities £bn
<b>Retail</b>		
Standard shops outside London	21	0.4
Central London shops	9	0.9
Shopping centres	53	2.5
Retail warehouses	35	1.5
All other retail	7	–
<b>Total retail</b>	<b>125</b>	<b>5.3</b>
<b>Office</b>		
Central London	63	3.6
All other UK	25	0.1
Office parks	11	–
<b>Total offices</b>	<b>99</b>	<b>3.7</b>
Standard industrial	30	0.1
Other	–	0.3
<b>Total</b>	<b>254</b>	<b>9.4</b>

Source: "IPF: The size of the UK Commercial Property Market", values at end 2003, (for all figures except Land Securities' data) and Land Securities' year end 2005 valuation.

Investment property has performed very well over the past few years, driven by investor recognition of its good returns compared to other asset classes. The macro-economic background which drives the performance of the commercial property investment market remains unchanged. Interest, inflation and employment rates have remained stable during the year. This has resulted in a competitive investment market and the yield shift which was evident in 2003/04 continued throughout 2004/05.

While this has been of benefit to us, with improved property values and a profitable sales programme, it has made it more challenging to acquire assets which fulfil our return criteria. As a result we have allocated more of our capital to development and property outsourcing activities and sought to acquire income-producing investment properties with stock-specific attributes that we can exploit through our market expertise.

We do not believe that yields, as a whole, will strengthen much further now that the margin of property yields over the cost of debt and gilt yields has narrowed. We would not however rule out further yield compression for well-let investment property, if interest rates were to fall. In an environment of low property yields, outperformance will increasingly be determined by leasing capabilities, asset management and development skills as well as exposure to new growing property markets.

The bulk of our development programme comprises complex schemes in town and city centres across the UK and we continue to exploit opportunities within our existing portfolio. We benefit here from our expertise and our reputation for delivery which, we believe, few companies can match in the UK.

Property outsourcing has emerged as a new market in the UK and we have developed a market-leading product and reputation. Property outsourcing provides us with access to the wider pool of commercial property held by owner-occupiers. At the same time it provides clients with an integrated property solution which combines property accommodation with associated property services. At present there are less than half a dozen companies offering a property outsourcing solution similar to that provided by us, since the need to create a national infrastructure to support the delivery of a major property outsourcing contract creates a high barrier to entry. However, competition exists in a number of disaggregated forms, examples of which are sale and leaseback transactions with separate facilities management contracts. The estimated total value of the property outsourcing market is approximately £511bn, of which we believe the addressable market is some £110bn. We estimate that our current share of this addressable market, including Telereal, is around 3%.

In the London office market, the downturn in the occupational market between 2001 to 2003 can be predominantly attributed to employment factors. Similarly, its gradual recovery is being driven primarily by a resumption of employment growth allied to a moderating of the amount of new developments starting on-site. The London office markets have also benefited from some older, surplus office buildings being converted to alternative uses. We expect these trends to continue, resulting in progressive rental growth for the London office market over the medium-term, but with the recovery lagging in the City owing to higher current vacancy rates.

Retail property markets in the UK benefit from a highly restrictive planning regime which constricts supply, while demand for accommodation from retailers has been driven in recent years by their desire to operate out of more efficient units, generally larger in size and of regular shape. These drivers of demand will continue, although the slowing of consumer expenditure will moderate levels of demand from retailers to a degree. However, so long as disposable incomes remain stable and unemployment is low, we expect the retail property market to be resilient.

The occupational demand for property is driven by the health of the economy and an organisation's desire either to grow or contract its operations and we collaborate with our occupiers to ensure that we can assist with their requirements. We have more than 2,000 occupiers and this diverse base protects us since no single occupier provides more than 2.9% of the Group's gross rental income, with the exception of the Government which now accounts for some 9.2%. We have, therefore, examined the Government's efficiency review proposals carefully and since then have worked closely with certain Government departments on their plans. We believe that the review may create further opportunities for our property outsourcing business.

In order to execute our strategy and ensure we achieve our aim of delivering attractive, sustainable returns for shareholders in what can be cyclical markets, we conduct a rigorous business planning process. We have in place a five-year business plan and balanced scorecards both for the Group and individual business units which are reviewed and updated every six months. These reviews measure operating as well as financial performance and allow us to refine our plans against the prevailing operating environment, ensuring an allocation of capital which responds to our view of market conditions and opportunities.

#### Financing strategy and debt restructuring

Before commenting in greater detail on the financial results, we report on our financial strategy and debt restructuring since this is relevant to an understanding of the results. Table C summarises the accounting implications of the transaction.

Our financial strategy is to maintain an appropriate net debt to equity ratio (gearing) to ensure that good asset-level performance is translated into good returns for shareholders. We manage our gearing according to our perception of market cycles, investment opportunities and so as to maintain an efficient capital structure. Given our view of the prospects for capital growth in our core markets, it is our intention to increase gearing for at least the next year as we invest in our development programme, Land Securities Trillium and continue to seek attractive investment properties to add to our portfolio. Our proposed acquisition of Tops Estates will, for example, add some £550m of investment properties and debt to our balance sheet.

As well as having the right level of debt in the business we also need to ensure that we have flexible debt that can support our business strategy. We therefore put in place a new debt structure for the Group in November 2004 following approval from our bond and debenture holders. As a result of the transaction we issued £2.3bn of new bond debt at an average rate of 5.35% and made a £77.2m balancing cash payment to bondholders who were unable to hold the new bonds.

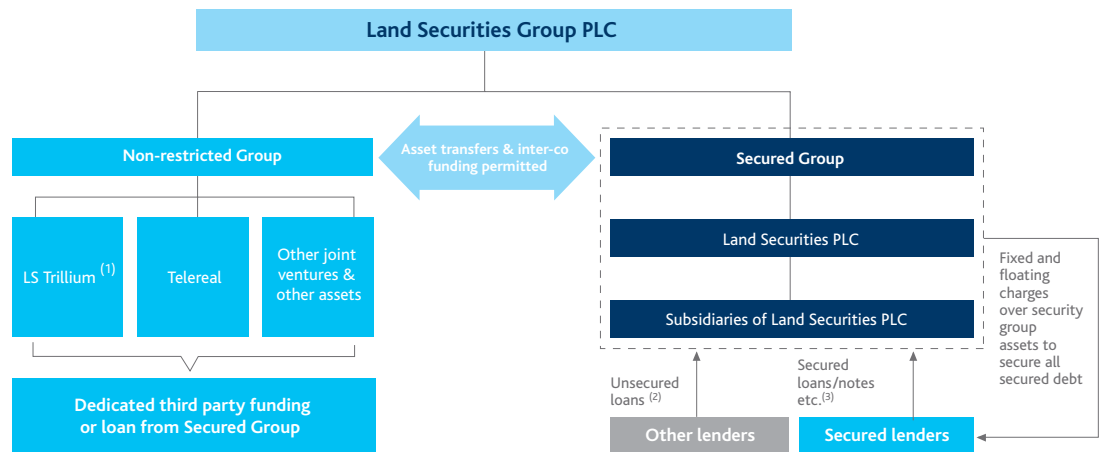
	Bond debt £m	Exceptional costs £m	Exceptional interest £m
At 31/03/04	1,800.0	–	–
Payments to holders unable to accept new bonds	–	–	77.2
Net costs of redeeming the private debentures due in 2008 and 2008/13	–	–	1.8
Incentive payments	–	–	27.5
Net Increase in nominal value of debt (being £575.5m less payment to ineligible bondholders)	498.3	–	498.3
Transaction costs and commitment fees	–	14.8	9.8
FRS4 costs on old debt, now written off	–	–	10.7
	2,298.3	14.8	625.3
Cost of cancellation of interest rates swaps		–	42.0
Exceptional costs of refinancing		14.8	667.3

We implemented this alternative approach to financing the business to improve our operational and financial flexibility and to enhance the position of our noteholders by utilising the credit strength inherent in our investment portfolio.

1 The borrower under the Trillium Secured Bank Loan is Trillium (PRIME) Property GP Limited.

2 Limited to the higher of (i) £150m and (ii) 2% of total collateral value.

3 The borrower under the Secured Bank Facility is LS Property Finance Company Limited. Medium-term notes are issued from Land Securities Capital Markets PLC.



The structure created a security pool (the Secured Group) which grants our debt investors security over £7.4bn of investment properties at 31 March 2005, representing about 85% of the investment portfolio (excluding joint ventures). About £2.5bn (excluding Telereal) of the Group's property assets, mainly comprising Land Securities Trillium properties, our joint venture holdings and certain other assets, are outside the Secured Group. As a result of this structure we have the flexibility to finance these assets separately without impacting upon the credit rating of the debt issued by the Secured Group.

The new debt structure provides significant future flexibility which ensures our ability to buy and sell assets easily and to maintain our development programme. The secured debt structure has a tiered covenant regime that gives the Group flexibility to run its business, while increasing the protection available to debt holders if gearing rises materially. While loan to value and interest cover in the Secured Group are less than 65% and more than 1.45 times respectively, we retain substantial operational flexibility. If these limits are exceeded, operational restrictions increase and would act as an incentive to reduce gearing. Our loan to value ratio at the year end in the Secured Group was 35.4%, well below the 65% threshold.

In addition to issuing £2.3bn of new notes, a further £77.2m was paid in cash to debt investors who could not accept the new bonds. The total nominal value of the Group's bond debt has increased by £0.5bn as a result of this transaction. This compensated debt investors for the reduction in the rate of interest payable on the bonds, which fell from an average of 8.5% to 5.35% on exchange. The increase in the face value of the Group's debt, together with the additional cash payments to non-eligible holders and the costs of the transaction, has resulted in a significant £682.1m exceptional accounting charge incurred during the second half of the year, including £42.0m of costs incurred to close out our interest rate hedge portfolio (see Hedging below). A further £12.7m of transaction costs will be deferred and amortised over the life of the underlying debt.





Land Securities has  
**£3.6bn**  
invested in London offices

30 Gresham Street, EC2



With the exception of transaction costs, incentive payments to noteholders and swap cancellation costs the exceptional charge is not a 2004/05 cash outflow and has had no impact on the dividend policy.

Most of this exceptional loss is fully allowable for tax. A £25m annual initial reduction in interest payments on bond debt and immediate savings in tax more than offset the cost of the transaction and the net present value of the higher amounts payable on the ultimate maturity of the bonds. Although reported as an exceptional loss, the transaction is value creative and earnings enhancing. In addition, the Group now has lower future cost of financing on new debt raised.

As part of the debt restructuring, we also renewed our bank facilities. At 31 March 2004, the Group had £1.55bn of committed bank facilities which would have expired in the normal course in 2005 and 2006. We have replaced these facilities with a new £2.0bn committed five-year facility which is available to the secured group.

#### Profits

As a result of the factors explained in Financing Strategy and Debt Restructuring, the Group incurred a loss of £155.8m before tax for the year to 31 March 2005 (2004: profit £373.1m). Excluding the refinancing charge, profits before tax were £526.3m, a 41.1% increase on 2004. Revenue profit, which we use as the measure of the underlying profitability of the Group, was £401.1m, 29.7% higher than last year. The principal causes of the changes in profits are detailed in Table D.

Table D		
	(Loss)/ profit before tax £m	Revenue profit* £m
Year ended 31/03/04	373.1	309.2
Debt restructuring exceptional loss (A)	(682.1)	–
Debt restructuring interest saving (B)	10.3	10.3
Increase in profit on disposal of fixed assets (C)	61.3	–
Increase in profit on the DWP outsourcing contract (D)	36.1	36.1
Increase in profit in the Telereal outsourcing joint venture (E)	32.7	32.7
Construction profits (F)	11.6	11.6
Reduction in capitalised interest (G)	(15.4)	(15.4)
Other factors (H)	16.6	16.6
Year ended 31/03/05	(155.8)	401.1

\*Revenue profit is pre-tax profit adjusted to exclude the impact of exceptional items and profits on the disposal of fixed assets.

(A) Exceptional costs of the debt restructuring include the increase in the nominal value of the old debt, the costs of closing out the interest rate swap portfolio and associated fees and costs.

(B) Reduction in interest charges as a result of the debt restructuring in November 2004.

(C) The unusually high level of profits on disposal reflects the asset swap with Slough Estates and the sales of Bowater House, SW1 and Media Village, White City.

(D) The Employment Services extension to the DWP contract was operational from November 2003 and significant start-up losses were incurred in 2003/04. The extension is now profitable, generating a significant improvement in the DWP contract profits, year-on-year.

(E) Telereal has reduced costs and interest expense while also producing significant profits from the sale of trading properties.

(F) Primarily first recognition of profits from the construction contract to build Bankside 1 for IPC.

(G) Capitalised interest is lower than in 2003/04 because we completed work at 30 Gresham Street, EC2; Media Village, White City; and Empress State, SW6.

(H) Other factors, including rental growth, new outsourcing contracts, etc.

### Net assets

At the year end, adjusted diluted net assets per share were 1460p, up 9.7% on last year. However, this figure has been reduced by 102p due to the exceptional cost of our debt financing. Before exceptional costs, therefore, our underlying adjusted net asset value grew by 17.4%, driven by a valuation surplus of £871.5m, equivalent to a 10.3% uplift in the combined portfolio book value. The increase in net assets is analysed in Table E.

### Cash flow and net debt

We continue to recycle our capital to maximise returns and, during the year, we received cash totalling £734.1m from property disposals (including the disposal of Media Village, White City), a £65.4m distribution from Telereal and £146.3m from the Metro Shopping Fund. The Group reinvested £640.7m into property acquisitions and development and a further £122.5m into its property outsourcing activities.

At 31 March 2005, the Group's net debt was £2,923.1m (2004: £2,435.8m) and the increase in net debt of £487.3m during the year is explained in Table F.

Although we have continued to invest in the business over the year, gearing has only increased slightly. This reflects the sale of two significant assets (Bowater House, SW1 and Media Village, White City) immediately before the year end and the increase in net assets caused by our strong valuation uplift. Details of the Group's gearing are set out in Table G which includes pro-forma information if our notional debt in joint ventures is taken into consideration. The information is pro-forma because lenders to our joint ventures have no recourse to the Group's balance sheet for repayment of the debt.

### Hedging

Land Securities has used interest rate swaps for many years to manage its interest rate exposure. Over time we accumulated a portfolio of long-dated swaps, some extending up to 25 years, which had the effect of fixing the interest rate on substantially all of the Group's debt. As part of our review of the Group's financing arrangements we also revisited the appropriateness of this hedging strategy. We concluded that with property and interest rate cycles typically of four to seven years duration it would usually be unnecessary to hedge beyond this timeframe. We have set a target for the Group to have approximately 80% of planned debt for this period at fixed rates of interest and 20% floating, although we may choose to fix a higher percentage of this debt, depending upon our view of short-term (ie one to two year) interest rates. We rearranged our hedge portfolio in March 2005, crystallising a £42.0m loss which has been treated as an exceptional interest charge. New hedges are being put in place at lower average fixed rates than the previous portfolio.

**Table E – Net assets**

	Year ended 31/03/05 £m	Year ended 31/03/04 £m
Net assets at beginning of year	6,038.5	5,563.1
(Loss)*/profit after tax	(35.8)	288.3
Dividends	(202.5)	(173.2)
Valuation increase		
– Group	842.2	400.7
– Share of joint ventures	29.3	6.2
Other	(35.1)	(46.6)
Increase in net assets	598.1	475.4
Net assets at end of year	6,636.6	6,038.5

\*Includes effect of debt restructuring in the year to 31/03/05

**Table F – Cash flow and net debt**

	Year ended 31/03/05 £m	Year ended 31/03/04 £m
Net cash inflow from operating activities after interest and tax	122.6	193.2
Net capital expenditure	(48.4)	(48.8)
Cash inflow from Telereal	65.4	179.6
Net cash inflow from other joint ventures	43.4	–
Payment of dividends	(175.5)	(167.5)
Purchase of B shares	(8.4)	(22.0)
Other items	11.9	19.0
Cash inflow before non-cash exceptional charge	11.0	153.5
Increase in nominal value of debt on refinancing	(498.3)	–
(Increase)/decrease in net debt	(487.3)	153.5
Opening net debt	(2,435.8)	(2,589.3)
Closing net debt	(2,923.1)	(2,435.8)

**Table G – Gearing**

	31/03/05 %	31/03/04 %
Gearing – on balance sheet debt	44.0	40.5
Gearing – as above plus share of debt in investment property joint ventures	45.4	40.5
Gearing – as above plus share of debt in all joint ventures	61.2	58.2



Taxation			
Effective tax rate	Ordinary £m	Exceptional £m	Total £m
Profit/(loss) before tax	401.1	(556.9)	(155.8)
Tax (charge)/credit	(95.0)	215.0	120.0
Effective tax rate(%)	23.7	(38.6)	(77.0)

### Taxation

As a result of this year's exceptional loss there will be no corporation tax payable for the year. Losses of £126.0m not relieved at 31 March 2005 are being carried forward for relief in future years. The Group's effective tax rate was a credit of 77% of pre-tax losses compared with a charge of 22.7% last year. The effective tax rate on ordinary activities was lower than the standard rate of 30% primarily as a result of the release of certain prior year provisions no longer required.

### International Financial Reporting Standards

International Financial Reporting Standards (IFRS) will first apply to the Land Securities Group for the year to 31 March 2006 and will be adopted when we report our interim results for the period to 30 September 2005. We are well advanced with our preparations for IFRS and in late June we will re-present an extract of the results for the year to 31 March 2005 under IFRS, with reconciliations to current GAAP.


The main effects of IFRS for Land Securities will be:

- Recognition of investment property revaluation surpluses and deficits in the income statement and the associated deferred tax liability in the tax charge and balance sheet
- A change in the accounting treatment for the debt restructuring, which will result in the reinstatement of the nominal value of our old debt on the balance sheet and the amortisation up to the new, higher redemption amounts of the new debt over the life of the bonds. The amortisation charge will be treated as additional (non-cash) interest in the profit and loss account. The effect will be to under-report the Group's actual liabilities on the face of the balance sheet. The interest charge in the income statement will exceed the actual cash interest that we will pay
- Our interest rate hedge portfolio may not meet the strict requirements for hedge accounting under IAS39. Therefore, we may be required to revalue certain hedges each time we report and account for the cost or profit that would arise were the hedges to be terminated
- The potential that a small number of leases will need to be classified as finance leases and accounted for as such
- Dividends will be recognised effectively when paid, rather than when proposed.

We held a presentation on IFRS in February 2005, which is available on our website [www.landsecurities.com/investorrelations](http://www.landsecurities.com/investorrelations). The IFRS presentation to be held in June will also be available on our website as soon as it has taken place. We will be modifying our usual definitions of adjusted earnings per share and net asset value per share to deal with some of the distortions introduced by IFRS.

### Pension schemes

The Group operates a number of defined benefit pension schemes. These schemes are closed to new members. At 31 March 2005 the schemes had a combined deficit, net of deferred tax, on an FRS17 basis of £7.6m (2004: £12.0m). During the year the Group made a further special contribution of £10.0m to its principal defined benefit pension scheme and is maintaining an enhanced contribution rate to address the small deficit.



Land Securities Trillium contributes  
**£1.1bn**  
to the Group's gross property income

DVLA headquarters, Swansea

## Investment property business

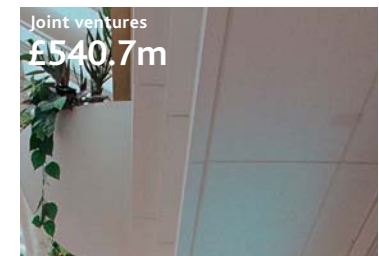
The performance of the £9.4bn combined investment portfolio is the responsibility of our Retail and London Portfolio businesses, with property management and project management skills being provided by the professional services departments headed up by the Chief Operating Officer. The portfolio valuation statistics are divided according to the categories set out by IPD.

### Retail

Our Retail business is responsible for investment, asset management and development of the Group's shopping centres, shops and retail warehouse parks, including the assets held in the Group's three retail joint ventures, the Scottish Retail Property Limited Partnership, the Metro Shopping Fund Limited Partnership and the Buchanan Partnership.

The combined retail portfolio primarily comprises 21 shopping centres, including two designer outlets, as well as 26 retail warehouse parks.

Shopping centres  
**£2,553.9m**



Retail warehouses  
**£1,481.7m**



Other in-town shops  
**£445.6m**



Please note graphs are not to scale



**London Portfolio**

Our London Portfolio business is responsible for the London office portfolio and takes day-to-day responsibility for the performance of the Central London retail properties with the exception of the £51.8m Notting Hill retail and office assets held in the Metro Shopping Fund.

The London Portfolio includes 910,000m<sup>2</sup> of office accommodation and 110,000m<sup>2</sup> of retail space.

**London retail**

**£860.1m**

Joint ventures  
**£39.3m**

Investment portfolio  
**£820.8m**

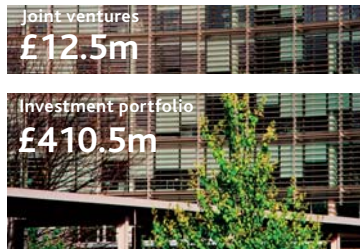


**Inner London offices**

**£423.0m**

Joint ventures  
**£12.5m**

Investment portfolio  
**£410.5m**



**Midtown offices**

**£352.0m**



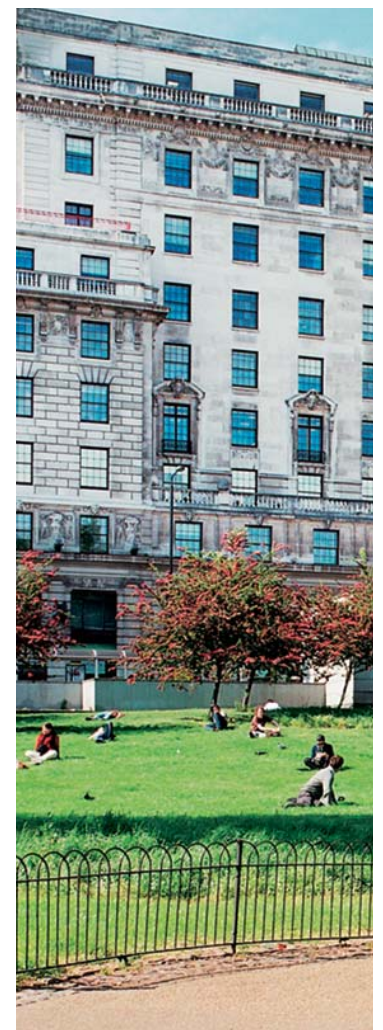
**City offices**

**£1,085.5m**



**West End offices**

**£1,737.2m**



### Investment property business – valuation

We were very pleased with performance this year. The combined portfolio, which includes our share of joint ventures, showed a 10.3% increase in value to £9.4bn while the wholly-owned investment portfolio showed a 10.7% increase in value to £8.8bn.

Investment portfolio – financial performance						
	Rental income Year to 31/03/05 £m	Rental income Year to 31/03/04 £m	% Change	Open market value		Valuation surplus %
				31/03/05 £m	31/03/04 £m	
Retail						
Shopping centres and shops	91.9	90.9	1.1	1,478.9	1,343.1	9.9
Retail warehouses	61.2	58.1	5.3	1,361.9	1,154.4	16.6
London retail	39.9	38.8	2.8	676.0	625.5	8.0
London offices	169.0	175.7	(3.8)	2,311.5	2,189.1	5.8
Industrial	4.6	4.9	(6.1)	83.0	72.4	13.5
Other	8.6	8.7	(1.1)	126.5	115.6	8.9
Like-for-like investment portfolio <sup>(1)</sup>	375.2	377.1	(0.5)	6,037.8	5,500.1	9.5
Completed developments	34.8	19.5	–	974.3	777.2	24.6
Purchases	34.1	8.6	–	904.2	221.7	4.3
Sales, restructured interests and trading properties	34.3	92.5	–	–	880.6	–
Development <sup>(2)</sup>	14.2	16.8	–	857.2	527.1	12.3
Investment portfolio	492.6	514.5	–	8,773.5	7,906.7	10.7
Joint ventures	25.9	0.6	–	615.3	243.5	5.0
Combined portfolio	518.5	515.1	0.7	9,388.8	8,150.2	10.3

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

(2) Development programme including Kent Thameside. The development programme comprises projects which are completed but less than 95% let, developments on site, committed developments (approved projects with the building contract let); and authorised developments (projects approved by the Board, but for which the building contract has not yet been let).

The like-for-like investment portfolio showed a 9.5% increase in value over the period with the strongest growth from retail warehousing at 16.6%, shopping centres and shops at 9.9% and offices at 5.8%. This uplift takes account of the negative effect of the abolition of disadvantaged area Stamp Duty relief of £60.3m in the like-for-like portfolio following the recent Budget changes. This increase in value was achieved as a result of both rental growth in many sectors combined with yield compression. After adjusting for units materially altered during the year, rental values for retail warehousing have grown at 6.7%, shopping centres and shops at 2.2% and London offices at 2.6% producing a total rental growth for the like-for-like portfolio of 3.3%. The average equivalent yield for the whole like-for-like portfolio is now 6.0%.

In terms of the net reversionary potential of our like-for-like portfolio, the over-rented element of our London offices has reduced as rental growth begins to feed through, helping to increase the overall net reversionary potential for the like-for-like portfolio to 2.9%. Void levels across the like-for-like portfolio were 3.0% at the year end, compared with 1.9% at the start of the year. The mean weighted unexpired lease term for the like-for-like portfolio is 9.0 years (2004: 11.0 years) assuming all lease breaks occur.

Investment and development portfolio valuation movements			
	Investment £m	Development £m	Total £m
Open market value at 31/03/04	7,172.6	734.1	7,906.7
Purchases	392.7	–	392.7
Sales	(376.5)	(3.3)	(379.8)
Net impact of exchange of properties with Slough	(12.2)	(92.4)	(104.6)
Transfers into development	(151.0)	151.0	–
Transfers out of development	485.4	(485.4)	–
Transfers to partnerships and joint ventures	(102.6)	–	(102.6)
Transfer to stock and surrender premiums received	(50.7)	–	(50.7)
Capital expenditure	37.8	205.4	243.2
Valuation increase	622.2	220.0	842.2
Capitalised interest	–	17.5	17.5
Other	8.2	0.7	8.9
Investment portfolio at 31/03/05	8,025.9	747.6	8,773.5
Our share of joint ventures	615.3	–	615.3
Combined portfolio as at 31/03/05 (pro-forma)	8,641.2	747.6	9,388.8

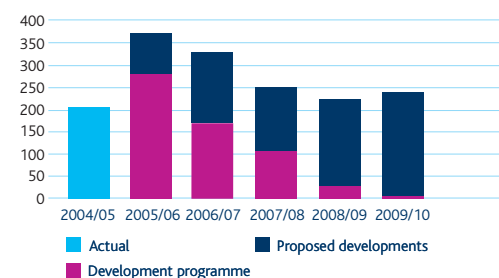
### Investment

We had an active year, which included the property swap with Slough Estates, where we exchanged £345.3m of industrial property for four retail assets valued at £363.5m. Including these properties, during the year we sold a total of £763.1m of property out of the investment portfolio (net of sale costs) generating FRS3 profits of £82.4m (13.4% above book value) while buying £786.1m of investment properties (including assets bought into joint ventures). The average yield on the properties sold was 5.2% and the average initial yield on the assets acquired was 5.9%. Excluding the property swap with Slough Estates, the purchase activity was principally accounted for by nine London office investments, which were acquired for an aggregate of £340.2m (including acquisition costs) to show an average yield of 6.5% on an average passing rent of only £282.50 per m<sup>2</sup>.

### Development programme

Development activity produced a valuation surplus of £220.0m in 2004/05, a 21.7% increase over the course of the year with a strong contribution from our London office projects. Six schemes were transferred into the investment portfolio from the programme. These generated rents of £9.5m in the current year and would contribute £23.3m to the profit and loss account in a full year. The significant schemes transferred were Empress State, SW6 and 30 Gresham Street, EC2. In addition a further seven developments were sold. Schemes transferred in the year to 31 March 2004 contributed £25.7m during the year to 31 March 2005. We spent £205.4m, excluding capitalised interest, on the programme, with most of the expenditure arising from Cardinal Place, SW1. Capitalised interest was only £17.5m during the period (2004: £25.4m) because significant developments on site in the year to 31 March 2004, including 30 Gresham Street, EC2 and the Bullring, Birmingham, reached practical completion during the previous financial year. We estimate that we will incur cash costs to complete the programme (excluding interest) of some £591m. In addition, capital expenditure on proposed developments could total £826m (excluding Kent Thameside) if a decision is made to proceed. These proposed schemes, which are held as part of the investment portfolio, have a current carrying value of £220.1m.

### Development estimated future spend



### Outstanding capital expenditure

	31/03/05 £m	31/03/04 £m
Programme	591	263
Proposed	826	870
Total	1,417	1,133





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32	2.0	Customer Service
34	2.1	Retail
40	2.2	London Portfolio
46	2.3	Property Outsourcing
54	2.4	Urban Community Development

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## Using our expertise

We have focused our activities on areas of the market where we can benefit fully from the expertise of our people and section two of the Operating and Financial Review demonstrates how we are using this expertise to create value. Here, we explain the performance and activity of our Retail, London and Property Outsourcing businesses as well as providing an update on our Urban Community Development activities.

## Customer Service

### Customer satisfaction surveys – Shopping centres

Objective	Results 2002	Results 2003	Results 2004	Target
Understanding needs	3.26	3.71	3.66	3.80
Communication	3.49	3.92	3.94	3.90
Willingness to recommend	80%	89%	97%	92%
Responsiveness	n/a	3.90	4.07	3.80*
Overall satisfaction	3.71	3.81	3.77	3.75*

### Customer satisfaction surveys – London managed offices

Objective	Results 2002	Results 2003	Results 2004	Target
Understanding needs	3.42	3.37	3.66	3.45
Communication	3.46	3.57	3.68	3.65
Willingness to recommend	74%	89%	94%	92%
Responsiveness	n/a	3.67	3.48	3.80*
Overall satisfaction	3.50	3.53	3.70	3.75*

Scale  
1 = very poor, 2 = poor, 3 = average, 4 = good, 5 = excellent,  
\* = by 2006

Land Securities has more than 2,000 occupiers and clients across the Group. With some 300 million customer visits being made each year to our retail properties and the management of office accommodation for over 320,000 people, customer service is important to all our business activities.

In 2004/05, Land Securities continued its annual survey of investment portfolio occupiers and property outsourcing clients. Overall the results were strong, showing improvements in many areas.

#### Shopping centres overview

Our annual shopping centre survey, carried out independently, is conducted across our retail customer base. As well as surveying the retail occupiers at 11 shopping centres we also conduct our survey with the retailers' property managers at head office, thus ensuring that we understand retailer requirements at a local, regional and national level.

#### Key findings

- Improvements in core values of customer service and innovation
- Significant improvement in responsiveness of property management
- Facilities services and amenities continue to maintain a high standard
- Increase in perception of value for money for marketing activity.

#### London managed offices

Our annual London office survey, carried out independently, is conducted across a range of office occupiers. Given the nature of office occupation this may be an occupier's facilities manager or property manager or an individual business' director.

#### Key findings

- Evidence of improved customer satisfaction mainly linked to increased communication
- Progress in demonstrating understanding of occupier needs
- Service levels across the portfolio are inconsistent and faster response is seen as a priority
- Building security, heating ventilation and air conditioning continue to be the prime concerns of many occupiers
- The efforts we are making to change to a service culture are beginning to be recognised by occupiers.

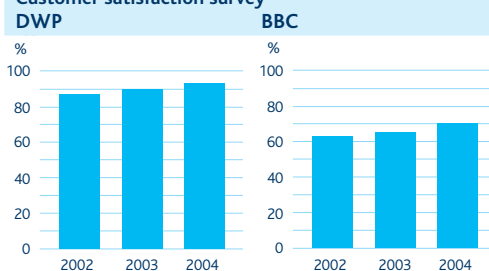
#### Property outsourcing

Through Land Securities Trillium we manage extensive outsourced property portfolios which provide accommodation to more than 250,000 office occupants. Customer satisfaction plays a major role in ensuring the success of these contracts and customer service surveys are undertaken regularly to monitor performance in this area.

We completed the third annual DWP customer satisfaction survey to assess their level of satisfaction and saw an improvement of almost 4% on last year's result. The latest BBC survey showed an increase of 5% on the previous year, the greatest increase in satisfaction to date.

We believe that there is a direct relationship between customer satisfaction and the levels of performance penalties we incur. Penalties have continued to decrease as customer satisfaction levels rise.

### Customer satisfaction survey

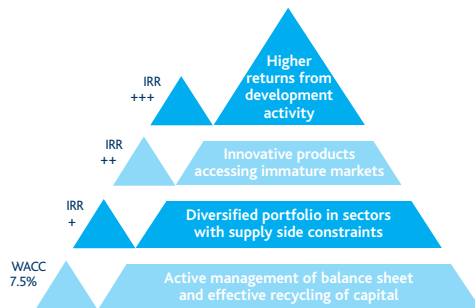






We have some  
**250,000m<sup>2</sup>**  
of planning permissions for retail  
led development schemes

White Rose, Leeds



## Retail

### Strategy

Retail will contribute to the achievement of the Group's aims through a strategy of:

- Investing in dominant retail assets which will benefit from active management to create growth in rental income and asset value
- Regeneration and renewal of the portfolio through an active development programme, creating new assets of a quality seldom available on the open market
- Delivering market leading levels of customer service and property management ensuring that our centres achieve an increasing share of retail demand and shopper visits

### Objectives

During 2004/05 our core objectives were to:

- Achieve investment portfolio total returns by sub-sector which exceed total IPD sector returns by more than 1.0% per annum
- Recycle low growth assets and increase our investment in shopping centres as opposed to high street shops
- Achieve 40,000m<sup>2</sup> of development pre-lettings, including the key anchor retailers for our major schemes

## Achievements

# 17.6%

### total return on Retail (excluding London retail)

exceeding IPD benchmark returns by 1.2 percentage points in shopping centres and 0.1 percentage points in retail warehouses

# 43,400m<sup>2</sup>

### of development lettings

reflecting continued strong demand from retailers for modern well-configured space



# £474.2m

### of acquisitions

which included three shopping centres and one retail warehouse park through the Slough Estates exchange of property

# £273.1m

### of disposals

which included Upper Precinct, Coventry, a retail park in Slough, retail and office holdings in Reading and a portfolio of high street shops

# £517.2m

### enterprise value of recommended offer for Tops Estates PLC

post year end offer, which will add a further seven shopping centres to our portfolio



# £245.1m

### capital invested into joint ventures

we formed the Metro Shopping Fund combining three London shopping centres with our Notting Hill retail holdings and acquired a 50% interest in the Buchanan Partnership



## Retail

### Retail portfolio valuation

#### Total retail (a)

	31/03/05	31/03/04
Combined portfolio valuation	£4,481.2m	£3,668.5m
Like-for-like investment portfolio valuation	£2,840.8m	£2,497.5m
Rental income	£153.1m	£149.0m
Gross ERV <sup>(b)</sup>	£181.7m	£169.3m
Voids by ERV	2.3%	1.8%
Running yield	5.3%	5.7%

#### Shopping centres

	31/03/05	31/03/04
Combined portfolio valuation	£2,553.9m	£1,834.5m
Like-for-like investment portfolio valuation	£1,160.5m	£1,055.9m
Rental income	£73.2m	£72.2m
Gross ERV	£82.1m	£78.7m
Voids by ERV	2.3%	1.0%
Running yield	5.9%	6.1%

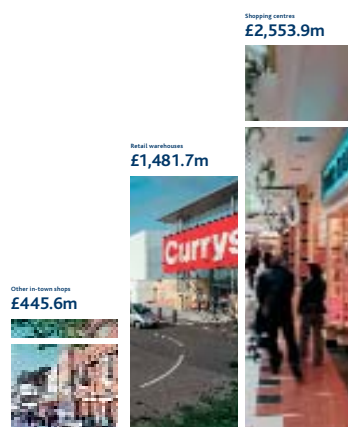
#### Retail warehouses

	31/03/05	31/03/04
Combined portfolio valuation	£1,481.7m	£1,292.8m
Like-for-like investment portfolio valuation	£1,361.9m	£1,154.4m
Rental income	£61.2m	£58.1m
Gross ERV	£77.0m	£69.1m
Voids by ERV	2.5%	2.3%
Running yield	4.8%	5.2%

Extract from combined portfolio analysis

(a) The combined retail portfolio excludes £51.8m of value in relation to assets held in the Metro Shopping Fund

(b) Annual estimated rental value



### Market commentary

Many retailers continue to expand their operations in spite of a competitive retail marketplace, which has been characterised by price deflation and slowing consumer expenditure. However, achieving this expansion has proved difficult for them since the supply of new well-configured shops in prime locations is limited. The strength of demand is evidenced by the good progress we have made in letting our development programme, with 43,400m<sup>2</sup> of retail space let during the year.

Against this background, rental value growth has slowed but we have been reassured by the reasonably strong performance of our own portfolio, with rental value increases on our shopping centres and particularly on our retail warehouse portfolio, reflecting the ever increasing popularity of out-of-town shops with consumers.

The investment market has seen a record year for volume of transactions with demand remaining strong and broadly based in terms of type of investor. As a result, yields have moved in steadily over the year further boosting capital growth.

