Land Securities

WORKING TO A CLEAR PLAN

Annual Report 2013

FURTHER INFORMATION

ONLINE ANNUAL REPORT
www.landsecurities.com/annualreport2013

- Presentation of the year's key content
- Video stories from the year
- Executive team review of 2012/13
- 'Create your own report' tool and Annual Report chart generator

CORPORATE WEBSITE
www.landsecurities.com

- Latest news and investor updates
- Profiles of our Board Directors
- Press releases
- Easy access to content on careers and CR

CORPORATE RESPONSIBILITY
www.landsecurities.com/responsibility

- Why Corporate Responsibility is important
- What CR means for investors, employees and communities
- Examples of CR in action
- Priorities and progress in 2012/13

KEY READS WITHIN THIS REPORT

THROUGH TOUGH MARKET CONDITIONS WE HAVE CONTINUED TO SEE THINGS DIFFERENTLY.

WHILE OTHERS HELD BACK, WE MADE AN EARLY START ON DEVELOPMENT AND HAVE FOUND NEW WAYS TO MEET OCCUPIERS' CHANGING NEEDS.

OUR DECISIVE APPROACH HAS ENABLED US TO MAKE GOOD PROGRESS. AS WE MOVE FORWARD, WE HAVE A CLEAR PLAN FOR EVERY ASSET AND A PORTFOLIO WELL MATCHED TO THE WORLD WE SEE AHEAD…

ESSENTIAL READ

DIRECTORS' REPORT

GOVERNANCE

FINANCIAL STATEMENTS

INVESTOR RESOURCE

WE ARE CREATING VALUE BY HELPING OCCUPIERS THRIVE IN A FAST-MOVING WORLD...

For example, at Victoria, SW1, we are transforming an outdated part of London into a thriving centre with contemporary offices and an exciting, modern mix of retail and leisure.

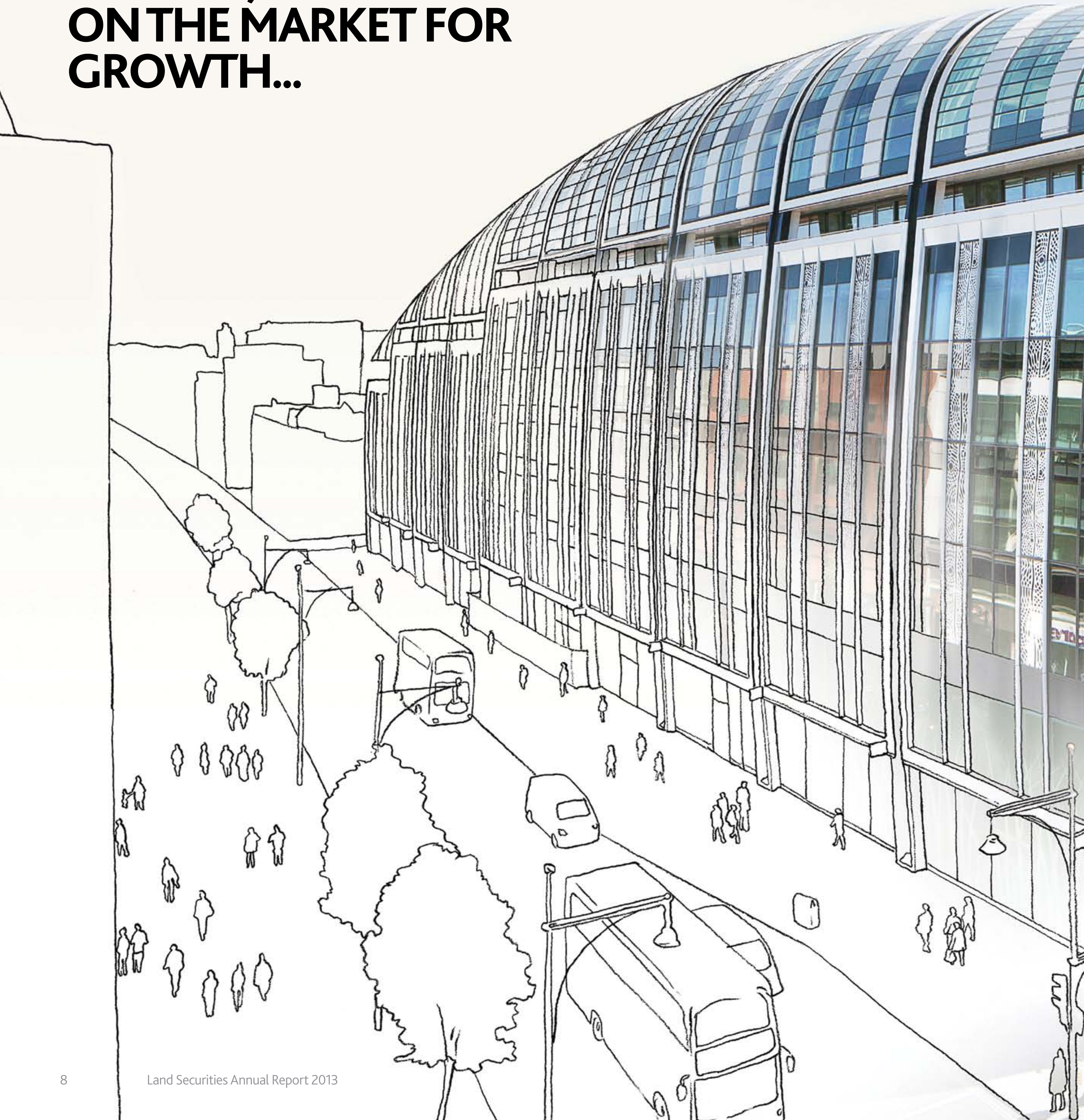
IN LONDON, WE ARE DELIVERING EFFICIENT, MODERN SPACE INTO A SUPPLY-CONSTRAINED MARKET...

At 20 Fenchurch Street, EC3, we are enabling businesses to swap outdated office space for hard-working, contemporary space in an iconic building.

IN RETAIL, WE ARE WORKING TO BRING THE BENEFITS OF CONVENIENCE, LEISURE AND THE INTERNET TO THE HIGH STREET...

Our new Trinity Leeds centre offers a range of attractions under one roof, from big brands to local shops; from premium restaurants to street food vans; from multi-channel retailing and interactive advertising to public art.

WE BELIEVE IN TAKING CONTROL OF OUR DESTINY, NOT RELYING ON THE MARKET FOR GROWTH...



Since 2010 we have started development on major schemes while others have paused. Our decision to press ahead is providing us with strong returns as we move through the cycle.

Despite difficult market conditions back in 2010, we chose to develop Park House, W1 – a major mixed-use scheme at the meeting point of Mayfair and Oxford Street. We then sold the asset later in the year ahead of completion, and recycled the capital into further development activity.

FROM DEVELOPMENT TO ASSET MANAGEMENT, WE ARE WORKING TO A CLEAR PLAN.

2013
62 BUCKINGHAM GATE
LONDON, SW1

Across London and Retail, we are constantly evolving our portfolio and adding to our development pipeline, so we can ensure our assets are well matched to occupiers' changing needs.

2014
20 FENCHURCH STREET
LONDON, EC3

2013
CRAWLEY HIGH STREET
WEST SUSSEX

2015
KINGS GATE
LONDON, SW1

2014
BISHOP CENTRE
TAPLOW

LAND SECURITIES IN BRIEF

WHAT WE DO

Land Securities is a FTSE 100 company and the largest Real Estate Investment Trust (REIT) in the UK by market capitalisation.

RETAIL

We own, manage and develop shopping centres and retail parks across the UK. Our assets are in locations that have either a proven record of trading success or potential for future success.

TOP OCCUPIERS

Arcadia, Boots, DEBENHAMS, DIXONS RETAIL, H&M, HOME RETAIL GROUP, new look, next, PRIMARK, Sainsbury's

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LONDON

We own, manage and develop a portfolio of office, retail and residential space in the capital. Our assets are concentrated in central London, from Victoria in the west to the City in the east.

TOP OCCUPIERS

BNY MELLON, Deloitte, EDF ENERGY, HM Government, K&L GATES, Metropolitan Police, Microsoft, Regus, RBS, Taylor Wessing

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OUR APPROACH

Our overall goal is to provide attractive and sustainable total returns for our shareholders by being at the forefront of meeting the space requirements of our customers.

Our focus on the property market's two largest sectors gives us a range of opportunities and a high quality tenant base.

OUR VISION AND VALUES

Shaping the future of property

– Customer service – Integrity
– Excellence – Respect – Innovation

MANAGEMENT

The Board is responsible for providing leadership for the Group. It ensures that the right strategy is set, acceptable risks are taken and appropriate financial and human resources are in place in order to deliver value to shareholders and benefits to the wider community.