On a like-for-like basis the retail portfolio performed well with a 13.0% valuation surplus in the year, voids of 2.3% and net reversionary potential of 11.8%.

### Investment

Our retail investment strategy is to acquire assets which provide opportunities to benefit from active management, thereby creating growth in rental income and asset value. We will also seek to create new assets through development. In light of this strategy we have been refocusing our retail portfolio away from high street shops and are reinvesting into shopping centres and retail parks. Given the competitive nature of the investment market we have acquired investment property in off-market transactions, examples of which are the exchange of properties with Slough Estates and the Metro Shopping Fund. Since the year end the recommended offer for Tops Estates PLC could also add a further seven shopping centres to our portfolio.

In an active year we concluded £474.2m of acquisitions including the Slough Estates retail portfolio and the Metro Shopping Fund. We also acquired Princes Square and Southgate in East Kilbride adding to the Scottish Retail Property Limited Partnership with The British Land Company PLC.

We took advantage of the strong investment market and completed £273.1m of sales, including the net property contribution in the Bristol Alliance, our share of Martineau Place, Birmingham, Upper Precinct, Coventry, Twinches Lane Retail Park, Slough, our retail and office holdings in Reading, and a portfolio of eight high street shops.

In September 2002 we entered into a conditional agreement to purchase a 32,600m<sup>2</sup> shopping centre development in Maidstone. The centre is now 89% let and will be fully open in June. This has generated a significant valuation surplus over the year.



Land Securities has  
**1,300**  
retail occupiers

Gunwharf Quays, Portsmouth

## Shopping centres

# £204.2m

## Valuation surplus

Our shopping centres are now valued at £2,553.9m, representing 27.2% of the combined portfolio

### The Metro Shopping Fund

As we reported at the half year we have entered into a limited partnership with the private property company, Delancey. The 50/50 partnership owns over 39,000m<sup>2</sup> of retail space initially valued in total at £283.3m. The properties included in the partnership are Delancey's Shopstop @ Clapham Junction, SW11, N1 Islington and Victoria Place SW1, together with our holdings in Notting Hill Gate, W11. We remain confident about growth prospects for retail properties in the London suburbs and are seeking to acquire further properties for this partnership.

### Exchange of properties with Slough Estates

In December 2004 we acquired Buchanan Galleries, Glasgow (50% interest); the Lewisham Centre in South London; the Howard Centre in Welwyn and the Bishop Centre in Taplow from Slough Estates. The portfolio totals some 91,300m<sup>2</sup> of retail space, (based on 50% share of Buchanan Galleries) and the rent roll was £20.4m at 31 March 2005. We are very pleased with the progress being made to integrate these within Land Securities' portfolio and we have initiated work on reviewing development options on all four properties.

### Recommended offer for Tops Estates PLC

Since the year end we have announced a recommended cash offer for Tops Estates PLC. Tops Estates is a specialist in town and city shopping centre company and its portfolio comprises seven shopping centres. In a very active and competitive investment market we see this as an opportunity to strengthen further our position in shopping centre investment with assets offering opportunities for active management and development.

### Review of activity – shopping centres and shops

#### Asset management

Rental growth across the shopping centre and shop portfolio is created through a high volume of smaller transactions which will include rent reviews, new lettings and lease renewals as well as reconfiguration of shop units and small extensions.

During the year we entered into an agreement with Sainsbury's at White Rose to create an additional four double-height shop units, totalling some 7,000m<sup>2</sup> of space that we negotiated to take back from SavaCentre, which is being reformatted as a new look Sainsbury's. We also completed new lettings at Gunwharf Quays to Karen Millen, Next, Animal, Boots, and LK Bennett, which contributed to an increase in retail turnover of 18.8% over the year. We achieved new lettings creating rental growth at Bullring and White Rose, our two largest properties, and also at Stratford, the best performing property in the shopping centre portfolio.

#### Development

Our development activities provide us with opportunities to renew our investment portfolio with assets which would be difficult to obtain in a strong investment market.

In Canterbury we are on target to open the final phase of the Whitefriars scheme in July. In total, the scheme comprises some 37,160m<sup>2</sup> of retail and 3,260m<sup>2</sup> of residential accommodation. We have now let all but two of the retail units in the new scheme to retailers including Tesco, Zara, H&M and River Island. We understand from the retailers already open that trading is above their initial expectations.



In January we started the 37,360m<sup>2</sup> redevelopment of Princesshay, Exeter. We have completed the demolition of properties in Bedford Street, started demolition of the main site and completed the initial archaeological investigations. The scheme is to be anchored by a new Debenhams department store and is now 35% pre-let or in solicitors' hands to retailers including Next, Virgin Retail and Top Shop. We expect to open the scheme in Autumn 2007.

At Cardiff, where we are planning the development of St Davids 2, an 85,000m<sup>2</sup> scheme, in partnership with Capital Shopping Centres, we agreed Heads of Terms with John Lewis for the department store, its first in Wales.

We continue with the plans for Bristol, a 140,000m<sup>2</sup> mixed-use scheme incorporating 83,610m<sup>2</sup> of retail which we are developing in a 50/50 partnership with Hammerson plc. We have exchanged contracts on the anchor store letting to House of Fraser, and we have agreed further lettings for major stores and for the cinema.

On a smaller scale we are progressing the 5,200m<sup>2</sup> Bradwells Court scheme in Cambridge which is now included in our development pipeline. We achieved a resolution to grant planning permission for this nine-unit scheme in October 2004 and expect to start on site in early 2006.

#### Review of activity – retail warehouses

We continue to respond to new demand by upgrading and reconfiguring our parks to incorporate more high street retailers where possible and during the year we completed or refurbished some 42,000m<sup>2</sup> of accommodation. This activity was a key driver of the high level of rental value growth experienced on our portfolio over the year. Key achievements were:

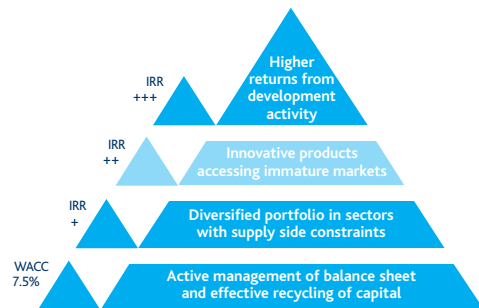
- The acquisition, through the transaction with Slough Estates, of the 9,600m<sup>2</sup> Bishop Centre, Taplow, a garden centre which has evolved into out-of-town retail and which we believe offers considerable development potential
- The sale of Slough Retail Park for £75m, where we had achieved a 46% growth in rents to £385.0 per m<sup>2</sup> over a five year period
- The reconfiguration of some 15,150m<sup>2</sup> and upgrading our parks at Swansea, Manchester and West Thurrock and completing new lettings to Currys, Marks & Spencer, Blacks Outdoor, Furniture Village and others
- The completion of the 1,410m<sup>2</sup> Tesco extension at Bexhill where we have a further 2,720m<sup>2</sup> under construction which is due for completion in June 2005. This space is fully let to Wickes and KFC
- The completion of 5,630m<sup>2</sup> of additional space at Livingston with new tenants including M&S Simply Food and Toys R Us.

#### Retail warehouses

# £213.5m

#### Valuation surplus

Our retail warehouses are now valued at £1,481.7m representing 15.8% of the combined portfolio



## London Portfolio

### Strategy

The London Portfolio will contribute to the achievement of the Group's aims through a strategy of:

- Acquiring property which has good medium-term growth prospects and/or future development potential
- Exploiting our strong relationships with major occupiers in the London office market
- Creating enhanced returns through our development activities
- Recycling capital by capturing value as it is created
- Identifying opportunities to maximise value from our holdings whether for office, retail, residential or leisure uses

### Objectives

During 2004/05 our core objectives were to:

- Achieve investment portfolio total returns by sub-sector which exceed total IPD sector returns by more than 1.0% per annum
- Recycle £400 m of the capital invested in the London Portfolio
- Let 90,000m<sup>2</sup> of the development programme

## Achievements

# 17.3%

**total return on the London Portfolio (including London retail)**

demonstrating the positive impact of our development programme

# 150,500m<sup>2</sup>

**of development lettings and disposals**

which included transactions at Empress State, Gresham Street, 16 Palace Street and Bankside1



# £340.2m

**of acquisitions**

including Greater London House, Hill House, City Forum and Red Lion Court

# £161.2m

**of sales**

including Bowater House

# 102,200m<sup>2</sup>

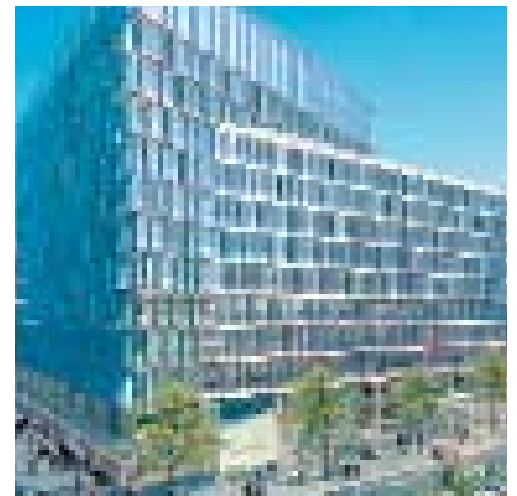
**of development in progress**

including Cardinal Place, New Fetter Lane and Bankside1

# 90,000m<sup>2</sup>

**proposed London development pipeline**

including our schemes at One New Change and Bankside2&3





## London Portfolio

### London portfolio valuation

London portfolio	31/03/05	31/03/04
Combined portfolio valuation	£4,457.8m	£3,791.4m
Like-for-like investment portfolio valuation	£2,987.5m	£2,814.6m
Rental income	£208.9m	£214.5m
Gross ERV <sup>(a)</sup>	£208.0m	£203.3m
Voids by ERV	3.3%	2.0%
Running yield	6.6%	7.3%

### London offices <sup>(b)</sup>

London offices <sup>(b)</sup>	31/03/05	31/03/04
Combined portfolio valuation	£3,597.7m	£2,985.6m
Like-for-like investment portfolio valuation	£2,311.5m	£2,189.1m
Rental income	£169.0m	£175.7m
Gross ERV	£164.7m	£160.1m
Voids by ERV	4.1%	2.6%
Running yield	6.9%	7.6%

### London shops <sup>(c)</sup>

London shops <sup>(c)</sup>	31/03/05	31/03/04
Combined portfolio valuation	£860.1m	£805.8m
Like-for-like investment portfolio valuation	£676.0m	£625.5m
Rental income	£39.9m	£38.8m
Gross ERV	£43.3m	£43.2m
Voids by ERV	0.2%	–
Running yield	5.8%	6.2%

Extract from combined portfolio analysis

(a) Annual estimated rental value.

(b) The combined London offices portfolio includes £12.5m (2004: Nil) of value in relation to assets held in the Metro Shopping Fund.

(c) The combined London shops portfolio includes £39.3m (2004: Nil) of value in relation to assets held in the Metro Shopping Fund.

### Market commentary

We continue to see an overall improvement in the Central London office market with occupier take-up increasing and a reduction in vacancy levels, from 10.1% in September 2004 to 9.3% in March 2005 (source: Jones Lang Lasalle). We believe that this positive trend will continue aided by a limited supply of new development to drive rental growth.

The overall improvement masks a varying picture across the different sub-markets. With constrained supply, we continue to be positive about the prospects for the West End market but are yet to see any significant reduction in availability in the City where we maintain our view that there will not be a return to rental growth until 2006. However, as we have demonstrated through our own progress with lettings, large-scale requirements for pre-lettings are absorbing development stock.

London is one of the most affluent cities in Europe and is one of the few where population growth is forecast. Our substantial London retail holdings are in some of the stronger locations in London, including Oxford Street, Tottenham Court Road, Cheapside and Piccadilly Circus and these characteristics bode well for retail rental growth.

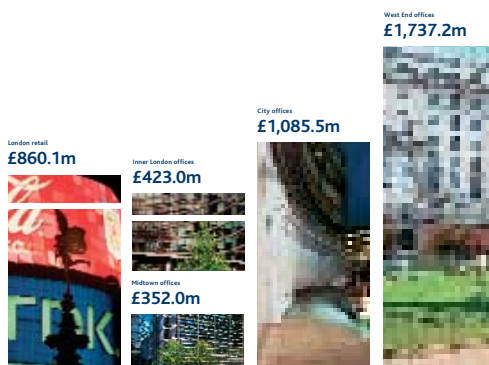
### Review of activity

This year we made considerable progress across the London Portfolio, positioning both our investment portfolio and the development pipeline to benefit from improving London markets. We completed in total some £500m of sales and acquisitions and continued to progress our plans for our 90,000m<sup>2</sup> of proposed developments.

### Investment

Our strategy has been to refocus the London Portfolio to ensure that we benefit fully from market recovery and during the year we acquired £340.2m of property. The main characteristics of the majority of these assets are low passing rents and medium-term income streams with development and/or alternative use potential on lease expiry. The acquisitions made were:

- Greater London House, NW1. Acquired for £114.1m on a net initial yield of 6.75%, the property is a 30,907m<sup>2</sup> freehold office building providing gross rental income of approximately £7.8m per annum. It is let to tenants including Young & Rubicam Holdings and Bertelsman Books and Magazine. The building is currently let at low rental levels, averaging approximately £250 per m<sup>2</sup>
- Hill House, EC4 which was acquired for £80.8m, representing a net initial yield of about 6.5%. Developed in 1979, the 15,780m<sup>2</sup> freehold building was substantially refurbished in 2002 and is entirely let to Deloitte & Touche LLP (Deloitte) until 2034. The property adjoins our development scheme at New Street Square, EC4 and forms part of Deloitte's UK headquarters
- City Forum, City Road, EC1 was purchased for £46.4m. The 12,230m<sup>2</sup> scheme, comprising 13 buildings, is situated on the edge of the City core and offers well-secured income of £2.9m per annum, representing an initial yield of 6.2%. Occupiers include Goldman Sachs, Deloitte and NatWest
- Red Lion Court, SE1, acquired for £67.4m. The 11,920m<sup>2</sup> office building is let to Lloyds TSB and currently produces rent of £4.3m per annum, providing an initial yield of 6.4%.





We let or disposed of some

**150,000m<sup>2</sup>**

of floorspace representing some 30% of new  
London office development lettings in 2004/05

Sixteen Palace Street, SW1

## West End

# £202.1m

## Valuation surplus

Our West End office portfolio is now valued at £1,737.2m representing 18.5% of the combined portfolio

After the year end we acquired Times Square, London EC4, a 35,117m<sup>2</sup> office building developed in 2003. We exchanged contracts for our 44.5% stake for £95m reflecting a net reversionary yield of around 6%. The property is let to Mellon Bank and Dechert, with 8,574m<sup>2</sup> vacant. Our joint venture partner is Sableknight.

During the year we sold £161.2m of property including Bowater House, SW1; 2/4 Temple Avenue, EC4; and 89 Southwark Street, SE1 which generated FRS3 profits of £29.7m. We were particularly pleased to complete the sale of Bowater House for £145.8m (net of sales costs) to a residential developer in advance of receiving a planning consent for a change of use to residential and to sell 30 Gresham Street for £274m (net) just after the year end.

## Development and letting

We are making very good progress with our development programme as demonstrated by the completion of 101,500m<sup>2</sup> of new leases during the year and the forward sale of Bankside1.

These included:

- The first office letting at Cardinal Place, a mixed-use development in Victoria, where we let 5,570m<sup>2</sup> at 16 Palace Street, London SW1 to 3i Group PLC. This was agreed just two months after the building was finished and leaves 3,880m<sup>2</sup> of accommodation in the 16 Palace Street building to be let. The final two buildings, fronting Victoria Street totalling 41,680m<sup>2</sup> of office accommodation, are due for completion in late summer. We have also pre-let over 80% of the retail space in the scheme to 12 leading retailers, including Marks & Spencer
- The letting of 30 Gresham Street to Dresdner Kleinwort Wasserstein (DrKW) and the subsequent sale of this property after the year end. The transaction included a surrender to us of DrKW's current portfolio of office space in and around 20 Fenchurch Street, London EC3 and a transfer to us of DrKW's part freehold interest
- The forward sale of Bankside1, SE1 to IPC Magazine Group Ltd (IPC) for the use of Time Warner's London-based magazine and book publishing operations, full details of which are contained in our Interim Report
- The 43,300m<sup>2</sup> letting of Empress State Building, SW6 to the Metropolitan Police Service (MPS). This transaction is a Landflex package which includes a conventional 15-year lease with an annual indexation of rents, an agreement with Landflex to manage the sub-letting of part of the building and provision of property services until the MPS is ready to occupy the whole building in five years' time. There is a further agreement to cover the repairs, maintenance and life-cycle capital requirements of the building. As part of this transaction we have accepted a lease surrender on Wellington House, SW1 for which we have been compensated
- In April 2005 we exchanged contracts with Deloitte for the letting of Building B at the New Street Square development on New Fetter Lane, EC4. Deloitte will occupy 19,500m<sup>2</sup> of offices over ten floors with an option over a further 3,930m<sup>2</sup> in Building C. The offices will be ready for fit-out in the Summer of 2007. As part of the transaction we will assume responsibility for Deloitte's leases at Arundel Great Court, approximately 23,500m<sup>2</sup>, the anticipated costs of which have been reflected in the overall transaction terms.

## City

# £61.8m

## Valuation surplus

Our City office portfolio is now valued at £1,085.5m representing 11.6% of the combined portfolio



We continue to make excellent progress with our development programme and with the forward planning of our development pipeline. We invested £138m on schemes in progress and have a further £438m to spend to complete the current programme.

- We achieved a “minded-to-grant” planning consent for our revised scheme at New Street Square (formerly New Fetter Lane), EC4 for a scheme of four main buildings comprising a total of 62,340m<sup>2</sup> of office accommodation and 2,980m<sup>2</sup> of retail space
- We secured a planning consent for our property at One Wood Street, formerly 120 Cheapside, EC2, which we acquired last year. We have now committed to start on the scheme in June 2005. We expect that this scheme, which comprises 15,000m<sup>2</sup> of office and 1,500m<sup>2</sup> of retail space, will complete in June 2007
- We have committed to refurbish 7,690m<sup>2</sup> of offices at 40 Eastbourne Terrace, W2 in Paddington for letting on a Landflex basis, in response to the positive reaction to date for the Landflex product
- We announced in April 2005 that we would be progressing the final two buildings on our Bankside123 scheme speculatively. Buildings 2 and 3 will provide approximately 15,690m<sup>2</sup> and 19,860m<sup>2</sup> of high quality office space, and 830m<sup>2</sup> and 2,340m<sup>2</sup> of retail respectively. We are progressing this scheme since we believe we can benefit from the growing list of corporate and professional service occupiers looking to the South Bank for well-priced, good quality accommodation.

Our London portfolio is well balanced with investment properties, active developments and a strong development pipeline. A number of our future schemes have progressed well through the pre-planning process. This year, planning applications will be submitted on One New Change, EC4, a 51,340m<sup>2</sup> mixed used retail and office scheme; Bankside 4, SE1, a residential scheme; and 20 Fenchurch Street, EC3, an office and retail scheme. Any decision to proceed with these schemes will be made in the context of our overall exposure to development activity.

#### Midtown

# £11.5m

#### Valuation surplus

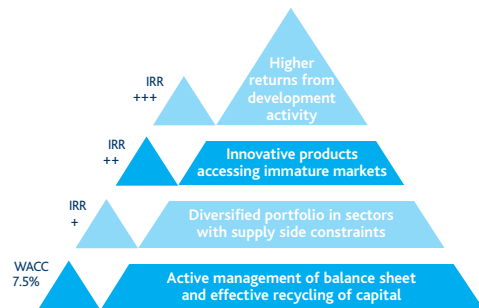
Our Midtown portfolio is now valued at £352.0m representing 3.7% of the combined portfolio

#### London shops

# £60.8m

#### Valuation surplus

Our London shops portfolio is now valued at £860.1m representing 9.2% of the combined portfolio



## Property Outsourcing

### Strategy

Land Securities Trillium will contribute to the achievement of the Group's aims by growing the Property Outsourcing business, through a strategy of:

- Winning new property outsourcing contracts in a large but immature market
- Innovating by exploring new markets and winning new business by refining the product and service offer to ensure that it is flexible for different business models
- Growing business with existing clients by satisfying customers and delivering property solutions that meet their changing needs

### Objectives

During 2004/05 our core objectives were:

- To grow the Property Outsourcing business by winning new contracts and expanding old ones
- To increase the contribution to Group profits
- To continue to satisfy existing clients and to achieve strong endorsements for our products

## Achievements

# £1.1bn

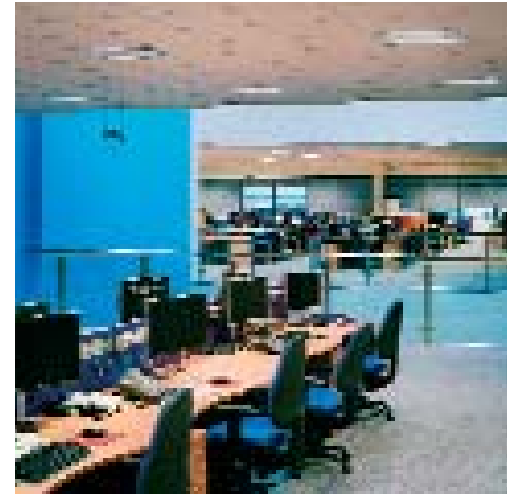
### gross property income up 27%

Land Securities Trillium now accounts for 57% of the Group's gross property income

# £259.8m

### segment profit up 66%

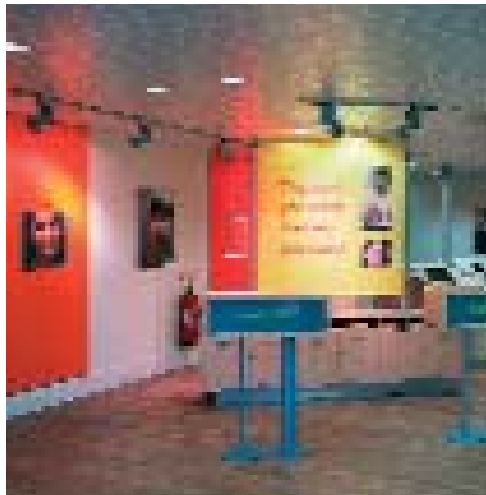
Land Securities Trillium had a record year with all its existing contracts moving into profit



# 23%

### return on weighted average capital employed

Land Securities Trillium returns are enhanced by our investment in Telereal which provides a healthy return for no capital invested



# £85m

### of investment

into our existing and new contracts



# Three

### new contracts won

our new clients are Barclays, DVLA and Norwich Union

# 8,400

### buildings under management

across the Property Outsourcing business providing accommodation to more than 250,000 office occupants



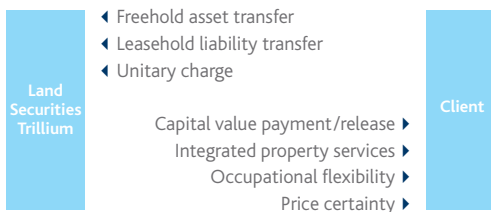
## Property Outsourcing

### Land Securities Trillium – property outsourcing



- Innovative approach to property ownership and management
- Six main clients
- 57% of Group's gross property income
- 26% contribution to Group's operating profit at 31 March 2005

### Land Securities Trillium – value proposition



### Financial results

	Full Year 31/03/05 £m	Full Year 31/03/04 £m
Operating profit		
– DWP*	83.2	51.1
– BBC	20.6	6.6
– Norwich Union (excluding bid costs)	6.1	–
– Barclays	–	–
Bid costs	(2.6)	(6.2)
Central costs	(7.8)	(7.3)
	<b>99.5</b>	<b>44.2</b>
Profit on sale of fixed asset properties	30.5	(0.1)
Segment profit	<b>130.0</b>	<b>44.1</b>
Share of Telereal segment profit	129.8	112.5
	<b>259.8</b>	<b>156.6</b>
Share of Telereal profit before tax	63.4	30.3

\*Aggregate of PRIME and Employment Services including amortisation of goodwill. In the year to 31 March 2004 profits for the DWP were depressed by a loss on the Employment Services element of the contract resulting from mobilisation costs.

### Market commentary

We are seeing good interest and activity in both the corporate and public sector markets.

#### Corporate sector

Following the commencement of our property outsourcing agreements with Norwich Union and Barclays during the year, interest in corporate property outsourcing remains strong, particularly within the financial services sector.

Continuing occupier focus on balance sheet restructuring, business rationalisation, cost reduction and risk mitigation resonates well with our strengths in releasing capital, providing flexible occupation, managing leasehold liabilities and introducing supply chain efficiencies. We have several opportunities at early stages of development.

#### Public sector

There is also good potential for further public sector property outsourcing. The Government's Efficiency Review, informed by the Lyons and Gershon reports, involving relocation, estate downsizing and a £30bn asset disposal programme, can be expected to generate further property outsourcing opportunities in the medium-term. We have made our own submission to Government specifically in terms of how property partnerships can offer an effective implementation model for departments in their response to the Efficiency Review. In parallel with this, we are pursuing a number of specific property outsourcing projects with public sector clients including the Ministry of Defence and the Northern Ireland Estate.

We are also exploring other public sector initiatives where there are implicit property issues and opportunities, including Building Schools for the Future. This is a 15-year £30bn Government programme to upgrade every secondary school in the UK, which was launched at the end of 2004.

The strong endorsement of the value for money and customer service offered by Land Securities Trillium, given by the National Audit Office report on our expanded contract with DWP, issued in January 2005, emphasises our successful relationship with Government and provides a firm foundation for further business in this sector.

#### Financial results

Land Securities Trillium contributed 26% of the Group's operating profits and accounts for 57% of gross property income. Segment profit was £259.8m, representing a 66% increase over last year.

#### Review of activity

We have seen extensive activity across our three existing contracts and added three new clients reflecting our ability to provide flexible outsourcing solutions to meet specific customer challenges. This applies equally for existing and new clients.



We released

**£321.5m**

of capital from the sale of Media Village  
by Land Securities Trillium

Media Village, White City

Segment profits

**£259.8m****Up 66%**

Land Securities Trillium had a record year with all its existing contracts moving into profit

**Department for Work and Pensions**

As we have now merged the two estates, we have this year combined the reporting for the Department for Work and Pensions' (DWP) contract which comprises the original PRIME contract and the Employment Services extension signed in December 2003. In total, this produced £603.1m of income and made a £83.2m contribution to operating profits. However, as previously indicated, we expect this contract to produce lower operating profits next year as our client makes use of the significant vacation allowances priced into the transaction.

Since merging the estates, this is the first full year of delivery of day-to-day real estate and facilities management services to approximately 130,000 DWP occupants in some 1,700 buildings and customer feedback has been very positive.

We continue to work with the DWP to formulate and implement its estate strategy in light of the requirement to reduce headcount to around 110,000 by March 2008. DWP has indicated that it intends to vacate some 80,000m<sup>2</sup> of accommodation over the next 12–18 months, all of which is priced into our contract. At the same time the restructuring has also generated a requirement for new space in certain locations and we have received requests for a total of 25,000m<sup>2</sup> of additional space. Sales of surplus properties generated profits of £7.0m which we shared with our customer.

We continue to support the DWP in the management of its capital works programme including the rollout of the Jobcentre Plus organisation. Over the year our Capital Projects team has handled some £81m of work for the DWP.

**BBC**

During the year the BBC contract made a £20.6m contribution to operating profit (2004: £6.6m) provided primarily by the property income generated by Media Village, White City, following successful completion of that development in late 2003.

In March 2005, we realised sales proceeds of £321.5m from the sale of Media Village, which generated a profit of £23m and the return of all our capital invested in the contract. As we announced at the time of this transaction, we undertook to review the future basis of the contract with the BBC in the knowledge that it would now consist of development management services, already covered under separate contracts, and the provision of facilities management services only. This joint review resulted in the announcement on 12 May 2005 that the BBC would be re-tendering the facilities management element of our contract; we decided not to participate in the re-tender process because we do not offer a facilities management service only. This decision will not have a material impact on the financial performance of Land Securities Trillium and we will continue to manage the outsourcing contract until at least March 2006. Over the past three years, we are pleased to have achieved cost savings for the BBC of £30m and a significant increase in customer satisfaction.

On the development management side, we continue with the construction of the new 81,390m<sup>2</sup> Broadcasting House complex in London, which is being carried out by our London development project team, with phased construction completion occurring between Spring 2005 and 2008. On handover the BBC will complete its technical fit-out and aims to have all moves complete by the end of the decade. In July 2004 we also agreed terms and commenced work in a similar capacity on the construction of the BBC's new 33,370m<sup>2</sup> broadcasting facility at Pacific Quay in Glasgow, which is scheduled for completion in 2006.

#### BT

Telereal, the joint venture vehicle that has the property outsourcing contract with BT, continued to make a strong contribution, providing pre-tax profits (profits after interest on joint venture debt) of £63.4m (2004: £30.3m). Profits for the year from Telereal benefited from a high level of surplus property sales which accounted for £30m of that figure. These sales also benefited BT through profit sharing arrangements. Profits are not expected to continue at the same level in 2005/06 as 90% by floor area of the surplus freehold properties acquired from BT in 2001, or vacated since then, have now been sold.

We have agreed with BT to restructure the corporate services element of the contract in order to ensure it is best suited to BT's current requirements. This restructuring was agreed in March 2005 with BT having termination rights in 2012 and seven yearly thereafter, rather than at will as previously existed. The asset ownership elements of the contract are unaffected and the change is expected to be economically neutral to us.

#### Norwich Union

In June 2004 we were delighted to agree a corporate outsourcing contract with Norwich Union to manage and improve its core occupational estate. The range of services provided includes planned and reactive maintenance, life-cycle replacement of building components and the undertaking of capital projects work. The 25-year transaction also comprises the transfer of 115,000m<sup>2</sup> of office accommodation and the commitment by Land Securities Trillium to invest £92m into the phased refurbishment of Norwich Union's 30,890m<sup>2</sup> Norwich headquarters. The first phase of works is due to complete in June 2005. The estate transferred to Land Securities Trillium comprises approximately 25% of Norwich Union's operational space by floor area.

As part of this transaction an innovative £100m onward sale was agreed involving seven freehold assets. Through this, Norwich Union realised sale proceeds in excess of its expectations while, under the occupational leases put in place, Land Securities Trillium has the freedom to carry out all of its outsourcing obligations. We will continue to manage and maintain these buildings on behalf of Norwich Union which will occupy the properties for a lease term, in most cases, of 25 years.



Gross property income

**£1.1bn**

**Up 27%**

Land Securities Trillium now represents  
57% of the Group's gross property income

#### Barclays

In December 2004 we entered into a 20-year property outsourcing deal with Barclays Bank, combining the sale and leaseback of a regional headquarters building with the management of a portfolio of surplus leasehold properties. The transaction involved 14 properties totalling 31,540m<sup>2</sup> and has two elements:

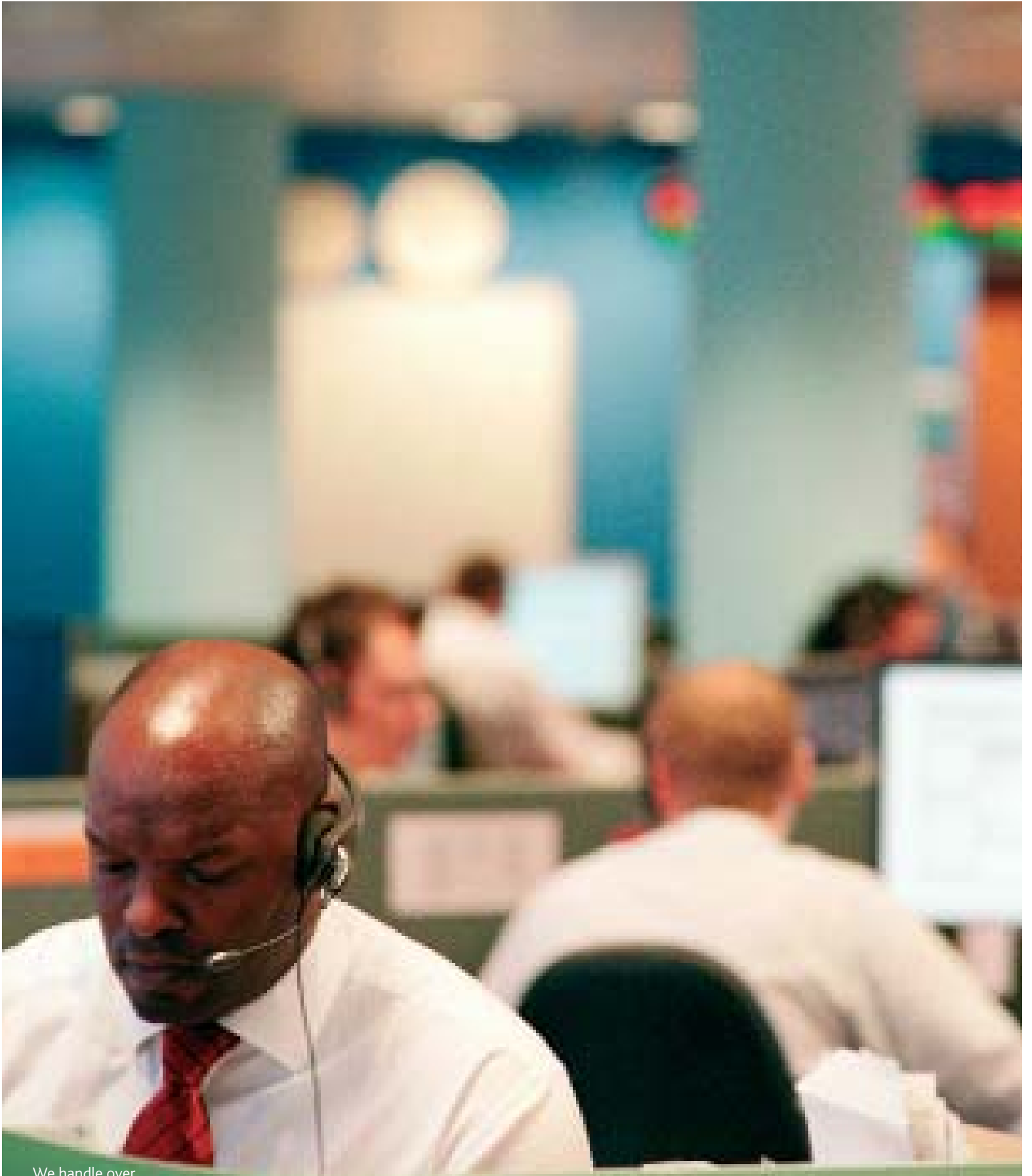
- Barclays has sold Westwood Business Park, Coventry (three buildings totalling 11,300m<sup>2</sup>) to us on a 20-year leaseback arrangement
- The transfer of responsibility for 13 short leaseholds surplus to Barclays' requirements and largely vacant as a result of its property rationalisation in London and the south of England. Barclays will make a capped payment to reflect the letting risk, as we assume responsibility for all future benefits and liabilities relating to the transferred interests.

The contract broke even in the fourth quarter and is expected to move into profit during the next financial year.

#### Driver and Vehicle Licensing Agency (DVLA)

In March 2005, we signed the property outsourcing contract with DVLA. This Government contract is expected to break even in the first 12 months and make profits in 2007. Under the terms of the transaction, DVLA has outsourced a major refurbishment project, life-cycle capital expenditure, estates management and facilities management across its entire UK estate to us for 20 years. There is no transfer of freehold property to us but we receive payment for the provision of services and refurbishment works via a performance-related index linked annual unitary charge.

The estate comprises 58 properties, totalling 94,133m<sup>2</sup>, of which 14% by area involves the transfer of leasehold liabilities. The 24,471m<sup>2</sup> refurbishment of part of DVLA's headquarters site at Morrision, Swansea will result in a £30m investment by us over the next three years.



We handle over

**650,000**

customer service requests every year

Customer Service Centre, 140 London Wall, EC2

## Urban Community Development

We continue to invest in activities which we believe will, over time, produce above-average returns for shareholders. One of these areas is Urban Community Development, where we can benefit from the Group's balance sheet strength and development skills. The largest of our projects is Kent Thameside, but we also have smaller holdings in Cambridge and at Stansted.

### **Kent Thameside**

Our activities in Kent Thameside are currently focused on masterplanning and securing appropriate planning consents. At Eastern Quarry and Swanscombe Peninsula West, our two planning applications for major residential led mixed-use developments remain undetermined primarily as a result of issues raised by the Highways Agency in relation to the trunk road network. This issue is not unique to Land Securities and is currently affecting a number of the Government's priority growth areas.

Within our Ebbsfleet landholding, where we have a 48.5% interest, outline consent already exists, and we are moving towards the first phase of residential development. Countryside Properties has been selected as our preferred development partner for the Springhead Quarter. Countryside is now working towards the submission of a detailed application later this year for a scheme of over 300 dwellings.

This joint venture arrangement with Countryside will follow on from completion of our first phase of work with them at Waterstone Park where 200 dwellings have been completed and sold. Work on the construction of the second phase of 450 homes has started following the grant of detailed planning permission in November for the next release of 88 private and 30 affordable dwellings.