The Board also sets standards for ethical behaviour and for monitoring environmental and health and safety performance.

Executive Directors from the left: Martin Greenslade (Chief Financial Officer), Robert Noel (Chief Executive) and Richard Akers (Executive Director).

OUR PORTFOLIO IN DETAIL

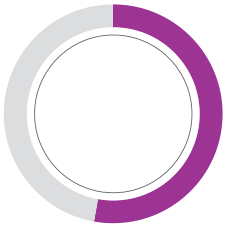
A breakdown of the Company's portfolios into their major segments.

COMBINED PORTFOLIO VALUE*

£11.45bn

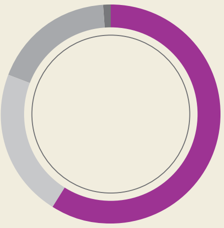
* On a proportionate basis.

PORTFOLIO SPLIT BY VALUE



- London Portfolio 53%
- Retail Portfolio 47%

RETAIL PORTFOLIO



£5.35bn

Shopping centres and shops	59%
Retail warehouses and food stores	22%
Leisure and hotels	18%
Other	1%

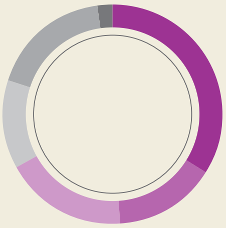
Shopping centres and shops
This comprises 22 shopping centres in major retail locations across the UK including Trinity Leeds, Gunwharf Quays, Portsmouth and Buchanan Galleries in Glasgow.

Retail warehouses
Our 16 retail parks are typically located away from town centres and offer a range of retail and leisure with parking providing convenient shopping. Assets include Westwood Cross, Thanet and Team Valley Retail Park, Gateshead.

Leisure and hotels
We own three stand-alone leisure assets and a 59.4% share of the X-Leisure Fund which comprises 16 schemes of prime leisure and entertainment space.

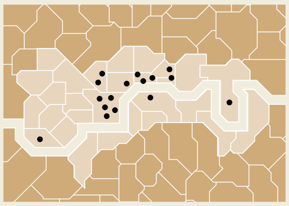
We also own 29 Accor Group hotels in the UK. They are leased back to Accor Group for 78 years, with 12-yearly tenant break clauses. Rent is set as a percentage of each hotel's turnover.

LONDON PORTFOLIO



£6.10bn

West End	34%
Mid-town	15%
City	18%
Inner London	13%
Central London shops	18%
Other	2%



West End
Our £2.1bn West End office portfolio is dominated by our Victoria assets which include Cardinal Place, SW1 and developments including The Zig Zag Building, SW1 and Nova Victoria, SW1.

Mid-town
Positioned between the City and West End, our cluster of buildings at New Street Square, EC4, represent our major assets in Mid-town.

City
Our £1.1bn City office portfolio includes recently completed developments such as One New Change, EC4, the development programme including 20 Fenchurch Street, EC3 and proposed developments including 1 & 2 New Ludgate, EC4.

Inner London
Includes our assets at Canary Wharf and south of the River Thames including Bankside 2 & 3, SE1.

Central London shops
This segment comprises the retail space in our London Portfolio assets. The largest elements are the retail space at One New Change, EC4, Cardinal Place, SW1, and Piccadilly Lights, W1.

OUR PERFORMANCE AT A GLANCE

Here we show the key performance measures for the business.

PROFIT BEFORE TAX (including valuation surplus)

£533m

TOTAL SHAREHOLDER RETURN

19.1%

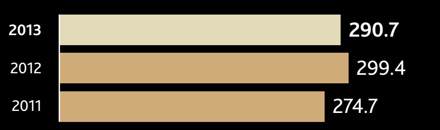
Total shareholder return and total business return provide shareholders with the clearest guide to the Company's progress in financial terms.

TOTAL BUSINESS RETURN

8.0%

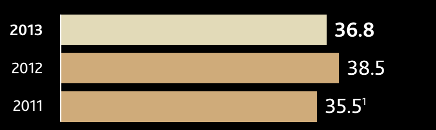
Total shareholder return and total business return provide shareholders with the clearest guide to the Company's progress in financial terms.

REVENUE PROFIT (£m)



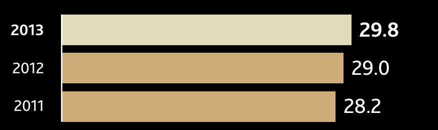
Revenue profit is our measure of the underlying pre-tax profit of the Group.

ADJUSTED DILUTED EARNINGS PER SHARE (pence)



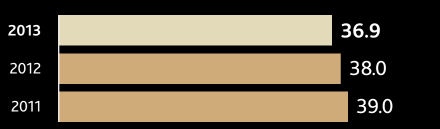
1. Restated to exclude profits on disposal of trading properties and long-term contracts.

DIVIDENDS PER SHARE (pence)



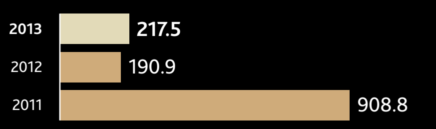
We aim to deliver a progressive dividend.

LOAN TO VALUE RATIO (%)[1]



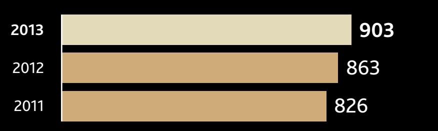
1. Includes proportionate share of joint ventures and subsidiaries.

VALUATION SURPLUS (£m)[1]



1. Includes proportionate share of joint ventures and subsidiaries.

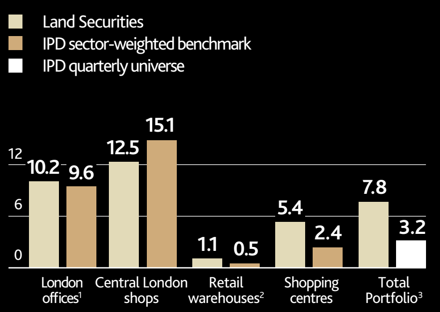
ADJUSTED DILUTED NAV PER SHARE (pence)



The six charts above show the main components of our most important indicator of progress – total return.

COMBINED PORTFOLIO PERFORMANCE RELATIVE TO IPD UNGEARED TOTAL RETURN (%)

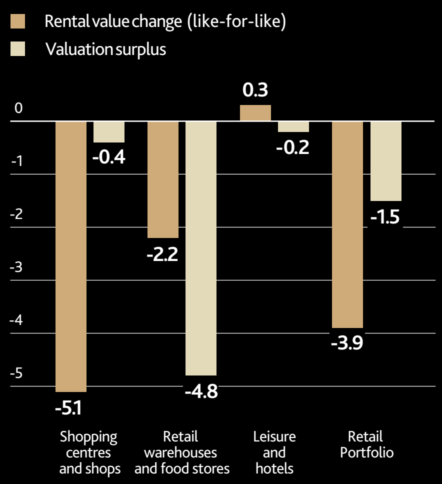
12 months ending 31 March 2013



1. Land Securities' total return would be higher by 0.4% for London offices and 0.1% for total portfolio if adjusted for capital extracted from Queen Anne's Gate, SW1 through the 2009 bond issue.
2. Includes food stores for Land Securities.
3. Includes leisure and hotels and other for Land Securities.

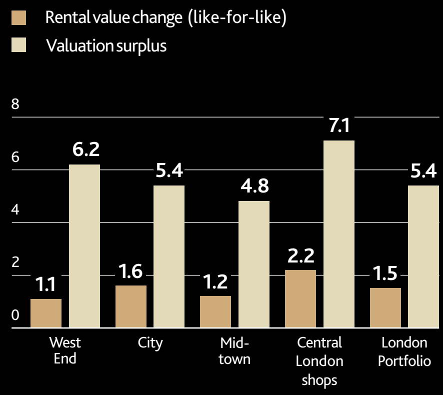
RETAIL PORTFOLIO (%)

Rental and capital value movements
12 months ended 31 March 2013



LONDON PORTFOLIO (%)

Rental and capital value movements
12 months ended 31 March 2013



STRATEGY AND KEY PERFORMANCE INDICATORS

Our goal is to provide attractive and sustainable total returns for our shareholders by being at the forefront of meeting the space requirements of our customers.

Our strategy is to use all our resources, from the skilled people we employ to our financial capabilities, to drive the best possible returns from our investments in the London and retail segments of the UK commercial property market. To deliver that strategy, we have set ourselves seven fundamental objectives. We work to turn these objectives into tangible performance through the pursuit of our strategic priorities. As part of our strategic priorities, we set individual key performance indicators (KPIs) against which we measure our performance each year.