We have also had some recent notable successes at Crossways reinforcing its pre-eminence as the largest mixed use business park in the south-east quadrant of the M25. Following exchange of contracts in December, work is progressing on the construction of a new HQ office building for Moat Housing Group for their freehold owner occupation at the end of the calendar year. The sale of Building 5065, to Capital & Provident for £17m was completed in March 2005.

### **Stansted**

In July we acquired 650 hectares (1,625 acres) of land adjacent to Stansted airport for approximately £15.3m. We believe that this acquisition may provide future opportunities for achieving change in use and other planning consents in the medium-term, although the land is not identified for development in current planning policy statements.

### **South-east industrial**

We completed our property swap with Slough Estates and continue to own £72m of industrial property in the south-east. These properties, which produce £4.0m of income per annum, were retained since they offer medium-term potential for development for alternative uses.



Developing

# 700 hectares

in Kent, creating communities for the future

Eastern Quarry, Kent Thameside







## Acting responsibly

Land Securities' core values of integrity, customer service, respect for the individual, excellence and innovation instil in our people a strong desire to manage the business in a responsible way. This section brings together all the elements of the Annual Report which demonstrate how we live up to these values.

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72	3.4	Remuneration Report
79	3.5	Directors' Responsibilities
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## Board of Directors

### 1. Peter G Birch CBE (67)

#### Chairman and 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. Senior Independent Director at Trinity Mirror plc. Non-Executive Director of Travelex, Sainsbury's Bank, Dah Sing Financial Holdings Limited and an advisor at N M Rothschild & Sons Limited.

### 2. Francis W Salway (47)

#### Executive Director

Joined the Group in October 2000. Previously an Investment Director at Standard Life Investments. He was initially appointed Head of Portfolio Management and was appointed to the Board in April 2001. Appointed Chief Operating Officer in January 2003 and Group Chief Executive in July 2004.

### 3. Andrew E Macfarlane (48)

#### 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, Hotels and Resorts division of Bass plc (now Intercontinental Hotels Group plc). A Non-Executive Director of Invensys PLC.

### 4. A Mark Collins (48)

#### 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. Appointed Chief Operating Officer in July 2004.

### 5. Ian D Ellis (49)

#### 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 Land Securities Trillium.

### 6. Mike R Hussey (39)

#### Executive Director

Appointed to the Board in September 2004 after joining the Group as Development Director in 2002. Previously Head of Leasing and Marketing at Canary Wharf Group. Appointed Managing Director, London Portfolio in July 2004.

### 7. Richard J Akers (43)

#### Executive Director

Joined the Board in May 2005, following his appointment as Managing Director, Retail in July 2004. Joined the Group in 1995 and previously held the position of Head of Retail Portfolio Management.

### 8. David Rough (54)

#### 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 Non-Executive Director of Mithras, BBA Group PLC, EMAP Group PLC and Xstrata Group PLC.

### 9. Sir Winfried Bischoff (63)

#### Non-Executive Director

Appointed to the Board in November 1999. Chairman of Citigroup Europe, and a Non-Executive Director of The McGraw-Hill Companies, USA and Eli Lilly & Company, USA.

### 10. Stuart A R Rose (56)

#### Non-Executive Director

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

### 11. Bo Lerenius (58)

#### Non-Executive Director

Appointed to the Board as a Non-Executive Director in June 2004. Group Chief Executive of Associated British Ports Holdings PLC. Previously Chief Executive Officer and Vice Chairman of Stena Line AB until 1999. A Non-Executive Director of Group 4 Securitas plc.

### 12. Alison J Carnwath (52)

#### Non-Executive Director

Appointed to the Board as a Non-Executive Director in September 2004. Chairman of The Vitec Group until December 2004. A Non-Executive Director of Friends Provident plc, Gallaher Group plc, Glas Cymru and Man Group plc.





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## Corporate Responsibility

In the year to 31 March, 2005 we continued to make advances on corporate responsibility (CR) initiatives across the Group. A full update of our CR activity is contained in our Corporate Responsibility 2004 Progress Report published recently, which included an update on progress in respect to our 2004 environment targets and the wider CR targets which we set for the first time. Recognition of our progress comes from our continued inclusion in the FTSE4Good and Dow Jones Sustainability Indices and inclusion in Business in the Community's Top 100 Companies Which Count listing. In addition, Upstream, who run the Property Environment Group benchmark, widened the remit of this to include indicators on CR pertinent to the property industry. We were delighted to learn that we had come second in this revised benchmark overall and first in the quoted property company peer group.

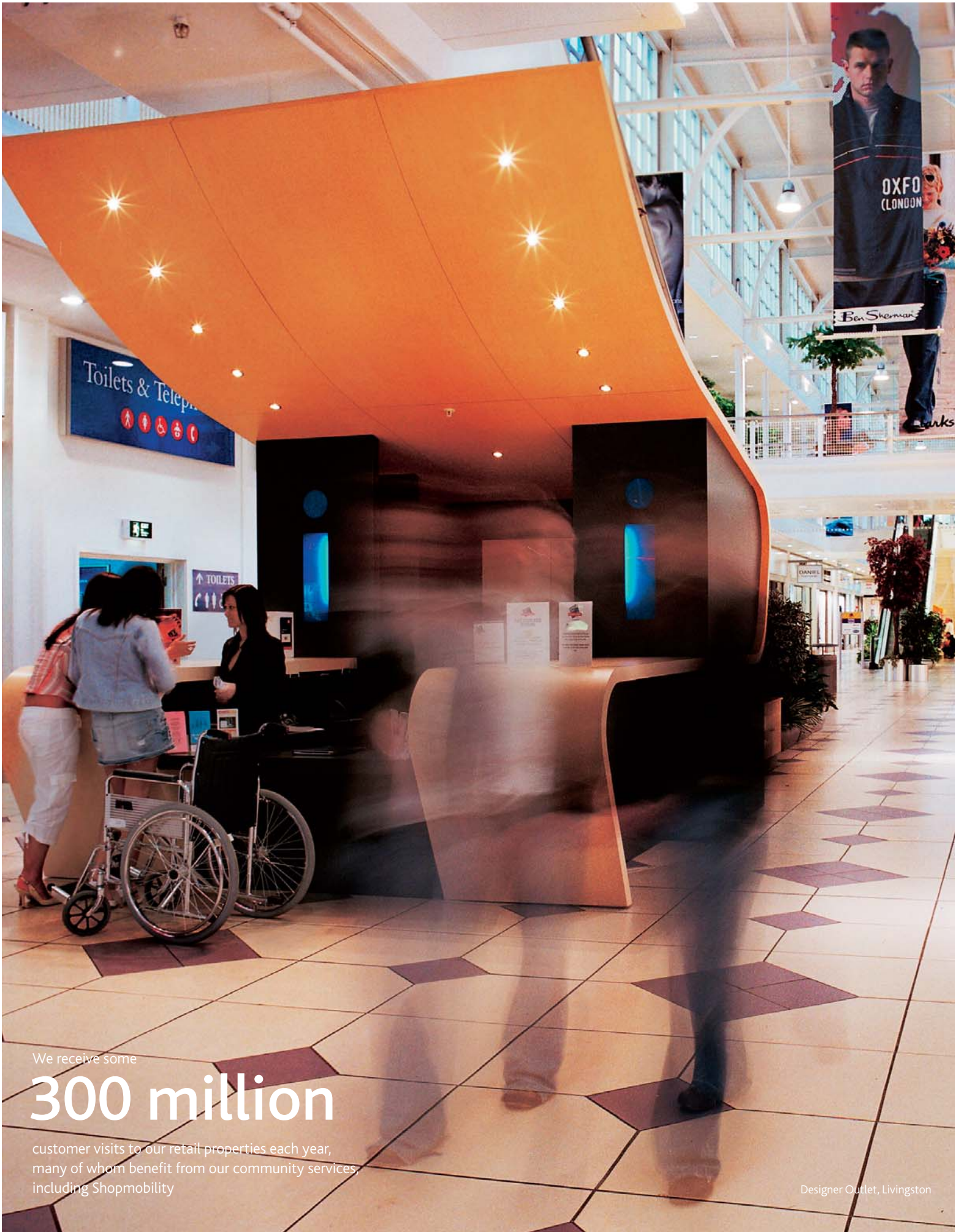
As a result of the senior management changes, we restructured Board responsibility for our key stakeholder groups and our health, safety and environmental activities. The table below lists these responsibilities and the means by which they are delivered. The sound management of our activities with our key stakeholder groups and a pro-active approach to our responsibilities for health, safety and the environment underpins the success of Land Securities' business.

Key stakeholder group/ area of responsibility	How we deliver	Board member/Senior executive
Occupiers, clients and their customers Local communities	Customer satisfaction initiatives Community initiatives	Chief Executive, Land Securities Trillium Managing Director, Retail Managing Director, London Portfolio
Shareholders and debt investors	Investor relations programme	Group Chief Executive Group Finance Director
Employees	HR management	Group Chief Executive
Suppliers, advisors, contractors and consultants	Procurement	Chief Operating Officer
Government	Lobbying and NGO relationship building process but no political donations	Group Chief Executive
Health and safety	Group-wide policies, training, management systems and audits	Chief Executive, Land Securities Trillium
Environment	Group-wide policies, training, management systems and audits	Chief Operating Officer
Corporate governance, business ethics, compliance and verification	Processes and audit	Entire Board

### Investors

We have an equity shareholder base of approximately 27,000, of which some 95% by value are institutional investors together with several hundred of investors in our bonds. Our investor relations (IR) activity, which includes regular communication with equity, bond and private investors and equity and bond analysts, comprises financial presentations, site visits and one-on-one meetings. These activities are conducted to provide a clear, honest and accurate picture of the Group's performance and future prospects, while remaining within the constraints imposed to ensure the protection of price sensitive information and avoidance of market abuse.

We seek to achieve a best practice IR programme and in 2005 expanded our activities to include private client broker communication and non-transaction related communication with debt analysts and investors. We held our second institutional investor conference, our first "socially responsible investor" meeting which included a site visit to Canterbury and a further presentation to the UK Shareholders Association, a private shareholder investment forum.



We receive some

# 300 million

customer visits to our retail properties each year, many of whom benefit from our community services, including Shopmobility

Designer Outlet, Livingston

All information provided at Group presentations is posted on the IR section of our website which allows for timely and efficient dissemination of information to all stakeholders and many of these meetings are broadcast live over the internet. We monitor the effectiveness of this programme directly through feedback to the Group, nominations for IR industry awards and indirectly through third party feedback and perception audits.

#### **Occupiers, clients, customers and the community**

We provide commercial accommodation to more than 2,000 occupiers and clients across the investment property and property outsourcing businesses and conduct annual customer satisfaction surveys, the results of which we report on in Section Two .

With some 10 million m<sup>2</sup> of commercial accommodation across the UK, our activities extend beyond the physical fabric of the buildings and often extend into the surrounding local communities. This is particularly true of the investment property business where ownership of shopping centres and our development activities enable us to be involved in a wide range of community initiatives across the UK. Our shopping centres engage in numerous initiatives, examples of which are: schools and education programmes; local truancy initiatives; charitable activities; business improvement districts; disability access programmes; health and environmental activities and community marketing programmes.

We also conduct robust public consultation programmes during the development process to gain public support for our plans and to maintain this support during development we introduce change management initiatives, which include the appointment of local community liaison officers; regular community meetings; publishing newsletters and websites; and job creation and training.

#### **Our people**

We employ nearly 2,000 people across the UK, responsible for the management of our property portfolio, development and delivery of accommodation and services across our property outsourcing activities. Our main objective in relation to employees is to become the "employer of choice" in the quoted property sector with a focus on attracting, developing, retaining and motivating high performance teams and individuals. We were delighted to receive recognition of our success as an employer when a recently published survey recognised us as the leading UK property investment and development company to work for.

We aim to create an environment where innovation and creativity are rewarded and career paths are clearly defined. Our reward structure is linked to performance and we provide our people with opportunities for personal and professional development through our training and development initiatives.

Land Securities is committed to providing equal opportunities to all our 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 or national origin.

Land Securities recognises the importance of providing employees with a continual and consistent flow of information. Our internal communication programme offers employees presentations on business activity and planning, management and team away days and regular news publications including an e-magazine and environmental newsletter. The intranet, which has enhanced our communication with employees, especially our remote workers, was updated and relaunched in 2004 with specific improvement made to the news function.



We held our third Group-wide annual employee survey and obtained an excellent response rate of just under 92%. The feedback received showed that our employees feel positive about Land Securities as an organisation. In particular, we exceeded the ETSM benchmark in: fair reward for work done; information flow from senior management; being a good employer and satisfaction with benefits and we scored top marks for "culture and values".

Our training budget increased in 2004, reflecting the emphasis placed on developing our employees. This year we have expanded 'Personal Development Plans' across the Group to ensure we have a framework to maximise employee potential to help them achieve their own aims as well as the Group's business objectives.

We also introduced a work shadow programme, to share ideas, knowledge and experience between business units. It provides individuals with the chance to have hands-on learning with colleagues from other parts of the business and broadens understanding of how the Group functions, including different roles and methods of problem solving.

Business exchange forums are being introduced across the Group in advance of the new regulations being implemented on workplace consultation. We are committed to becoming a leader in respect to human resource policies on employee engagement.

#### **Health and safety**

As detailed above Ian Ellis, Chief Executive of Land Securities Trillium, has now assumed responsibility for health and safety and during the year we strengthened and restructured the health and safety (H&S) team. This now comprises 16 H&S managers, who deliver services and support across the Group as well as 12 H&S trainers dedicated to the DWP contract. Our H&S activities are routinely reviewed by the Board on a quarterly basis, which includes a progress report against our stated objectives. A detailed report is made annually. The achievements of our H&S activities have been recognised by Royal Society for the Prevention of Accidents which presented us with a Gold award for Health and Safety Management.

An important part of our role is to remain fully conversant with new H&S legislation and in the next 12 months we are anticipating H&S legislation in three areas which will directly impact on our activities. These are the Work At Heights Regulations, the Fire Safety Order and amendments to the Construction, Design and Management Regulations. We will continue to monitor the progress of these to ensure that we are in a position to conform to the new laws as they come into effect.

We continue to implement a management system compliant with OHSAS: 18001. Our aim is to achieve certification to this standard for both the DWP and BBC contracts by the end of 2006. We are refining our asbestos management programme, which operates across the Group, to ensure compliance with legislation.

Given the nature of our business, we need to ensure that the contractors and service providers working on our behalf achieve appropriate standards of health and safety. In conjunction with our Group Procurement team we are creating a database of relevant H&S information for all our contractors, who number some 3,000. We have introduced H&S auditing of our service partners and contractors, and this programme is running on schedule. We also developed and delivered training modules for Land Securities managers and staff in this area.



We collate and analyse accident statistics monthly and publish key H&S statistics in our CR report. Accident trends continue to remain fairly static, although we have seen a progressive decrease in RIDDOR reportable accidents on Land Securities Trillium's major contracts.

We continue to deliver H&S risk assessments, inspections, audits and property health checks to take account of both legislative and contractual requirements and conducted a total of 355 of such audits in the year to 31 March 2005.

#### Environment

We were one of the first property companies to recognise the important role we have to manage our environmental impacts. We are delighted, once again, to have received strong third party endorsement of our environmental activities. Over the year we received a 82.3% score from Business in the Environment, won seven Green Apple awards for our activities and maintained our UK Wildlife Trust Business and Biodiversity Benchmark, one of only 11 organisations to receive the Benchmark in 2004.

We launched an enhanced Environmental Management System (EMS) and trained almost 300 members of staff in the basic aspects of the system. We are seeking the BS 8555 accreditation for this EMS and have our final audit in July 2005 with Lloyds Register. Following a scheduled review Land Securities Trillium received confirmation that its EMS, which had been expanded to include the 1,000 additional Employment Services buildings, continued to meet the requirements of ISO 14001 standard, making this the largest certification to date under the 2004 revision of ISO 14001.

We participated in the voluntary UK Emissions Trading Scheme once again this year. We met our target and have reduced emissions associated with our managed office portfolio by more than 9%, representing over 6,300 tonnes of CO<sub>2</sub>, since the scheme began three years ago. Despite the official closure of the MACC2 scheme, we remain committed to our declared target of a 10% reduction in average CO<sub>2</sub> emissions by 2010. We continue our work with the Carbon Trust on developing strategies to reduce energy consumption.

We introduced a new internal auditing scheme that enables us to benchmark the environmental management of our shopping centres and continue to run our successful shopping centre recycling league table, which has achieved an increase in recycling rates to an average over 26%, up from 20% in the prior year. We also significantly increased the amount of waste recycled by Land Securities Trillium for DWP and the BBC.

We introduced voluntary Environmental Impact Assessments for all our development schemes and supply chain auditing for sustainable timber procurement.

We participated in a working group with other leading developers and contractors to pioneer a common approach to addressing CR issues on construction procurement. We are working with selected suppliers to trial improved procurement routes to increase the proportion of sustainable timber used in our development projects and to provide greater levels of assurance that the products are from genuinely sustainable sources.



# 6,300 tonnes

Three year reduction in CO<sub>2</sub> emissions from our managed office portfolio

Empress State, SW6

## Corporate Governance

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

#### Statement of compliance

Land Securities complied fully with the Combined Code on Corporate Governance (the Code) as it applied to the Company during the year, except in relation to Board composition (proportion of independent non-executive directors) and membership of the Nominations Committee. In accordance with the concept of “comply or explain”, explanations for non-compliance in these areas are detailed below.

The Board applies the principles of the Code by monitoring corporate governance best practice and adopts appropriate recommendations of bodies such as the ABI and RREV (organisations which represent the views of institutional shareholders) and the Institute of Chartered Secretaries and Administrators. Additional information, including the terms of reference of Board Committees, the schedule of matters reserved for Board approval, the procedure for directors to take independent legal advice and the letter of appointment for non-executive directors, together with the Memorandum and Articles of Association of the Company, is available on the Group’s website at [www.landsecurities.com](http://www.landsecurities.com) or copies may be obtained on request from the Company Secretary.

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.

#### Role of the Board

The principal task of the Board is to formulate strategy and to monitor and control operating and financial performance in pursuit of the

Group’s strategic objectives. Nine principal Board meetings were held in 2004/05. The Board operates in accordance with a formal schedule of matters reserved to the Board for decision, which is renewed annually. It seeks to ensure that the needs and aspirations of all stakeholders are satisfied through the development of a balanced strategy which serves the interests of stakeholders.

These matters include authorisation of significant transactions in excess of £50m, dividend policy, internal controls (via the Audit Committee), remuneration policy (via the Remuneration Committee), shareholder circulars and listing particulars, matters relating to share capital 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.

The Board was 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 reviewed strategy at an off-site meeting arranged for this purpose, 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.

In addition, the Investment Committee, comprising the Group Chief Executive, Finance Director and Chief Operating Officer, appraises and, where appropriate, approves funding proposals involving expenditure up to £50m taking into account key financial drivers, sensitivities, and project risk assessment.

#### Board balance and independence

The roles of Chairman and Group Chief Executive are split, with clear written guidelines to support the division of responsibility. There exists a strong non-executive element on the Board which currently consists of the Chairman, six executive and five non-executive directors. David Rough is the senior independent director. The Board considers that all the non-executive

#### 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:

	Board (9 meetings)	Audit Committee (5 meetings)	Nominations Committee (1 meeting)	Remuneration Committee (3 meetings)
Peter Birch (Chairman)	9	–	1	–
Francis Salway (Group Chief Executive)	8	–	1	–
Andrew Macfarlane	9	–	–	–
Mark Collins	9	–	–	–
Ian Ellis	8	–	–	–
Mike Hussey (appointed 30/09/04)	*5/5	–	–	–
David Rough (Senior Independent Director)	9	5	1	3
Sir Winfried Bischoff	8	4	–	3
Stuart Rose	8	5	–	2
Bo Lerenius (appointed 01/06/04)	*6/7	*2/3	–	*2/2
Alison Carnwath (appointed 01/09/04)	*6/6	*3/3	–	*1/1
Ian Henderson (retired 14/07/04)	*3/3	–	–	–
Peter Freeman (retired 14/07/04)	*2/3	–	–	*1/1

\* Actual attendance/maximum number of meetings a director could attend as a member.



directors are independent. Under some definitions Sir Winfried Bischoff may not be regarded as 'independent' since he is a member of the management committee of the holding company of one of the Group's principal relationship banks. However, the unanimous view of his colleagues on the Board is that, by virtue of his experience, he is robustly independent. At the date of this report less than half of the Board, excluding the Chairman, comprised independent non-executive directors. However, the Board considers that the experience and independent judgement of its non-executive directors are more important than absolute numbers. It is therefore satisfied that no individual or group has unfettered powers of discretion and that an appropriate and effective balance exists between the executive and non-executive members of the Board.

In accordance with the Companies Acts and the Articles of Association of the Company, all directors are required to submit themselves to shareholders for re-election to the Board at the first Annual General Meeting following their appointment and at regular intervals thereafter. Every director is required to stand for re-election every three years. The directors to retire by rotation at the 2005 Annual General Meeting will be Stuart Rose, Francis Salway and Mark Collins.

#### **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. As recommended by the Code, the non-executive directors meet at least annually, both with and without the Chairman.

#### **Director induction and training**

Directors were provided with training on a number of subjects, including, in particular, the impact of international financial reporting standards on the Group's accounts. In the case of newly appointed directors, an 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. A tailored induction programme was provided for non-executive directors, which included meetings with senior managers within each of the Group's business units. This process was coordinated by the Company Secretary in accordance with guidelines issued by the Institute of Chartered Secretaries and Administrators. The training needs of directors were reviewed periodically to ensure that they were kept up to date on relevant new legislation and changing commercial risks.

#### **Board appraisal**

A formal appraisal of the performance of the Board, its committees and individual directors is undertaken every year. This process is led by the Chairman with the assistance of the Company Secretary. The wide-ranging appraisal questionnaire is based on the process and questions outlined in the Higgs suggestions for good practice and the results were reviewed by the Board in March 2005. Following both self-assessment and evaluation by their fellow Board members, individual directors were evaluated in their role as members of the Board by the Chairman. The senior independent director was responsible for the evaluation of the Chairman and met annually with the other non-executive directors to consider the Chairman's performance. The 2004/05 Board appraisal has led the directors to conclude that the range of skills and experience of the directors resulted in an effective and unified Board. Attention will be given to any matters arising from the appraisal process.

#### **Nominations Committee**

The principal role of the Nominations Committee is to review the balance and effectiveness of the Board and identify the skills required and the individuals who can best provide these skills. In reviewing potential candidates for appointment to the Board, the Committee considers the capabilities required such as independence of mind and, where a non-executive appointment is under consideration, the time available to fulfil that role. Independent external search consultants are always used to identify appropriate candidates for appointment as non-executive directors and candidates from a wide range of backgrounds are considered.

The members of the Nominations Committee are the Chairman, who is Chairman of the Committee, the Senior Independent Director and the Group Chief Executive. Because this is not in accordance with the provisions of the Code, all key decisions relating to appointments and to membership of Board committees were considered by the full Board, which includes a strong representation of experienced independent non-executive directors. For all Board appointments the Committee consulted with the other members of the Board and put forward formal recommendations for consideration by the Board.

The Committee reviewed the time required from a non-executive director and the annual performance evaluation was used to assess whether the non-executive director was spending enough time to fulfil his or her duties.

The Committee made recommendations to the Board on succession for executive directors and on the reappointment of any non-executive director at the conclusion of their specified term of office. The Committee also kept under review the leadership needs of the Group, both executive and non-executive, with a view to ensuring the continued ability of the Group to compete effectively in the marketplace.



### Remuneration Committee

The Committee's activity is described in the Remuneration Committee report on pages 72 to 78.

### Investor relations

Land Securities is committed to maintaining the highest standards in its investor relations (IR) programme and we report on our IR activity in the Corporate Responsibility Section. The IR function reports directly to the Group Chief Executive and Group Finance Director and its activities are reported to and reviewed by the Board annually. Every two years an independent audit of IR is carried out, the results of which are also communicated to the Board. The Senior Independent Director attends the preliminary and interim results meetings to which investors are invited and his attendance is notified to investors in advance. In addition, each year, the Chairman writes to principal shareholders offering a clear line of contact with either him or the Senior Independent Director as recommended by the Higgs Proposals on Corporate Governance.

### 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 independent non-executive directors and is chaired by David Rough. Bo Lerenius and Alison Carnwarth joined the Board and Audit Committee during the year, with Alison having 'recent and

relevant financial experience' in line with the Code. Further details of each of the independent directors are set out on page 58.

The Audit Committee's written terms of reference are available on the Group's website and its principal oversight responsibilities cover:

- internal control and risk management
- internal audit
- external audit (including auditor independence)
- financial reporting.

The Committee met five times during the year. The Audit Committee Chairman invited all other Group Board directors to attend every meeting and from time to time other senior management. In addition, the Director of Risk Management and Internal Audit and representatives from the external auditors, PricewaterhouseCoopers LLP, were also present at each meeting. The Committee also met separately with the external and internal auditors and the valuers.

The Committee undertook the following activities at these meetings:

- reviewed and approved the Company's approach to implementing International Financial Reporting Standards (IFRS)
- reviewed the interim and annual results and considered any matters raised by management and the external auditors
- reviewed and approved the audit plans for the external and internal auditors
- monitored the scope, effectiveness, independence and objectivity of the external audit
- discussed the results of internal audit reviews, significant findings, management's action plans and the timeliness of resolution
- review the scope, independence and objectivity of the external valuation by Knight Frank LLP
- reviewed the Group's 'Turnbull Report' to support the Board's sign-off on the system of internal control (see below for more details)
- discussed the Group's response to the

Turnbull Review being undertaken by the Flint Committee

- reviewed reports on the Group's risk management measures and actions
- discussed the accounting and internal control impact of implementing the debt restructuring
- reviewed progress on the project to replace key finance IT systems
- received a report from the valuer on the 31 March 2005 valuation
- in conjunction with the Board appraisal detailed on page 67, the Committee reviewed its own effectiveness and concluded that it had continued to operate as an effective Audit Committee.

### External auditors

The Audit Committee appraised the effectiveness of the external auditors and the external audit process. The evaluation process included feedback from relevant members of management and the results were reported to the Board and Audit Committee.

The Company has a policy and procedures in place to monitor and maintain the objectivity and independence of the external auditors, PricewaterhouseCoopers LLP (PwC). The procedures include guidance on the non-audit services that PwC can provide after proper approval. On a six-monthly basis, the Audit Committee reviewed a summary of all non-audit work. In addition to the audit related services, PwC provided the following services during the year:

- accounting advice relating to the debt restructuring
- taxation advice, including planning and compliance
- advice on IFRS accounting; and
- pension fund audit.

Details of the amounts paid to PwC are set out in Note 3 to the accounts.

The external auditors reported to the Committee that they remained independent

and had maintained internal safeguards to ensure their objectivity.

#### 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 Audit Committee Chairman 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 proportion of total fees paid by the Company to the total fee income of Knight Frank was less than 5%.

#### 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).

#### Going concern

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 key features of our system of internal control include:

- (a) Strategic and business planning: the Group and each business unit 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, in accordance with delegated authority limits
- (c) Financial monitoring: profitability, cash flow and capital expenditure are closely monitored and key financial information is reported to the Board on a monthly basis, including explanations of variances between actual and budgeted performance
- (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. Operational and financial procedures and controls are maintained on the Group's intranet
- (e) Risk management: we have an ongoing process to identify, evaluate and manage the 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 (before external reports are issued), which is signed off by senior managers, providing assurances that controls are both embedded and effective within the business, and
- (g) Internal audit: responsible for reviewing key business processes and controls, including following up the implementation of management actions.

The Director of Internal Audit and Risk Management reports to the Group Chief Executive and has direct access to the Audit Committee Chairman. The internal audit function operates a risk-based audit approach and provides a summary report on the operation of the system of risk management and internal control to support the Board's annual statement.

The Audit Committee reviews the effectiveness of internal audit activities including the scope of work, authority and resources of the internal audit function.

The Audit Committee on behalf of the Board has reviewed the effectiveness of the systems of internal control and risk management. The review covered all material areas of the business including financial, operational and compliance controls and risk management.

In performing its review of effectiveness, the Audit Committee took into account the following reports and activities:

- Internal audit reports on reviews of business processes and activities, including action plans to address any identified control weaknesses. The status of these action plans was also monitored by internal audit and overdue actions reported to Audit Committee
- Management's own assessments of the strengths and weaknesses of the overall control environment in their area, with action plans to address the weaknesses
- External auditor reports on any issues identified in the course of their work, including internal control reports on control weaknesses, which were provided to the Audit Committee as well as executive management
- Risk management reporting, including the status of actions to mitigate major risks and the quantification of selected risks.

## Risk Management

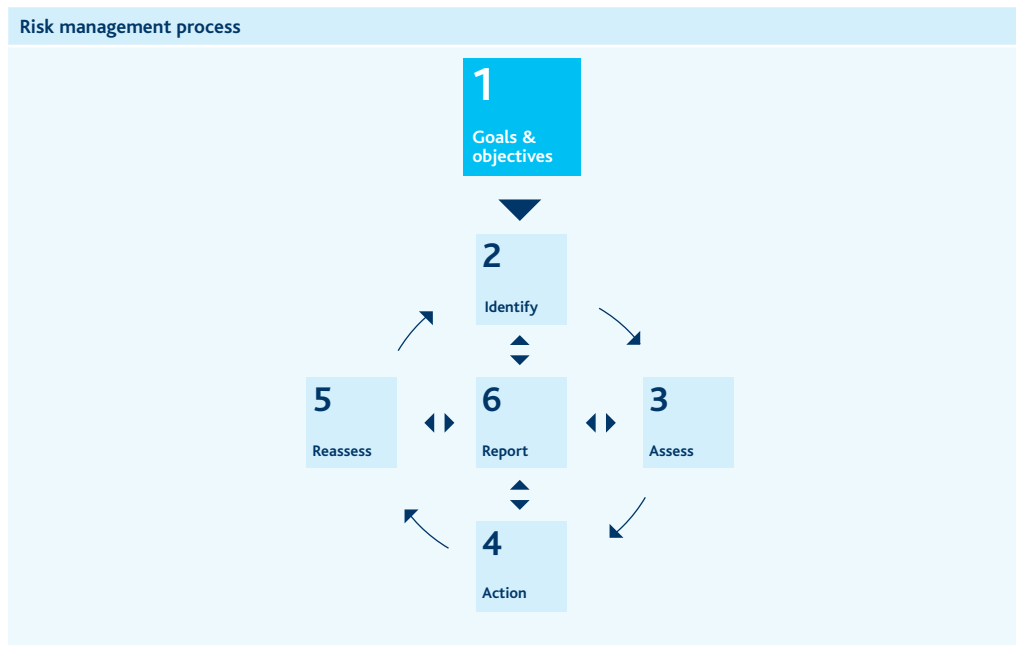
Doing business inherently involves taking risks and by taking measured risks, we seek to achieve long-term sustainable returns for our shareholders.

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 and business planning, investment appraisal and financial monitoring processes.

### 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, including for each risk an indication of the areas of potential impact and our approach to managing and mitigating them. We have also provided cross-references to related and more detailed information elsewhere in the Annual Report.

The diagram below 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.



- 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

Market, regulatory and other external factors			
Risk	Description and areas of impact	Mitigation activities	Other relevant information
<b>Market</b>	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.	We maintain an internal research capability, supplemented by external advice, to monitor current and future market trends and update our forecast 'house view' accordingly. This house view is a key element of our business planning, forecasting and capital allocation decision-making processes.	<i>Competitive environment and business planning, page 16</i>
<b>Asset management</b>	We have concentrated our investment portfolio in areas of the market and types of property that we believe will offer the prospect of superior 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, lease expiry profiles, progress on rent reviews and tenant defaults are reported on monthly and actively managed to mitigate risks. These measures inform our decisions to buy, hold or sell properties.	<i>Retail, page 34 London Portfolio, page 40</i>
<b>Regulation</b>	The Group is exposed to risks from increases in tax rates and changes to VAT, stamp duty land tax, and the bases of taxation of profits and capital gains. The Group is also exposed to changes in planning regulation.  As set out in the Chairman's statement, progress has been made towards the introduction of Real Estate Investment Trusts, however some uncertainty remains as to the impact for the Group. In relation to lease code reforms, the threat of legislation has been removed for the time being.	Appropriate procedures are put in place to ensure that we comply with current regulations and legislation.  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.	<i>Real Estate Investment Trusts and Lease Reform, page 14</i>
<b>Financing</b>	Managing the level, cost and availability of funding is key to the financial performance of the Group and its ability to deliver returns to shareholders. Effective management of interest rate risk is an important factor.	We have a centralised Treasury function with responsibility for funding across the Group. Decisions about current and future gearing level are a key part of our business planning process. Our hedging policy is detailed in the OFR.	<i>Financial strategy and debt restructuring, page 19 Hedging policy, page 23</i>
Business, operational and other external factors			
<b>Investment performance and returns</b>	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. We monitor actual performance against our targets, taking corrective actions as appropriate.	<i>Competitive environment and business planning, page 16</i>
<b>Development</b>	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.	<i>Development programme, page 29</i>
<b>Property outsourcing</b>	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. Information and experience gained from this monitoring process is in turn used to develop the pricing of new contracts.	<i>Property outsourcing, page 46</i>
<b>Human resources</b>	The Group's objective in relation to employees is to be the "employer of choice" in the quoted property sector. Our ability to achieve this objective will be negatively impacted if we fail to attract, develop and retain the best people.	We are pro-active in our approach to Human Resource management as described in the Corporate Responsibility section.	<i>'Our people', page 62 2004 Corporate Responsibility Progress Report</i>
<b>Disaster planning</b>	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 which include the use of off-site facilities. The plans are regularly updated and rehearsed from time to time.	–
<b>IT integrity and performance</b>	A major failure in our IT systems could result in financial and reputational loss.	IT back-up plans are a key element of our disaster recovery plans. We make use of third parties to provide back-up services for the Company.	–
<b>Health, safety and environment (HSE)</b>	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 responsibilities and management systems are detailed on pages 63 and 64.	<i>Health and safety, page 63 Environment, page 64 2004 Corporate Responsibility Progress Report</i>
<b>Stakeholder relationships</b>	Our reputation with stakeholders underpins our success in a number of ways, including attracting and retaining employees; providing efficient services to our occupiers, clients and their customers; delivering successful development projects; and communication with shareholders, debt investors and bank lenders.	We conduct relationship management programmes to ensure we engage appropriately with our key stakeholder groups. Our 2004 Corporate Responsibility Report, the subsequent Progress Report and the Customer Service and Corporate Responsibility section of this Annual Report detail how we conduct our business to minimise the risks that could arise from poor management of these relationships.	<i>Corporate responsibility, page 60 Customer Service, page 32 2004 Corporate Responsibility Progress Report</i>



# Remuneration Report

## Directors' remuneration

The Company has complied throughout the accounting period with the requirements of the Combined Code in relation to directors' remuneration and with the Directors' Remuneration Report Regulations 2002. 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). The remuneration report relates to arrangements relating to the 2004/05 and previous financial years as well as the proposed policy for 2005/06 and future years. Following a review of the Group's incentive arrangements, a number of new proposals have been developed. These are summarised in a letter to shareholders enclosed with the 2005 Annual Report.

### 1. Composition of the Remuneration Committee

The Remuneration Committee (the Committee) is chaired by Sir Winfried Bischoff, with the other members being David Rough, Stuart Rose, Bo Lerenius and Alison Carnwath.

All of the members of the Committee 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 Remuneration Committee

The Committee reviews and determines, 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 participate. During the year the Committee met three times.

The Committee consults the Group Chief Executive in relation to proposals for the remuneration of other executive directors. It also reviews the Group 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. The Chairman, Group Chief Executive and the human resources director are generally invited to attend meetings of the Committee. No director is involved in any decisions relating to 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 its 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 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, with an emphasis on delivering superior reward for achieving and exceeding the Company's strategic plan. Levels of remuneration are set to ensure comparability across a range of UK based companies of similar size and complexity. The focus is on companies in the FTSE 100 Index but with particular emphasis on the property industry. A significant proportion of the executive directors' total remuneration is performance-related to align their interests with those of shareholders. Base annual salary is supplemented by cash and share bonuses geared to achievement of short-term objectives, while the importance of longer term success of the business is emphasised through the Group's long term incentive arrangements.

The Committee has carried out a major review of executive directors' remuneration over the past year.

**Table 1 – Criteria for directors' 2004/05 bonuses**

F W Salway	Total returns in excess of WACC	Group profit	Performance of our business units	Organisation restructuring
A E Macfarlane	Total returns in excess of WACC	Capital structure	Investor relations	Development of the finance function and management information
A M Collins	Total returns in excess of WACC	Investment performance	Portfolio acquisitions and sales	Project and property management
I D Ellis	Total returns in excess of WACC	Trillium profit	New business development	Client satisfaction
M R Hussey	Total returns in excess of WACC	Investment performance	Portfolio acquisitions and sales	Office development leasing

This has resulted in a number of significant changes. The key elements of the changes (described more fully below) are:

- (a) an increase in annual bonus potential (explained below)
- (b) a new long-term incentive plan (including a matching element to encourage investment by senior executives in the Company's shares) which will replace the existing performance share matching plan and executive share option scheme for executive directors and senior managers
- (c) an increase in the level of performance required for long-term incentives for earnings per share growth and a more focused property index benchmark
- (d) higher shareholding targets for executive directors.