Objective	Strategic priorities	KPI for the year	Performance
1. Deliver sustainable long-term shareholder returns	– Focus on the UK commercial property market's two largest sectors – London and retail – Ensure we have a clear plan for every asset and deliver on that plan – Make our shareholders' capital work as hard as possible, realising value and recycling capital whenever we see the right opportunity – Balance activity between development and property investment in line with changing market conditions	– Three year Total Shareholder Return (TSR) performance compared to the TSR performance (weighted) of a comparator group of property companies within the FTSE 350 Real Estate Index	– TSR outperformance of 1.26% per annum for the three year period from April 2010
2. Maximise the returns from the investment portfolio	– Add value by being smart in the way we manage assets and time acquisitions and disposals	– 1 year and 3 year Total Property Return (TPR) performance compared to the IPD Quarterly Universe, weighted to the sectors in which the Group is invested	– Outperformance versus weighted IPD benchmark: 1 year 1.70%, 3 years 3.12% The outturn is adjusted to take account of the performance of trading properties and the capital and income extracted from Queen Anne's Gate, SW1, through a bond issue in 2009.
3. Manage our balance sheet effectively	– Maintain tight financial discipline and an appropriate level of gearing	– Manage balance sheet gearing through an approximate match between receipts from disposals and outgoings on development and acquisitions – Charge Nova Victoria (Land Securities' share) as a further credit asset within the Security Group	– Net investment of £133.3m in 2013 replaces net divestment of £116.7m in 2012 – Achieved
4. Maximise development performance	– Create value through development by delivering the right product at the right point in the cycle, while keeping a tight focus on cost	– Secure a minimum of £16.5m of development lettings – Trinity Leeds to open on time – Developments progressed to time and to budget	– £31.7m development lettings in the year – Trinity Leeds opened on 21 March 2013, ahead of original schedule – All developments on time and to budget, with the exception of Wellington House, SW1, which was delayed by two months
5. Ensure high levels of customer satisfaction	– Constantly deepen our understanding of the market and our relationships with customers, so we can anticipate and respond to change quickly – Deliver outstanding service in our shopping centres	– Maintain overall customer satisfaction rates in Retail and London customer surveys of 4 (out of 5) or over	– Retail 4.28 London 4.05
6. Attract, develop, retain and motivate high performance individuals	– Continually work to strengthen the reputation of the Company so the best people want to join and stay at Land Securities – Ensure talented people within the Company are well trained, supported and rewarded	– Employee feedback survey (Towers Watson Engagement Survey) to exceed UK national norm	– 82% engagement score +2% vs 2012 – +9% outperformance vs UK national norm
7. Continually improve sustainability performance	– Make sound, long-term investments in our buildings to ensure their performance meets changing expectations and regulations, and generate sustainable returns in the years ahead – Develop positive relationships with local authorities and local communities, so people welcome our presence in their area	– Reduce carbon emissions from like-for-like managed portfolio by 15% by 2020 (against 2010 benchmark) – Increase to 90% the amount of waste diverted from landfill and recycle at least 70% by weight (as an average across all centres) by March 2015 – 10% reduction in water use across the like-for-like managed London office and Retail Portfolio by March 2016, measured against a 2010/11 baseline	– Achieved 1.4% reduction in the year to March 2013 against an interim reduction target of 5% by March 2014 – Achieved 90.9% landfill diversion with 68.2% reused or recycled – Achieved 8.9% reduction in water use in the London office portfolio and a 10.2% reduction in the Retail Portfolio

OUR YEAR OF PROGRESS

Q1

A NEW CHIEF EXECUTIVE

Robert Noel took over from Francis Salway as Chief Executive in April 2012. Previously, Robert had been Managing Director of the London Portfolio for two years, and previously Property Director at Great Portland Estates plc. He brings more than 25 years of property experience to the job and has an outstanding track record in the London property market. On assuming his new role, Robert thanked Francis for his support and commented: "Land Securities has a clear strategy and is a very well positioned business."

Robert Noel – Land Securities Chief Executive

BETTER BY DESIGN

In June we published our Annual Report 2012, which included proposed changes to the structure of Directors' remuneration. The revised approach reflected the reduction in the number of Executive Directors from four to three following the departure of Francis Salway. It was also designed to better align remuneration to the performance of the Group, rather than individual business units. The new structure removed discretionary elements, aligned rewards more closely with total shareholder return, made them longer term in nature and reduced the overall quantum. Shareholders were very supportive of the changes and a resolution to adopt the new structure was passed at the Company's AGM in July, with 98.3% support.

Q2

123 VICTORIA STREET COMPLETED

August saw practical completion at 123 Victoria Street, SW1 – one of the Land Securities buildings redefining Victoria as a place to work, live and enjoy. Offering office and retail space, the building features a triple height atrium, efficient floorplates, stunning views over London and three distinct entrances. Outside, we have added decked, green and pebbled terraces. On completion, the building was 53% let. Office occupiers include Jimmy Choo, which has taken 4,450m².

Practical completion achieved at 123 Victoria Street, SW1

REVIVING OXFORD STREET

In September Primark opened a new flagship store at our Oriana, W1, scheme, which we jointly own with Frogmore. Located at the east end of London's Oxford Street, the store covers 13,650m² of prime retail space. The joint venture also submitted a planning application for an additional 8,440m² of retail space along with 18 apartments. This section of Oxford Street is developing into one of the liveliest parts of central London. It is being given a further boost with the £1 billion redevelopment of Tottenham Court Road station, with the Crossrail station due to open in 2018.

Primark opens its new flagship store at Oriana, W1

Q3

JOHN LEWIS
With autumn came the opening of the first John Lewis flexible format department shop, in Exeter city centre. The shop trades over five floors and occupies 10,080m². The flexible format enables John Lewis to offer its full range through a smaller footprint by supporting omni-channel shopping, including click and collect. Together with our Princesshay development, the shop gives people plenty of reasons to visit Exeter. It also provides more reasons for us, Exeter City Council and our partners, The Crown Estate, to keep investing in the city's retail and leisure offer.

John Lewis flexible format shop, Exeter

ACQUISITIONS
Building on our acquisition earlier in the year of The Cornerhouse, a leisure asset in Nottingham, we went on to buy central Manchester's The Printworks and a majority interest in leisure operator X-Leisure (completed in January). The former is the dominant leisure destination in Manchester, attracting around eight million visitors a year. X-Leisure owns 16 leisure assets across the UK, from Brighton Marina to Xscape in Milton Keynes. These investments reflect our view that leisure is an increasingly attractive sector, with long lease lengths and excellent opportunities to enhance income.

Q4

20 FENCHURCH STREET LETS
In February we announced that 20 Fenchurch Street, EC3 – our 64,120m² tower development in the City – was more than half full in terms of pre-lettings. We are working with our joint venture partner, Canary Wharf Group, to deliver the scheme and with a year to go until completion, this iconic building has six tenants signed up and is attracting very strong interest from others. Occupiers are drawn to its modern, efficient space in a prime location. See page 20 for more.


20 Fenchurch Street, EC3, taking shape

NEW RETAIL SCHEMES OPEN
Spring saw the completion of two new Land Securities retail schemes, with Trinity Leeds and 185-221 Buchanan Street, Glasgow, both opening their doors in March. We received one million shopper visits to our 75,900m² Trinity Leeds centre in the first ten days of trading. The retail element at 185-221 Buchanan Street was fully let on opening.


185-221 Buchanan Street, Glasgow, opens for business

OUR TOP PROPERTIES

3.

1.

1. Cardinal Place, SW1
Stunning trio of buildings completed in 2006 by Land Securities, encompassing office space and retail accommodation. This landmark site is home to blue-chip businesses and retailers including an M&S anchor store.

Principal occupiers:
Microsoft, Wellington Asset Management, M&S.

2. New Street Square, EC4
Innovative offices with retail and restaurants. Recreating traditional ground-level routes, including a delightful public square, the property offers office space with attractive retail and leisure facilities. Developed by Land Securities, and completed in 2008.

Principal occupiers:
Deloitte, Taylor Wessing, Speechly Bircham.

3. One New Change, EC4
A prime office and leisure destination in an iconic building in the City of London, with a roof terrace offering stunning views of St. Paul's Cathedral. Developed by Land Securities, the retail and leisure space opened in October 2010.

Principal occupiers:
K&L Gates, CME, H&M, Topshop, Next.

4. Queen Anne's Gate, SW1
Built by Land Securities in 1977, comprehensively refurbished in 2008, it is the headquarters of the Ministry of Justice.

Principal occupier:
Central Government.

5. Trinity Leeds
Located in a prime position in a thriving city, this 75,900m^2 retail destination was developed by Land Securities and opened in March 2013.

Principal occupiers:
H&M, Topshop, Next, Primark, River Island.

6. Gunwharf Quays, Portsmouth
Offering a unique blend of outlet shopping, leisure and entertainment on a stunning waterfront location, this landmark scheme is a bustling centre of mixed-use space.

Leading brands:
Paul Smith, Jack Wills, Ted Baker, Polo/Ralph Lauren, Jamie's Italian.