#### 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 and reports from specialist consultants. The Group's policy is to set base salary around the mid-market rate. The Committee is mindful of the need to treat pay comparisons with caution to avoid an upward ratchet of remuneration levels with no corresponding improvement in performance. 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 (and, in brackets, revised salaries to take effect from July 2005) are as follows:

Francis Salway	£425,000	(£575,000)
Andrew Macfarlane	£340,000	(£385,000)
Mark Collins	£320,000	(£350,000)
Ian Ellis	£320,000	(£350,000)
Mike Hussey	£275,000	(£340,000)
Richard Akers	£185,000	(£285,000)

The significant increases being awarded to Francis Salway, Mike Hussey and Richard Akers reflect their promotions since 1 April 2004 to Chief Executive and the Board respectively.

#### Annual bonuses

For the financial year ended 31 March 2005, the maximum bonus that was earned under the executive directors' bonus plan was 105% of salary (38.5% of salary in shares and 66.5% of salary in cash). Other awards under the plan ranged from 97% of salary to 103%. These award levels reflect the truly exceptional performance of the Company with strong underlying Earnings Per Share (EPS) growth and an increase in net asset value over the previous years which are key measures of performance for the Group. Additionally, Mike Hussey received a payment of £100,000 in relation to the bonus parameters that were established for the year before he was promoted to the Board. This element of his bonus will be discontinued.

In previous years executive directors have had 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 normal maximum of 40% of salary in cash and 40% of salary in shares for superior results. The shares will be deferred for three years and are normally forfeited if the executive leaves employment during that period.

Following the Committee's review of directors' remuneration, the normal maximum bonus potential will in future be 100% of salary. 25% of any bonus will be payable in shares deferred for three years (and normally forfeited on leaving the Group in the deferral period). A higher bonus may be paid in exceptional circumstances but the circumstances surrounding this will be set out in the relevant remuneration report. As explained below, the deferred element of the bonus will be matched by an award of performance related shares under the new long-term incentive plan.

#### Performance share plan

As mentioned above, part of an executive's bonus is in deferred shares. Under the performance share plan approved by shareholders in 2002 and which applied to the year under review, executives 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 that plan since it was implemented.

Half of these performance shares are dependent on the real increase in the Company's normalised adjusted diluted earnings per share (NADEPS) over three financial years. The other half of the performance shares are subject to the Company's total property return equalling or exceeding 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:

Real increase in NADEPS	% 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	% that vests
Less than index	0%
Equal to index	25%
1%	100%
Between these limits	Pro rata

which could potentially vest in respect of the executive directors is shown in table 2. Since the vesting date for his performance shares had not been reached at the date of Ian Henderson's retirement from the Group, the performance shares potentially awarded to him lapsed.

The Remuneration Committee has determined that the performance shares linked to EPS growth for the period 1 April 2002 to 31 March 2005 vested in full. The performance shares linked to IPD return did not vest for this period and accordingly will lapse.

Table 2 – Performance shares\*

	Cycle ending	Award date	Market price at award date(p)	Shares at 01/04/04	Shares awarded	Shares/value vested	Vesting date
F W Salway	2005	11/07/2002	854.0	7,142		–	11/07/2005
	2006	01/07/2003	787.2	13,190		–	01/07/2006
	2007	12/07/2004	1159.0		12,794	–	12/07/2007
A E Macfarlane	2005	11/07/2002	854.0	9,050		–	11/07/2005
	2006	01/07/2003	787.2	13,962		–	01/07/2006
	2007	12/07/2004	1159.0		13,034	–	12/07/2007
A M Collins	2006	01/07/2003	787.2	8,090		–	01/07/2006
	2007	12/07/2004	1159.0		14,174	–	12/07/2007
I D Ellis	2005	11/07/2002	854.0	11,472		–	11/07/2005
	2006	01/07/2003	787.2	10,798		–	01/07/2006
	2007	12/07/2004	1159.0		28,290	–	12/07/2007
M R Hussey	2007	31/03/2004	1090.0	20,000		–	31/03/2007

\*Subject to performance tests (see p73)

#### New long-term incentive plan

Shareholders are being asked at the forthcoming AGM to approve the establishment of a long-term incentive plan to replace the 2002 Share Option Scheme and the Performance Share Plan. The new plan is described in the shareholder circular for the AGM. In summary, it will allow the Committee to make grants of performance shares with a face value of up to 100% of salary. In addition, if an executive purchases shares or shares are deferred under the annual bonus plan, awards of "matching" performance shares may be awarded. The maximum level of matching is shares with a face value of 100% of salary.

Performance conditions will be similarly structured to those applying to the Performance Share Plan described above. However, the EPS targets will increase from previous levels to the retail prices index (RPI) + 3% to 5% and the IPD index will be more targeted reflecting the asset classes the Company invests in rather than the more general "All Fund Universe Index".

#### Share options

Under the Land Securities Group 2000 and 2002 Executive Share Option Schemes executives could over a period of ten years be granted options with a value of up to four times annual remuneration. All options granted under the schemes are subject to a performance test under

which their exercise depends on the growth in the Company's normalised adjusted earnings per share exceeding the growth in the retail prices index by at least 2.5% per year.

An earnings per share target was chosen as executives will only be rewarded if there has been absolute improvement in the Company's performance. For grants made in 2004 earnings per share performance will be assessed in 2007. If the required level of performance is not achieved in 2007, the relevant options lapse with no opportunities for retesting performance in subsequent years.

During the year options were granted under the 2002 Scheme to the executive directors and also to a number of other employees. No payment is made by participants in the 2000 and 2002 Schemes for the grant of options. The options granted to executive directors are shown in table 4.

Following adoption of the proposed new long term incentive plan, no further options will be granted under the 2000 and 2002 Schemes although a new option scheme using market purchase shares will be introduced for less senior executives.

#### 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 therefore established share ownership guidelines for the Company's executive directors. Following the Committee's review of remuneration these will now require the chief executive to own shares with a value equal to twice his base salary and for other executive directors to own shares with a value equal to 1.5 times their base salary. An executive director must normally 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.

The Committee ensures that both earnings per share and net asset value are calculated on consistent bases where there are accounting standard changes (such as the introduction of IFRS) over the performance period for incentives.

Table 3 – Directors' Emoluments (£'000)

	Basic salary	Bonuses	Benefits <sup>(1)</sup>	Fees	Total emoluments excluding pensions		Pension contributions		Deferred bonus shares <sup>(2)</sup>
					2005	2004	2005	2004	
<b>Executive:</b>									
F W Salway	409	74	3		560	434	98	80	74
A E Macfarlane <sup>(3)</sup>	331	76	19		502	431	83	75	76
A M Collins <sup>(4)</sup>	309	82	13		486	538	76	107	82
I D Ellis <sup>(5)</sup>	309	164	13		650	608	69	69	164
M R Hussey (appointed 30/09/04)	271		11		282		58		
I J Henderson <sup>(6)</sup> (retired 14/07/04)	412	634	6		1,246	758	–	–	194
<b>Non-executive:</b>									
P G Birch (Chairman)				168	168	153			
D Rough				51	51	41			
Sir Winfried Bischoff				44	44	36			
S A R Rose (appointed 21/05/03)				40	40	29			
B A Lerenius (appointed 01/06/04)				38	38				
A J Carnwath (appointed 01/09/04)				26	26				
P G Freeman (retired 14/07/04)				28	28	33			
<b>Total</b>	<b>2,041</b>	<b>1,030</b>	<b>65</b>	<b>395</b>	<b>4,121</b>	<b>3,061</b>	<b>384</b>	<b>331</b>	<b>590</b>

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 awarded in respect of 2003/04 financial performance under the deferred bonus plan.

3. A E Macfarlane also received fees of £44,250 from Invensys plc in respect of his non-executive directorship of that company.

4. In accordance with his service contract and to reflect partially the amount and timing of incentive arrangements which he was eligible to receive from his former employer, A M Collins received an initial payment of £171,150 in 2004 and is due to receive a second further amount of £208,033 on 30 June 2007 provided 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 grounds of ill-health or redundancy. The 2004 pension contribution for A M Collins included £38,000 in respect of amounts due for payment in 2003.

5. In accordance with his service contract, I D Ellis received a payment of £215,000 in 2004. This amount reflected a change to his service contract following the acquisition of Trillium by Land Securities.

6. For the period 1 April to 14 July 2004, I J Henderson served as Group Chief Executive and participated in the existing management bonus plan. On 14 July 2004, I J Henderson stepped down as Chief Executive and accordingly revised performance measures were established to reflect his changed role within the Group for the period from 15 July to 31 December 2004. The revised performance measures related to a number of initiatives concerned with promoting the Group and the Group's interests to central and local government, with particular reference to the Treasury's proposals to introduce REITS. The bonus paid to I J Henderson in respect of the period 1 April to 31 December 2004 was as follows:

Bonus for period 1 April to 14 July 2004	£129,287
Bonus for period 15 July to 31 December 2004	<u>£201,666</u>
	£330,953

Since his original expected retirement date was 14 July 2003, I J Henderson did not receive any awards of either executive share options or performance shares for three and a half years prior to 31 December 2004. Under the rules of the respective schemes no executive share options can be granted within two years of an employee's expected normal retirement date and performance shares lapse upon cessation of employment for any reason. In addition I J Henderson did not draw a pension from the date of his normal retirement on 14 July 2003 until 31 December 2004. I J Henderson received a payment in lieu of pension benefits for the period 15 July to 31 December 2004 of £170,947.

The previous Long Term Incentive Plan closed to new entrants on 31 March 2000 and performance periods expired on 31 March 2005. I J Henderson was the sole remaining participating executive director during the year. In summary, an award of shares, up to a maximum of 55% of salary, could be made if, over the previous five years, the Company was ranked by total shareholder returns in the first four of the eight companies in the peer group. In respect of the period to 31 March 2005 the Company was ranked at position four and, accordingly an award of 25% of salary is payable amounting to £130,625. Half of the award is payable in cash and half in deferred shares that will be released on the second anniversary of the award.

From 31 December 2004, until 31 March 2005, I J Henderson continued to work for the Group as a consultant at a fee of £5,000 per month. Apart from private medical insurance cover, the provision of an office and secretarial support and a benefit of £20,000 on the purchase of his company car, no further expenses or benefits were paid to I J Henderson during this period.

7. Pensions of £130,280 (2004: £138,840) were paid to former directors or their dependants.



Table 4 – Directors' options over Ordinary Shares										
		No. of options at 01/04/04	Granted during year		Exercised during year			Outstanding share options		
			No.	Grant price (pence)	No.	Exercise price (pence)	Market price on exercise (pence)	No. of options at 31/03/05	Exercise price (pence)	Exercisable dates
F W Salway	(1)	35,000			(35,000)	801	1215			
	(1)	40,000			(40,000)	869	1215			
	(1)	30,500						30,500	812	07/2005-07/2012
	(3)	41,250						41,250	788	07/2006-07/2013
	(3)		43,065	1159				43,065	1159	07/2007-07/2014
A E Macfarlane	(1)	75,000			(75,000)	813	1289			
	(1)	30,500						30,500	812	07/2005-07/2012
	(3)	38,125						38,125	788	07/2006-07/2013
	(3)		35,851	1159				35,851	1159	07/2007-07/2014
A M Collins	(1)	70,000						70,000	812	07/2005-07/2012
	(3)	34,375						34,375	788	07/2006-07/2013
	(3)		34,965	1159				34,695	1159	07/2007-07/2014
	(4)	2,477						2,477	677	09/2010-03/2011
I D Ellis	(1)	40,500			(40,500)	869*	1244			
	(1)	40,000						40,000	812	07/2005-07/2012
	(3)	34,375						34,375	788	07/2006-07/2013
	(3)		41,759	1159				41,759	1159	07/2007-07/2014
	(4)	2,546						2,546	650	08/2007-02/2008
M R Hussey	(1)	51,500						51,500	812	07/2005-07/2012
	(3)	40,000						40,000	788	07/2006-07/2013
	(3)		23,727	1159				23,727	1159	07/2007-07/2014
	(4)		1,726	957				1,726	957	10/2009-04/2010
I J Henderson	(5)	27,000			(27,000)	619	1151			
	(1)	174,562			(174,562)	820	1289			
	(1)	27,500			(27,500)	869	1289			
	(2)	3,585			(2,709)	681*	1,349			
								876	650	06/2005

\* Weighted average exercise price

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

The range of the closing middle market prices for Land Securities' shares during the year was 1050p to 1470p. The middle market price at 31 March 2005 was 1293p. No options held by directors lapsed during the year under review.

Table 5 – Directors' interests in shares				
	2005	2004	Deferred shares	
			2005	2004
P G Birch	20,005	20,005	–	–
F W Salway	25,200	11,064	13,214	6,661
A E Macfarlane	20,384	3,630	13,732	7,050
A M Collins	5,145	5,145	11,268	4,086
I D Ellis	7,196	3,744	19,725	5,452
M R Hussey (appointed 30/09/04)	500	–*	10,000	–
D Rough	7,675	7,675	–	–
Sir Winfried Bischoff	8,750	8,750	–	–
S A R Rose	10,000	10,000	–	–
B A Lerenius (appointed 01/06/04)	8,000	2,000*	–	–
A J Carnwath (appointed 01/09/04)	875	875*	–	–

\* At date of 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 on page 75.

Ian Henderson participates in a non-contributory defined benefit pension scheme which was open to property management and administration staff until 31 December 1998. This scheme is designed to provide, at normal retirement age and subject to length of service, a pension of up to two-thirds of final salary, subject to Inland Revenue limits and other statutory rules. The scheme also provides lump sum death-in-service benefits 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.

Ian Henderson reached the pension scheme's normal retirement age on 18 July 2003 and therefore accrued no further benefits in the Scheme between this date and his actual retirement on 31 December 2004. On late retirement his pension was the pension 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 when he retired on 31 December 2004.

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.

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 economic conditions which led to an increase in transfer values.

### 5. Fees for non-executive directors

The annual fees of the Chairman of the Board, Peter G Birch, are determined by the Board 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

The unexpired term and the notice periods (both from the Company and from the Executive Director) are 12 months, except in the case of Andrew Macfarlane and Richard Akers where their notice period to the Company is six months.

In May 2005, an amendment was made to the service agreements of the executive directors to provide for phased payments of amounts payable on termination, in order to mitigate amounts potentially payable by the Company.

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

**Table 6 – Defined benefit pension scheme**

Name of director	I J Henderson £
Accrued pension at 1 April 2004	388,349
Increase in accrued pension (excluding inflation)	15,128
Transfer value of increase in accrued benefit (excluding inflation)	313,000
Increase in accrued pension (including inflation)	26,278
Transfer value of the increase	543,000
Accrued pension at 31 March 2005*	414,627
Transfer value of pension at 31 March 2004	7,926,000
Transfer value of pension at 31 March 2005*	8,567,000
Increase in transfer value less contributions made by directors	641,000

\* This is based on accrued benefits as at 31 December 2004, as this was when I J Henderson retired.

### 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. This scheme expired on 24 April 1995 with the final grant of share options under this scheme being made in July 1994.

### 8. Directors' interests in shares

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

There have been no changes in the shareholdings of the directors between the end of the financial year and 24 May 2005, save that on 17 May 2005 Alison Carnwath purchased 5,297 shares.

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 interests and holdings of options, which are open to inspection at the Company's registered office, contain full details of directors' interests.

**9. Information regarding senior managers below Board level**

The Group currently employs 32 senior managers in positions below Board level. None of these senior managers is paid at a rate higher than the executive directors and the structure of their remuneration package, including bonuses, is consistent with that of executive directors. During the year under review, bonuses for this group of employees ranged from 42% to 74% of salary, with an average bonus of 64% of salary.

**10. Performance graph**

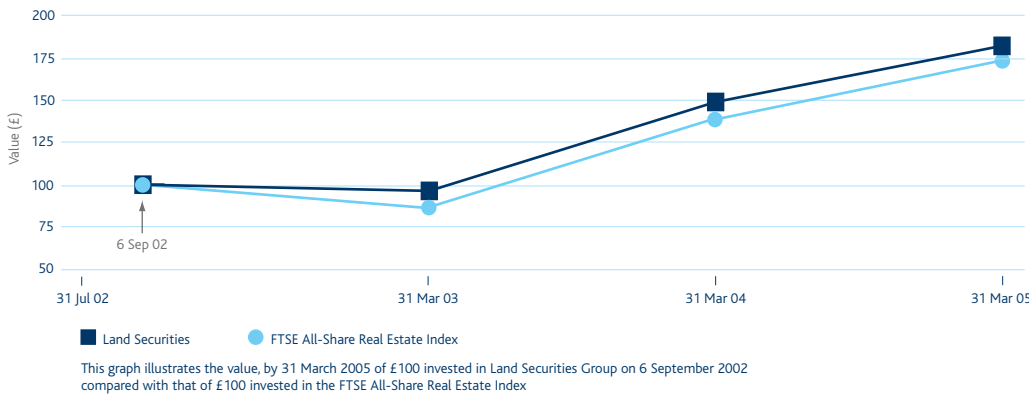
As required by legislation regarding the directors' remuneration report, this graph illustrates the performance of the Company measured by total shareholder return (share price growth plus dividends paid) against a 'broad equity market index' over the period since the 6 September 2002 return of capital. 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 relatively 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.

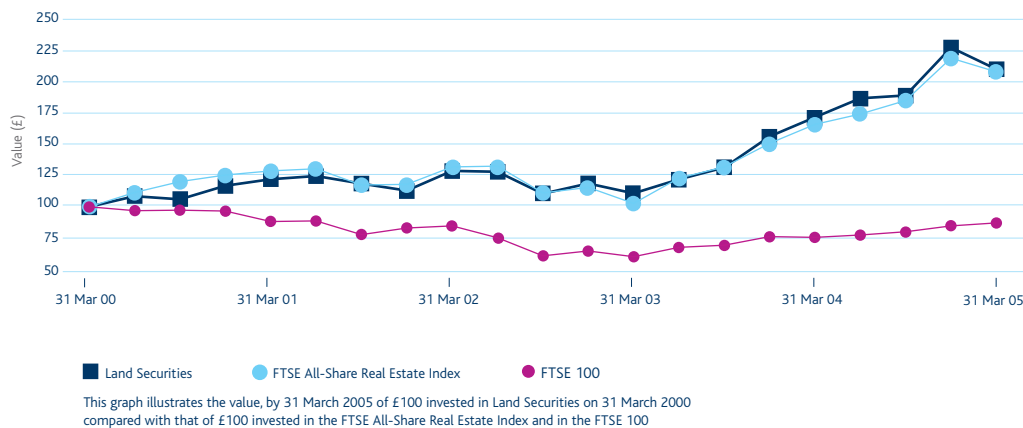
Signed for and on behalf of the Board by

Sir Winfried Bischoff  
Chairman of the Committee

**Total shareholder return** Source Thomson Financial



**Total shareholder return** Source Thomson Financial



## 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 judgments 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.



# Independent Auditors' Report

to the members of Land Securities Group PLC

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes 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.

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 nine provisions of the 2003 FRC 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 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 2005 and of the loss 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  
17 May 2005

## Financial statements

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Consolidated profit and loss account for the year ended 31 March 2005							
	Notes	Before exceptional items £m	Exceptional items £m	Total 2005 £m	Before exceptional items £m	Exceptional items £m	Total 2004 £m
Gross property income – Group	2	1,641.4	–	1,641.4	1,285.8	–	1,285.8
Plus share of joint ventures	2	224.3	–	224.3	195.3	–	195.3
<b>Gross property income – Total</b>	<b>2</b>	<b>1,865.7</b>	<b>–</b>	<b>1,865.7</b>	<b>1,481.1</b>	<b>–</b>	<b>1,481.1</b>
Operating profit/(loss) – Group	2,3	508.8	(14.8)	494.0	464.7	–	464.7
Share of operating profits of joint ventures	2	139.6	–	139.6	101.1	–	101.1
<b>Operating profit/(loss)</b>	<b>2,3</b>	<b>648.4</b>	<b>(14.8)</b>	<b>633.6</b>	<b>565.8</b>	<b>–</b>	<b>565.8</b>
Profit on sales of fixed asset properties – Group	2	–	112.9	112.9	–	52.0	52.0
– joint ventures	2	–	12.3	12.3	–	11.9	11.9
<b>Profit on ordinary activities before interest and taxation</b>	<b>2</b>	<b>648.4</b>	<b>110.4</b>	<b>758.8</b>	<b>565.8</b>	<b>63.9</b>	<b>629.7</b>
Net interest payable by Group	6	(176.4)	(667.3)	(843.7)	(174.4)	–	(174.4)
Net interest payable by joint ventures	6	(70.9)	–	(70.9)	(82.2)	–	(82.2)
<b>Profit/(loss) on ordinary activities before taxation</b>	<b>7</b>	<b>401.1</b>	<b>(556.9)</b>	<b>(155.8)</b>	<b>309.2</b>	<b>63.9</b>	<b>373.1</b>
Taxation	7	(95.0)	215.0	120.0	(103.1)	18.3	(84.8)
<b>Profit/(loss) on ordinary activities after taxation</b>	<b>8</b>	<b>306.1</b>	<b>(341.9)</b>	<b>(35.8)</b>	<b>206.1</b>	<b>82.2</b>	<b>288.3</b>
Dividends	8	(202.5)	–	(202.5)	(173.2)	–	(173.2)
<b>Retained profit/(accumulated loss) for the financial year</b>	<b>23</b>	<b>103.6</b>	<b>(341.9)</b>	<b>(238.3)</b>	<b>32.9</b>	<b>82.2</b>	<b>115.1</b>

	Notes	2005 pence	2004 pence
<b>(Loss)/earnings per share</b>			
Basic (loss)/earnings per share	9	(7.69)	61.84
Diluted basic (loss)/earnings per share	9	(7.66)	61.76
Adjusted earnings per share	9	68.67	47.86
Adjusted diluted earnings per share	9	68.41	47.80
<b>Dividends per share</b>	<b>8</b>	<b>43.25</b>	<b>37.10</b>

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

Statement of total recognised gains and losses for the year ended 31 March 2005		
	2005 £m	2004 £m
(Loss)/profit on ordinary activities after taxation	(35.8)	288.3
Unrealised surplus on revaluation of investment properties	842.2	400.7
Unrealised surplus on revaluation of joint ventures' investment properties	29.3	6.2
Taxation on revaluation surpluses realised on sales of investment properties	(40.3)	(27.3)
<b>Total gains and losses recognised since the last financial statements</b>	<b>795.4</b>	<b>667.9</b>

Note of historical cost profits and losses		
	2005 £m	2004 £m
(Loss)/profit before taxation	(155.8)	373.1
Revaluation surplus arising in previous years now realised on sales of investment properties	280.7	333.0
Historical cost profit on ordinary activities before taxation	124.9	706.1
Taxation	120.0	(84.8)
Taxation on revaluation surpluses realised on sales of investment properties	(40.3)	(27.3)
Historical cost profit on ordinary activities after taxation	204.6	594.0
Dividends	(202.5)	(173.2)
<b>Historical cost retained profit for the financial year</b>	<b>2.1</b>	<b>420.8</b>

The notes on pages 85 to 102 form an integral part of these financial statements.

Balance sheets at 31 March 2005		Group		Company	
		Notes	2005 £m	2004 £m	2005 £m
<b>Fixed assets</b>					
Intangible assets					
Goodwill	11	31.9	34.3		
Negative goodwill	12	(6.3)	–		
		25.6	34.3		
Tangible assets					
Investment portfolio properties	13	8,737.1	7,880.9	–	–
Outsourcing properties	13	546.3	769.2	–	–
Total properties	13	9,283.4	8,650.1	–	–
Other tangible fixed assets	13	57.9	51.0	–	–
	13	9,341.3	8,701.1	–	–
Investment in Group undertakings	14			5,037.1	4,092.7
Investment in joint ventures (excluding Telereal)					
Share of gross assets of joint ventures	15	634.3	257.2		
Share of gross liabilities of joint ventures	15	(125.7)	(5.1)		
		508.6	252.1		
		9,875.5	8,987.5	5,037.1	4,092.7
<b>Current assets</b>					
Stocks	16	150.9	85.0	–	–
Debtors falling due within one year	17	496.2	339.7	325.5	7.8
Debtors falling due after one year	17	33.4	20.4	–	–
Investments: short-term deposits		2.8	219.0	–	–
Cash at bank and in hand		8.3	22.8	0.3	5.2
		691.6	686.9	325.8	13.0
<b>Creditors falling due within one year</b>	18	<b>(822.1)</b>	<b>(1,371.2)</b>	<b>(153.7)</b>	<b>(591.9)</b>
<b>Net current (liabilities)/assets</b>		<b>(130.5)</b>	<b>(684.3)</b>	<b>172.1</b>	<b>(578.9)</b>
<b>Total assets less current liabilities</b>		<b>9,745.0</b>	<b>8,303.2</b>	<b>5,209.2</b>	<b>3,513.8</b>
<b>Creditors falling due after one year</b>					
Debentures, bonds and loans	19	(2,856.9)	(1,995.9)	–	–
Other creditors	20	(46.8)	(35.9)	–	–
<b>Provision for liabilities and charges</b>	21	<b>(133.6)</b>	<b>(185.0)</b>	<b>–</b>	<b>–</b>
Investment in joint venture (Telereal)					
Share of gross assets of joint venture	15	1,065.9	1,108.0		
Share of gross liabilities of joint venture	15	(1,137.0)	(1,155.9)		
		(71.1)	(47.9)		
		6,636.6	6,038.5	5,209.2	3,513.8
<b>Capital and reserves</b>					
Called up share capital	22	46.8	55.0	46.8	55.0
Own shares acquired	23	(2.1)	–	–	–
Share premium account	23	31.4	15.9	31.4	15.9
Merger reserve	23	–	–	373.6	373.6
Capital redemption reserve	23	30.5	22.1	30.5	22.1
Revaluation reserve	23	3,703.6	3,112.8	–	–
Profit and loss account	23	2,826.4	2,832.7	4,726.9	3,047.2
<b>Shareholders' funds (including non-equity interests)</b>	23	<b>6,636.6</b>	<b>6,038.5</b>	<b>5,209.2</b>	<b>3,513.8</b>
<b>Net assets per share (basic)</b>	10	<b>1419p</b>	1294p		
<b>Adjusted net assets per share (diluted)</b>	10	<b>1460p</b>	1331p		

F W Salway      A E Macfarlane

Directors

The financial statements on pages 82 to 102 were approved by the directors on 17 May 2005.



<b>Consolidated cash flow statement for the year ended 31 March 2005</b>		
	2005	2004
	£m	£m
<b>Net cash inflow from operating activities</b>	506.4	456.4
Distributions received from joint ventures	214.1	51.0
Interest (paid to)/received from joint ventures	(0.3)	7.6
<b>Returns on investments and servicing of finance</b>		
Interest received	10.0	16.1
Interest paid	(221.5)	(221.1)
Cost of purchase and redemption of bonds and debenture debt	(116.3)	–
Cost of cancellation of interest rate swaps	(42.0)	–
Cost of debt refinancing	(17.6)	(21.1)
<b>Net cash outflow from investments and servicing of finance</b>	<b>(387.4)</b>	<b>(226.1)</b>
<b>Taxation (Corporation tax received/(paid))</b>	<b>3.6</b>	<b>(37.1)</b>
<b>Net cash inflow from operating activities and investments after finance charges</b>	<b>336.4</b>	<b>251.8</b>
<b>Capital expenditure</b>		
Development programme expenditure	(215.3)	(190.2)
Acquisition of investment properties	(387.6)	(205.1)
Other investment property related expenditure (primarily refurbishment costs)	(37.8)	(111.0)
Capital expenditure associated with property outsourcing	(122.5)	(234.5)
Capital expenditure on properties	(763.2)	(740.8)
Sale of fixed asset investment properties	378.8	698.2
Sale of fixed asset operating properties	355.3	2.0
Net expenditure on properties	(29.1)	(40.6)
Net expenditure on non-property related fixed assets	(19.3)	(8.2)
<b>Net cash outflow from capital expenditure</b>	<b>(48.4)</b>	<b>(48.8)</b>
<b>Acquisitions</b>		
Acquisition of Slough Estates retail property portfolio (Note 27)	(5.4)	–
(Advances)/repayment of loan capital by joint ventures	(105.0)	121.0
<b>Equity dividends paid</b>	<b>(175.5)</b>	<b>(167.5)</b>
<b>Cash inflow before use of liquid resources</b>	<b>2.1</b>	<b>156.5</b>
<b>Management of liquid resources</b> (Investments: short-term deposits)	<b>216.2</b>	<b>(215.6)</b>
<b>Financing</b>		
Issue of shares	13.6	2.7
Purchase of own share capital (non-equity B shares)	(8.4)	(22.0)
(Decrease)/increase in debt	(238.0)	22.0
<b>Net cash (outflow)/inflow from financing</b>	<b>(232.8)</b>	<b>2.7</b>
<b>Decrease in cash in year</b>	<b>(14.5)</b>	<b>(56.4)</b>

<b>Reconciliation of net cash flow to movements in net debt</b>		
	2005	2004
	£m	£m
Decrease in cash in year	(14.5)	(56.4)
Cash (inflow)/outflow from (decrease)/increase in liquid resources	(216.2)	215.6
Cash outflow/(inflow) from decrease/(increase) in debt	238.0	(22.0)
Change in net debt resulting from cash flow	7.3	137.2
Non-cash changes in debt	(494.6)	16.3
Movement in net debt in year	(487.3)	153.5
Net debt at 1 April	(2,435.8)	(2,589.3)
<b>Net debt at 31 March</b>	<b>(2,923.1)</b>	<b>(2,435.8)</b>

<b>Reconciliation of Group operating profit to net cash inflow from operating activities</b>		
	2005	2004
	£m	£m
Operating profit – Group	494.0	464.7
Depreciation and amortisation	37.1	31.5
Increase in stocks	(33.2)	(3.6)
Increase in debtors	(91.5)	(91.9)
Increase in creditors and provisions	100.0	55.7
<b>Net cash inflow from operating activities</b>	<b>506.4</b>	<b>456.4</b>

## 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 an explanation of this departure is given in (h)(iii) below.

With the exception of UITF37 'Purchase and Sale of own Shares' which has been adopted for the first time this year by the Group, 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 2005. 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 2005. 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 also 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 21.

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) Positive and negative goodwill

The positive 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.

The negative goodwill arising on the acquisition from Slough Estates of companies holding certain retail properties will be recognised in the profit and loss account in the periods in which the properties are sold.

### (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 2005. 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 as incurred.

## 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 portfolio investments.

### (iii) Depreciation

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 investment 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 only if a permanent diminution 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 cashflows of acquired Group undertakings are included in the consolidated profit and loss account and the consolidated cash flow statement from the date of acquisition.

### (l) Trading properties

Trading properties are those properties held as stock for sale and, being current assets, are carried at the lower of cost and net realisable value, except as noted below.

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. If 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 would be taken to the profit and loss account.

### (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.

### (p) Purchase and sale of own shares

In accordance with UITF37 'Purchase and Sale of own Shares' consideration paid for the Company's own shares is deducted in arriving at shareholders' funds.

## 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.

	Business sectors including the results of joint ventures			Analysis of total results between Group and share of joint ventures		Business sectors including the results of joint ventures			Analysis of total results between Group and share of joint ventures	
	Property investment	Property outsourcing	Total	Group	Share of joint ventures	Property investment	Property outsourcing	Total	Group	Share of joint ventures
	2005	2005	2005	2005	2005	2004	2004	2004	2004	2004
<b>(i) Profit and loss account</b>	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Rental income (Note (a))	518.5	–	518.5	492.6	25.9	515.1	–	515.1	514.5	0.6
Service charges and other recoveries	79.2	–	79.2	71.8	7.4	65.6	–	65.6	65.6	–
Unitary charge	–	730.2	730.2	593.2	137.0	–	572.6	572.6	436.3	136.3
Capital projects and other reimbursable costs	–	187.9	187.9	159.6	28.3	–	216.3	216.3	186.8	29.5
Third party rents	–	10.5	10.5	10.5	–	–	13.1	13.1	13.1	–
Property services income	–	928.6	928.6	763.3	165.3	–	802.0	802.0	636.2	165.8
Long-term contract income	191.2	–	191.2	191.2	–	49.6	–	49.6	49.6	–
Proceeds of sales of trading properties	22.3	125.9	148.2	122.5	25.7	19.9	28.9	48.8	19.9	28.9
<b>Gross property income</b>	<b>811.2</b>	<b>1,054.5</b>	<b>1,865.7</b>	<b>1,641.4</b>	<b>224.3</b>	<b>650.2</b>	<b>830.9</b>	<b>1,481.1</b>	<b>1,285.8</b>	<b>195.3</b>
Rents payable	(15.1)	(215.0)	(230.1)	(193.4)	(36.7)	(14.9)	(164.7)	(179.6)	(139.7)	(39.9)
Other direct property or contract expenditure (Note (b))	(104.2)	(446.5)	(550.7)	(542.0)	(8.7)	(87.1)	(422.7)	(509.8)	(509.8)	–
Indirect property or contract expenditure	(49.4)	(23.8)	(73.2)	(55.8)	(17.4)	(44.5)	(30.4)	(74.9)	(56.8)	(18.1)
Long-term contract expenditure	(179.6)	–	(179.6)	(179.6)	–	(49.6)	–	(49.6)	(49.6)	–
Bid costs	–	(2.6)	(2.6)	(2.6)	–	–	(6.2)	(6.2)	(6.2)	–
Costs of sales of trading properties	(15.9)	(104.4)	(120.3)	(112.2)	(8.1)	(18.2)	(23.3)	(41.5)	(18.2)	(23.3)
Operating profit before depreciation and amortisation	447.0	262.2	709.2	555.8	153.4	435.9	183.6	619.5	505.5	114.0
Depreciation	(3.8)	(42.8)	(46.6)	(32.8)	(13.8)	(4.1)	(36.4)	(40.5)	(27.6)	(12.9)
Amortisation of goodwill	–	(2.4)	(2.4)	(2.4)	–	–	(2.4)	(2.4)	(2.4)	–
	<b>443.2</b>	<b>217.0</b>	<b>660.2</b>	<b>520.6</b>	<b>139.6</b>	<b>431.8</b>	<b>144.8</b>	<b>576.6</b>	<b>475.5</b>	<b>101.1</b>
Profit on sale of fixed asset properties	82.4	42.8	125.2	112.9	12.3	52.1	11.8	63.9	52.0	11.9
<b>Segment profit</b>	<b>525.6</b>	<b>259.8</b>	<b>785.4</b>	<b>633.5</b>	<b>151.9</b>	<b>483.9</b>	<b>156.6</b>	<b>640.5</b>	<b>527.5</b>	<b>113.0</b>
Common costs (Note (c))			(11.8)					(10.8)		
Exceptional costs of debt restructuring			(14.8)					–		
<b>Profit on ordinary activities before interest and taxation</b>			<b>758.8</b>					<b>629.7</b>		

### Notes

- (a) Rental income includes **£8.9m** (2004: £9.3m) of rent receivable allocated to rent free periods.  
(b) Other direct property or contract expenditure includes pre-commitment costs written off of **£3.4m** (2004: £2.4m).  
(c) Common costs are costs associated with central Group management.

	Property investment	Property outsourcing	Total	Property investment	Property outsourcing	Total
<b>(ii) Net assets</b>	£m	£m	2005 £m	£m	£m	2004 £m
Properties in development programme (Note 13)	745.0	–	745.0	732.2	–	732.2
Other investment properties (within the investment property portfolio)	7,992.1	–	7,992.1	7,148.7	–	7,148.7
Investment properties relating to the Barclays contract (property outsourcing)	–	25.2	25.2	–	–	–
Operating properties	–	521.1	521.1	–	769.2	769.2
Goodwill and other tangible fixed assets	3.3	80.2	83.5	9.1	76.2	85.3
<b>Fixed assets</b>	<b>8,740.4</b>	<b>626.5</b>	<b>9,366.9</b>	<b>7,890.0</b>	<b>845.4</b>	<b>8,735.4</b>
Investment in joint ventures	508.6	(71.1)	437.5	252.1	(47.9)	204.2
Net current assets/(liabilities) (excluding financing and dividends)	79.5	18.2	97.7	(139.0)	44.2	(94.8)
	<b>9,328.5</b>	<b>573.6</b>	<b>9,902.1</b>	<b>8,003.1</b>	<b>841.7</b>	<b>8,844.8</b>
Financing and dividends payable			(3,085.1)			(2,585.4)
Long-term liabilities and provisions			(180.4)			(220.9)
<b>Net assets</b>			<b>6,636.6</b>			<b>6,038.5</b>



3. Operating profit		
	2005 £m	2004 £m
<b>Operating profit is stated after charging</b>		
Directors' remuneration	4.6	3.8
Depreciation	34.7	29.1
Amortisation of goodwill	2.4	2.4
Auditors' remuneration:		
Audit fees (Company £85,000 (2004: £82,000))	0.6	0.5
Non-audit fees		
Bid support – Land Securities Trillium Limited	–	0.1
Taxation	0.2	0.4
Other advice	0.4	0.2
Total non-audit	0.6	0.7

4. Revenue profit						
	Group £m	Share of joint ventures £m	Total 2005 £m	Group £m	Share of joint ventures £m	Total 2004 £m
(Loss)/profit on ordinary activities before taxation	(236.8)	81.0	(155.8)	342.3	30.8	373.1
Profit on sale of fixed asset properties	(112.9)	(12.3)	(125.2)	(52.0)	(11.9)	(63.9)
Exceptional costs of debt restructuring	682.1	–	682.1	–	–	–
Revenue profit before taxation	332.4	68.7	401.1	290.3	18.9	309.2

Revenue profits are 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				
	2005 No.	2004 No.	2005 £m	2004 £m
<b>Employees</b>				
The average number of employees during the year, excluding directors, and the corresponding aggregate employee costs were:				
Indirect property or contract and administration	453	411	38.6	30.9
Direct property or contract services:				
Full time	1,206	1,200	64.5	47.7
Part time	63	66	1.1	1.4
	1,722	1,677	104.2	80.0
<b>Employee costs</b>				
Salaries			82.2	64.2
Social Security			9.1	6.8
Other pension			12.9	9.0
			104.2	80.0

In addition to the above, 358 employees are employed by Land Securities Trillium Telecom Services Limited, a wholly-owned Group company until it was sold on 11 February 2005 to Telereal. These employees were made available to Telereal Services Limited, a joint venture company, to deliver services to BT. All related employee costs were reimbursed to the Group by Telereal Services Limited.