2.

7. Piccadilly Lights, W1
Offices, retail, leisure and a world famous advertising landmark. 2009 saw the introduction of enhanced LED screens and a flagship branch of Barclays.

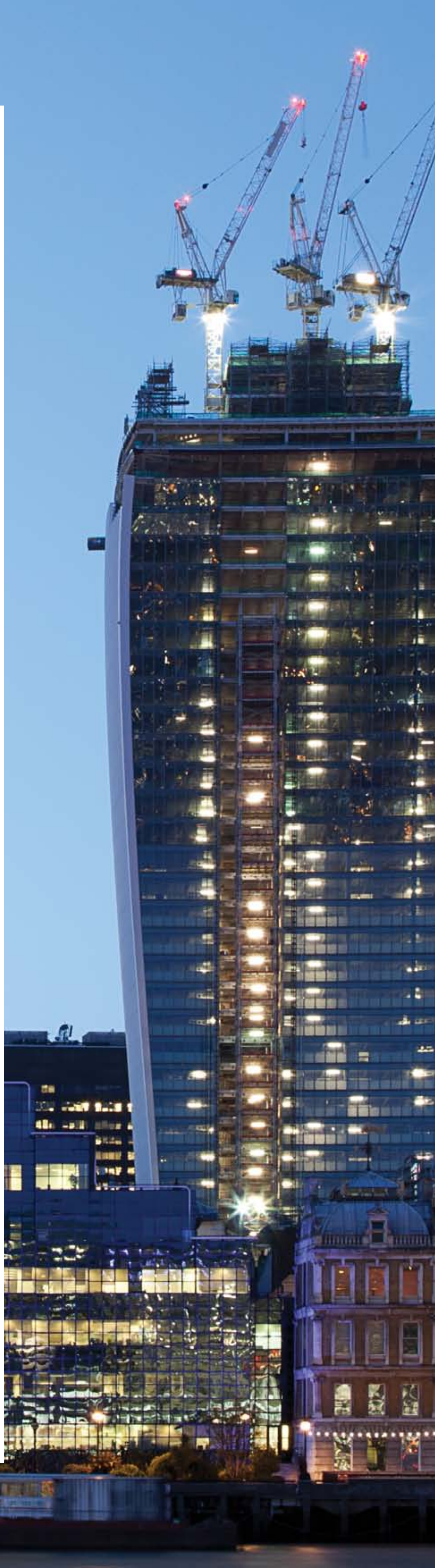
Principal occupiers:
Hyundai, Barclays, Boots.

4.

5.

6.

7.



20 FENCHURCH STREET IN FOCUS

64,120
Total m²

38
Storey building

51%
Pre-let at 31 March 2013

Partners:
50:50 joint venture with Canary Wharf Group.

Density:
One person per 8m², compared to City average of one per 10m² for new space.

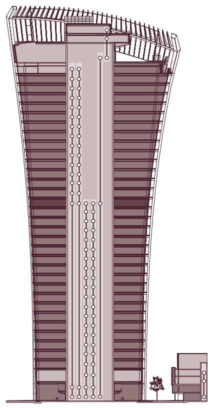
Power:
Unique fuel cell power plant to significantly reduce building's CO_2 emissions.

Sustainability:
Minimum Very Good BREEAM rating, set to be upgraded to Excellent following fit out.

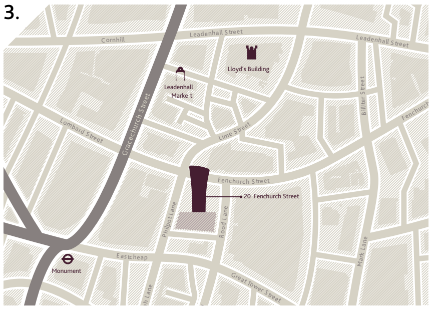
Completing:
Spring 2014.

Having identified supply-constrained conditions ahead, we moved forward with construction in 2010. The innovative design has created larger floorplates on the more valuable upper floors, using state-of-the-art modelling and materials technologies to transform bold plans into reality.

Large open areas within the building mean occupiers can consolidate their teams in one efficient space. They also benefit from contemporary facilities, stunning views and an iconic home.

1.


2.


3.


4.


1. Innovative lift system
14 main lifts using innovative double-deck system to increase capacity

2. Floor space
Level 33 provides 2,734m² of space

Level 7 provides 1,455m² of space

3. Location
Within seven minutes walk of four major railway stations and seven Tube stations, and close to all major City institutions and offices

4. Sky Garden
Landscaped public Sky Garden with a café, bar, restaurant and stunning 360-degree views

More Information:
Learn more about the unique features that make 20 Fenchurch Street, EC3 stand out

www.landsecurities.com/annualreport2013

DIRECTORS' REPORT

Chairman's message

Alison Carnwath discusses our results, the work of the Board and her outlook for the year ahead.

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Chief Executive's statement

Robert Noel reports on our financial and operating performance over a busy 12 months.

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Financial review

Martin Greenslade reports on our financial performance in detail.

P26

How we performed

Commentary on our progress, with detailed analysis of performance in the Retail and London portfolios.

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A responsible approach

A look at how our smart, long-term way of working is helping to make us a stronger business.

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CHAIRMAN'S MESSAGE

Alison Carnwath assesses the Company's progress during a very busy year. She reviews our results, the work of the Board and the steps taken to enhance remuneration policy. She also shares her outlook for the year ahead.

The Company had a good year. Despite dreary economic conditions, we achieved a strong set of results, with our Total Property Return of 7.8% outperforming the IPD Quarterly Universe by 4.4%. The other key measures of performance, revenue profit and adjusted net asset value per share, were ahead of market expectations and we delivered a Total Shareholder Return of 19.1%. We aim to deliver a progressive dividend and we are recommending a final dividend of 7.6p, taking the total for the year to 29.8p, up 2.8%.

Our results were driven by our own actions rather than a rising market. We were the first property company to restart development following the downturn and this activity continues to bear fruit. Our schemes are well matched to occupier demand, borne out by our high level of leasing activity. Trinity Leeds shopping centre opened close to full occupancy and 20 Fenchurch Street, EC3, at 56% pre-let or in solicitors' hands is ahead of schedule. Our regeneration of Victoria, SW1, has continued apace: 62 Buckingham Gate reached practical completion in May; construction is underway at The Zig Zag Building and Kings Gate; and we have committed to start construction of Nova Victoria (formerly Victoria Circle) in June following completion of the demolition phase.

At the start of the year Robert Noel took over as Chief Executive. His thorough understanding of the business enabled him to hit the ground running. He has set high expectations and has created strong forward momentum from which our business will benefit in the future. I would like to thank all of our staff for their individual and collective contributions over the last 12 months.

During the year we consulted with shareholders on new proposals for executive remuneration. Our objective was to simplify remuneration policy, further aligning management rewards to shareholder returns. Our plans included proposals to address general shareholder concerns over 'discretionary' and 'additional' bonuses for management, with a shift towards longer term incentives and greater emphasis on Total Shareholder Return. We explained our plans to around half of our share register, invited feedback and acted on what we heard. The subsequent proposals received support from 98.3% of those who voted at the AGM.

This consultation exercise underlines the importance the Board places on understanding your views. Investor road shows enabled us to talk with more than 40% of our shareholders by ownership, after each of the annual and half yearly results. We also held an annual investor conference at which major shareholders met management below Executive Director level. Our AGM is an opportunity for all shareholders to express their opinions. It is noteworthy that the character of our shareholder register has changed significantly since the Company's conversion to REIT status in 2007. Today 23% of our shareholders are based in North America – a three-fold increase over five years – and specialist real estate investors now represent some 30% of our register.

Our markets continue to evolve at some speed. Your Board constantly challenges itself and management on the effects of changing customer demands. The experience around the boardroom table means we are equipped to respond to new trends. Over the last 12 months we have invested time developing the skills of the Directors at our Board strategy day and Board development sessions. An external review of Board effectiveness was also undertaken. I want to thank our Directors for their commitment and contribution this year.

To read more about the Board go to pages 58-92.

Along with remuneration policy, key Board agenda issues included the purchase of a controlling stake in X-Leisure; the commitment to our Nova Victoria, SW1 development; and our five-year forecast and budget for the business. There were no changes to the Board during the year although we do expect to make a Non-executive appointment over the next 12 months as part of succession planning for the Board. We retain our diversity target of 25% female Board representation by 2015.

It is important that the Company maintains good relationships with those who affect, and are affected by, what we do. Our teams go to great lengths to support the local areas in which we operate, developing partnerships with community groups and councils that can make a lasting difference to people's lives. We are particularly involved in creating local job and apprenticeship opportunities. This year the Company started to record the full socio-economic effect of our development schemes, and we intend to share the results with local authorities. We also support Central Government in their efforts to boost economic activity and employment.

Land Securities takes a lead on addressing long-term issues relevant to our industry. For example, changing environmental regulation will have a substantial impact on property owners and occupiers over coming years. We are helping to inform government decision-making in this area. We are also giving close attention to environmental issues in our business planning and the way we design our buildings. Any other approach would be short-sighted.

Moving forward, we will continue to rely on our own actions, not the market, to generate good returns and shareholder value. In both London and Retail our teams will work to meet demand from successful businesses that require new and better space. Development is likely to remain the best route to superior returns.

In short, the Company has performed well. Everyone here is clear on the plan for the year ahead and we are getting on with it.

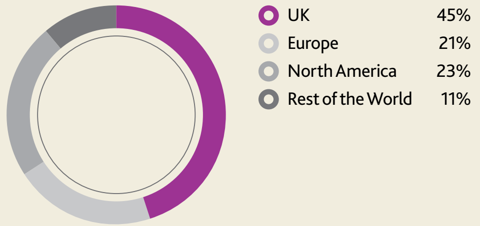
Alison Carnwath
Chairman

TOTAL SHAREHOLDER RETURNS* — **TABLE 1**

	Over one year to 31 March 2013 (£)
Land Securities	119.1
FTSE 100	115.4
FTSE 350 Real Estate Index	121.8

* Historical TSR performance for a hypothetical investment of £100.
Source: Aon Hewitt

GEOGRAPHICAL SPLIT OF THE COMPANY'S SHAREHOLDERS (%) — **CHART 2**



CHIEF EXECUTIVE'S STATEMENT

From pushing forward with development in London to opening major new retail schemes, 2013 saw the Company work to a clear plan. Robert Noel reports on our financial and operating performance over the 12 months.

We went into the year with a clear plan. In London, we prioritised development over property investment, as we continued to believe this would generate substantially higher returns at this point in the cycle. In Retail, we focused on delivering our big schemes, increasing our exposure to the leisure sector and finding new ways to respond to retailers' changing needs.

Pursuit of these objectives meant it was an extremely busy year across the business. We completed 142,520m^2 of new office, retail and residential developments, including 2 km of shop frontage. We worked to secure lettings, fill voids, reduce costs and add new schemes to our development programme, proving that modern, efficient buildings can succeed in a subdued leasing market. Each day we attracted close to a million visitors to our shopping centres. We significantly increased our investment in leisure. And we maintained a strong balance sheet through our financial discipline.

This activity led to robust financial and operational results. Total Business Return was 8.0%. Revenue profit at £290.7m and adjusted diluted earnings per share at 36.8p were better than we expected at the beginning of the year. And we managed our void levels well, reducing them from 2.8% to 2.0% on a like-for-like basis. (See our results on the following page for other highlights.)

We achieved this strong performance in spite of a difficult economic backdrop. The UK cannot decide whether it is in recession or not. Employment growth is weak. Caution reigns. Ongoing issues in the eurozone haven't helped. The world is an uncertain place, so we are relying on our own efforts to create value.

PRESSING AHEAD IN LONDON

Although demand in the capital has been held back by weak business confidence, so has supply. Our view has not changed since my statement to you last year: low levels of development, high numbers of lease expiries from 2013 and evolving occupier needs mean the market will not have enough of the right product. Now is the time to be building and delivering efficient and technically resilient space that meets the needs of today's occupiers. At 20 Fenchurch Street, EC3, for example, 56% of the space is now pre-let or in solicitors' hands – one year ahead of completion – and our average rent is over £60 per sq ft. Occupiers are recognising the financial and social benefits of the building's efficient floorplates, along with its remarkable views and facilities. We understand how to design and deliver for our market and we know how to fill our buildings.

Development is about timing. Looking at all of the schemes we have started and completed in London since 2010, 91% of the floorspace had been let or sold by 31 March 2013. We were right to press ahead with speculative construction, and we are right to keep building today. Construction costs have remained at attractive levels but will increase rapidly with a sustained upswing in activity. We remain vigilant.

VICTORIA TAKES SHAPE

Given these market dynamics, we are moving at pace in Victoria, SW1. Cardinal Place is thriving. The Wellington House apartments were all sold by completion. 123 Victoria Street was completed in August 2012 and is 78% let. There is strong interest at 62 Buckingham Gate, although we would like to have let it faster. The Zig Zag Building is on schedule for completion in January 2015. Our residential scheme at Kings Gate is due to complete at the same time and 59 of the 100 apartments have already been pre-sold. And we have committed to 67,500m² of retail, residential and office space at our Nova Victoria (formerly Victoria Circle) joint venture.

In the past, people would only go to Victoria if they had to. We are transforming the area into one of the capital's most desirable places to live, work and play. By the end of this decade we plan to have delivered over 210,000m² of new office, retail and residential space since recommencing development in 2010.

WINNERS AND LOSERS IN RETAIL

Turning to retail, the market remains tough with the consumer still under pressure. People are generally making fewer visits to shops but spending more time when there. They demand convenience or a great shopping experience – preferably both. Retailers and properties unable to meet those expectations are suffering. Destination shopping centres and convenient edge-of-town retail parks are well placed to compete and we are prioritising those assets.

Online continues to impact physical retailing, but we are also seeing and addressing opportunities to integrate these channels through click and collect, new formats for online retailers, and new uses of mobile and social media.

As we have said for some time, the changes sweeping through retail are creating winners and losers. We saw several high profile retailers fail this year. We have seen others expand. Our established relationships with occupiers have enabled us to anticipate insolvencies and re-let space promptly. Retail like-for-like voids at the year end were 2.9%, down from 3.3%.

NEW OPENINGS, NEW ACQUISITIONS

We had a busy March. Trinity Leeds opened on the 21st, 95% let or in solicitors' hands. We then opened our shops at 185-221 Buchanan Street, Glasgow, on the 22nd. The scheme is fully let. The early success of these developments demonstrates that – despite the clouds over the retail sector – there is demand for well designed, well located space that matches the expectations of consumers, retailers and the local community.

We continue to improve the portfolio, investing in our winning assets and selling others. Recent disposals have included secondary assets in Worcester, Welwyn Garden City and Liverpool.

Leisure is an increasingly important part of the mix and we took action during the year to increase our activity in this area. We acquired The Cornerhouse in Nottingham and The Printworks in Manchester – the latter a swiftly executed transaction that shows the value of a smart team and a strong balance sheet. We increased our interest in the X-Leisure Unit Trust to 59.4% and acquired 100% of the management company. This gives us exposure to 16 leisure assets across the UK and we have welcomed a first class management team into the business.

FROM SOUND FOUNDATIONS TO SUSTAINABLE RETURNS

While we are pushing ahead with development we are doing so from strong financial footings. We are keeping our net debt relatively constant by funding developments and acquisitions from sales. Our balance sheet gives us flexibility, should difficult conditions prevail and opportunities arise.

Our goal is to create attractive and sustainable returns for shareholders. First and foremost, we must ensure we create and run properties that appeal to today's occupiers. But we must also address long-range issues such as our impact on communities and the environment, so we meet future regulations and society's changing expectations. Across London, we are creating jobs and making a substantial contribution to UK plc. This includes collaborating with partners to help people into work. So far 199 people have secured jobs through our London Employment Strategy. The majority are individuals who are furthest from the jobs market: young people, long-term unemployed and ex-offenders. At Trinity Leeds, over 200 people have received training or work experience through the project, and 80 have progressed into permanent employment, a good illustration of what our development activity can bring to local economies.

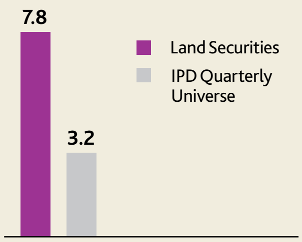
OUR RESULTS — CHART 3

8.0%
Total business return

4.6%
Increase in adjusted diluted NAV per share

-2.9%
Revenue profit

Ungeared total property return %



HIGHLIGHTS

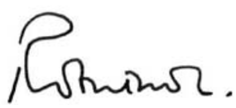
- Profit before tax £533.0m, up 3.4%
- Revenue profit £290.7m, down 2.9%
- Adjusted diluted earnings per share 36.8p, down 4.4%
- Valuation surplus of £217.5m or 2.0%
- Adjusted diluted NAV per share 903p, up 4.6%
- Recommended total dividend for the year 29.8p, up 2.8%
- Sales of £65.9m
- Acquisitions of £529.4m

An approach that is both responsive and responsible makes us a more successful business. From local communities to planning departments, we want people to be pleased it's Land Securities investing in their neighbourhood.

OUR OUTLOOK

We move into a new financial year with an optimism tempered by caution. In London, we expect the occupational market to be busier, but take-up to remain below the long run average. We remain confident we will continue to gain a good share of lettings through the quality of our buildings. Overall, the retail market will remain challenging, but the response to structural change will continue to separate successful retailers – and property assets – from the rest.