	2005 £m	2004 £m
<b>Directors</b>		
Aggregate emoluments excluding pensions	3.7	3.1
Company contributions to pension schemes	0.4	0.3
	4.1	3.4

Five directors (2004: four) have retirement benefits accruing under money purchase pension schemes. Retirement benefits accrue to one director (2004: 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 72 to 78.

### Pensions

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

	2005 £m	2004 £m
Regular pension cost	8.0	3.3
Variations from regular cost	4.2	2.3
Other schemes	0.5	4.2
Net pension amount	12.7	9.8

The amount under other schemes includes the actual contributions paid to the Group's defined contribution schemes.

### Defined benefit schemes

#### 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 July 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 actuarial expectations of life expectancy. 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. Further annual contributions of £1.5m were made in March 2004 and March 2005. In September 2004 the Group made a further one-off cash contribution of £10.0m to improve the funding position of the Scheme.

The £7.5m contribution paid in March 2003 and the £10.0m contribution paid in September 2004 are 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 2004 and 2005 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.

#### BBC 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 BBC Trillium Plan'). As at 31 March 2005 the BBC Trillium Plan had assets of **£13.4m** (2004: £11.1m). This includes a bulk transfer payment of £8.1m that was received from the BBC pension scheme in May 2004. 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 BBC Trillium Plan.

The assets and liabilities in respect of the BBC 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.

## 5. Employees, directors and pensions continued

### 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 employees who transferred from BT to the scheme from 1 May 2002. All relevant pension costs are rechargeable to Telereal Services Limited.

All death-in-service and benefits for incapacity arising during employment are wholly insured. No post retirement benefits other than pensions are made available to employees of the Group.

### 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 2005 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):

	2005 %	2004 %	2003 %
Rate of increase in pensionable salaries	4.25*	4.00*	4.75
Rate of increase in pensions in payment	3.00	2.75	2.50
Discount rate	5.40	5.50	5.50
Inflation	3.00	2.75	2.50

\* plus an allowance of 1% per annum for promotional salary increases in respect of employee members of the Land Securities Scheme

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:

	2005 %	2004 %	2003 %	2005 £m	2004 £m	2003 £m
Equities	7.50	7.50	7.50	48.7	42.9	31.9
Bonds and insurance contracts	5.00	5.00	5.50	62.3	58.8	34.1
Other	4.75	4.00	3.75	14.7	2.9	10.4
Total market value of schemes assets				125.7	104.6	76.4
Actuarial value of schemes liabilities				(136.6)	(121.8)	(95.0)
Deficit in the schemes				(10.9)	(17.2)	(18.6)
Related deferred tax asset				3.3	5.2	5.6
<b>Net pension liability</b>				<b>(7.6)</b>	<b>(12.0)</b>	<b>(13.0)</b>

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 schemes.

	2005 £m	2004 £m
<b>Analysis of the amounts that would be charged to the profit and loss account in accordance with FRS17</b>		
<b>Analysis of the amount charged to operating profit*</b>		
Current service cost	3.7	4.0
Curtailed and settlement costs	0.2	0.3
<b>Operating cost</b>	<b>3.9</b>	<b>4.3</b>
<b>Analysis of the amount credited to other finance income*</b>		
Expected return on pension schemes assets	6.4	5.4
Interest on pension schemes liabilities	(6.7)	(6.0)
<b>Net return</b>	<b>(0.3)</b>	<b>(0.6)</b>

\*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

	2005 £m	2004 £m
<b>Analysis of the amounts that would be recognised in the statement of total recognised gains and losses in accordance with FRS17</b>		
<b>Analysis of gains and losses</b>		
Actual return less expected return on pension schemes assets	3.1	13.7
Experience gains and losses arising on the schemes liabilities	0.3	0.2
Changes in assumptions underlying the present value of the schemes liabilities	(8.3)	(13.6)
<b>Actuarial (loss)/gain</b>	<b>(4.9)</b>	<b>0.3</b>

Movement in deficit during year	2005 £m	2004 £m
Deficit in the schemes at the beginning of the year	(17.2)	(18.6)
Operating cost	(3.9)	(4.3)
Employer contributions	15.2	5.8
Other income plus any risk benefit premiums paid direct to insurer	0.2	0.2
Net return	(0.3)	(0.6)
Actuarial (loss)/gain	(4.9)	0.3
<b>Deficit in the schemes at the end of the year</b>	<b>(10.9)</b>	<b>(17.2)</b>

History of experience gains and losses	2005 £m	2004 £m	2003 £m
Difference between the actual and expected return on schemes assets	3.1	13.7	(16.3)
Value of pension schemes assets	125.7	104.6	76.4
Percentage of pension schemes assets	2.5%	13.1%	(21.3%)
Experience gains on pension schemes liabilities	0.3	0.2	2.7
Value of pension schemes liabilities	136.6	121.8	95.0
Percentage of pension schemes liabilities	0.2%	0.1%	2.8%
Actuarial (loss)/gain	(4.9)	0.3	(17.2)
Value of pension schemes liabilities	136.6	121.8	95.0
Percentage of pension schemes liabilities	(3.6%)	0.2%	(18.1%)

The consolidated balance sheet includes a net pension asset of **£14.5m** (2004: £6.0m) representing the unamortised balance of the £7.5m special contribution made by the Group in March 2003 and the £10.0m special contribution made in September 2004. Full adoption of FRS17 would result in the pension asset being replaced by the net pension liability of **£7.6m** (2004: £12.0m), giving rise to a decrease in net assets of **£22.1m** (2004: £18.0m).

6. Net interest payable						
	Group £m	Share of joint ventures £m	Total 2005 £m	Group £m	Share of joint ventures £m	Total 2004 £m
<b>Interest payable</b>						
Borrowings not wholly repayable within five years	(149.9)	(73.6)	(223.5)	(154.7)	(76.9)	(231.6)
Borrowings wholly repayable within five years	(55.5)	–	(55.5)	(70.4)	–	(70.4)
Other interest payable	(0.9)	–	(0.9)	(1.0)	–	(1.0)
Loans to/from joint ventures	(0.3)	–	(0.3)	–	(7.6)	(7.6)
	(206.6)	(73.6)	(280.2)	(226.1)	(84.5)	(310.6)
<b>Interest capitalised in relation to properties under development</b>	20.2	–	20.2	35.6	–	35.6
	(186.4)	(73.6)	(260.0)	(190.5)	(84.5)	(275.0)
<b>Interest receivable</b>						
Short-term deposits	7.3	2.5	9.8	5.7	2.3	8.0
Other interest receivable	2.7	–	2.7	2.8	–	2.8
Loans to/from joint ventures	–	0.2	0.2	7.6	–	7.6
<b>Net interest payable – ordinary</b>	<b>(176.4)</b>	<b>(70.9)</b>	<b>(247.3)</b>	<b>(174.4)</b>	<b>(82.2)</b>	<b>(256.6)</b>
Cost of purchase and redemption of bonds and debenture debt	(625.3)	–	(625.3)	–	–	–
Cost of cancellation of interest rate swaps	(42.0)	–	(42.0)	–	–	–
<b>Net interest payable – exceptional</b>	<b>(667.3)</b>	<b>–</b>	<b>(667.3)</b>	<b>–</b>	<b>–</b>	<b>–</b>

Interest has been capitalised at the Group's pre-tax weighted average borrowing rate for non-specific borrowings for the year of **6.8%** (2004: 7.7%). Non-specific borrowings exclude certain bank debt which is specific to the PRIME contract.

Group interest payable on borrowings includes **£3.2m** (2004: £4.8m) in respect of the amortisation of bond discounts and issue expenses.





<b>9. (Loss)/earnings per share</b>		
	2005	2004
	£m	£m
<b>Earnings</b>		
(Loss)/profit after taxation	(35.8)	288.3
B share dividends	(0.1)	(0.3)
<b>(Loss)/earnings</b>	<b>(35.9)</b>	<b>288.0</b>
Exceptional costs of debt restructuring after current and deferred tax	477.6	–
Profits on fixed asset property disposals after current and deferred tax	(135.7)	(82.2)
Deferred tax arising from capital allowances on investment properties	9.3	8.3
Deferred tax arising from capitalised interest on investment properties	5.2	8.8
<b>Adjusted earnings</b>	<b>320.5</b>	<b>222.9</b>
<b>Weighted average number of ordinary shares</b>	<b>No. m</b>	<b>No. m</b>
<b>Weighted average number of ordinary shares</b>	<b>466.9</b>	<b>465.7</b>
Effect of owned shares	(0.2)	–
<b>Weighted average number of ordinary shares after adjusting for owned shares</b>	<b>466.7</b>	<b>465.7</b>
Effect of dilutive share options	1.8	0.6
<b>Weighted average number of ordinary shares adjusted for dilutive instruments</b>	<b>468.5</b>	<b>466.3</b>
<b>(Loss)/earnings per share</b>	<b>pence</b>	<b>pence</b>
<b>Basic (loss)/earnings per share</b>	<b>(7.69)</b>	<b>61.84</b>
<b>Diluted (loss)/earnings per share</b>	<b>(7.66)</b>	<b>61.76</b>
<b>Adjusted earnings per share</b>	<b>68.67</b>	<b>47.86</b>
<b>Adjusted diluted earnings per share</b>	<b>68.41</b>	<b>47.80</b>

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 is a permanent timing difference, the deferred taxation arising on capitalised interest is also eliminated when calculating adjusted earnings per share.

<b>10. Net assets per share</b>		
	2005	2004
	£m	£m
<b>Equity shareholders' funds</b>		
<b>Net assets</b>	<b>6,636.6</b>	<b>6,038.5</b>
Non-equity B shares	–	(8.4)
<b>Net assets attributable to equity shareholders</b>	<b>6,636.6</b>	<b>6,030.1</b>
Deferred tax arising from capital allowances on investment properties	112.7	101.4
Deferred tax arising from capitalised interest on investment properties	32.3	30.0
Negative investment in Telereal which does not represent a liability of the Group	71.1	47.9
<b>Adjusted net assets</b>	<b>6,852.7</b>	<b>6,209.4</b>
<b>Number of ordinary shares</b>	<b>No. m</b>	<b>No. m</b>
<b>Number of ordinary shares</b>	<b>467.8</b>	<b>465.9</b>
Effect of dilutive share options	1.7	0.6
<b>Number of ordinary shares adjusted for dilutive instruments</b>	<b>469.5</b>	<b>466.5</b>
<b>Net assets per share</b>	<b>pence</b>	<b>pence</b>
<b>Net assets per share</b>	<b>1419</b>	<b>1294</b>
<b>Diluted net assets per share</b>	<b>1414</b>	<b>1293</b>
<b>Adjusted net assets per share</b>	<b>1465</b>	<b>1333</b>
<b>Adjusted diluted net assets per share</b>	<b>1460</b>	<b>1331</b>

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.

<b>11. Goodwill</b>			
	Cost	Amortisation	Net
	£m	£m	£m
At 1 April 2004	42.0	(7.7)	34.3
Amortisation for the year	–	(2.4)	(2.4)
<b>At 31 March 2005</b>	<b>42.0</b>	<b>(10.1)</b>	<b>31.9</b>

## 12. Negative goodwill

	£m
Acquired during the year and at 31 March 2005	6.3

Negative goodwill arose on the acquisition of a retail property portfolio from Slough Estates plc (Note 27).

## 13. Fixed assets

	Freehold £m	Leasehold		Total properties £m	Other tangible fixed assets £m	Total £m
		Over 50 years to run £m	Under 50 years to run £m			
<b>Cost/valuation</b>						
At 1 April 2004	6,399.1	2,149.6	136.9	8,685.6	98.4	8,784.0
Additions	758.4	181.1	28.3	967.8	24.5	992.3
Sales	(887.1)	(138.2)	(9.1)	(1,034.4)	(10.3)	(1,044.7)
Net properties contributed to the Metro Shopping Fund LP and the Bristol Alliance	(92.0)	(10.6)	–	(102.6)	–	(102.6)
Investment properties transferred to stocks	(30.0)	–	–	(30.0)	–	(30.0)
Unrealised surplus on revaluation	588.5	250.4	3.3	842.2	–	842.2
<b>At 31 March 2005</b>	<b>6,736.9</b>	<b>2,432.3</b>	<b>159.4</b>	<b>9,328.6</b>	<b>112.6</b>	<b>9,441.2</b>
<b>Accumulated depreciation</b>						
At 1 April 2004	(17.9)	(0.4)	(17.2)	(35.5)	(47.4)	(82.9)
Depreciation for the year	(15.4)	(0.3)	(6.6)	(22.3)	(12.4)	(34.7)
Sales	8.9	–	3.7	12.6	5.1	17.7
<b>At 31 March 2005</b>	<b>(24.4)</b>	<b>(0.7)</b>	<b>(20.1)</b>	<b>(45.2)</b>	<b>(54.7)</b>	<b>(99.9)</b>
<b>Net book value</b>						
<b>At 31 March 2005</b>	<b>6,712.5</b>	<b>2,431.6</b>	<b>139.3</b>	<b>9,283.4</b>	<b>57.9</b>	<b>9,341.3</b>
At 31 March 2004	6,381.2	2,149.2	119.7	8,650.1	51.0	8,701.1

Freeholds include £471.3m (2004: £442.9m) of leaseholds with unexpired terms exceeding 900 years; leaseholds under 50 years include £11.0m (2004: £11.4m) 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:

	Property investment Investment properties			Property outsourcing Operating and investment properties £m	Total £m
	Investment portfolio £m	Development programme £m	Total £m		
Market value at 1 April 2004	7,172.6	734.1	7,906.7		
Less amount included in prepayments in respect of UITF28 adjustments	(23.9)	(1.9)	(25.8)		
Net book value at 1 April 2004	7,148.7	732.2	7,880.9	769.2	8,650.1
Properties transferred from portfolio management into the development programme during the year (at 1 April 2004 valuation)	(151.0)	151.0	–	–	–
Developments completed, let and transferred from the development programme into portfolio management during the year	485.4	(485.4)	–	–	–
Property acquisitions	584.6	–	584.6	103.6	688.2
Capital expenditure	37.8	205.4	243.2	18.9	262.1
Capitalised interest	–	17.5	17.5	–	17.5
Sales	(580.6)	(95.7)	(676.3)	(324.8)	(1,001.1)
Transfer to stocks	(30.0)	–	(30.0)	–	(30.0)
Surrender premiums received	(20.7)	–	(20.7)	–	(20.7)
Net properties contributed to the Metro Shopping Fund LP and the Bristol Alliance	(102.6)	–	(102.6)	–	(102.6)
Depreciation	(1.7)	–	(1.7)	(20.6)	(22.3)
	7,369.9	525.0	7,894.9	546.3	8,441.2
Unrealised surplus on revaluation	622.2	220.0	842.2	–	842.2
Net book value at 31 March 2005	7,992.1	745.0	8,737.1	546.3	9,283.4
Plus amount included in prepayments in respect of UITF28 adjustments	33.8	2.6	36.4		
<b>Market value at 31 March 2005 (Group)</b>	<b>8,025.9</b>	<b>747.6</b>	<b>8,773.5</b>		
<b>Market value at 31 March 2005 (Group and share of joint ventures)</b>	<b>8,641.2</b>	<b>747.6</b>	<b>9,388.8</b>		

Included within the property outsourcing operating and investment properties are investment properties with a market value of **£24.4m** (2004: £nil).

Fixed asset properties include capitalised interest of **£120.9m** (2004: £111.0m).

The historical cost of investment properties is **£4,884.7m** (2004: £4,589.5m).

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 **£220.1m** (2004: £179.3m) 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 30 Gresham Street, EC2; Empress State, SW6; and The Gate, Newcastle upon Tyne. The total development profit earned on schemes completed in the year was **£26.5m** (2004: £82.7m).

Capital commitments	2005 £m	2004 £m
Contracted	522.5	665.0

#### 14. Investment in Group undertakings

	£m
At 1 April 2004	4,092.7
Additions	944.4
<b>At 31 March 2005</b>	<b>5,037.1</b>

The investment represents 100% of the issued share capital of LS Intermediate Limited and LS Property Holdings Limited, companies incorporated and operating in the United Kingdom.

#### 15. Investment in joint ventures

Summary financial information of the Group's share of joint ventures	Telereal 2005 £m	Scottish Retail Property Limited Partnership 2005 £m	Metro Shopping Fund LP 2005 £m	Buchanan Limited Partnership 2005 £m	Total 2005 £m	Telereal 2004 £m	Scottish Retail Property Limited Partnership 2004 £m	Total 2004 £m
<b>Profit and loss account</b>								
Property services and rental income	165.3	21.9	8.5	2.9	198.6	165.8	0.6	166.4
Proceeds of sales of trading properties	25.7	–	–	–	25.7	28.9	–	28.9
Gross property income	191.0	21.9	8.5	2.9	224.3	194.7	0.6	195.3
Rents payable	(35.9)	(0.7)	(0.1)	–	(36.7)	(39.9)	–	(39.9)
Indirect property or contract expenditure	(15.7)	(7.5)	(2.3)	(0.6)	(26.1)	(18.0)	(0.1)	(18.1)
Costs of sales of trading properties	(8.1)	–	–	–	(8.1)	(23.3)	–	(23.3)
Depreciation	(13.8)	–	–	–	(13.8)	(12.9)	–	(12.9)
Operating profit	117.5	13.7	6.1	2.3	139.6	100.6	0.5	101.1
Profit on sale of fixed asset properties	12.3	–	–	–	12.3	11.9	–	11.9
Profit before interest and taxation	129.8	13.7	6.1	2.3	151.9	112.5	0.5	113.0
Net interest (payable)/receivable	(66.4)	0.2	(4.7)	–	(70.9)	(82.2)	–	(82.2)
Profit before taxation	63.4	13.9	1.4	2.3	81.0	30.3	0.5	30.8
Taxation	(21.2)	(4.2)	(0.4)	(0.7)	(26.5)	(13.0)	(0.1)	(13.1)
<b>Profit after taxation</b>	<b>42.2</b>	<b>9.7</b>	<b>1.0</b>	<b>1.6</b>	<b>54.5</b>	<b>17.3</b>	<b>0.4</b>	<b>17.7</b>
<b>Balance sheet</b>								
Fixed assets – investment properties	–	302.3	149.8	162.5	614.6	–	243.5	243.5
– operating properties	1,015.4	–	–	–	1,015.4	1,033.5	–	1,033.5
Current assets	50.5	10.8	4.4	4.5	70.2	74.5	13.7	88.2
	1,065.9	313.1	154.2	167.0	1,700.2	1,108.0	257.2	1,365.2
Liabilities due within one year	(50.6)	(11.7)	(4.7)	(4.5)	(71.5)	(56.1)	(5.1)	(61.2)
Liabilities due after one year	(1,086.4)	–	(104.8)	–	(1,191.2)	(1,099.8)	–	(1,099.8)
	(1,137.0)	(11.7)	(109.5)	(4.5)	(1,262.7)	(1,155.9)	(5.1)	(1,161.0)
Net investment in joint ventures	(71.1)	301.4	44.7	162.5	437.5	(47.9)	252.1	204.2
Notional 50% share of non-recourse net (debt)/cash within joint ventures	(1,053.5)	7.7	(103.8)	2.2	(1,147.4)	(1,073.0)	4.9	(1,068.1)
Notional 50% share of the fair value of financial liabilities	(1,159.0)	–	(105.7)	–	(1,264.7)	(1,149.1)	–	(1,149.1)



15. Investment in joint ventures continued					
		Scottish Retail Property Limited Partnership	Metro Shopping Fund LP	Buchanan Limited Partnership	Total
	Telereal £m	£m	£m	£m	£m
<b>Net investment in joint ventures</b>					
At 1 April 2004	(47.9)	252.1	–	–	204.2
Properties contributed	–	–	92.1	–	92.1
Cash contributed	–	31.7	87.1	–	118.8
Cost of acquisition	–	–	–	166.5	166.5
Share of post-tax profits	42.2	9.7	1.0	1.6	54.5
Distributions	(65.4)	–	(146.3)	(2.4)	(214.1)
Loan advances	–	–	86.2	–	86.2
Loan repayments	–	(11.8)	(88.2)	–	(100.0)
Unrealised surplus/(deficit) on revaluation	–	19.7	12.8	(3.2)	29.3
<b>At 31 March 2005</b>	<b>(71.1)</b>	<b>301.4</b>	<b>44.7</b>	<b>162.5</b>	<b>437.5</b>

The Group has four joint ventures, all of which are 50% owned, as follows:

- Telereal consists of two partnership agreements with the B-Pears Family Trust and three joint ventures with William Pears Family Holdings, all of which are owned 50:50 and 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 City Wall Holdings Limited (a British Land PLC company), which owns and manages shopping centres in Aberdeen and East Kilbride. The partnership was created on 16 March 2004.
- The Metro Shopping Fund LP is a joint venture between Land Securities Properties Limited and Delancey, which owns and manages a portfolio of shopping centres in London. The partnership was created on 8 June 2004.
- The Buchanan Limited Partnership is a joint venture between Land Securities Properties Limited and Henderson Buchanan plc, which owns and manages the Buchanan Galleries shopping centre in Glasgow. Land Securities acquired its share in the partnership on 15 December 2004, as part of the transaction with Slough Estates plc.

All the joint ventures prepare accounts to 31 March, with the exception of the Buchanan Limited Partnership, which prepares accounts to 31 December.

The Telereal joint venture companies include 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.

16. Stocks	Group		Company	
	2005 £m	2004 £m	2005 £m	2004 £m
Trading properties	95.8	85.0	–	–
Amount recoverable under long-term construction contracts, less payments on account	55.1	–	–	–
	150.9	85.0	–	–

17. Debtors	Group		Company	
	2005 £m	2004 £m	2005 £m	2004 £m
<b>Falling due within one year</b>				
Trade debtors – property investment	28.7	29.5	–	–
– property outsourcing	186.8	147.2	–	–
Property sales debtors	77.0	3.4	–	–
Other debtors	55.7	54.4	–	–
Prepayments and accrued income	148.0	105.2	–	–
Taxation recoverable	–	–	–	7.8
Loans to Group undertakings	–	–	325.5	–
	496.2	339.7	325.5	7.8
<b>Falling due after one year</b>				
Amounts receivable under finance leases	14.8	–	–	–
Other debtors	18.6	20.4	–	–
	33.4	20.4	–	–

18. Creditors falling due within one year	Group		Company	
	2005 £m	2004 £m	2005 £m	2004 £m
Debentures, bonds and loans (Note 19)	77.3	681.7	–	–
Loans from Group undertakings	–	–	–	465.0
Trade creditors	42.7	80.8	–	–
Taxation and Social Security	118.9	104.6	–	–
Proposed Final Dividend	153.7	126.8	153.7	126.8
Capital creditors	82.5	92.6	–	–
Other creditors	34.7	22.7	–	–
Accruals and deferred income	312.3	262.0	–	0.1
	<b>822.1</b>	<b>1,371.2</b>	<b>153.7</b>	<b>591.9</b>

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.

19. Debentures, bonds and loans	Nominal value		Unamortised discount and issue costs		Book value	
	2005 £m	2004 £m	2005 £m	2004 £m	2005 £m	2004 £m
<b>Unsecured</b>						
10¾ per cent Exchange Bonds due 2004	–	21.2	–	–	–	21.2
9½ per cent Bonds due 2007	–	200.0	–	–	–	200.0
5⅞ per cent Bonds due 2013	–	400.0	–	(5.4)	–	394.6
9 per cent Bonds due 2020	–	200.0	–	(3.0)	–	197.0
6⅞ per cent Bonds due 2024	–	200.0	–	(2.0)	–	198.0
Syndicated bank debt	73.0	289.0	–	(1.4)	73.0	287.6
Commercial paper	–	358.1	–	–	–	358.1
	<b>73.0</b>	<b>1,668.3</b>	<b>–</b>	<b>(11.8)</b>	<b>73.0</b>	<b>1,656.5</b>
<b>Secured</b>						
5.016 per cent Notes due 2007	181.7	–	(0.1)	–	181.6	–
5.292 per cent Notes due 2015	393.3	–	(0.9)	–	392.4	–
5.425 per cent Notes due 2022	257.3	–	(1.0)	–	256.3	–
5.391 per cent Notes due 2026	210.7	–	(1.1)	–	209.6	–
5.391 per cent Notes due 2027	613.9	–	(3.2)	–	610.7	–
5.376 per cent Notes due 2029	318.0	–	(1.9)	–	316.1	–
5.396 per cent Notes due 2032	323.4	–	(2.1)	–	321.3	–
7¾ per cent Mortgage 2008	–	5.4	–	–	–	5.4
6⅞ per cent First Mortgage Debenture Stock 2008/13	–	32.3	–	–	–	32.3
10 per cent First Mortgage Debenture Stock 2025	–	400.0	–	–	–	400.0
10 per cent First Mortgage Debenture Stock 2027	–	200.0	–	–	–	200.0
10 per cent First Mortgage Debenture Stock 2030	–	200.0	–	–	–	200.0
Syndicated bank debt	320.0	–	(2.0)	–	318.0	–
PRIME term loan	268.1	193.1	(12.9)	(9.7)	255.2	183.4
	<b>2,886.4</b>	<b>1,030.8</b>	<b>(25.2)</b>	<b>(9.7)</b>	<b>2,861.2</b>	<b>1,021.1</b>
Falling due within one year (Note 18)	<b>2,959.4</b> <b>(77.3)</b>	<b>2,699.1</b> <b>(691.4)</b>	<b>(25.2)</b> <b>–</b>	<b>(21.5)</b> <b>9.7</b>	<b>2,934.2</b> <b>(77.3)</b>	<b>2,677.6</b> <b>(681.7)</b>
<b>Falling due after one year</b>	<b>2,882.1</b>	<b>2,007.7</b>	<b>(25.2)</b>	<b>(11.8)</b>	<b>2,856.9</b>	<b>1,995.9</b>

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

On 3 November 2004, the Group completed a debt exchange whereby a predominantly secured funding strategy was established. The debt exchange resulted in an exceptional charge of £682.1m. The exceptional charge has been calculated as follows:

	Bond debt £m	Exceptional costs £m	Exceptional interest £m
Pre-exchange nominal value of Bonds	1,800.0	–	–
Payment to holders unable to accept the new Bonds	–	–	77.2
Net cost of redeeming the private debentures due in 2008 and 2008/13	–	–	1.8
Incentive payments	–	–	27.5
Net increase in the nominal value of Bonds (being £575.5m less payments to ineligible Bond holders)	498.3	–	498.3
Transaction costs and commitment fees	–	14.8	9.8
FRS4 costs on exchanged debt written off	–	–	10.7
	<b>2,298.3</b>	<b>14.8</b>	<b>625.3</b>
Cost of cancellation of interest rate swaps	–	–	42.0
<b>Exceptional costs of debt restructuring</b>		<b>14.8</b>	<b>667.3</b>

### 19. Debentures, bonds and loans continued

The Notes and the committed bank facilities are secured on a fixed and floating pool of assets ('the Security Group'). This grants the Group's debt investors security over a pool of investment properties valued at £7.4bn at 31 March 2005. The new secured debt structure has a tiered covenant regime which gives the Group substantial operational flexibility when loan to value and interest cover in the Security Group is less than 65% and more than 1.45 times, respectively. If these limits are exceeded, operational restrictions increase significantly and could act as an incentive to reduce gearing.

In May 2004, the former PRIME portfolio was refinanced to include the Employment Services portfolio (a portfolio acquired in December 2003 from the Department for Work and Pensions). The combined portfolio was financed by a £280m syndicated term loan due to expire in December 2017 ('the PRIME term loan'). This loan is secured by the freehold and long leasehold properties of the combined portfolio. The PRIME term loan has been hedged by interest rate swaps. This was performed by acquiring an interest rate swap, and reprofiling an existing swap at a cost of £21.1m (this will be amortised over the life of the PRIME term loan).

20. Other creditors falling due after one year	Group		Company	
	2005 £m	2004 £m	2005 £m	2004 £m
Deferred income	18.0	15.5	–	–
Other creditors	28.8	20.4	–	–
	46.8	35.9	–	–

### 21. Provision for liabilities and charges

	Dilapidations £m	Deferred taxation £m	Total £m
At 1 April 2004	11.7	173.3	185.0
Net charge/(credit) for the year	6.0	(39.4)	(33.4)
Released in respect of property disposals during the year	–	(20.3)	(20.3)
Deferred taxation on acquisition of companies	–	6.4	6.4
Deferred taxation on disposal of a company	–	(4.1)	(4.1)
<b>At 31 March 2005</b>	<b>17.7</b>	<b>115.9</b>	<b>133.6</b>

Deferred tax is provided as follows	2005 £m	2004 £m
Excess of capital allowances over depreciation – investment properties	112.7	101.4
– operating properties	22.9	34.8
Capitalised interest – investment properties	32.3	30.0
– operating and trading properties	0.9	4.4
Tax losses	(37.8)	–
Other timing differences	(15.1)	2.7
	115.9	173.3

Estimated tax on contingent capital gains are as follows	Group £m	Share of joint ventures £m	Total 2005 £m	Group £m	Share of joint ventures £m	Total 2004 £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 in the balance sheet	626.0	64.0	690.0	490.0	19.0	509.0
Potential reduction in tax on contingent capital gains if properties were sold within their owning companies	(90.4)	–	(90.4)	(75.0)	–	(75.0)
<b>Tax on contingent capital gains assuming no further mitigation</b>	<b>535.6</b>	<b>64.0</b>	<b>599.6</b>	<b>415.0</b>	<b>19.0</b>	<b>434.0</b>

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 **£112.7m** (2004: £101.4m), and a further **£32.3m** (2004: £30.0m) would be released in respect of capitalised interest.

22. Called up share capital	Authorised		Allotted and full paid	
	2005 Number m	2004 Number m	2005 £m	2004 £m
Ordinary shares of 10p each	600.0	600.0	46.8	46.6
Non-equity B shares of £1.02 each	540.0	540.0	–	8.4
Redeemable preference shares of £1 each	0.1	0.1	–	–
			46.8	55.0

The holders of B shares were 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 carried 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 were entitled to 102p in respect of each B share held together with the relevant proportion of the dividend payable.

The holders of B shares had the right to have their shares redeemed at six-monthly intervals. On 17 April 2003, 17 October 2003 and 17 April 2004, 18,439,941, 3,099,927 and 1,661,077 B shares were redeemed respectively. On 13 September 2004, Land Securities Group PLC gave notice that it would redeem all remaining B shares on 15 October 2004.

Movements in the share capital of the Company were:	Number of shares
At 1 April 2004	465,924,545
Issued on the exercise of options under:	
1993 Savings Related Share Option Schemes	114,522
1984 Executive Share Option Scheme	35,500
2000 Executive Share Option Scheme	1,686,498
2002 Executive Share Option Scheme	42,001
<b>At 31 March 2005</b>	<b>467,803,066</b>

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 2004		1,764,867	3,458,062	35,500	773,326	6,031,755
Granted	957p	–	–	–	170,119	170,119
Granted	1159p	1,547,853	–	–	–	1,547,853
Exercised		(42,001)	(1,686,498)	(35,500)	(114,522)	(1,878,521)
Lapsed		(141,545)	(258,000)	–	(30,979)	(430,524)
<b>At 31 March 2005</b>		<b>3,129,174</b>	<b>1,513,564</b>	<b>–</b>	<b>797,944</b>	<b>5,440,682</b>

The options outstanding under the 2002 Executive Share Option Scheme are exercisable at prices between 756p and 1159p up to 2014, provided the associated performance conditions are met and those under the 2000 scheme at prices between 801p and 869p up to 2012. The options outstanding under the Savings Related Share Option Schemes are exercisable at prices between 628p and 957p, after three, five or seven years from the date of grant.

23. Shareholders' funds								
(i) Group	Ordinary shares £m	Own shares acquired £m	Non-equity B shares £m	Share premium account £m	Capital redemption reserve £m	Revaluation reserve £m	Profit and loss account £m	Total £m
At 1 April 2004	46.6	–	8.4	15.9	22.1	3,112.8	2,832.7	6,038.5
Repayment of B shares	–	–	(8.4)	–	8.4	–	(8.4)	(8.4)
Exercise of options	0.2	–	–	15.5	–	–	–	15.7
Unrealised surplus on revaluation of investment properties	–	–	–	–	–	842.2	–	842.2
Unrealised surplus on revaluation of investment properties within joint ventures	–	–	–	–	–	29.3	–	29.3
Realised on disposals of investment properties	–	–	–	–	–	(280.7)	280.7	–
Taxation on revaluation surpluses realised on disposals of investment properties	–	–	–	–	–	–	(40.3)	(40.3)
Own shares acquired	–	(2.1)	–	–	–	–	–	(2.1)
Accumulated loss for the financial year	–	–	–	–	–	–	(238.3)	(238.3)
<b>At 31 March 2005</b>	<b>46.8</b>	<b>(2.1)</b>	<b>–</b>	<b>31.4</b>	<b>30.5</b>	<b>3,703.6</b>	<b>2,826.4</b>	<b>6,636.6</b>

(ii) Company	Ordinary shares £m	Non-equity B shares £m	Share premium account £m	Capital redemption reserve £m	Merger reserve account £m	Profit and loss account £m	Total £m
At 1 April 2004	46.6	8.4	15.9	22.1	373.6	3,047.2	3,513.8
Repayment of B shares	–	(8.4)	–	8.4	–	(8.4)	(8.4)
Exercise of options	0.2	–	15.5	–	–	–	15.7
Retained profit for the financial year	–	–	–	–	–	1,688.1	1,688.1
<b>At 31 March 2005</b>	<b>46.8</b>	<b>–</b>	<b>31.4</b>	<b>30.5</b>	<b>373.6</b>	<b>4,726.9</b>	<b>5,209.2</b>



### 23. Shareholders' funds continued

The own shares acquired in the year includes 117,093 shares owned at 31 March 2004 with a market value of £1.3m at that date. At 31 March 2005 the Group owned 194,139 shares in respect of its commitment to the deferred bonus scheme.

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 profit for the year of the Company, dealt within its financial statements, was £1,688.1m (2004: loss £70.1m).

### 24. Analysis of net debt

	At 1 April 2004 £m	Cash movements			Non-cash movements		At 31 March 2005 £m
		Transfers £m	Ordinary cash flow £m	Cost of debt re- structuring £m	Amortisation of discount and issue costs £m	Increase in nominal value of debt £m	
Net bank balance	22.8	–	(14.5)	–	–	–	8.3
Liquid resources	219.0	–	(216.2)	–	–	–	2.8
Debt due within one year	(681.7)	179.2	425.2	–	–	–	(77.3)
Debt due after one year	(1,995.9)	(179.2)	(187.2)	17.6	(13.9)	(498.3)	(2,856.9)
	(2,435.8)	–	7.3	17.6	(13.9)	(498.3)	(2,923.1)

Included within the £13.9m of discount and issue cost amortisation, is £10.7m which is the exceptional charge in respect of the discount and issue costs relating to the debt that was exchanged on 3 November 2004. The costs of debt restructuring include £12.7m arising from the debt exchange that took place on 3 November 2004.

### 25. Financial assets and liabilities

This Note should be read in conjunction with the comments set out in the Operating and Financial Review on pages 19-23.

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 denominated in sterling and, with the exception of the committed bank facilities and unsecured money market loans, 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	
	2005 £m	2004 £m	2005 £m	2004 £m	2005 £m	2004 £m
<b>Financial assets</b>						
Short-term investments and cash*	11.1	241.8	11.1	241.8	–	–
<b>Financial liabilities</b>						
Debentures, bonds, other loans and overdrafts	(2,934.2)	(2,677.6)	(3,000.7)	(3,249.1)	(66.5)	(571.5)
Non-equity B shares	–	(8.4)	–	(8.4)	–	–
<b>Financial instruments</b>						
Interest rate swaps	–	–	(3.3)	(44.5)	(3.3)	(44.5)
	(2,923.1)	(2,444.2)	(2,992.9)	(3,060.2)	(69.8)	(616.0)

\*At 31 March 2004 short-term investments and cash include £154.0m of short-term deposits charged as temporary security for borrowings. As a consequence of the Group's debt restructuring, the use of short-term deposits as temporary security is not currently required.