In these mixed conditions it will be smart real estate thinking that creates value. By translating our clear plan into sound property decisions on every asset, day after day, we will continue to be successful.



Robert Noel
Chief Executive

FINANCIAL REVIEW

Martin Greenslade reports on our financial performance in detail, explaining the movement in our key financial measures and providing an update on the balance sheet and our financial strategy.

OVERVIEW AND HEADLINE RESULTS

Over the full year, valuation increases of £217.5m (including our proportionate share of subsidiaries and joint ventures) helped us deliver a profit before tax for the year ended 31 March 2013 of £533.0m, compared to £515.7m for the previous year. Basic earnings per share were 68.4p compared to 67.5p for the year ended 31 March 2012. However, underlying earnings were down slightly; revenue profit was £290.7m compared to £299.4m last year and adjusted diluted earnings per share declined from 38.5p to 36.8p this year.

Our combined portfolio increased in value from £10.33bn to £11.45bn as a result of acquisitions, further investment in our development programme and our valuation surplus of £217.5m. Net assets per share increased by 38p from 921p at 31 March 2012 to 959p at 31 March 2013. Adjusted diluted net assets per share were up by 4.6% over the year, increasing from 863p at 31 March 2012 to 903p. The 40p increase in adjusted diluted net assets per share, together with the 29.4p dividend paid in the year, represents an 8.0% total return from the business.

A number of the measures we use internally to assess the performance of the business include the results of our joint ventures on a proportionate basis. Having increased our interest in the X-Leisure Unit Trust ('X-Leisure') during the year to 59.4%, X-Leisure is now accounted for as a subsidiary. Accordingly, we now also adjust these performance measures to exclude the non-owned element of our subsidiaries and refer to these measures as being on a proportionate basis.

REVENUE PROFIT

Revenue profit is our measure of the underlying pre-tax profit of the Group, which we use internally to assess our income performance. It includes the pre-tax results of our subsidiaries and joint ventures on a proportionate basis, but excludes capital and other one-off items. A reconciliation of revenue profit to our IFRS profit before tax is given in note 4 to the financial statements.

Table 4 shows the composition of our revenue profit including the contributions from London and Retail.

Revenue profit decreased by £8.7m from £299.4m last year to £290.7m. As anticipated in the Financial Review last year, the fall in revenue profit was due to a reduction in non-recurring income, the impact of selling investment properties ahead of finding attractive buying opportunities and the loss of income at Kingsgate House, SW1, a property we demolished this year for redevelopment. These items were also behind the £25.0m reduction in net rental

REVENUE PROFIT **TABLE 4**

	Retail Portfolio £m	London Portfolio £m	31 March 2013 £m	Retail Portfolio £m	London Portfolio £m	31 March 2012 £m	Change £m
Gross rental income*	313.8	276.1	589.9	312.9	293.2	606.1	(16.2)
Net service charge expense	(2.5)	0.3	(2.2)	(2.8)	(2.5)	(5.3)	3.1
Direct property expenditure (net)	(30.6)	(9.4)	(40.0)	(26.4)	(1.7)	(28.1)	(11.9)
Net rental income	280.7	267.0	547.7	283.7	289.0	572.7	(25.0)
Indirect costs	(23.4)	(16.9)	(40.3)	(28.1)	(17.7)	(45.8)	5.5
Segment profit before interest	**257.3**	**250.1**	**507.4**	**255.6**	**271.3**	**526.9**	**(19.5)**
Unallocated expenses (net)			(36.5)			(40.1)	3.6
Net interest – Group			(149.2)			(155.5)	6.3
Net interest – joint ventures			(31.0)			(31.9)	0.9
Revenue profit			**290.7**			**299.4**	**(8.7)**

* Includes finance lease interest, net of ground rents payable.

income, partly offset by new income from completed developments and our acquisition of leisure assets. Further information on the net rental income performance of the London and Retail portfolios is given in the respective business reviews.

The indirect costs of London and Retail and net unallocated expenses need to be considered together as, in total, they represent the net indirect expenses of the Group including joint ventures. In total, net indirect expenses were £76.8m compared to £85.9m last year. The £9.1m reduction in these costs is primarily due to staff reductions, some expenditure being deferred into next year and Brand Empire closure costs of £2.7m having been incurred in the prior year.

Our total cost ratio, which is calculated with reference to our gross rental income and includes both direct and indirect costs, was up slightly at 19.7% (2012: 19.2%) due to lower rental income following disposals. Direct costs were £8.8m higher than last year due to increased provisions against tenant incentives and the prior year benefiting from non-recurring items, the largest of which was the release against costs of £5.8m of dilapidation provisions. Total costs were down slightly on last year at £119.0m (2012: £119.3m) with the reduction in net indirect expenses offsetting the increase in direct costs. Table 5 below provides a more detailed breakdown of our costs.

VALUATION SURPLUS AND DISPOSAL PROFITS

A key component of our pre-tax profit is the movement in the values of our investment properties and any profits or losses on disposals. Over the course of the year, the valuation increase on our combined portfolio was £217.5m, up 2.0%. We made a small net loss on the disposal of investment properties of £1.6m (2012: profit of £46.4m) and we recorded a net gain on disposal of trading properties of £38.0m, up from £5.2m last year. The profit on sale of trading properties includes £20.7m on the sale of all the residential units at Wellington House, SW1, following practical completion in October 2012 and £15.4m in contingent sale proceeds on land at Bankside, SE1, sold for residential development in 2005.

A breakdown of the valuation surplus by category is shown in table 6 over the page.

In aggregate, the like-for-like portfolio saw a 0.1% decline in value over the year to March 2013, driven by a reduction in rental values of 1.5% with little change in yields.

Shopping centres and shops declined in value by 3.2%, largely due to a 5.1% fall in rental values as the occupational market weakened. Values in retail warehouses and food stores were down by 6.1% due to a combination of rental value decline and outward movement in equivalent yields, particularly for larger lot sizes. London offices reported a 2.4% valuation surplus, driven by rental value growth and lower yields at Mid-town and

COST ANALYSIS **TABLE 5**

Gross rental income[1]	589.9
Net service charge expense	(2.2)
Direct property expenditure (net)	(40.0)
Net rental income	**547.7**
Indirect costs	(40.3)
Segment profit before interest	**507.4**
Unallocated expenses (net)	(36.5)
Net interest – Group	(149.2)
Net interest – joint ventures	(31.0)
Revenue profit	**290.7**

Direct property costs	**£42.2m**
Indirect expenses	**£76.8m**
Total	**£119.0m**
Total cost ratio	**19.7%**

	Year ended 31 March 2013 Total £m	Cost ratio %	2012 Total £m	Cost ratio %
Managed operations	**9.4**	**1.6**	9.5	1.5
Tenant default	**8.3**	**1.4**	2.9	0.5
Void related costs	**12.5**	**2.1**	14.7	2.4
Other direct property costs	**9.4**	**1.6**	7.6	1.2
Development expenditure	**17.8**	**2.9**	13.4	2.2
Asset management, administration and compliance	**61.6**	**10.2**	71.2	11.4
Total	**119.0**	**19.7**	**119.3**	**19.2**

1. Includes finance lease interest, net of ground rents.
2. All percentages represent costs divided by gross rental income including finance leases before ground rents.

VALUATION ANALYSIS **TABLE 6**

	Market value 31 March 2013 £m	Valuation surplus %	Rental value change* %	Net initial yield %	Equivalent yield %	Movement in equivalent yield bps
Shopping centres and shops	2,384.4	(3.2)	(5.1)	6.4	6.3	(3.0)
Retail warehouses and food stores	1,093.4	(6.1)	(2.2)	5.5	5.9	31.0
Leisure and hotels	450.8	0.7	0.3	6.7	6.7	(12.0)
London offices	3,656.0	2.4	1.3	5.1	5.5	(7.0)
Central London shops	842.4	8.4	2.2	4.2	5.3	(24.0)
Other (Retail and London)	100.4	(2.4)	(6.2)	4.1	5.0	(47.0)
Total like-for-like portfolio	**8,527.4**	**(0.1)**	**(1.5)**	**5.5**	**5.8**	**(5.0)**
Proposed developments	123.6	3.7	n/a	–	n/a	n/a
Completed developments	759.3	3.3	1.4	3.8	5.2	(8.0)
Acquisitions	593.1	(2.2)	n/a	5.8	6.7	n/a
Development programme	1,443.0	16.8	n/a	0.7	5.3	n/a
Total combined portfolio	**11,446.4**	**2.0**	**(1.3)**	**4.7**	**5.7**	**(3.0)**

* Rental value change excludes units materially altered during the year and Queen Anne's Gate, SW1.

City properties. Central London shops saw an 8.4% valuation surplus as equivalent yield compression of 24 basis points was augmented by a 2.2% increase in rental values.

Outside the like-for-like portfolio, proposed developments were up 3.7% due to design changes and lower than expected construction costs following receipt of tenders. Completed developments rose in value by 3.3%, driven by yield compression and rental value increases on the back of lettings.

Purchase costs accounted for the 2.2% valuation decline of acquisitions while the development programme was up by 16.8% as risk reduced on some of our major schemes through pre-letting and construction progress.

EARNINGS PER SHARE

Basic earnings per share were 68.4p, compared to 67.5p last year, an increase of 1.3% reflecting the small increase in profit after tax, partly offset by the impact of additional shares issued under the scrip dividend scheme.

In a similar way that we adjust profit before tax to remove capital and one-off items to give revenue profit, we also report an adjusted earnings per share figure. Adjusted diluted earnings per share decreased by 4.4% from 38.5p last year to 36.8p per share this year. This was mainly due to the decrease in revenue profit, together with a small impact from the additional shares issued under the scrip dividend scheme.

TOTAL DIVIDEND

We are recommending a final dividend payment of 7.6p per share. Taken together with the three quarterly dividends of 7.4p, our full year dividend will be 29.8p per share (2012: 29.0p) or £232.4m (2012: £225.5m).

Shareholders continue to have the opportunity to participate in our scrip dividend scheme and receive their dividend in the form of Land Securities shares (a scrip dividend alternative) as opposed to cash. The average take-up for the four dividends paid during the year was 21.8%. This resulted in the issue of 6.6m new shares at between 726p and 811p per share and £50.4m of cash being retained in the business. However, in line with our approach outlined last year to buy back shares issued at a material discount in connection with the scrip dividend, we bought back 4.6m shares at a cost of £34.4m at between 713p and 774p.

All of the cash dividends paid and payable in respect of the financial year ended 31 March 2013 comprise Property Income Distributions (PID) from REIT qualifying activities. In contrast to the cash dividends, none of the scrip dividends paid to date have been PIDs and therefore they have not been subject to the 20% withholding tax requirement which applies to PIDs for certain classes of shareholders. The latest date for election for the non-PID scrip dividend alternative in respect of the final dividend will be 24 June 2013 and the calculation price will be announced on 2 July 2013.

Looking ahead, there is a limit to the amount of non-PID scrip dividends we can pay due to the REIT requirement to distribute 90% of our earnings (calculated on a tax basis) as a PID. As a result, we may need to suspend our scrip dividend or offer it in the form of a PID dividend. Any changes will be communicated to shareholders in advance.

NET ASSETS ATTRIBUTABLE TO OWNERS OF THE PARENT **TABLE 7**

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m
Net assets at the beginning of the year	**7,155.4**	6,811.5
Adjusted earnings	**288.2**	298.3
Valuation surplus on investment properties	**217.5**	190.9
(Loss)/profit on disposal of investment properties	**(1.6)**	46.4
Profit on disposal of trading properties	**38.0**	5.2
Other	**(9.1)**	(17.9)
Profit after tax attributable to owners of the Parent	**533.0**	522.9
Cash dividends	**(178.4)**	(154.8)
Purchase of own shares and treasury shares	**(34.9)**	(18.5)
Other reserve movements	**11.6**	(5.7)
Net assets at the end of the year	**7,486.7**	7,155.4
Fair value of interest-rate swaps	**24.5**	20.8
Debt adjusted to nominal value	**(432.8)**	(450.9)
Adjusted net assets at the end of the year	**7,078.4**	6,725.3

To the extent tax is payable, all items are shown post-tax.

CASH FLOW AND NET DEBT — **TABLE 8**

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m
Net cash inflow from operations	**246.7**	254.1
Dividends paid	**(178.3)**	(153.1)
Non-current assets:		
Acquisitions	**(243.9)**	(107.3)
Disposals	**509.9**	513.7
Capital expenditure	**(277.0)**	(307.0)
	(11.0)	99.4
Loans repaid by third parties	**0.8**	22.8
Joint ventures	**(119.6)**	(45.5)
Business combination	**(404.3)**	–
Fair value movement of interest-rate swaps	**(1.6)**	(4.5)
Purchase of own shares	**(34.9)**	(18.5)
Other movements	**(13.2)**	(24.3)
(Increase)/decrease in net debt	**(515.4)**	130.4
Net debt at the beginning of the year	**(3,183.2)**	(3,313.6)
Net debt at the end of the year	**(3,698.6)**	(3,183.2)

NET ASSETS

At 31 March 2013, our net assets per share were 959p, an increase of 38p or 4.1% from 31 March 2012. The increase in our net assets was primarily driven by the increase in value of our investment properties, profits on disposal of trading properties and our adjusted earnings, partly offset by the dividends we paid.

In common with other property companies, we calculate an adjusted measure of net assets which we believe better reflects the underlying net assets attributable to shareholders. Our adjusted net assets are lower than our reported net assets primarily due to an adjustment to include our debt at its nominal value. At 31 March 2013, adjusted diluted net assets per share were 903p per share, an increase of 40p or 4.6% from 31 March 2012.

Table 7 summarises the main differences between net assets and our adjusted measure of net assets together with the key movements over the year.

CASH FLOW

A summary of the Group's cash flow and movement in net debt for the year is set out in Table 8.

The main cash flow items are typically operating cash flows, the dividends we pay and the capital transactions we undertake. Operating cash inflow after interest and tax was £246.7m for the year ended 31 March 2013, down slightly on the £254.1m received last year following asset disposals. We spent £243.9m acquiring new assets, including The Printworks in Manchester and The Cornerhouse in Nottingham, and we invested £277.0m in our portfolio as capital expenditure. This net investment was broadly funded by proceeds from disposals including Arundel Great Court, WC2, 50% of Nova Victoria, SW1 (formerly Victoria Circle) and St John's Centre, Liverpool. We invested a further £119.6m in our joint ventures primarily to fund our developments at Nova Victoria, SW1 and 20 Fenchurch Street, EC3.

The £404.3m business combination relates to the cost of acquiring further units in X-Leisure, all of its £280.6m underlying net debt, as well as 100% of its management company.

OUR APPROACH TO GEARING — **TABLE 9**

When we consider gearing, we need to recognise that we have both financial gearing and operational gearing. We aim to use both forms of gearing to enhance our returns without taking excessive risk.

	How it arises	The potential benefits and risks	How we measure it	How we manage it
Financial	– Debt we have on our balance sheet or in joint ventures.	– Magnifies the financial effects of income and valuation movements. – Accentuates negative as well as positive movements.	– Assess in terms of interest cover ratios (ICR) and Loan to Value (LTV) ratios.	– In normal market conditions: 35% to 45% LTV (inner range). – Certain stages in the cycle: 25% to 55% LTV (outer range). – Increased pace at which market factors influence asset values is encouraging us towards lower financial leverage. – We also consider LTV including unspent but committed development capital expenditure.
Operational	– Principally from development of properties, particularly if speculative.	– Magnifies the potential returns available from capital invested in property. – Higher volatility of valuation movements and potential income shortfalls.	– Assess in terms of income at risk from capital invested. – The proportion of capital deployed in development. – Level of committed capital expenditure.	– Using conservative letting assumptions, the income impact from the un-let element of our development programme should not exceed underlying retained earnings for the year. – Total development cost of current developments should not exceed 20% of total assets unless significantly pre-let. – Committed development expenditure not to exceed 90% of available cash and undrawn bank facilities.

GEARING	TABLE 10	
	31 March 2013 %	31 March 2012 %
Adjusted gearing* on a proportionate basis	**60.6**	59.2
Group LTV	**40.2**	40.4
Group LTV on a proportionate basis	**36.9**	38.0
Security Group LTV	**37.7**	37.6

* Book value of balance sheet debt increased to recognise nominal value of debt on refinancing in 2004 divided by adjusted net asset value.

NET DEBT AND GEARING

As a result of the cash flows described on the previous page and, in particular, the inclusion of 100% of the X-Leisure net debt, our net debt increased by £515.4m to £3,698.6m. Adjusted net debt, which is presented on a proportionate basis and includes the nominal value of our debt but excludes the mark-to-market on our swaps, was up £308.8m at £4,290.2m (31 March 2012: £3,981.4m).

Since our general approach on capital transactions is for asset disposals to fund our capital expenditure and acquisitions, we would expect our adjusted net debt to be relatively stable over time. This is not a strict target and the strength of our balance sheet allows us to take advantage of opportunities as they arise. This year, we saw an opportunity to increase our exposure to leisure assets through acquisitions, which led to the £308.8m increase in adjusted net debt. In contrast, last year's adjusted net debt declined by £204.5m as we sold some secondary assets but saw fewer investment opportunities.

Table 10 above sets out various measures of our gearing.