	Financial liabilities	
	2005	2004
Weighted average period of fixed interest rates	17.5 years	12.4 years
Weighted average fixed interest rate	5.3%	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 from the nominal value.

As at 31 March 2004 the Group (excluding Land Securities Trillium) had a number of interest rate swaps with a net notional value of £600m. These swaps had the effect of fixing interest rates and were terminated during the financial year for a cost of £42.0m. Forward starting interest rate swaps (commencing January 2006) with a notional value of £250m and a term of five years were entered into in March 2005. On these swaps the Group pays fixed interest and receives floating interest.

As the intention of the new 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.

Land Securities Trillium currently has two interest rate swaps in place to hedge the interest rate risk on the PRIME term loan. Both swaps are amortising and their nominal amounts decrease in line with the repayment profile of the debt. Their notional values are currently £183.1m and £62.8m.

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 2004	(44.5)
Losses arising in previous years that were recognised in the year ended 31 March 2005	42.0
Net losses arising in the year ended 31 March 2005 that were not recognised in the year	(0.8)
<b>Unrecognised losses on hedges at 31 March 2005</b>	<b>(3.3)</b>
Of which:	
Gains and (losses) expected to be recognised in the year ending 31 March 2006	–
Gains and (losses) expected to be recognised in the year ending 31 March 2007 or later	(3.3)
	(3.3)

The maturity and repayment profiles of the Group's financial assets and liabilities, excluding the non-equity B shares, and the expiry periods of its undrawn committed borrowing facilities are:	Financial assets		Financial liabilities		Undrawn committed borrowing facilities	
	2005 £m	2004 £m	2005 £m	2004 £m	2005 £m	2004 £m
One year or less, or on demand	11.1	241.8	77.3	681.7	–	–
More than one year but no more than two years	–	–	191.1	–	–	800.0
More than two years but no more than five years	–	–	362.9	374.0	1,680.0	580.0
More than five years	–	–	2,302.9	1,621.9	–	–
	<b>11.1</b>	<b>241.8</b>	<b>2,934.2</b>	<b>2,677.6</b>	<b>1,680.0</b>	<b>1,380.0</b>

## 26. Principal Group and associated undertakings

The principal wholly owned Group undertakings of Land Securities Group PLC are Land Securities Intermediate Limited and Land Securities Property Holdings Limited.

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

### Wholly-owned Group undertakings

#### Group operations

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

### Associated undertakings

Telereal Services Limited

Telereal Trading Property Limited

Telereal Securitised Property Limited Partnership

Telereal General Property Partnership

Scottish Retail Property Limited Partnership

Metro Shopping Fund LP

Buchanan 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 (in addition to those disclosed in Note 15), 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 and the Bristol 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 assets		Gross liabilities		Profit/(loss) before taxation	
		2005 £m	2004 £m	2005 £m	2004 £m	2005 £m	2004 £m
Martineau Limited Partnership*	33 <sup>1</sup> / <sub>3</sub>	8.2	116.8	(3.1)	(4.5)	(1.3)	5.0
Martineau Galleries Limited Partnership*	33 <sup>1</sup> / <sub>3</sub>	129.4	112.4	(0.4)	(1.3)	4.1	3.5
Bullring Limited Partnership*	33 <sup>1</sup> / <sub>3</sub>	811.3	747.9	(282.1)	(316.1)	36.4	18.4
Bristol Alliance	50	173.6	–	(154.5)	–	5.8	–
Ebbfleet Limited Partnership	50	46.1	39.1	(0.1)	(0.1)	–	–

\*forming the Birmingham Alliance

## 26. Principal Group and associated undertakings continued

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 and The Bristol Alliance, **£272.1m** (2004: £290.3m) and **£151.0m** respectively of loans from partners; at 31 March 2005 there was no third party debt in these partnerships (2004: Nil).

## 27. Acquisition of Slough Estates retail property portfolio

The Group acquired a retail property portfolio from Slough Estates plc on 15 December 2004 for a consideration of £350.7m, including costs. This has been accounted for by the acquisition method of accounting. The companies acquired were Bredero Buchanan PLC, Lewisham Centre Management Limited, Lewisham Investment Partnership Limited, Howard Centre Properties Limited and The Bishop Centre Limited.

	Book value at acquisition £m	Fair value adjustments £m	Fair value acquired £m
<b>Fair value of assets acquired</b>			
Investment properties	184.7	12.3	197.0
Investment in a joint venture	141.2	25.3	166.5
Debtors	5.0	–	5.0
Creditors falling due within one year	(4.6)	(0.5)	(5.1)
Deferred taxation	–	(6.4)	(6.4)
<b>Net assets acquired</b>	<b>326.3</b>	<b>30.7</b>	<b>357.0</b>
<b>Fair value of consideration</b>			
Investment properties			345.3
Cash			3.2
Costs			2.2
			350.7
Negative goodwill (Note 12)			6.3
			357.0

## 28. Related party transactions

The Group has a 50% interest in the Telereal partnerships and joint ventures ('Telereal'). The Group, principally through Land Securities Trillium Telecom Services Limited, provides staff to Telereal to deliver services to BT, for which it received **£16.1m** (2004: £17.8m) in the year ended 31 March 2005.

The Group has a 50% interest in the Metro Shopping Fund LP. During the year the Group made sales of investment properties to the Partnership for consideration of £91.8m.

The Group receives fees in respect of accounting and asset management services from its joint ventures and joint arrangements. These fees are calculated on an arm's length basis.

## 29. Contingent liabilities

The Group has a contingent liability arising from a performance guarantee that Land Securities PLC 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 £50.0m 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. At 31 March 2005, the estimated amount of the Group's exposure to the guarantee was approximately **£100.7m** (2004: £100.7m).

## 30. Post Balance Sheet Event

On 6 May 2005 Retail Property Holdings Trust Limited, a wholly-owned subsidiary of Land Securities Group PLC announced a recommended offer for the whole of the issued share capital of Tops Estates PLC. At the offer price, the ordinary share capital and convertible loan stock of Tops Estates PLC is valued at £302m, which will be satisfied in cash or, if Tops Estates' shareholders so elect, loan notes.

Five year record					
	2005 £m	2004 £m	2003 (restated) £m	2002 (restated) £m	2001 (restated) £m
<b>Assets employed</b>					
Goodwill and negative goodwill	25.6	34.3	36.7	38.9	41.2
Investment portfolio properties	8,737.1	7,880.9	7,823.9	7,800.0	7,899.1
Outsourcing properties	546.3	769.2	557.4	428.9	323.1
Other tangible fixed assets	57.9	51.0	41.5	45.3	34.1
Investment in joint ventures	508.6	252.1	106.8	188.8	–
Short-term deposits, corporate bonds and cash	11.1	241.8	99.4	68.4	29.3
Stocks	150.9	85.0	52.6	36.9	–
Other assets	529.6	360.1	289.4	260.3	177.3
	<b>10,567.1</b>	<b>9,674.4</b>	<b>9,007.7</b>	<b>8,867.5</b>	<b>8,504.1</b>
<b>Financed by</b>					
Equity share capital	46.8	46.6	46.5	524.3	523.6
Non-equity share capital	–	8.4	30.4	–	–
Reserves	6,589.8	5,983.5	5,486.2	5,512.3	5,494.2
<b>Shareholders' funds</b>					
Borrowings	6,636.6	6,038.5	5,563.1	6,036.6	6,017.8
Investment in joint venture	2,934.2	2,677.6	2,688.7	2,010.5	1,757.1
Other liabilities	71.1	47.9	–	–	–
	<b>925.2</b>	<b>910.4</b>	<b>755.9</b>	<b>820.4</b>	<b>729.2</b>
	<b>10,567.1</b>	<b>9,674.4</b>	<b>9,007.7</b>	<b>8,867.5</b>	<b>8,504.1</b>
<b>Property movements (book value)</b>					
Property additions	967.8	792.5	625.7	630.1	588.8
Property sales	(1,001.1)	(632.5)	(406.9)	(510.4)	(424.9)
Net property sales to joint ventures	(102.6)	(240.0)	–	–	–
<b>Revenue</b>					
Gross property income	1,865.7	1,481.1	1,239.5	1,025.6	650.4
Revenue profit	401.1	309.2	336.2	350.1	318.4
Profit/(loss) on sales of fixed asset properties/ exceptional items	(556.9)	63.9	(16.6)	13.4	6.3
Pre-tax (loss)/profit	(155.8)	373.1	319.6	363.5	324.7
(Loss)/profit attributable to equity shareholders	(35.9)	288.0	229.4	263.6	234.6
(Accumulated loss)/retained profit for the year	(238.3)	115.1	62.5	85.2	64.5
<b>Cash flows</b>					
Operating activities	506.4	456.4	484.4	406.2	462.0
Operating activities and investments less finance charges and taxation	336.4	251.8	163.9	132.6	280.5
Free cash flow (post dividend) for investing	160.9	84.3	(12.7)	(39.9)	116.4
Net cash inflow/(outflow) (excludes liquid resources and financing)	2.1	156.5	(177.2)	(219.2)	(95.4)

10 year record										
	2005	2004	2003 (restated)	2002 (restated)	2001 (restated)	2000	1999	1998	1997	1996
<b>Earnings per share</b>										
(Loss)/earnings per share (pence)	(7.69)	61.84	46.46	50.27	44.87	45.44	39.21	36.84	34.85	33.69
Adjusted earnings per share (pence)*	68.67	47.86	50.89	49.18	45.22	40.86	39.11	37.07	33.17	33.92
Diluted (loss)/earnings per share (pence)	(7.66)	61.76	46.44	49.54	44.41	44.97	38.95	36.55	34.50	33.46
Adjusted diluted earnings per share (pence)*	68.41	47.80	50.88	48.49	44.74	40.63	38.86	36.77	32.92	33.67
<b>Dividends</b>										
Dividends per share (pence)	43.25	37.10	35.50	34.00	32.50	31.00	29.50	28.00	27.00	26.00
Dividend cover (times)	(0.18)	1.67	1.38	1.48	1.38	1.52	1.31	1.30	1.28	1.30
Adjusted dividend cover (times)*	1.58	1.29	1.51	1.45	1.39	1.37	1.31	1.31	1.22	1.30
<b>Net assets per share</b>										
Net assets per share (pence)	1419	1294	1188	1151	1149	1107	987	924	783	691
Adjusted net assets per share (pence)*	1465	1333	1220	1178	1174	–	–	–	–	–
Diluted net assets per share (pence)	1414	1293	1188	1132	1130	1090	975	910	774	688
Adjusted diluted net assets per share (pence)*	1460	1331	1219	1157	1153	–	–	–	–	–
<b>Market price per share at 31 March (pence)</b>	<b>1293</b>	<b>1090</b>	<b>733</b>	<b>893</b>	<b>880</b>	<b>749</b>	<b>820</b>	<b>1058</b>	<b>773</b>	<b>626</b>

\*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.**



## Directors' report

The directors submit their report with the financial statements for the year to 31 March 2005. 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 and leisure throughout the UK together with property outsourcing. The Group consists of three main business units, Retail, London Portfolio and Property Outsourcing.

### 2. Results for the year and dividends

The results are set out in the consolidated profit and loss account on page 82 .

An interim dividend of 10.40p per share was paid on 10 January 2005 and the directors now recommend the payment of a final dividend of 32.85p per share making a total of 43.25 p per share for the year ended 31 March 2005, an increase of 16.6 % over that for the previous year.

Subject to authorisation at the Annual General Meeting to be held on 12 July 2005, the final dividend will be paid on 25 July 2005 to shareholders registered on 24 June 2005. It is expected that the shares will be quoted ex-dividend from 22 June 2005.

### 3. Valuation and net assets

#### (i) Valuation

Knight Frank LLP valued the Group's investment properties at £8,773.5 m as at 31 March 2005. 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, the Metro Shopping Fund Limited Partnership and Buchanan Limited Partnership joint ventures, the portfolio had a value of £ 9,388.8m. This is an increase of £ 1,238.6m over that at the previous year end.

#### (ii) Net assets

The investment portfolio valuation has been included in the financial statements for the year ended 31 March 2005 and the net assets of the Group at that date amounted to £6,636.6 m. 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 1419p. 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 1414p.

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 21 . The amount, in the region of £626.0m (2004: £ 490.0m), represents approximately 133 p per share on a fully diluted basis.

### 4. Directors

The directors who held office during the year were:

Peter G Birch CBE <sup>1, 4</sup>

Francis Salway <sup>4</sup>

Andrew Macfarlane

Mark Collins

Ian Ellis

Mike Hussey (appointed 30/09/04)

David Rough <sup>1, 2, 3, 4</sup>

Sir Winfried Bischoff <sup>1, 2, 3</sup>

Stuart Rose <sup>1, 2, 3</sup>

Bo Lerenius (appointed 01/06/04) <sup>1, 2, 3</sup>

Alison Carnwath (appointed 01/09/04) <sup>1, 2, 3</sup>

Ian Henderson CBE <sup>4</sup> (retired 14/07/04)

Peter Freeman <sup>1, 3</sup> (retired 14/07/04)

<sup>1</sup> Non-executive

<sup>2</sup> Member of the Audit Committee

<sup>3</sup> Member of the Remuneration Committee

<sup>4</sup> Member of the Nominations Committee

In addition, Richard Akers was appointed a director on 17 May 2005. Biographical details of the directors appear on page 58 . Since Alison Carnwath, Mike Hussey and Richard Akers were appointed as directors after the last Annual General Meeting, they will retire from the Board, and, being eligible, offer themselves for re-election. Alison Carnwath does not have a service agreement with the Company. Mike Hussey has a service agreement which is terminable on one year's notice from either the Company or the director. Richard Akers has a service agreement which is terminable on one year's notice from the Company and on six months' notice from the director.





2,000

employees across the Group

Devonshire House, W1



Francis Salway, Mark Collins and Stuart Rose will retire from the Board by rotation and, being eligible, offer themselves for re-election; Francis Salway and Mark Collins have service agreements which are terminable upon one year's notice by either the Company or the Director. Stuart Rose does not have a service agreement with the Company.

Particulars of the interests of each director in the shares of the Company, and of their holdings of options over ordinary shares and other long-term incentive arrangements, are shown in the Remuneration Report.

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 14 July 2004 to repurchase in the market ordinary shares representing up to approximately 10% of the issued share capital at that time with such authority to expire at the 2005 Annual General Meeting. No shares were repurchased in the year to 31 March 2005. A resolution to renew this authority in respect of up to approximately 10% of the issued share capital will be proposed at the 2005 Annual General Meeting.

	Number of shares	%
Barclays Global Investors	24,625,305	5.26%
Legal & General Investment Management	22,780,277	4.87%
ABP Investments	22,472,961	4.80%
M&G (Prudential Plc)	16,629,212	3.55%

#### 6. Substantial shareholders

At 16 May 2005 the following interests in issued share capital had been notified to the Company under Part VI of the Companies Act 1985.

#### 7. Employees

Details of the Group's policies on employment and on employee development are given on pages 62 and 64. 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 63.

#### 8. Donations

During the year ended 31 March 2005 charitable donations amounted to £ 580,000. This amount included £ 273,000 paid to charitable trusts investigating sites of considerable archaeological importance. There were no contributions of a political nature during the year.

#### 9. Environment

We report on our environmental activities on page 64. The Group's environmental policy is published on the Company's website [www.landsecurities.com](http://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 eight 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  
 17 May 2005



## Business analysis

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# Investment property business

## Portfolio valuation

The combined portfolio including our property joint ventures were valued by Knight Frank LLP at £ 9,388.8m at 31 March 2005. After adjusting for sales, acquisitions and expenditure the value increased by 10.3% as compared to the position at 31 March 2004.

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 and leasehold investment properties held by the Group or held by way of limited partnership arrangements (excluding the outsourcing properties), with the exception of short leasehold accommodation occupied by the Group for the purposes of its business, were valued by External Valuers Knight Frank LLP, Chartered Surveyors, as at 31 March 2005. 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 2005 was £ 8,773.5m. 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 2005 was £615.3m.

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 £402.9m as at 31 March 2005.

Additionally, Knight Frank LLP reported directly to the Scottish Retail Property Limited Partnership, the Metro Shopping Fund Limited Partnership and Buchanan Partnership on the Market Values of the properties held in those partnerships. The Market Values of those properties totalled £605.3m, £299.5m and £325.5m respectively and the Group's share was £302.7m, £149.8m and £162.8 as at 31 March 2005.

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 £8,773.5m. 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 Investment Property Databank (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 2005

	Land Securities % pa	IPD* % pa	IPD* – Upper quartile % pa
10 years	12.1	11.7	12.3
20 years	11.4	10.7	11.4

Table A above compares Land Securities' ungeared total property return over the last 10 and 20 year periods to 31 March 2005 to the IPD December Universe (extrapolated to March 2005), which comprises the same portfolios that contributed to the IPD All Fund Universe in December 2004 (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 the 20 year time period.

**Table B – One year performance relative to IPD**  
Ungeared total returns – period to 31 March 2005

	Land Securities %	IPD* %
Retail – Shopping centres	16.2	14.8
Retail warehouses	22.1	22.0
Shops	13.2	19.2
Central London offices (a)	18.1	15.8
Industrial	21.8	16.0
Other Commercial	11.6	15.8
<b>Total portfolio</b>	<b>17.7</b>	<b>16.9</b>

\*IPD December Universe (extrapolated to March 2005) unfrozen

Source: IPD

(a) Central London defined as West End, City, Midtown and Inner London regions.

Table B compares the performance of the Group's portfolio to that of IPD on a similar basis at sector, sub-sector and total portfolio levels over the 12 month period to 31 March 2005. A key driver of out-performance was the strong performance from our Central London office holdings, particular developments and sales. Shopping centres and retail warehouses also recorded higher returns than IPD.

## Top 12 properties (total value £2.7bn – values in excess of £150m)



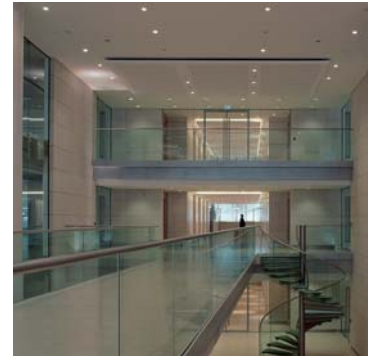
1. Cardinal Place, SW1



2. Bullring, Birmingham



3. White Rose, Leeds



4. Gresham Street, EC2



5. St David's Centre, Cardiff



6. 50 Queen Anne's Gate, SW1



7. Gunwharf Quays, Portsmouth



8. Team Valley, Gateshead



9. East Kilbride Shopping Centre



10. The Bridges, Sunderland



11. Devonshire House, W1



12. Eland House, SW1

### 1. Cardinal Place, SW1

Cardinal Place is a major West End development due to complete in 2005. The 60,550m<sup>2</sup> scheme comprises modern offices in three buildings with ground floor retail. Marks and Spencer has signed a lease for a major retail store.

### 5. St David's Centre, Cardiff

A 39,735m<sup>2</sup> covered shopping centre in the centre of Cardiff. This scheme is set to benefit from the development of St David's 2 an 100,000m<sup>2</sup> scheme which will be anchored by a John Lewis Department Store.

### 9. East Kilbride Shopping Centre (50% interest)

The joint venture holdings in East Kilbride total 127,866m<sup>2</sup> of retail accommodation and 3,500 car parking spaces. It has a Debenhams department store and over 235 major shops and stores, occupied by well-known high street multiple retailers.

### 2. Bullring, Birmingham (33.3% interest)

Opened in September 2003, the award winning Bullring scheme totals 110,000m<sup>2</sup> of retail space. The scheme has two department stores, Selfridges and Debenhams, and 130 high street and independent retailers.

### 6. 50 Queen Anne's Gate, SW1

A 30,140m<sup>2</sup> West End office building 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.

### 10. 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.

### 3. White Rose, 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 60,390m<sup>2</sup> scheme also includes 11 major space units and a further 73 shops.

### 7. Gunwharf Quays, Portsmouth

In 2003 Land Securities took full ownership from the Berkeley Group of this 41,290m<sup>2</sup> designer outlet scheme. The property comprises 87 shops and is let to major High Street and Designer brands for discount retailing.

### 11. Devonshire House, W1

Devonshire House is located in the heart of London's West End on Piccadilly. Refurbished in 1997, the 14,190m<sup>2</sup> property includes offices, showrooms and retail space.

### 4. Gresham Street, EC2

Newly-developed, Gresham Street is a prestigious 36,450m<sup>2</sup> 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. This property was sold after year end.

### 8. 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.

### 12. Eland House, SW1

Eland House, part of the Group's major Victoria property portfolio, is 23,170m<sup>2</sup> of offices, occupied by the Offices of the Deputy Prime Minister.

## Portfolio analysis – combined portfolio

The like-for-like portfolio <sup>(1)</sup>										
	Open Market Value <sup>(6)</sup>		Valuation Surplus		P&L basis: Gross Rental Income		Annual net rent <sup>(7)</sup>		Annual net estimated rental value <sup>(8)</sup>	
	31/03/05 £m	31/03/04 £m	Surp/(def) £m	Surp/(def) %	31/03/05 £m	31/03/04 £m	31/03/05 £m	31/03/04 £m	31/03/05 £m	31/03/04 £m
<b>Shopping centres and shops</b>										
Shopping centres	1,160.5	1,055.9	103.3	9.8	73.2	72.2	68.9	64.7	74.9	71.6
Central London shops	676.0	625.5	49.8	8.0	39.9	38.8	39.0	38.8	42.1	42.4
Other in-town shops	318.4	287.2	29.6	10.3	18.7	18.7	17.6	16.8	20.5	19.6
	2,154.9	1,968.6	182.7	9.3	131.8	129.7	125.5	120.3	137.5	133.6
<b>Retail warehouses</b>										
Retail parks	1,136.4	951.3	172.2	18.0	46.9	44.5	53.5	48.2	63.4	56.2
Other	225.5	203.1	21.2	10.4	14.3	13.6	11.4	11.5	13.6	12.9
	1,361.9	1,154.4	193.4	16.6	61.2	58.1	64.9	59.7	77.0	69.1
<b>Total retail</b>	<b>3,516.8</b>	<b>3,123.0</b>	<b>376.1</b>	<b>12.0</b>	<b>193.0</b>	<b>187.8</b>	<b>190.4</b>	<b>180.0</b>	<b>214.5</b>	<b>202.7</b>
<b>London offices</b>										
West End	1,295.4	1,186.4	119.5	10.2	80.5	83.4	77.8	79.7	85.1	82.0
City	745.0	756.1	(13.4)	(1.8)	70.6	74.3	64.1	70.0	60.2	58.8
Midtown	185.2	171.3	14.0	8.2	13.4	13.3	13.3	12.9	12.1	11.4
Inner London	85.9	75.3	5.7	7.1	4.5	4.7	4.1	4.3	5.2	5.2
<b>Total London offices</b>	<b>2,311.5</b>	<b>2,189.1</b>	<b>125.8</b>	<b>5.8</b>	<b>169.0</b>	<b>175.7</b>	<b>159.3</b>	<b>166.9</b>	<b>162.6</b>	<b>157.4</b>
Rest of UK	37.9	34.9	2.6	7.4	3.2	3.0	3.1	3.1	3.7	3.5
<b>Total offices</b>	<b>2,349.4</b>	<b>2,224.0</b>	<b>128.4</b>	<b>5.8</b>	<b>172.2</b>	<b>178.7</b>	<b>162.4</b>	<b>170.0</b>	<b>166.3</b>	<b>160.9</b>
<b>Industrial properties</b>										
South-east	71.3	61.3	9.3	15.0	3.4	3.8	4.0	4.3	4.8	4.1
Other	11.7	11.1	0.6	5.4	1.2	1.1	0.7	0.7	0.9	0.8
	83.0	72.4	9.9	13.5	4.6	4.9	4.7	5.0	5.7	4.9
<b>Other</b>	<b>88.6</b>	<b>80.7</b>	<b>7.7</b>	<b>9.5</b>	<b>5.4</b>	<b>5.7</b>	<b>5.5</b>	<b>5.5</b>	<b>5.7</b>	<b>5.1</b>
<b>Like-for-like portfolio</b>	<b>6,037.8</b>	<b>5,500.1</b>	<b>522.1</b>	<b>9.5</b>	<b>375.2</b>	<b>377.1</b>	<b>363.0</b>	<b>360.5</b>	<b>392.2</b>	<b>373.6</b>
<b>Completed developments<sup>(2)</sup></b>	<b>974.3</b>	<b>777.2</b>	<b>189.0</b>	<b>24.6</b>	<b>34.8</b>	<b>19.5</b>	<b>32.4</b>	<b>22.4</b>	<b>61.8</b>	<b>57.6</b>
<b>Total</b>	<b>7,012.1</b>	<b>6,277.3</b>	<b>711.1</b>	<b>11.3</b>	<b>410.0</b>	<b>396.6</b>	<b>395.4</b>	<b>382.9</b>	<b>454.0</b>	<b>431.2</b>
<b>Acquisitions<sup>(3)</sup></b>	<b>1,519.5</b>	<b>465.2</b>	<b>66.8</b>	<b>4.6</b>	<b>60.0</b>	<b>9.2</b>	<b>91.9</b>	<b>28.7</b>	<b>98.9</b>	<b>30.1</b>
<b>Sales and restructured interests<sup>(4)</sup></b>	<b>–</b>	<b>880.6</b>	<b>–</b>	<b>–</b>	<b>34.3</b>	<b>92.5</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
<b>Total development programme<sup>(5)</sup> (including Kent Thameside)</b>	<b>857.2</b>	<b>527.1</b>	<b>93.6</b>	<b>12.3</b>	<b>14.2</b>	<b>16.8</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
<b>Total combined portfolio</b>	<b>9,388.8</b>	<b>8,150.2</b>	<b>871.5</b>	<b>10.3</b>	<b>518.5</b>	<b>515.1</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
<b>Total combined portfolio analysis</b>										
<b>Shopping centres and shops</b>										
Shopping centres	2,553.9	1,834.5	204.2	8.7	128.8	102.8	140.7	100.4	175.7	124.2
Central London shops	860.1	805.8	60.8	7.6	47.3	47.4	46.3	47.1	56.5	58.3
Other in-town shops	445.6	541.2	40.6	10.1	33.5	39.8	24.1	32.7	27.7	37.8
	3,859.6	3,181.5	305.6	8.6	209.6	190.0	211.1	180.2	259.9	220.3
<b>Retail warehouses</b>										
Retail parks	1,256.2	1,089.7	192.3	18.2	54.3	50.2	58.5	54.0	70.7	64.9
Other	225.5	203.1	21.2	10.4	14.3	14.5	11.4	11.5	13.6	12.9
	1,481.7	1,292.8	213.5	16.9	68.6	64.7	69.9	65.5	84.3	77.8
<b>Total retail</b>	<b>5,341.3</b>	<b>4,474.3</b>	<b>519.1</b>	<b>10.8</b>	<b>278.2</b>	<b>254.7</b>	<b>281.0</b>	<b>245.7</b>	<b>344.2</b>	<b>298.1</b>
<b>London offices</b>										
West End	1,737.2	1,571.3	202.1	13.2	95.3	98.7	87.3	94.3	125.8	128.7
City	1,085.5	958.4	61.8	6.1	80.4	77.7	71.0	73.5	91.6	76.6
Midtown	352.0	234.2	11.5	3.4	16.5	31.5	19.1	19.5	47.2	19.7
Inner London	423.0	221.7	42.0	11.2	16.9	10.0	17.7	6.1	29.3	18.5
<b>Total London offices</b>	<b>3,597.7</b>	<b>2,985.6</b>	<b>317.4</b>	<b>9.7</b>	<b>209.1</b>	<b>217.9</b>	<b>195.1</b>	<b>193.4</b>	<b>293.9</b>	<b>243.5</b>
Rest of UK	53.5	68.2	3.4	6.8	5.7	6.9	4.1	6.8	5.3	7.6
<b>Total offices</b>	<b>3,651.2</b>	<b>3,053.8</b>	<b>320.8</b>	<b>9.7</b>	<b>214.8</b>	<b>224.8</b>	<b>199.2</b>	<b>200.2</b>	<b>299.2</b>	<b>251.1</b>
<b>Industrial properties</b>										
South-east	72.0	342.4	9.3	14.8	15.3	22.4	4.0	19.2	4.8	26.4
Other	11.7	11.1	0.6	5.4	1.2	3.2	0.7	0.7	0.9	0.8
	83.7	353.5	9.9	13.4	16.5	25.6	4.7	19.9	5.7	27.2
<b>Other</b>	<b>312.6</b>	<b>268.6</b>	<b>21.7</b>	<b>7.5</b>	<b>9.0</b>	<b>10.0</b>	<b>13.5</b>	<b>10.0</b>	<b>14.2</b>	<b>12.5</b>
<b>Total combined portfolio</b>	<b>9,388.8</b>	<b>8,150.2</b>	<b>871.5</b>	<b>10.3</b>	<b>518.5</b>	<b>515.1</b>	<b>498.4</b>	<b>475.8</b>	<b>663.3</b>	<b>588.9</b>



The like-for-like portfolio continued									
	Gross income yield <sup>(9)</sup>		Net nominal equivalent yield <sup>(10)</sup>	Annual gross estimated rental value <sup>(11)</sup>		Voids by ERV <sup>(12)</sup>		Lease length as at 31/03/05 <sup>(13)</sup>	
	31/3/05 %	31/03/04 %	31/03/05 %	31/03/05 £m	31/03/04 £m	31/03/05 %	31/03/04 %	Median years <sup>(i)</sup>	Mean years <sup>(ii)</sup>
<b>Shopping centres and shops</b>									
Shopping centres	5.9	6.1	6.0	82.1	78.7	2.3	1.0	8.8	9.3
Central London shops	5.8	6.2	5.8	43.3	43.2	0.2	–	6.8	8.5
Other in-town shops	5.5	5.8	5.8	22.6	21.5	1.8	2.8	8.3	10.7
	5.8	6.1	5.9	148.0	143.4	1.6	1.0	7.8	9.2
<b>Retail warehouses</b>									
Retail parks	4.7	5.1	5.3	63.4	56.2	1.9	2.7	14.3	14.1
Other	5.1	5.7	5.6	13.6	12.9	5.1	0.8	16.3	13.9
	4.8	5.2	5.4	77.0	69.1	2.5	2.3	15.3	14.1
<b>Total retail</b>	5.4	5.8	5.7	225.0	212.5	1.9	1.4	10.0	10.8
<b>London offices</b>									
West End	6.0	6.7	6.4	86.5	83.5	3.9	2.8	6.5	9.8
City	8.6	9.3	6.5	60.8	59.5	5.6	3.0	1.5	2.8
Midtown	7.2	7.5	6.1	12.1	11.9	–	–	4.3	5.7
Inner London	4.8	5.7	6.6	5.3	5.2	–	–	1.3	2.4
<b>Total London offices</b>	6.9	7.6	6.4	164.7	160.1	4.1	2.6	4.3	6.5
Rest of UK	8.2	8.9	8.7	3.8	3.6	10.5	8.3	2.0	5.9
<b>Total offices</b>	6.9	7.6	6.4	168.5	163.7	4.3	2.7	4.3	6.5
<b>Industrial properties</b>									
South-east	5.6	7.0	6.7	4.8	4.1	10.4	–	5.8	5.4
Other	6.0	6.3	7.1	0.9	0.8	–	–	21.8	19.6
	5.7	6.9	6.7	5.7	4.9	8.8	–	5.8	7.6
<b>Other</b>	6.2	6.8	6.4	5.8	5.2	–	–	7.3	19.6
<b>Like-for-like portfolio</b>	6.0	6.6	6.0	405.0	386.3	3.0	1.9	6.5	9.0
<b>Completed developments<sup>(2)</sup></b>	3.3	2.9	5.7	61.9	57.9	1.3	48.9	13.0	11.7
<b>Total</b>	5.6	6.1	6.0	466.9	444.2	2.7	8.0	6.8	9.2
<b>Acquisitions<sup>(3)</sup></b>	6.0	6.2	6.1	99.6	31.0	2.1	5.5	8.8	11.5
<b>Sales and restructured interests<sup>(4)</sup></b>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Total development programme<sup>(5)</sup> (including Kent Thameside)</b>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Total combined portfolio</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>

Total combined portfolio analysis			
<b>Shopping centres and shops</b>			
Shopping centres	5.5	5.5	5.9
Central London shops	5.4	5.8	5.8
Other in-town shops	5.4	6.0	5.8
	5.5	5.7	5.9
<b>Retail warehouses</b>			
Retail parks	4.7	5.0	5.4
Other	5.1	5.7	5.6
	4.7	5.1	5.4
<b>Total retail</b>	5.3	5.5	5.7
<b>London offices</b>			
West End	5.0	6.0	6.3
City	6.5	7.7	6.2
Midtown	5.4	8.3	6.0
Inner London	4.2	2.8	6.4
<b>Total London offices</b>	5.4	6.5	6.3
Rest of UK	7.7	10.0	8.6
<b>Total offices</b>	5.5	6.6	6.3
<b>Industrial properties</b>			
South-east	5.6	5.6	6.7
Other	6.0	6.3	7.1
	5.6	5.6	6.7
<b>Other</b>	4.3	3.7	6.2
<b>Total combined portfolio</b>	<b>5.3</b>	<b>5.8</b>	<b>6.0</b>

## Notes

- (1) The like-for-like portfolio includes all properties which have been in the portfolio since 1 April 2003 but excluding 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.
- (2) 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 2003.
- (3) Includes all properties acquired in the period since 1 April 2003.
- (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 2003.
- (5) Ongoing developments are properties in the development programme and Kent Thameside. They exclude completed developments as defined in note (2) above.
- (6) The open 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 2005 after deduction of ground rents. It excludes the value of voids and current rent free periods.
- (8) 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) The gross income yield represents the annual net rent expressed as a percentage of the market value ignoring costs of purchase or sale.
- (10) The net nominal equivalent yield has been calculated on the gross outlays for a purchase of the property (including purchase costs) and assuming that rent is received annually in arrears.
- (11) Annual gross estimated rental value is calculated in the same way as net estimated rental value before the deduction of ground rents.
- (12) 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 (11) above.
- (13) The definition for the figures in each column is:
  - (i) Median is the number of years until half of income is subject to lease expiry/break clauses.
  - (ii) Mean is rent-weighted average remaining term on leases subject to lease expiry/break clauses.



## Portfolio analysis – investment portfolio (wholly-owned)

The like-for-like portfolio <sup>(1)</sup>										
	Open Market Value <sup>(7)</sup>		Valuation Surplus		P&L basis: Gross Rental Income		Annual net rent <sup>(8)</sup>		Annual net estimated rental value <sup>(9)</sup>	
	31/03/05 £m	31/03/04 £m	Surp/(def) £m	Surp/(def) %	31/03/05 £m	31/03/04 £m	31/03/05 £m	31/03/04 £m	31/03/05 £m	31/03/04 £m
<b>Shopping centres and shops</b>										
Shopping centres	1,160.5	1,055.9	103.3	9.8	73.2	72.2	68.9	64.7	74.9	71.6
Central London shops	676.0	625.5	49.8	8.0	39.9	38.8	39.0	38.8	42.1	42.4
Other in-town shops	318.4	287.2	29.6	10.3	18.7	18.7	17.6	16.8	20.5	19.6
	2,154.9	1,968.6	182.7	9.3	131.8	129.7	125.5	120.3	137.5	133.6
<b>Retail warehouses</b>										
Retail parks	1,136.4	951.3	172.2	18.0	46.9	44.5	53.5	48.2	63.4	56.2
Other	225.5	203.1	21.2	10.4	14.3	13.6	11.4	11.5	13.6	12.9
	1,361.9	1,154.4	193.4	16.6	61.2	58.1	64.9	59.7	77.0	69.1
<b>Total retail</b>	<b>3,516.8</b>	<b>3,123.0</b>	<b>376.1</b>	<b>12.0</b>	<b>193.0</b>	<b>187.8</b>	<b>190.4</b>	<b>180.0</b>	<b>214.5</b>	<b>202.7</b>
<b>London offices</b>										
West End	1,295.4	1,186.4	119.5	10.2	80.5	83.4	77.8	79.7	85.1	82.0
City	745.0	756.1	(13.4)	(1.8)	70.6	74.3	64.1	70.0	60.2	58.8
Midtown	185.2	171.3	14.0	8.2	13.4	13.3	13.3	12.9	12.1	11.4
Inner London	85.9	75.3	5.7	7.1	4.5	4.7	4.1	4.3	5.2	5.2
<b>Total London offices</b>	<b>2,311.5</b>	<b>2,189.1</b>	<b>125.8</b>	<b>5.8</b>	<b>169.0</b>	<b>175.7</b>	<b>159.3</b>	<b>166.9</b>	<b>162.6</b>	<b>157.4</b>
Rest of UK	37.9	34.9	2.6	7.4	3.2	3.0	3.1	3.1	3.7	3.5
<b>Total offices</b>	<b>2,349.4</b>	<b>2,224.0</b>	<b>128.4</b>	<b>5.8</b>	<b>172.2</b>	<b>178.7</b>	<b>162.4</b>	<b>170.0</b>	<b>166.3</b>	<b>160.9</b>
<b>Industrial properties</b>										
South-east	71.3	61.3	9.3	15.0	3.4	3.8	4.0	4.3	4.8	4.1
Other	11.7	11.1	0.6	5.4	1.2	1.1	0.7	0.7	0.9	0.8
	83.0	72.4	9.9	13.5	4.6	4.9	4.7	5.0	5.7	4.9
<b>Other</b>	<b>88.6</b>	<b>80.7</b>	<b>7.7</b>	<b>9.5</b>	<b>5.4</b>	<b>5.7</b>	<b>5.5</b>	<b>5.5</b>	<b>5.7</b>	<b>5.1</b>
<b>Like-for-like portfolio</b>	<b>6,037.8</b>	<b>5,500.1</b>	<b>522.1</b>	<b>9.5</b>	<b>375.2</b>	<b>377.1</b>	<b>363.0</b>	<b>360.5</b>	<b>392.2</b>	<b>373.6</b>
Completed developments <sup>(2)</sup>	974.3	777.2	189.0	24.6	34.8	19.5	32.4	22.4	61.8	57.6
<b>Total</b>	<b>7,012.1</b>	<b>6,277.3</b>	<b>711.1</b>	<b>11.3</b>	<b>410.0</b>	<b>396.6</b>	<b>395.4</b>	<b>382.9</b>	<b>454.0</b>	<b>431.2</b>
Acquisitions <sup>(3)</sup>	904.2	221.7	37.5	4.3	34.1	8.6	55.7	14.4	58.3	12.8
Sales and restructured interests <sup>(4)</sup>	–	880.6	–	–	34.3	92.5	n/a	n/a	n/a	n/a
Total development programme <sup>(5)</sup> (including Kent Thameside)	857.2	527.1	93.6	12.3	14.2	16.8	n/a	n/a	n/a	n/a
<b>Total investment portfolio</b>	<b>8,773.5</b>	<b>7,906.7</b>	<b>842.2</b>	<b>10.7</b>	<b>492.6</b>	<b>514.5</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
<b>Total investment portfolio analysis</b>										
<b>Shopping centres and shops</b>										
Shopping centres	2,013.2	1,591.0	181.4	10.0	106.8	102.2	109.2	86.7	140.5	107.6
Central London shops	820.8	805.8	56.7	7.4	45.4	47.4	44.0	47.1	53.7	58.3
Other in-town shops	444.7	541.2	40.6	10.1	33.4	39.8	24.0	32.6	27.6	37.8
	3,278.7	2,938.0	278.7	9.3	185.6	189.4	177.2	166.4	221.8	203.7
<b>Retail warehouses</b>										
Retail parks	1,256.2	1,089.7	192.3	18.2	54.3	50.2	58.5	54.0	70.7	64.9
Other	225.5	203.1	21.2	10.4	14.3	14.5	11.4	11.5	13.6	12.9
	1,481.7	1,292.8	213.5	16.9	68.6	64.7	69.9	65.5	84.3	77.8
<b>Total retail</b>	<b>4,760.4</b>	<b>4,230.8</b>	<b>492.2</b>	<b>11.6</b>	<b>254.2</b>	<b>254.1</b>	<b>247.1</b>	<b>231.9</b>	<b>306.1</b>	<b>281.5</b>
<b>London offices</b>										
West End	1,737.2	1,571.3	202.1	13.2	95.3	98.7	87.3	94.3	125.8	128.7
City	1,085.5	958.4	61.8	6.1	80.4	77.7	71.0	73.5	91.6	76.6
Midtown	352.0	234.2	11.5	3.4	16.5	31.5	19.1	19.5	47.2	19.7
Inner London	410.5	221.7	41.3	11.3	16.2	10.0	16.7	6.1	28.3	18.5
<b>Total London offices</b>	<b>3,585.2</b>	<b>2,985.6</b>	<b>316.7</b>	<b>9.7</b>	<b>208.4</b>	<b>217.9</b>	<b>194.1</b>	<b>193.4</b>	<b>292.9</b>	<b>243.5</b>
Rest of UK	46.1	68.2	3.0	7.0	5.0	6.9	3.5	6.3	4.6	6.9
<b>Total offices</b>	<b>3,631.3</b>	<b>3,053.8</b>	<b>319.7</b>	<b>9.7</b>	<b>213.4</b>	<b>224.8</b>	<b>197.6</b>	<b>199.7</b>	<b>297.5</b>	<b>250.4</b>
<b>Industrial properties</b>										
South-east	72.0	342.4	9.3	14.8	15.3	22.4	4.0	19.2	4.8	26.4
Other	11.7	11.1	0.6	5.7	1.2	3.2	0.7	0.7	0.9	0.8
	83.7	353.5	9.9	13.5	16.5	25.6	4.7	19.9	5.7	27.2
<b>Other</b>	<b>298.1</b>	<b>268.6</b>	<b>20.4</b>	<b>7.4</b>	<b>8.5</b>	<b>10.0</b>	<b>12.8</b>	<b>10.0</b>	<b>13.4</b>	<b>12.5</b>
<b>Total investment portfolio</b>	<b>8,773.5</b>	<b>7,906.7</b>	<b>842.2</b>	<b>10.7</b>	<b>492.6</b>	<b>514.5</b>	<b>462.2</b>	<b>461.5</b>	<b>622.7</b>	<b>571.6</b>
Total share of joint ventures <sup>(6)</sup>	615.3	243.5	29.3	5.0	25.9	0.6	36.2	14.3	40.6	17.3
<b>Total combined portfolio</b>	<b>9,388.8</b>	<b>8,150.2</b>	<b>871.5</b>	<b>10.3</b>	<b>518.5</b>	<b>515.1</b>	<b>498.4</b>	<b>475.8</b>	<b>663.3</b>	<b>588.9</b>

The like-for-like portfolio continued									
	Gross income yield <sup>(10)</sup>		Net nominal equivalent yield <sup>(11)</sup>	Annual gross estimated rental value <sup>(12)</sup>		Voids by ERV <sup>(13)</sup>		Lease length as at 31/03/05 <sup>(14)</sup>	
	31/3/05 %	31/03/04 %	31/03/05 %	31/03/05 £m	31/03/04 £m	31/03/05 %	31/03/04 %	Median years <sup>(i)</sup>	Mean years <sup>(ii)</sup>
<b>Shopping centres and shops</b>									
Shopping centres	5.9	6.1	6.0	82.1	78.7	2.3	1.0	8.8	9.3
Central London shops	5.8	6.2	5.8	43.3	43.2	0.2	–	6.8	8.5
Other in-town shops	5.5	5.8	5.8	22.6	21.5	1.8	2.8	8.3	10.7
	5.8	6.1	5.9	148.0	143.4	1.6	1.0	7.8	9.2
<b>Retail warehouses</b>									
Retail parks	4.7	5.1	5.3	63.4	56.2	1.9	2.7	14.3	14.1
Other	5.1	5.7	5.6	13.6	12.9	5.1	0.8	16.3	13.9
	4.8	5.2	5.4	77.0	69.1	2.5	2.3	15.3	14.1
<b>Total retail</b>	5.4	5.8	5.7	225.0	212.5	1.9	1.4	10.0	10.8
<b>London offices</b>									
West End	6.0	6.7	6.4	86.5	83.5	3.9	2.8	6.5	9.8
City	8.6	9.3	6.5	60.8	59.5	5.6	3.0	1.5	2.8
Midtown	7.2	7.5	6.1	12.1	11.9	–	–	4.3	5.7
Inner London	4.8	5.7	6.6	5.3	5.2	–	–	1.3	2.4
<b>Total London offices</b>	6.9	7.6	6.4	164.7	160.1	4.1	2.6	4.3	6.5
Rest of UK	8.2	8.9	8.7	3.8	3.6	10.5	8.3	2.0	5.9
<b>Total offices</b>	6.9	7.6	6.4	168.5	163.7	4.3	2.7	4.3	6.5
<b>Industrial properties</b>									
South-east	5.6	7.0	6.7	4.8	4.1	10.4	–	5.8	5.4
Other	6.0	6.3	7.1	0.9	0.8	–	–	21.8	19.6
	5.7	6.9	6.7	5.7	4.9	8.8	–	5.8	7.6
<b>Other</b>	6.2	6.8	6.4	5.8	5.2	–	–	7.3	19.6
<b>Like-for-like portfolio</b>	6.0	6.6	6.0	405.0	386.3	3.0	1.9	6.5	9.0
<b>Completed developments<sup>(2)</sup></b>	3.3	2.9	5.7	61.9	57.9	1.3	48.9	13.0	11.7
<b>Total</b>	5.6	6.1	6.0	466.9	444.2	2.7	8.0	6.8	9.2
<b>Acquisitions<sup>(3)</sup></b>	6.2	6.5	6.1	58.4	13.0	1.0	0.8	8.3	11.8
<b>Sales and restructured interests<sup>(4)</sup></b>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Total development programme<sup>(5)</sup> (including Kent Thameside)</b>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Total investment portfolio</b>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Total investment portfolio analysis			
<b>Shopping centres and shops</b>			
Shopping centres	5.4	5.4	5.9
Central London shops	5.4	5.8	5.8
Other in-town shops	5.4	6.0	5.8
	5.4	5.7	5.9
<b>Retail warehouses</b>			
Retail parks	4.7	5.0	5.4
Other	5.1	5.7	5.6
	4.7	5.1	5.4
<b>Total retail</b>	5.2	5.5	5.7
<b>London offices</b>			
West End	5.0	6.0	6.3
City	6.5	7.7	6.2
Midtown	5.4	8.3	6.0
Inner London	4.1	2.8	6.4
<b>Total London offices</b>	5.4	6.5	6.3
Rest of UK	7.6	9.2	8.6
<b>Total offices</b>	5.4	6.5	6.3
<b>Industrial properties</b>			
South-east	5.6	5.6	6.7
Other	6.0	6.3	7.1
	5.6	5.6	6.7
<b>Other</b>	4.3	3.7	6.2
<b>Total investment portfolio</b>	<b>5.3</b>	<b>5.8</b>	<b>6.0</b>
<b>Total share of joint ventures<sup>(6)</sup></b>	5.9	5.9	6.0
<b>Total combined portfolio</b>	<b>5.3</b>	<b>5.8</b>	<b>6.0</b>

## Notes

- (1) The like-for-like portfolio includes all properties which have been in the portfolio since 1 April 2003 but excluding 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.
- (2) 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 2003.
- (3) Includes all properties acquired in the period since 1 April 2003.
- (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 2003.
- (5) Ongoing developments are properties in the development programme and Kent Thameside. They exclude completed developments as defined in note (2) above.
- (6) Share of joint ventures includes the Group's share of assets in the Scottish Retail Property Limited Partnership, the Metro Shopping Fund LP and the Buchanan Partnership.
- (7) The open market value figures exclude properties owned by Land Securities Trillium and Telereal.
- (8) Annual net rent is annual rents in payment at 31 March 2005 after deduction of ground rents. It excludes the value of voids and current rent free periods.
- (9) 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.
- (10) The gross income yield represents the annual net rent expressed as a percentage of the market value ignoring costs of purchase or sale.
- (11) The net nominal equivalent yield has been calculated on the gross outlays for a purchase of the property (including purchase costs) and assuming that rent is received annually in arrears.
- (12) Annual gross estimated rental value is calculated in the same way as net estimated rental value before the deduction of ground rents.
- (13) 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 (12) above.
- (14) The definition for the figures in each column is:
  - (i) Median is the number of years until half of income is subject to lease expiry/break clauses.
  - (ii) Mean is rent-weighted average remaining term on leases subject to lease expiry/break clauses.

## Portfolio analysis

Portfolio value by location % figures calculated by reference to the combined portfolio value of £9,388.8m					
	Offices %	Shopping centres and shops %	Retail warehouses %	Other %	Total %
Central, inner and outer London	38.4	12.5	0.7	1.0	52.6
South-east and eastern	0.1	5.0	3.6	2.3	11.0
Midlands	0.1	4.1	2.5	–	6.7
Wales and south-west	0.1	5.3	1.4	–	6.8
North, north-west, Yorkshire and Humberside	0.1	7.2	5.4	0.8	13.5
Scotland and Northern Ireland	0.1	7.0	2.2	0.1	9.4
<b>Total</b>	<b>38.9</b>	<b>41.1</b>	<b>15.8</b>	<b>4.2</b>	<b>100.0</b>

Average rents excludes properties in the development programme and voids		
	Average rent £/m <sup>2</sup>	Average ERV £/m <sup>2</sup>
<b>Retail</b>		
Shopping centres and shops	n/a	n/a
Retail warehouses (including supermarkets)	162	186
<b>Offices</b>		
Central and Inner London	346	323
Rest of UK	92	92

### Note

Average rents and estimated rental values (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 with the previous year. It excludes properties in the development programme and voids.

Top 12 occupiers		Current gross rent roll %
1	Central Government	9.24
2	Allen & Overy	2.89
3	Dixons Group plc	2.40
4	J Sainsbury plc	1.76
5	Dresdner Bank AG	1.48
6	Metropolitan Police Authority	1.40
7	Argos and Homebase	1.40
8	Arcadia Group	1.36
9	The Boots Company PLC	1.25
10	Lloyds TSB Group plc	1.18
11	Deloitte & Touche	1.09
12	Marks & Spencer Group plc	1.00
<b>Total</b>		<b>26.45</b>

Like-for-like reversionary potential		
Reversionary potential (ignoring additional income from the letting of voids)	31/03/05 % of rent roll	31/03/04 % of rent roll
Gross reversions	9.9	10.5
Over-rented	7.0	8.6
Net reversionary potential	2.9	1.9

### Note

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 Portfolio Analysis on page 111.

Of the over-rented income 50% is subject to a lease expiry or break clause in the next five years.

% Portfolio by value and number of properties at 31 March 2005		
£m	Value %	No. of properties
0 – 9.99	2.1	57
10 – 24.99	5.1	30
25 – 49.99	19.0	50
50 – 99.99	22.8	30
Over 100	51.0	27
<b>Total</b>	<b>100.0</b>	<b>194</b>

### Note

Includes Land Securities' share of joint venture properties.

## Development pipeline schedule

Retail	Description	Size	Status Planning	Letting	Estimated/actual completion date	Cost £m
<b>Shopping centres and shops</b>						
■	Caxtongate Phase III, New Street, Birmingham	Retail	2,240m <sup>2</sup>	100%	Feb 2005	5
■	Rose Lane, Canterbury 50% – a limited partnership	Retail	1,500m <sup>2</sup>	100%	Nov 2004	3
■	Whitefriars, Canterbury	Retail/residential	37,160m <sup>2</sup> /3,260m <sup>2</sup>	91%	July 2005	113
■	Summerland Gate, Exeter	Retail/residential	5,380m <sup>2</sup> /1,390m <sup>2</sup>	84%	Apr 2005	12
■	Princesshay, Exeter	Retail/residential	37,360m <sup>2</sup> /7,200m <sup>2</sup>	32%	July 2007	146
□	Broadmead, Bristol (50%) The Bristol Alliance – a limited partnership with Hammerson plc	Retail Leisure Offices Residential	83,610m <sup>2</sup> 9,000m <sup>2</sup> 28,000m <sup>2</sup> 18,740m <sup>2</sup>	PR PR OPR PR	7% 2008	
□	Bradwell's Court, Cambridge	Retail/leisure	5,220m <sup>2</sup>	MG	26%	2007
□	St David's Cardiff (50%) St David's Partnership – a partnership with Capital Shopping Centres	Retail/leisure Residential	85,000m <sup>2</sup> 18,620m <sup>2</sup>	OPR	2009	
<b>Retail warehouses</b>						
■	Almondvale South, Livingston, Phase II a	Retail warehouses	5,630m <sup>2</sup>	100%	Mar 2005	6
■	Kingsway Retail Park, Dundee, Phase II	Retail warehouses	8,650m <sup>2</sup>	55%	May 2004	15
■	Bexhill Retail Park, Extension	Retail warehouses	2,720m <sup>2</sup>	100%	June 2005	12
□	Almondvale South, Livingston, Phase II b	Retail warehouses	4,180m <sup>2</sup>	PR	2005	

London portfolio	Description	Size	Status Planning	Letting	Estimated/actual completion date	Cost £m
<b>Central and Inner London properties</b>						
■	Empress State Building, SW6	Offices/retail and leisure	41,290m <sup>2</sup> /2,040m <sup>2</sup>	100%	Jul 2003	( £)111
■	30 Gresham Street, EC2	Offices/retail	35,150m <sup>2</sup> /1,300m <sup>2</sup>	100%	Dec 2003	208
■	Cardinal Place, SW1	Offices/retail	51,130m <sup>2</sup> /9,420m <sup>2</sup>	11/82%	Aug 2005	256
■	40 Eastbourne Terrace, W2	Offices	7,690m <sup>2</sup>		Oct 2005	10
■	One Wood Street, EC2 (formerly 120 Cheapside)	Offices/retail	15,020m <sup>2</sup> /1,500m <sup>2</sup>		Sep 2007	102
■	New Street Square, EC4(*)	Offices Retail/leisure	62,340m <sup>2</sup> 2,980m <sup>2</sup>	29%	2008	311
□	Bankside2&3, SE1	Offices Retail/leisure	35,550m <sup>2</sup> 3,170m <sup>2</sup>	PR	2007	
□	One New Change, EC4	Offices/retail	30,790m <sup>2</sup> /20,550m <sup>2</sup>		2010	

(\*) Included in these figures is part of the overall scheme which has yet to be approved by the Board. The cost relating to this part of the scheme is estimated at £52m. The letting was exchanged after 31 March 2005.

(‡) The Landflex fit out costs have now been included in the total cost shown above.

<b>Other</b>						
■	The Gate, Newcastle upon Tyne	Leisure	17,560m <sup>2</sup>	92%	Nov 2002	61

### Industrial

During the year all seven industrial schemes previously disclosed were sold to Slough Estates. These comprised properties in Kidlington, Guildford, Croydon, Fareham and three properties in Basildon.

Cost (£m) refers to estimated capital expenditure required to develop the scheme from the start of the financial year in which the property is added to our Development Programme. Finance charges are excluded from cost. Floor areas shown above represent the full scheme whereas the cost represents our share of costs. Letting % is measured by ERV and shows letting status at 31 March 2005.

Trading Property development schemes and the Kent Thameside project are excluded from the development pipeline.

Key	Planning status
■	PR Planning received
■	AS Application submitted
■	MG Minded to grant
□	PI Planning inquiry
□	OPR Outline planning received

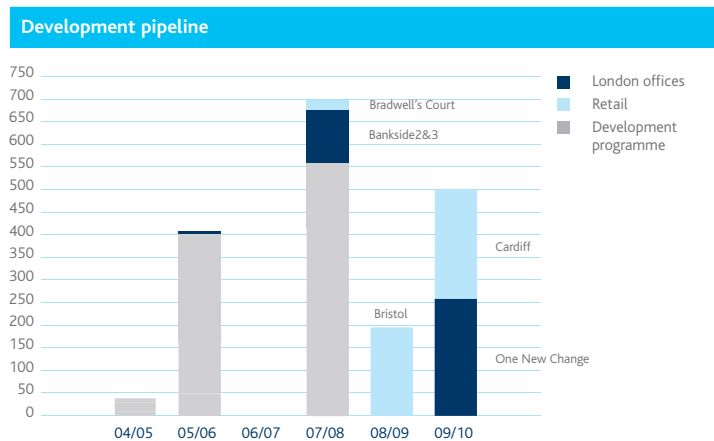
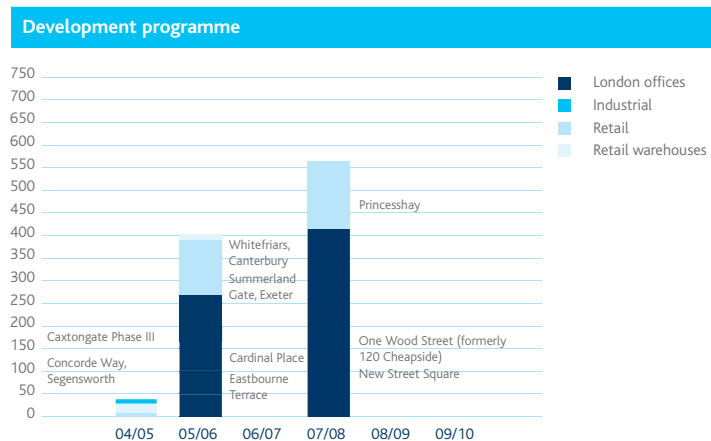


Development pipeline schedule continued

	Cumulative movements on the development programme to 31/03/05						Total scheme details				Valuation surplus/ (deficit) for 12 months to 31/03/05 <sup>(1)</sup>	
	Market value at start	Capital expenditure to date	Capitalised interest to date	Cumulative revaluation surplus/ (deficit) to 31/03/05	Disposals UITF28 rent and other adjustments	Market value at 31/03/05	Estimated total capital expenditure	Estimated total capitalised interest	Estimated total cost <sup>(2)</sup>	Net income/ ERV <sup>(3)</sup>		
												£m
<b>Development programme let, transferred or sold</b>												
Shopping centres and shops	5	8	–	11	1	25	8	–	13	1	3	
Retail warehouses	5	6	–	7	–	18	6	–	11	1	7	
London Portfolio	22	319	43	10	6	400	319	43	384	28	129	
Industrial	–	80	2	35	(117)	–	80	2	82	n/a	18	
Other	–	60	6	(16)	–	50	61	6	67	4	2	
	<b>32</b>	<b>473</b>	<b>51</b>	<b>47</b>	<b>(110)</b>	<b>493</b>	<b>474</b>	<b>51</b>	<b>557</b>	<b>34</b>	<b>159</b>	
<b>Development programme completed, approved or in progress</b>												
Shopping centres and shops	74	148	11	17	(2)	248	271	27	341	25	17	
Retail warehouses	6	22	–	10	–	38	27	1	34	3	8	
London Portfolio	165	268	16	12	–	461	679	53	897	75	53	
	<b>245</b>	<b>438</b>	<b>27</b>	<b>39</b>	<b>(2)</b>	<b>747</b>	<b>977</b>	<b>81</b>	<b>1,272</b>	<b>103</b>	<b>78</b>	
	<b>Movements on the proposed developments for the year to 31/03/05</b>											
<b>Proposed developments</b>												
Shopping centres and shops	32	4	–	12	–	48	452	35	507	34	12	
Retail warehouses	5	–	–	–	–	5	3	–	8	1	–	
London Portfolio	167	5	–	(5)	–	167	371	29	567	46	(5)	
	<b>204</b>	<b>9</b>	<b>–</b>	<b>7</b>	<b>–</b>	<b>220</b>	<b>826</b>	<b>64</b>	<b>1,082</b>	<b>81</b>	<b>7</b>	

## Notes

- (1) Includes FRS3 profit realised on the disposal of property.
- (2) Includes the property at the market valuation at the start of the financial year in which the property was added to the Development Programme. For proposed development properties, the market value of the property at 31 March 2005 is included in the estimated total cost. Estimated total cost is stated net of residential proceeds for shopping centres and shops of £31m for the developments in progress and £28m for proposed developments. Allowances for rent free periods are excluded from estimated total costs.
- (3) Net headline annual rental payable on let units plus net ERV at 31 March 2005 on unlet units.
- (4) For proposed development properties the estimated total capital expenditure represents the outstanding costs required to complete the scheme as at 31 March 2005.



Maturity of development pipeline as at 31 March 2005 by year of anticipated completion and measured by development expenditure (excluding historical land costs and finance charges).

# Property Outsourcing

## Contract analysis

For 12 months to 31/03/05	Contract							
	DWP	BBC	Norwich Union	Barclays	Other	LS Trillium Total	Telereal (50%)	Total
<b>Contract length</b>								
Term <sup>(1)</sup>	20 yrs	30 yrs	25 yrs	20 yrs			30 yrs	
Expiry date	Mar 2018	Nov 2031	Jun 2019	Dec 2024			Nov 2031	
<b>Income</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Unitary charge	504.8	77.2	9.3	–	1.9	593.2	137.0	730.2
Third party (sublet) income	7.9	0.3	0.7	0.4	1.2	10.5	–	10.5
Capital projects	81.1	44.9	0.1	–	–	126.1	–	126.1
Other revenue	9.3	24.1	–	–	0.1	33.5	28.3	61.8
Proceeds of sales of trading properties	–	–	100.2	–	–	100.2	25.7	125.9
<b>Gross property income</b>	<b>603.1</b>	<b>146.5</b>	<b>110.3</b>	<b>0.4</b>	<b>3.2</b>	<b>863.5</b>	<b>191.0</b>	<b>1,054.5</b>
<b>Costs</b>								
Rent payable	(175.7)	–	(2.7)	–	(0.7)	(179.1)	(35.9)	(215.0)
Service partners (facilities management)	(148.2)	(50.2)	(2.0)	–	(0.6)	(201.0)	–	(201.0)
Life cycle maintenance costs	(16.3)	(0.3)	(1.3)	–	–	(17.9)	–	(17.9)
Capital projects	(77.1)	(39.6)	(0.1)	–	–	(116.8)	–	(116.8)
Cost of sales of trading properties	(0.3)	–	(96.0)	–	–	(96.3)	(8.1)	(104.4)
Other costs, including overheads	(79.5)	(28.1)	(1.7)	(0.4)	(9.2)	(118.9)	(15.7)	(134.6)
Bid costs	–	–	(0.9)	–	(1.7)	(2.6)	–	(2.6)
<b>Operating profit/(loss) before depreciation and amortisation</b>	<b>106.0</b>	<b>28.3</b>	<b>5.6</b>	<b>–</b>	<b>(9.0)</b>	<b>130.9</b>	<b>131.3</b>	<b>262.2</b>
Depreciation and amortisation of goodwill	(22.8)	(7.7)	(0.4)	–	(0.5)	(31.4)	(13.8)	(45.2)
<b>Operating profit</b>	<b>83.2</b>	<b>20.6</b>	<b>5.2</b>	<b>–</b>	<b>(9.5)</b>	<b>99.5</b>	<b>117.5</b>	<b>217.0</b>
Profit/(loss) on sale of fixed assets	7.2	23.6	–	–	(0.3)	30.5	12.3	42.8
<b>Segment profit/(loss)</b>	<b>90.4</b>	<b>44.2</b>	<b>5.2</b>	<b>–</b>	<b>(9.8)</b>	<b>130.0</b>	<b>129.8</b>	<b>259.8</b>
<b>Capital expenditures</b>								
Life cycle maintenance costs capitalised	(18.9)	(0.1)	(0.4)	–	–	(19.4)	–	(19.4)
Other	(3.0)	–	–	–	–	(3.0)	–	(3.0)
<b>Book value of assets</b>								
Investment in Telereal (net liabilities)	–	–	–	–	–	–	(71.1)	(71.1)
Investment properties	–	–	–	25.2	–	25.2	–	25.2
Operating properties	476.4	–	44.7	–	–	521.1	1,015.4	1,536.5

For 12 months to 31/03/05	Contract							
	DWP	BBC	Norwich Union	Barclays	Other	LS Trillium Total	Telereal (50%)	Total
<b>Floorspace</b>	<b>000m<sup>2</sup></b>	<b>000m<sup>2</sup></b>	<b>000m<sup>2</sup></b>	<b>000m<sup>2</sup></b>	<b>000m<sup>2</sup></b>	<b>000m<sup>2</sup></b>	<b>000m<sup>2</sup></b>	<b>000m<sup>2</sup></b>
Client occupied	2,331.5	–	107.0	11.3	–	2,449.8	4,825.0	7,274.8
Third party (sublet)	65.2	–	8.0	10.2	–	83.4	141.0	224.4
Vacant	79.2	–	–	10.0	–	89.2	22.0	111.2
<b>Total</b>	<b>2,475.9</b>	<b>–</b>	<b>115.0</b>	<b>31.5</b>	<b>–</b>	<b>2,622.4</b>	<b>4,988.0</b>	<b>7,610.4</b>
Freeholds/valuable leaseholds	866.4	–	40.0	11.3	–	917.7	4,126.0	5,043.7
Leaseholds	1,609.5	–	75.0	20.2	–	1,704.7	862.0	2,566.7
<b>Total</b>	<b>2,475.9</b>	<b>–</b>	<b>115.0</b>	<b>31.5</b>	<b>–</b>	<b>2,622.4</b>	<b>4,988.0</b>	<b>7,610.4</b>
Estate managed but not transferred	100.5	372.0	–	–	–	472.5	–	472.5
<b>Vacation<sup>(2)</sup></b>	<b>000m<sup>2</sup></b>	<b>000m<sup>2</sup></b>	<b>000m<sup>2</sup></b>	<b>000m<sup>2</sup></b>	<b>000m<sup>2</sup></b>	<b>000m<sup>2</sup></b>	<b>£m</b>	
Allowance used to 31/03/05	120.2	n/a	n/a	n/a	n/a	120.2	1.2	n/a
Available allowance 31/03/05	322.9	n/a	n/a	n/a	n/a	322.9	0.4	n/a
Future allowance	278.2	n/a	n/a	n/a	n/a	278.2	6.3	n/a

### Notes

(1) For Barclays contract, this is the sale and leaseback term.

(2) Vacation allowances linked to floor space in DWP contract and to income in BT contract. Amounts shown for Telereal are Land Securities Trillium's share.

## Contract analysis continued

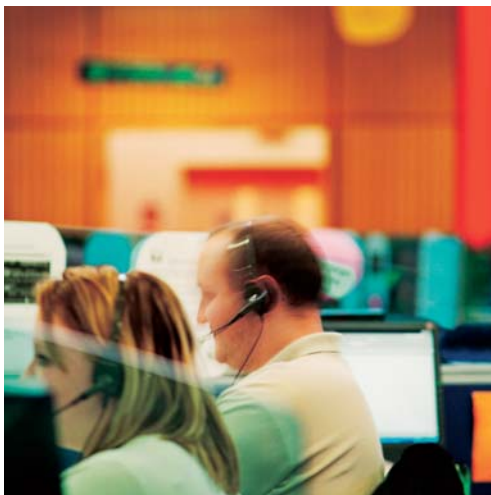
Regional breakdown by contract as at 31/03/05						
000m <sup>2</sup>	DWP	BBC	NU	Barclays	Telereal	Total
Northern Ireland	–	–	–	–	106	<b>106</b>
London, south-east and West England	868	348	61	20	2,442	<b>3,739</b>
Northern England	917	–	32	–	969	<b>1,918</b>
Scotland	305	24	22	–	447	<b>798</b>
Midlands and Wales	487	–	–	11	1,024	<b>1,522</b>
<b>Total</b>	<b>2,577</b>	<b>372</b>	<b>115</b>	<b>31</b>	<b>4,988</b>	<b>8,083</b>

Property transactions concluded by contract 12 months ending 31/03/05						
No. of transactions	DWP	BBC	NU	Barclays	Telereal	Total
Sales	16	1	2	–	29	<b>48</b>
New Lettings	62	6	1	1	11	<b>81</b>
Rent Reviews	169	–	–	–	44	<b>213</b>
Lease Renewals	33	–	–	–	4	<b>37</b>
Freehold buy-ins	3	–	2	1	–	<b>6</b>
Other	64	–	–	–	–	<b>64</b>
<b>Total</b>	<b>347</b>	<b>7</b>	<b>5</b>	<b>2</b>	<b>88</b>	<b>449</b>

Number of people by occupation	
as at 31/03/05	Total
Asset management	109
Call centre	156
Capital projects	305
Quality assurance	54
Facilities management	666
HR/finance/business development	167
<b>Total</b>	<b>1,457</b>

Service partner agreements as at 31/03/05		
Service partner	Service element	Estimate of proportion of service providers' turnover
Compass	Catering	<5%
Dalkia	Building maintenance	10-15%
Group 4	Security	15-20%
GS Hall	Building maintenance	20-25%
ISS	Cleaning	<5%
Amaryllis	Furniture	15-20%
MITIE	Cleaning	<5%
Norland	Facilities management	<5%
OCS	Cleaning	<5%
Securitas	Security	<5%
Wilson James	Security	20-25%
<b>Total</b>		

Average contract length of above Service Partners: 11 years  
 Average contract time remaining of above Service Partners: 8 years  
 Average annual contract value of above Service Partners: £17m/pa



# Investment property information

## Major property holdings

As at 31 March 2005 there were 194 properties within the portfolio including share of joint venture properties. In the lists which follow, the valuation level for inclusion is £25m. Certain of these properties have been combined for ease of description. Properties have been split into values of over £100m, £50m to £100m and £25 to £50m. 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<sup>2</sup> – 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 m <sup>2</sup>
<b>Shopping centres and shops – £100m and above</b>				
Aberdeen	<b>Part of the Scottish Retail Property Limited Partnership – 50% interest</b>			
	<b>Bon Accord Centre:</b> Leasehold shopping centre with 3 major stores and a link into the adjacent John Lewis department store. With over 50 shops, food court, leisure, offices, this is the prime pitch for Aberdeen	Primark, Woolworth, Boots, Laura Ashley, Disney, New Look, Dorothy Perkins	1990 (b)	31,030
	<b>St Nicholas Centre:</b> 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 with a total of 1,104 car parking spaces	Next, WHSmith River Island	1985	11,750
Birmingham	<b>Part of the Birmingham Alliance – 33.3% interest</b>			
	<b>Bullring:</b> 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 and 3,148 car parking spaces	Debenhams, Selfridges, Next, H&M, Gap, Zara, Benetton, Borders	2003 (b)	110,000
Canterbury	<b>Whitefriars Quarter:</b> This includes all of the assets listed below which will work together to provide a majority part of the retail floorspace in Canterbury			
	<b>Whitefriars:</b> Leasehold shopping centre with Fenwick department store, 2 further stores and over 35 shops with residential and car park	Fenwick, Boots, Tesco	To be completed 2005	37,160
	<b>Longmarket:</b> Leasehold scheme of 16 shops, conservatory restaurant and museum	Gap, Virgin, Link, Body Shop,	1992 (b)	4,650
	<b>Clocktower:</b> Leasehold scheme of 5 shops, offices and car park	QS, Burger King, JJB Sports, Evans	1993 (b)	2,100
	<b>Marlowe Arcade and Graylaw House:</b> Leasehold shopping centre with 1 store, 14 shops and 710m <sup>2</sup> offices	Bhs, Top Shop, Miss Selfridge, HMV	1985 (b)	10,400
Cardiff	<b>St David's Centre (including St David's Link):</b> 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 centre will benefit from the 110,000m <sup>2</sup> St David's 2 mixed-use development, which will be anchored by John Lewis to be completed in 2009	Debenhams, Bhs, Mothercare, Peacocks, C&J Clark, Miss Selfridge, Alexon	1991 (r)	39,735
East Kilbride	<b>Part of the Scottish Retail Property Limited Partnership – 50% interest</b>			
	<b>Olympia:</b> Leasehold shopping centre with 2 stores, 50 shops, nine-screen cinema, library, restaurants, food court, nightclub	Safeway, H&M, Adams, Allsports,	1989 (b)	32,520
	<b>Princes Mall:</b> Shopping centre with over 40 shops, public house and 950m <sup>2</sup> of offices	Argos, Bon Marche, Poundland, Farm Foods, Superdrug	1994 (r)	13,935
	<b>Centre West:</b> 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, Next, Zara, French Connection, HMV	2003 (b)	26,000
	<b>Plaza:</b> Shopping centre with over 50 shops and stores together with 15,000m <sup>2</sup> of offices	Marks & Spencer, Bhs, WHSmith, Boots, Mothercare, Primark	1972 (b) 1989 (r)	43,000
	<b>Southgate:</b> Shopping centre 14 units	HBOS, Monsoon	1990 (b)	4,258
	<b>Princes Square:</b> 34 units anchored by New Look, Sports Soccer	Disney Store, New Look, Sportsworld	1990 (b)	8,153
	<b>East Kilbride centres comprise a total of 3,500 car parking spaces</b>			
Exeter	<b>High Street shops and Princesshay:</b> Leasehold shopping quarter under construction and a parade of prime High Street shops (existing)	Princesshay under construction see development pipeline schedule p115		44,560
Glasgow	<b>The Buchanan Partnership – 50% interest</b>			
	<b>Buchanan Galleries:</b> Prime covered leasehold shopping centre comprises department store, food court, 4 major stores, 75 shop units and 200 car parking spaces	John Lewis, Next, H&M, Gap, Mango	1999 (b)	57,332
Leeds	<b>White Rose:</b> Opened in 1997, this centre is located on the edge of Leeds and is anchored by Debenhams and a supermarket. There are 11 further stores, over 70 shops and a food court and 4,800 car spaces	Sainsbury's, Debenhams, Clinton Cards, Argos, Bhs, Woolworth, Boots, WHSmith, Next, River Island	1997 (b)	60,390
Lewisham	<b>Lewisham Centre:</b> Prime covered shopping comprises 60 retail units, 2 restaurants, 2 multi-storey office blocks, 4,180m <sup>2</sup> of leisure and 875 car parking spaces	Sainsbury's, Marks & Spencer, Boots, Woolworth, Next, Argos	1975 (b) 1991 (r)	34,523
Liverpool	<b>St John's and Williamson Square:</b> St John's is the largest covered centre in Liverpool with over 100 shops and stores, indoor market, food court, 551 car parking spaces, hotel and Beacon. Williamson Square leasehold links directly with St John's and includes 4 large shop units	Wilkinsons, Woolworth, JD Wetherspoon, Argos, Mark One, Iceland, New Look	St John's 1989 (r) Williamson Square 1999 (b)	38,800



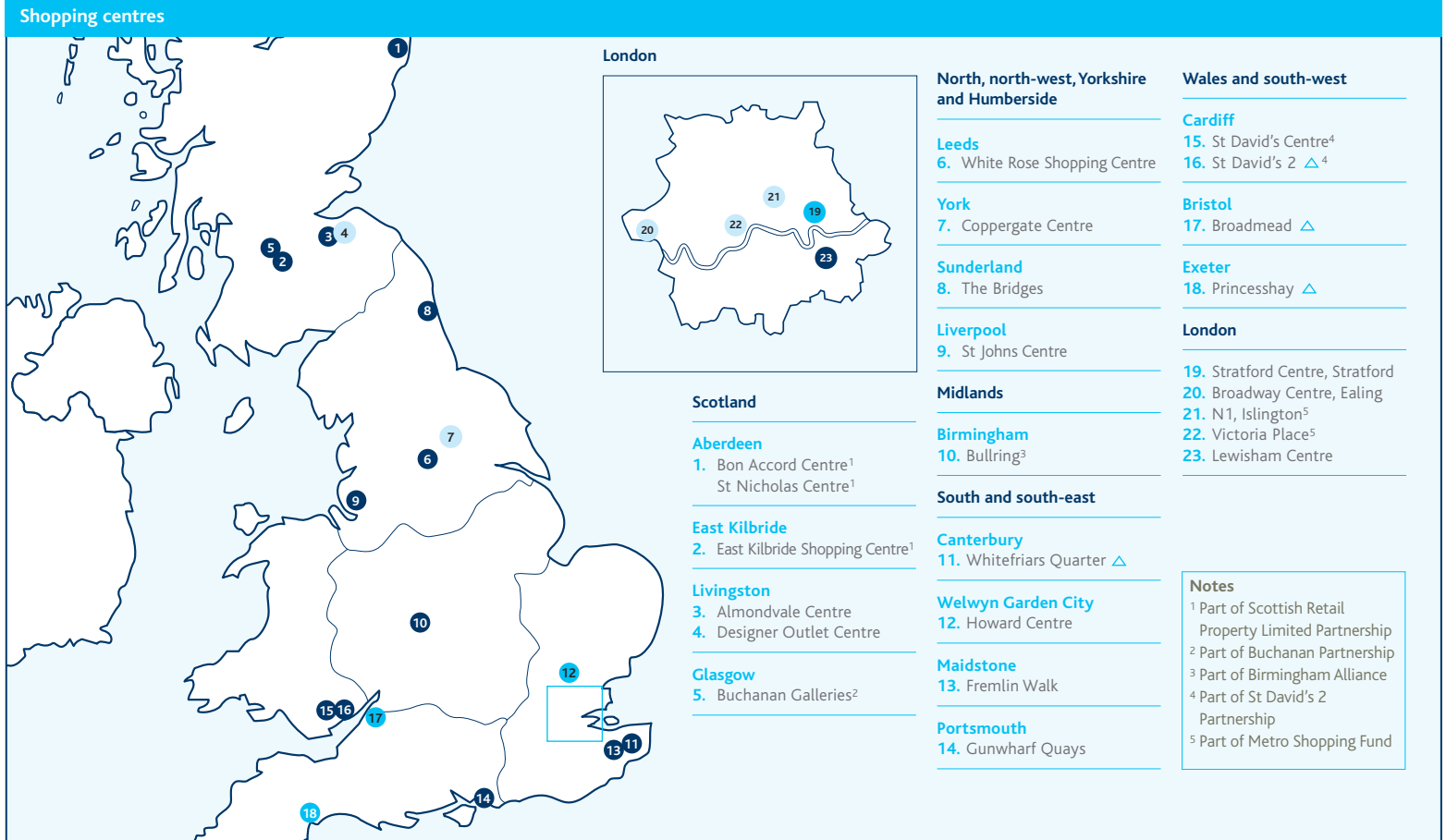
Location	Property name, address and description	Principal occupiers	Date built (b)/ last refurbished (r) or extended (e)	Total area m <sup>2</sup>
<b>Shopping centres and shops – £100m and above continued</b>				
Livingston	<b>Almondvale Centre:</b> With over 100 shops and stores and accessible location 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. Total car parking spaces 7,500	JJB Sports, New Look, HMV, Next, Superdrug, WHSmith, Bhs, Woolworth, Argos, Mothercare	Phase I: 1996 (r) Phase II: 1996 (b)	48,310
Portsmouth	<b>Gunwharf Quays:</b> In late 2003, Land Securities took ownership of the Berkeley Group's remaining 50% interest in this 41,290m <sup>2</sup> mixed use waterfront destination. The scheme includes 87 shops, Cinema, Bowlplex, Comedy Club, Night Club, Casino, Hotel, Fitness Club, 22 restaurants, marina and 1,400 car parking spaces	Vue, Bowlplex, Marks & Spencer, Nike, Gap, C&J Clark, Polo, French Connection, Hobbs, Paul Smith, Gieves & Hawkes	2001 (b)	41,290
Sunderland	<b>The Bridges &amp; Market Square:</b> This leasehold centre is the prime shopping in Sunderland with a Debenhams department store, over 100 shops and 981 associated car parking spaces	Debenhams, Tesco, Peacocks, Mark One, Boots, Clarks, H&M, Next, TK Maxx, New Look, Superdrug, Allsports, Gap	The Bridges Phase I: 1969 and 1988 (r) Phase II: 2000 (b) Market Square 2001 (b)	47,840
<b>Shopping centres and shops – £50m to £100m</b>				
Birmingham	<b>Caxtongate:</b> The three phases of Caxtongate provide quality retail units at the junction of New Street and Corporation Street <b>Phase I:</b> 15 shops and 1,390m <sup>2</sup> of offices <b>Phase II:</b> 6 shops and residential <b>Phase III:</b> 1 store for Tesco with residential above	H&M, JD Sports, Slater Menswear Muji, Ted Baker, Jigsaw Tesco	1997 (b) 2000 (b) 2005	9,750 9,760 2,240
Bristol	<b>Part of the Bristol Partnership – 50% interest</b> <b>Broadmead, Merchant Street, Horsefair, Bond Street, and Penn Street:</b> Leasehold. 89 shops	Dixons, Gap, Superdrug, McDonald's	1957 and 1962	27,880
Newcastle	<b>The Gate:</b> Leisure complex including multiplex cinema and car parking	Odeon, Tiger Tiger, Pizza Hut, Frankie & Benny's	2002 (b)	17,560
Stratford	<b>Stratford Centre:</b> Leasehold shopping centre with six stores, 58 shops and 2,580m <sup>2</sup> of air-conditioned offices	Sainsbury's, WHSmith, Boots, Superdrug, Peacocks, New Look	1976 and 1998 (r)	30,450
Welwyn Garden City	<b>The Howard Centre:</b> 54 retail units, two mall cafes and 750 car spaces	Marks & Spencer, Boots, WHSmith Next, Monsoon	1990 (b)	22,296
<b>Shopping centres and shops – £25m to £50m</b>				
Ealing	<b>Broadway Centre:</b> Shopping centre with 11 shops and 2,020m <sup>2</sup> air-conditioned offices (part)	River Island, Russell and Bromley Clinton Cards,	1984 (b)	5,410
Hull	34 leasehold shops and public house	Next, McDonald's, C&J Clark	1952/1956 (b)	8,350
Livingston	<b>Designer Outlet Centre:</b> Designer retail outlet with 95 shops, leisure and food court (50% interest)	Vue, Burberry, Aquascutum, Gap, Marks & Spencer, Reebok	2000 (b)	26,790
London	<b>Part of the Metro Shopping Fund – 50% interest</b>			
N1	<b>N1 Centre:</b> Shopping centre with 15 shops, four restaurants and cinema	Benetton, French Connection, Gap, Mambo		10,100
SW1	<b>Victoria Place:</b> Leasehold retail and six restaurants at Victoria Station	Dorothy Perkins, New Look, Books etc, Next	1987 (b)	5,530
Plymouth	<b>Shops on New George Street, Cornwall Street, Oldtown Street and Armada Way</b> (all leasehold properties)	C&J Clark, McDonald's, Moss Bros	1952/1965 (b)	10,630
York	<b>Coppergate Centre:</b> Part freehold, part leasehold shopping centre with 3 stores, 18 shops, museum, 19 flats and car park	Fenwick, Marks & Spencer, Prestons, C&J Clark, Boots Starbucks, Dolcis	1984 (b)	14,860
<b>Retail warehouse and food superstore properties – £100m and above</b>				
Gateshead	<b>Retail World Team Valley:</b> leasehold, 21 units and fast food restaurant. Extension planned	Homebase, TK Maxx, Boots, Next, MFI	2003 (r)	35,240
Livingston	<b>Almondvale West:</b> 6 units <b>Almondvale Retail Park:</b> 9 units <b>Almondvale South:</b> Phase I -1 unit, Phase IIa – 3 units and 2 restaurants built in 2004. Planning consent for a further 4,180m <sup>2</sup> of retail space	Matalan, TK Maxx, Marks & Spencer, Simply Food Halfords, Currys, MFI, JJB Sports Homebase Toys 'R' Us, SportsWorld	2004 (e) 1997 (b) 2004 (e)	10,943 10,050 14,074
West Thurrock	<b>Lakeside Retail Park:</b> 20 units and fast food restaurant, being upgraded and refurbished	Next, Borders, Currys, PC World, Toys 'R' Us	2002 (r)	33,890

Location	Property name, address and description	Principal occupiers	Date built (b)/ last refurbished (r) or extended (e)	Total area m <sup>2</sup>
<b>Retail warehouse and food superstore properties – £50m to £100m</b>				
Bexhill-on-Sea	<b>Ravenside Retail and Leisure Park:</b> 9 units, food superstore, fast food restaurant, ten-pin bowling alley, 2,720m <sup>2</sup> extension under construction	Homebase, Currys, PC World, Tesco	2004 (e)	21,739
Dundee	<b>Kingsway Retail Park:</b> 11 units and fast food restaurant. Major enlargement and reconfiguration commenced	Toys 'R' Us, Homebase, Currys, MFI	2004 (e)	27,768
Liverpool	<b>Aintree Racecourse Retail Park:</b> Aintree, 11 units and fast food restaurant	B&Q, Comet, Halfords, Harveys	2003 (r)	27,100
Manchester	<b>White City Retail Park:</b> 11 retail warehouses and 2 restaurants	Homebase, Halfords, Currys, DFS	2004 (e)	17,207
Northampton	<b>Nene Valley Retail Park:</b> 11 retail warehouses	Currys, Staples, Comet	2003 (r)	13,640
<b>Retail warehouse and food superstore properties – £25m to £50m</b>				
Birmingham	<b>Great Barr:</b> food superstore	Asda	1998 (b)	8,600
Blackpool	<b>Blackpool Retail Park:</b> 9 units. Extension planned	Currys, Halfords, Pets at Home	1996 (e)	11,270
Chesterfield	<b>Ravenside Retail Park:</b> 7 units and 1 restaurant	Focus, Currys, PC World	2004 (e)	9,722
Derby	<b>Wyvern Centre:</b> 6 units and fast food restaurant	Currys, Homebase, Halfords, Carpetright	1996 (e)	11,290
	<b>Meteor Centre:</b> 11 units, fast food restaurant and public house	Focus, DFS, MFI, Lidl	1994 (e)	17,330
Edmonton	<b>Ravenside Retail Park:</b> 4 units and fast food restaurant	Wickes, Mothercare	1988 (b)	12,040
Erdington	<b>Ravenside Retail Park:</b> Kingsbury Road, 10 units	MFI, Halfords, Currys	1999 (r)	14,130
Gloucester	<b>Eastern Avenue, Gloucester:</b> 3 units	Focus, MFI	1989 (b)	10,450
Hull	<b>Priory Way:</b> food superstore and retail warehouse	Homebase, Sainsbury's	2003 (e)	10,250
Manchester	<b>Cheetham Hill Road:</b> 20 leasehold units and fast food restaurant	Big W	2002 (b)	9,270
Maidenhead	<b>Bishops Centre:</b> 36 retail units	Habitat, Focus, Majestic Wines	1978 (b)	9,598
Poole	<b>Commerce Centre:</b> 5 units	Homebase, Allied Carpets	1987 (b)	13,290
Swansea	<b>Pontarddulais Road Retail Park:</b> 7 units	Marks & Spencer, MFI, Carpetright	2004 (r)	11,110
<b>London offices and retail properties – £100m and above</b>				
EC2	<b>30 Gresham Street:</b> leasehold air-conditioned City offices incorporating 1,300m <sup>2</sup> of retail (sold after year end)	Dresdner Kleinwort Wasserstein (DrKW)	2003 (b)	36,450
EC4	<b>One New Change:</b> leasehold, air-conditioned City offices and 13 shops	Allen & Overy	1990 (r)	32,650
W1	<b>Portman House:</b> 2 Portman Street, air-conditioned leasehold West End offices incorporating 3,546m <sup>2</sup> of retail	Cluttons, Conoco, Trafigura	2001 (b)	12,810
	<b>Devonshire House:</b> Piccadilly, air-conditioned West End offices, 9 showrooms and shops	Alliance Capital, Boston Consulting	part 1996/97 (r)	14,190
	<b>Piccadilly Circus:</b> 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 1,460m <sup>2</sup> of offices and 670m <sup>2</sup> of illuminated advertising	Gap, Burger King, Boots, Signs: McDonald's, Coca-Cola	part 2003 (r)	5,820
SW1	<b>50 Queen Anne's Gate:</b> air-conditioned West End offices	Secretary of State	1977 (b)	30,140
	<b>Portland House:</b> Bressenden Place, part air-conditioned leasehold West End offices incorporating a 1,510m <sup>2</sup> basement restaurant	AMEX, Secretary of State, Angel Trains	part 2002 (r)	29,120
	<b>Eland House:</b> Bressenden Place, air-conditioned West End offices	Secretary of State	1995 (b)	23,170
	<b>Kingsgate House:</b> Victoria Street, air-conditioned West End offices and 18 shops	Secretary of State	1987 (r)	18,640
	<b>Cardinal Place</b> (formerly Esso House, Glen House, 16 Palace Street)	Under construction see development pipeline schedule p115		60,550
NW1	<b>Greater London House:</b> air-conditioned Inner London offices	Young & Rubicam, Bertelsmann Books	1999 (r)	30,907
SW6	<b>Empress State:</b> Lillie Road, Fulham, air-conditioned Inner London offices with 2,040m <sup>2</sup> retail/leisure		2003 (r)	43,330
<b>London offices and retail properties – £50m to £100m</b>				
EC2	<b>Moorgate Hall:</b> 143/171 Moorgate, air-conditioned leasehold City offices with 1,450m <sup>2</sup> of retail	Marks & Spencer, Clinton Cards, DLJ, Hamburgische Landesbank	1990 (b)	7,540
EC3	<b>13/23 Fenchurch Street:</b> part freehold, part leasehold, air-conditioned City offices and major retail unit	DrKW	1984 (r)	15,620
	<b>49 Leadenhall Street:</b> air-conditioned City offices and leisure centre	International London Underwriting Centre	1975 (b)	12,230
EC4	<b>Cannon Street House and Martin House:</b> air-conditioned City offices	Nicholson Graham & Jones	1996 (r)	8,100
	<b>Fleetbank House:</b> Salisbury Square, air-conditioned Midtown offices	Secretary of State	1974 (b)	11,370
	<b>Regis House:</b> King William Street, air-conditioned City offices incorporating public house and 530m <sup>2</sup> of retail	Sun Microsystems, GE Frankona	1998 (b)	8,670

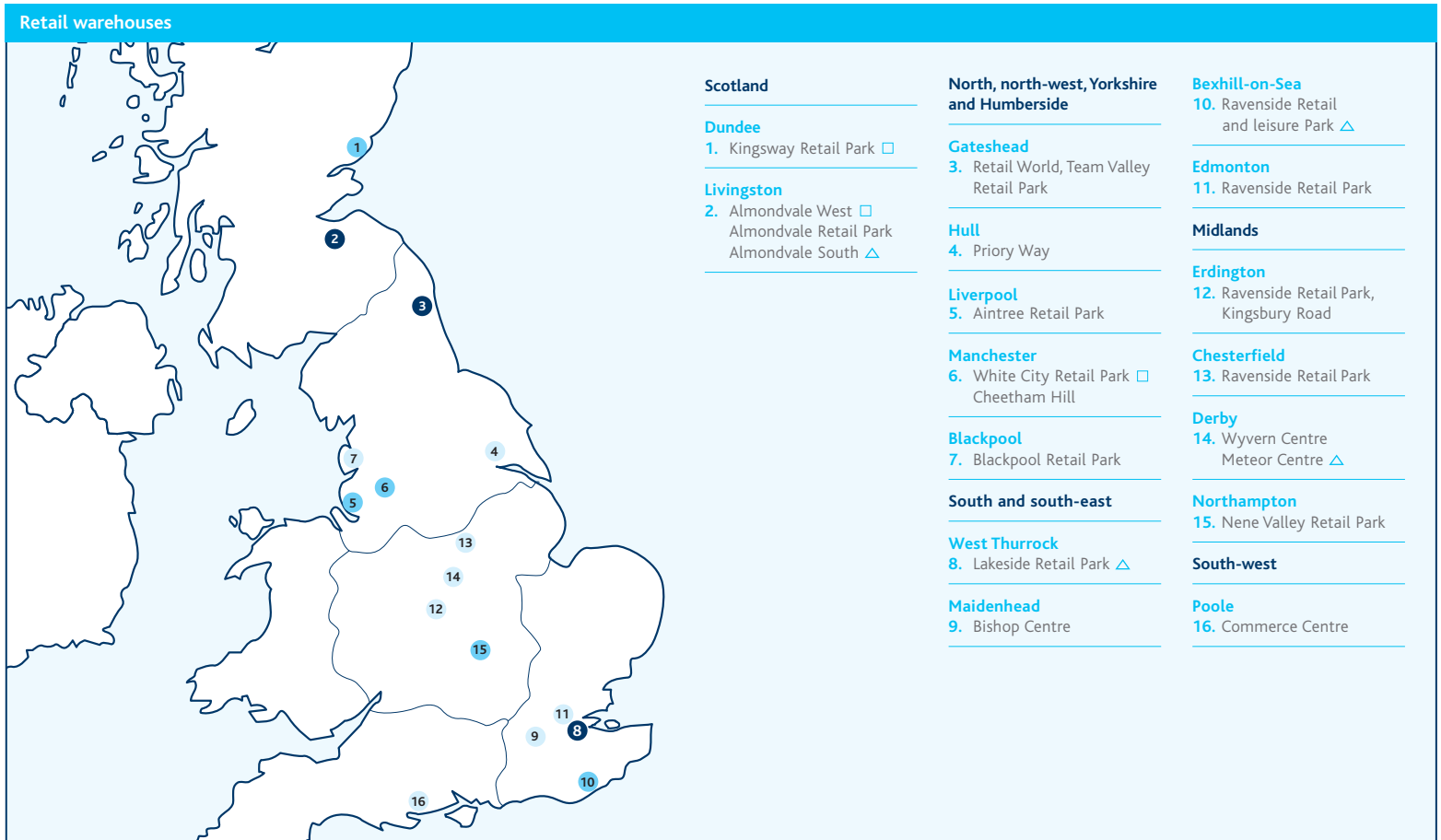
Major property holdings continued

Location	Property name, address and description	Principal occupiers	last refurbished (r) or extended (e)	Total area m <sup>2</sup>
<b>London offices and retail properties – £50m to £100m continued</b>				
EC4	<b>New Street Square:</b> 5 new leasehold buildings (formerly New Fetter Lane)	Under construction see development pipeline p115		65,320
	<b>Hill House:</b> 1 Little New Street, air-conditioned Midtown offices, library and public house	Deloitte	2002 (r)	15,780
	<b>Times Square:</b> Queen Victoria Street, 45% interest, air-conditioned City offices (post year end acquisition)	Mellon Bank, Dechert	2003 (b)	35,117
	<b>50 Ludgate Hill:</b> air-conditioned City offices with 12 shops, 2 public houses and 4 restaurants	Secretary of State	1985 (r)	11,040
WC1	<b>Warner House:</b> Theobald's Road, air-conditioned Midtown offices	Warner Bros	1999 (b)	12,390
WC2	<b>40 Strand:</b> air-conditioned Midtown offices and 8 shops	Bain & Co, ICL	1997 (r)	12,690
W1	<b>12/24 Oxford Street and 2/5 Tottenham Court Road:</b> an 8,360m <sup>2</sup> store and 3 shops	Virgin Megastore	1998 (r)	8,850
	<b>455/473 Oxford Street:</b> 4 leasehold shops and restaurant	Mothercare	1963	3,020
	<b>475/497 Oxford Street and Park House:</b> including 9 retail leasehold units	Vacant offices, H&M, Dixons	1963 (b)	6,980
W11	<b>Part of Metro Shopping Fund</b> – 50% interest			
	<b>Notting Hill Gate:</b> 52 shops, two stores, offices and cinema	Boots, Marks & Spencer McDonalds, WHSmith	1958	18,280
W2	<b>10/20/30 Eastbourne Terrace:</b> West End offices	John Brown	1957/58 (b)	16,780
SE1	<b>Red Lion Court:</b> Bankside & Park Street, air-conditioned Inner London offices	Lloyds TSB	1990 (b)	11,920
SW1	<b>Haymarket House:</b> Haymarket, part air-conditioned West End offices incorporating 3,410m <sup>2</sup> of restaurants	Secretary of State Curtis Brown, Tiger Tiger	part 2003 (r)	10,030
	<b>10 Broadway:</b> New Scotland Yard, air-conditioned West End offices, banking space and restaurant	Metropolitan Police	1966 (b)	35,670
	<b>Clive House:</b> Petty France, West End offices	Secretary of State	2004 (r)	9,400
<b>London offices and retail properties – £25m to £50m</b>				
EC1	<b>City Forum:</b> 250 City Road, air-conditioned City offices	Goldman Sachs, Deloitte, NatWest	1989 (b)	12,230
EC2	<b>Dashwood House:</b> 69 Old Broad Street, air-conditioned City offices	ABN Amro, Pinsent Curtis and AMEX	1995 (r)	10,550
	<b>One Wood Street:</b> new leasehold air-conditioned City office (formerly 120 Cheapside)	planned development see p115		16,520
	<b>130 Wood Street:</b> air-conditioned City offices and bar/restaurant	Allen & Overy	1999 (r)	5,380
EC3	<b>Gracechurch House:</b> 55 Gracechurch Street, air-conditioned City offices with 930m <sup>2</sup> health club	Royal London, Venton Services, David Lloyd Leisure	1993 (b)	6,720
	<b>37/39 and 40 Lime Street and 4 Fenchurch Avenue:</b> air-conditioned City offices	Small insurance agencies	Part 1998 (r)	9,380
	<b>109-114 Fenchurch Street:</b> air-conditioned City office	Multiple occupiers	1976 (b)	7,500
	<b>New London House:</b> 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	<b>26 Old Bailey:</b> air-conditioned City offices	Secretary of State	1984 (r)	6,310
W1	<b>7 Soho Square:</b> air-conditioned West End offices and retail	Expedia, Metropolitan Police, Tesco	2003 (r)	5,720
	<b>6/17 Tottenham Court Road:</b> Retail with 242m <sup>2</sup> offices	EasyEverything, Sainsbury's, Boots	1999 (b)	5,920
	<b>Oxford House:</b> 70/88 Oxford Street, air-conditioned West End offices and 5 shops	Secretary of State, Universal Pictures	Part 1994 (r)	5,680
	<b>26/36 Oxford Street:</b> air-conditioned bank, large shop, kiosk, restaurant and 1,050m <sup>2</sup> educational use	Lloyds Bank, Cromwells Madhouse	1983 (r)	5,010
WC1	<b>Turnstile House:</b> midtown apart-hotel building and retail	Citadines	2003 (r)	8,000
SE1	<b>Bankside2&amp;3:</b> office development project	Under construction see development pipeline p115	–	38,887
W2	<b>40/50 Eastbourne Terrace:</b> West End offices and 4 ground floor units	Under construction see development pipeline p115	1950s (b)	12,960
SW1	<b>49/75 Buckingham Palace Road and 29 Bressenden Place:</b> West End offices, 136 bedroom hotel, 30 flats and 7 shops	Royal Westminster Thistle Hotel, IIR	1994 (r)	6,130
	<b>Allington House:</b> 50 Victoria Street, air-conditioned West End offices incorporating 930m <sup>2</sup> retail	Rolls-Royce, Sainsbury's	1997	4,530
	<b>Allington Towers:</b> 17 Allington Street	Secretary of State	1980s (b)	5,500
	<b>Selborne House:</b> Victoria Street, air-conditioned West End offices	Secretary of State	1966	10,030
	<b>Westminster City Hall:</b> Victoria Street, air-conditioned West End offices	Westminster City Council	1965	15,750
	<b>St Albans House:</b> Haymarket, air-conditioned West End leasehold offices and 2 restaurants	Burberry's, McDonald's	2000 (r)	4,270

## Property locations



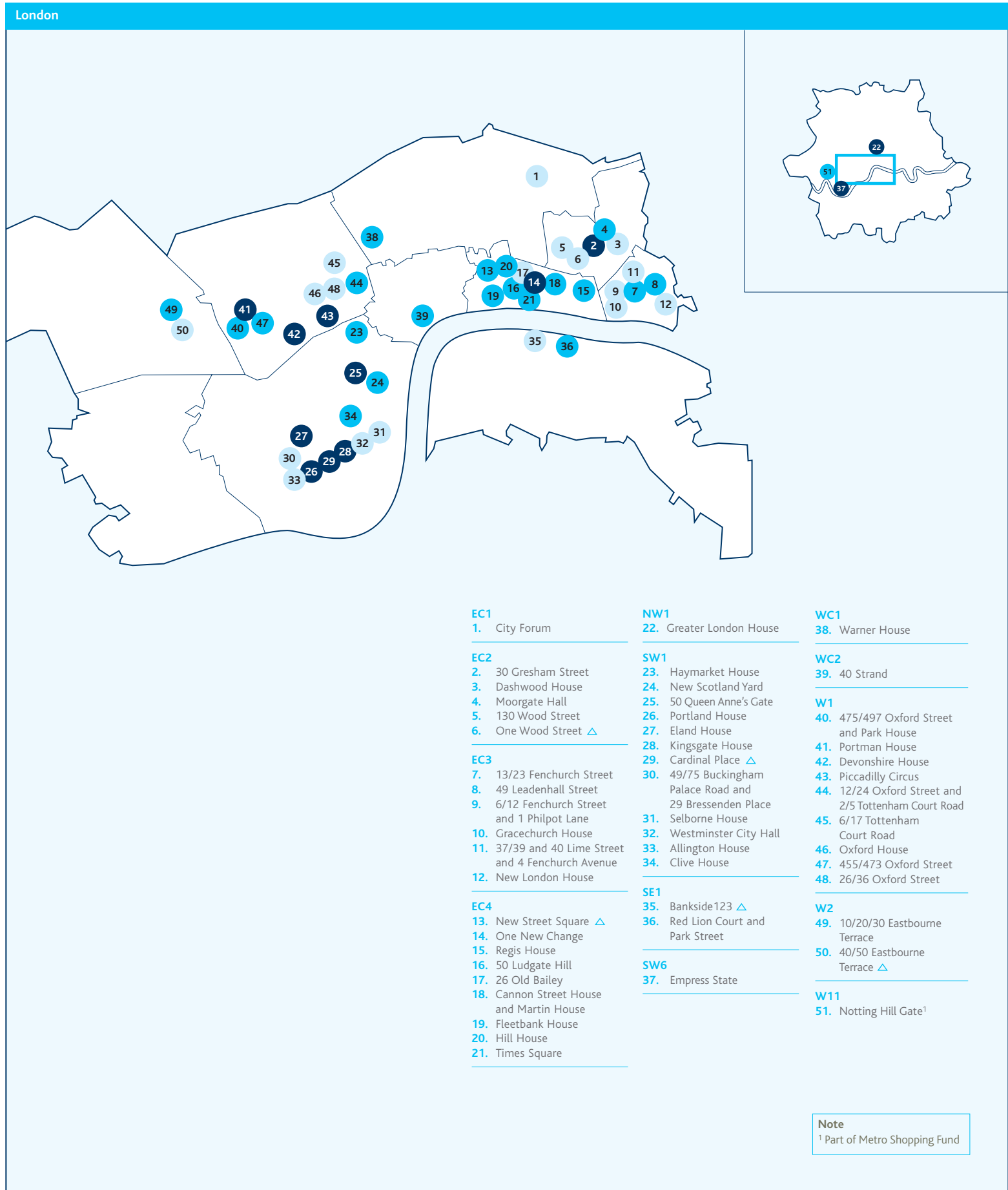
△ In course of development or refurbishment □ Development completed ● £100m and above ● £50m – £100m ● £25m – £50m



△ In course of development or refurbishment □ Development completed ● £100m and above ● £50m – £100m ● £25m – £50m



Property locations continued



$\Delta$  In course of development or refurbishment  $\square$  Development completed  $\bullet$  £100m and above  $\bullet$  £50m – £100m  $\bullet$  £25m – £50m

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126	6.0	Glossary
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## Other information

# Glossary

## Adjusted earnings per share

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

## Adjusted net asset value 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.

## Combined portfolio

The combined portfolio is the total value of Land Securities investment portfolio together with our share of the value of the assets held in joint ventures.

## Credit rating

An 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 together with any proposed schemes that are not yet included in the development programme but which are more likely to proceed than not.

## Development programme

The 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 surplus

Excess of latest valuation over the total development cost.

## Diluted figures

Reported amount adjusted to include the effects of potential shares issuable under employee share schemes.

## 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. 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 capital expenditure in the period.

## FRS17

Financial Reporting Standard 17 (FRS17) "Retirement Benefits".

## Gearing (net)

Total borrowings, including bank overdrafts, less short-term deposits, corporate bonds and cash, at book value, plus non-equity shareholders' funds as a percentage of equity shareholders' funds.

## Initial yield

Annualised net rents generated by the investment portfolio expressed as a percentage of the portfolio valuation, excluding development properties.

## Interest rate swap

A financial instrument where two parties agree to exchange an interest rate obligation for a predetermined amount of time. These are used by the Group to convert floating rate debt to fixed rates.

## Investment portfolio

The investment portfolio comprises Land Securities wholly-owned investment properties together with the properties held for development but excludes Land Securities Trillium properties.

## Investment properties

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

## 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 or combined portfolio for the whole of the current and previous financial year.

## Net asset value (NAV) per share

Equity shareholders' funds divided by the number of ordinary shares in issue at the period end.

## Net nominal equivalent yield

The internal rate of return from an investment property reflecting reversions to current market rent, and such items as voids and expenditures but disregarding potential changes in market rents and reflecting the actual cash flow rents.

## Open A1 planning permission

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

## Open market value

Open market value is an opinion of the best price at which the sale of an interest in the property would complete unconditionally for cash consideration on the date of valuation (as determined by the Group's external valuers). In accordance with usual practice, the Group's external valuers report valuations net, after the deduction of the prospective purchaser's costs, including stamp duty, agent and legal fees.

## Operating properties

Properties acquired and managed by Land Securities Trillium as part of its property outsourcing contracts with third parties and which do not meet the accounting definition of investment property.

## Over-rented

Space that is let at a rent above its ERV.

## Passing rent

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

## Pre-let

A lease signed with 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 like-for-like basis.

## Revenue profit

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

## Retail

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

## Retail park

A scheme of three or more retail warehouse units aggregating over 4,650m<sup>2</sup> with shared parking.

## Reversionary or under-rented

Space where the passing rent is below the ERV.

## Reversionary yield

The anticipated yield, which the initial yield will rise to once the rent reaches the ERV.

## SSAP19

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

## Stamp duty

Government tax levied on certain legal transactions including the purchase of property.

## Total business return

Dividends plus annual growth in net asset value.

## Total development cost

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

## Total investment property return

Valuation surplus, 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.

## Total shareholder return

The growth in value of a shareholding 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.

## Turnover rent

Rental income which is related to an occupier's turnover.

## UITF28

Urgent Issue Task Force Abstract 28 (UITF28) "Operating Lease Incentives" requires the Group to treat incentives for lessees to enter a lease to be offset against the total rent due.

## UITF34

Urgent Issues Task Force Abstract 34 (UITF34) "Pre-contract Costs" requires bid costs incurred prior to exchange of contract to be expensed.

## Unitary charge

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

## Voids

The area in a property or portfolio, excluding developments, which is currently available for letting.

## Weighted average cost of capital (WACC)

Weighted average of our cost of debt and our notional cost of equity, used as a bench-mark to assess investment returns.

## Yield on present income

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

## Zone A

A means of analysing and comparing 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](http://www.landsecurities.com)

## Registrar

All enquiries concerning holdings of ordinary shares in Land Securities Group PLC, including notification of change of address, queries regarding dividend 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](http://www.shareview.co.uk)

The registrars provide an online 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](http://www.shareview.co.uk)

## Payment of dividends

Shareholders whose dividends are not currently paid to mandated accounts may wish to consider having their dividends paid directly into their bank or building society account. This has a number of advantages, including the crediting of cleared funds into the nominated account on the dividend payment date. If shareholders would like their future dividends to be paid in this way, they 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 dialing: +44 121 415 7049

## 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](http://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.

## Sharegift

Shareholders with a small number of shares, the value of which makes it uneconomic to sell them, may wish to consider donating them to charity through Sharegift, a registered charity administered by the Orr Mackintosh Foundation. A Sharegift Donation form can be obtained from Lloyds TSB Registrars, The Causeway, Worthing, West Sussex, BN99 6DA.

Further information about Sharegift is available at [www.sharegift.org](http://www.sharegift.org) or by writing to: Sharegift, The Orr Mackintosh Foundation, 24 Grosvenor Street, London, SW1W 0DH  
Telephone: 020 7337 0501.

## 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 in September 2002 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](http://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](http://www.landsecurities.com)

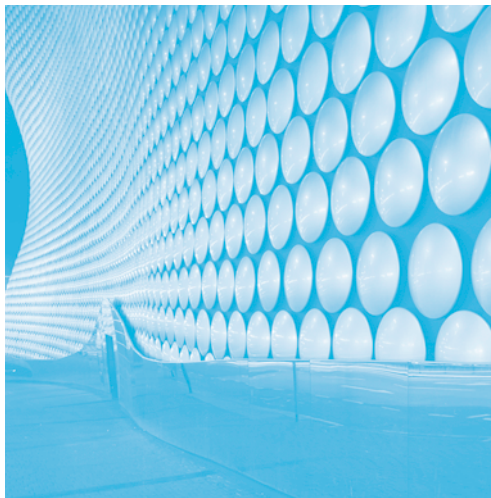
## Registered office

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

Analysis of equity shareholdings			At 31 March 2005	
by size of holding	Number of holdings	%	Balance at 31/3/2005	%
Up to 500	11,646	42.35	3,070,525	0.66
501 to 1,000	7,190	26.14	5,272,624	1.13
1,001 to 5,000	6,813	24.77	13,417,788	2.87
5,001 to 10,000	601	2.18	4,268,792	0.91
10,001 to 50,000	670	2.44	15,274,977	3.26
50,001 to 100,000	160	0.58	11,420,657	2.44
100,001 to 500,000	258	0.94	59,768,526	12.78
500,000 to 1,000,000	77	0.28	54,754,883	11.70
1,000,001 and above	87	0.32	300,554,294	64.25
	27,502	100.00	467,803,066	100.00



## Contact details

If you have any comments in respect to this year's Annual Report please write to

Investor Relations Department  
Land Securities Group PLC  
5 Strand London WC2N 5AF

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Telephone: +44(0)20 7413 9000  
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[www.landsecurities.com](http://www.landsecurities.com)

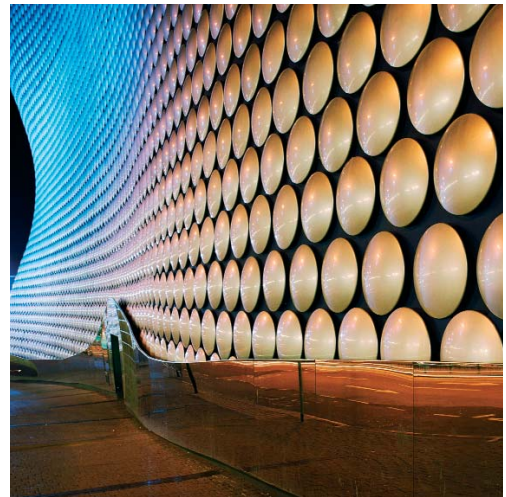
If you have any other comments or queries on any aspect of our business, please do not hesitate to contact us as above and we will pass your enquiry on to the relevant individual.

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## making property work



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