Despite the increase in debt compared to last year, our LTV measures are broadly unchanged as a result of the increase in the value of our assets. The measure most widely used in our industry is loan-to-value (LTV). We focus most on Group LTV presented on a proportionate basis. This LTV measure declined from 38.0% at March 2012 to 36.9% at March 2013, which is in line with our strategy at this stage in the property cycle of allowing gearing to decline as property values rise.

The small rise in our Security Group LTV to 37.7% (2012: 37.6%) is a result of increasing the funding to our joint ventures using cheaper Group facilities in place of separate, standalone finance.

Our interest cover, excluding our share of joint ventures, has reduced from 2.5 times in 2012 to 2.4 times in 2013. Under the rules of the REIT regime, we need to maintain an interest cover in the exempt business of at least 1.25 times to avoid paying tax. As calculated under the REIT regulations, our interest cover of the exempt business for the year to 31 March 2013 was 2.1 times. Further information on our approach to gearing is included in table 9 on the previous page.

FINANCING STRUCTURE AND STRATEGY

The total capital of the Group consists of shareholders' equity, non-controlling interests and adjusted net debt. Since IFRS requires us to state a large part our net debt at below its nominal value, we view our capital structure on a basis which adjusts for this. Table 11 below outlines our main sources of capital. Further details are given in notes 31 and 32 to the financial statements.

In general, we follow a secured debt strategy as we believe that this gives the Group and joint ventures better access to borrowings and at lower cost. Other than our finance leases, all our borrowings at 31 March 2013 were secured.

A key element of the Group's capital structure is that the majority of our borrowings are secured against a large pool of our assets (the Security Group). This enables us to raise long-term debt in the bond market as well as shorter-term flexible bank facilities, both at competitive rates. In addition, the Group holds a number of assets outside the Security Group structure (in the Non-Restricted Group). These assets are typically our joint venture interests, our interest in X-Leisure or other properties on which we have separate, asset-specific finance. By having both the Security Group and the Non-Restricted Group, and considerable freedom to move assets between the two, we are able to raise the most appropriate finance for each specific asset or joint venture.

Importantly, we can use borrowings raised against the Security Group to fund expenditure on both acquisitions and developments. At a time when finance to fund capital expenditure on speculative developments remains scarce, this gives the Group a considerable advantage in being able to develop at this point in the cycle.

During the year, in the Security Group, we extended a £135m bilateral revolving credit facility, which was due to expire in November 2014, to March 2018 and marginally improved the headline pricing to Libor +120 basis points. This facility extends our pool of committed facilities beyond that of the £1,085m revolving credit facility which has an expiry date of December 2016. We also successfully charged our equity interest in the Nova Victoria partnership in the year.

FINANCING STRUCTURE							TABLE 11
				2013			2012
	Group £m	Adjustment for proportionate share £m	Joint ventures £m	Combined £m	Group £m	Joint ventures £m	Combined £m
Bond debt	**3,353.8**	**–**	**–**	**3,353.8**	3,363.5	–	3,363.5
Bank borrowings	**801.7**	**(122.5)**	**340.1**	**1,019.3**	300.0	393.4	693.4
Amounts payable under finance leases	**28.7**	**(1.9)**	**4.5**	**31.3**	23.3	4.5	27.8
Less: cash and restricted deposits	**(72.6)**	**11.4**	**(53.0)**	**(114.2)**	(59.2)	(44.1)	(103.3)
Adjusted net debt	**4,111.6**	**(113.0)**	**291.6**	**4,290.2**	3,627.6	353.8	3,981.4
Non-controlling interests	**–**	**–**	**–**	**–**	0.2	–	0.2
Adjusted equity attributable to owners of the Parent	**7,070.0**	**–**	**8.4**	**7,078.4**	6,711.0	14.3	6,725.3
Total adjusted equity	**7,070.0**	**–**	**8.4**	**7,078.4**	6,711.2	14.3	6,725.5
Total capital	**11,181.6**	**(113.0)**	**300.0**	**11,368.6**	10,338.8	368.1	10,706.9

Introducing this asset into the Security Group is important as its value will grow as we invest significantly in the redevelopment of Nova Victoria, SW1.

In the Non-Restricted Group, our Oriana joint venture with Frogmore entered into a new £195m four year investment and development facility. The facility replaced an existing £144m loan due to mature on 30 May 2013 and, importantly, provides a £25m development commitment to part fund our planned phase two development at the eastern end of Oxford Street.

The weighted average duration of the Group's debt (on a proportionate basis) is 9.7 years with a weighted average cost of debt of 4.9%.

HEDGING

We use derivative products to manage our interest-rate exposure, and have a hedging policy which generally requires at least 80% of our existing debt plus increases in debt associated with net committed capital expenditure to be at fixed interest rates for the coming five years. Specific interest-rate hedges are also used within our joint ventures to fix the interest exposure on limited-recourse debt. At 31 March 2013, Group debt (on a proportionate basis) was 90.7% fixed (2012: 94.8%) and the notional amount of outstanding interest-rate swaps at 31 March 2013 was £1,230.4m.

TAXATION

As a consequence of the Group's conversion to REIT status, income and capital gains from our qualifying property rental business are now exempt from UK corporation tax. No tax charge arose in respect of the current year (2012: £8.0m tax credit). At 31 March 2013 the Group held a provision of £21.3m (2012: £21.3m) for interest on overdue tax in relation to a dispute with HMRC, which has now been resolved. The liability will be settled during 2013/14.

NET PENSION SURPLUS

The Group operates a defined benefit pension scheme which is closed to new members. At 31 March 2013, the scheme was in a net surplus position of £5.9m compared to a deficit of £2.4m at 31 March 2012. The change is primarily due to a £30.4m increase in the value of the scheme's assets as a result of the return from scheme investments. Further information regarding the defined benefit pension scheme, including the assumptions adopted and the related sensitivities, can be found in note 34 to the financial statements.

Martin Greenslade
Chief Financial Officer

OUR PRINCIPAL RISKS AND HOW WE MANAGE THEM

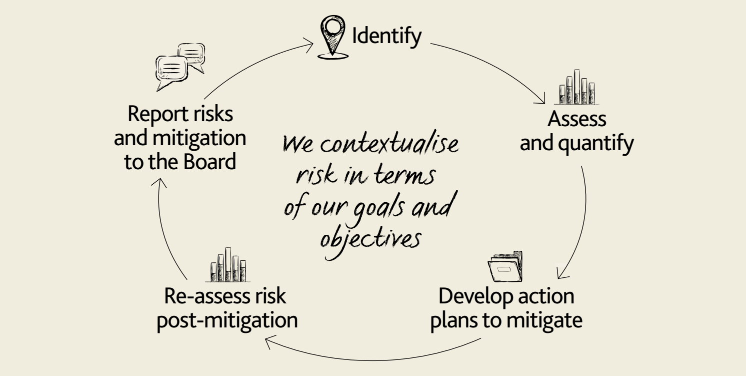
Our Board recognises the importance of identifying and actively monitoring the full range of financial and non-financial risks facing the business. By regularly reviewing the risk appetite of the business, the Board ensures that the risk exposure remains appropriate at any point in the cycle. Whilst responsibility for risk management clearly rests with the Board, the management of risk is embedded as part of our everyday business activities and culture and all our employees are responsible for maintaining the control framework.

Importantly the Board perceives risk not only as having a potential negative influence on the business but also as an opportunity that can be a source of financial outperformance.

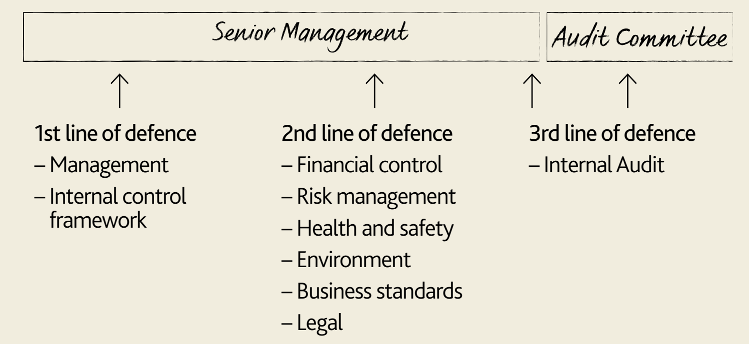
For effective risk management it is necessary that the identification, assessment and management of known and emerging risks form part of a dynamic process. (See page 72.)

We manage risk by operating a 'Three lines of defence' risk and control model. The first line lies with operational management implementing and maintaining effective internal controls. They are supported by a number of oversight functions which form the second line. Internal Audit serves as the third line, tasked with reviewing controls and risk management procedures, identifying areas for improvement and reporting to Senior Management and the Audit Committee. Due to its independence and objectivity, Internal Audit is able to provide reliable assurance on the effectiveness of the overall governance, risk management and internal control processes.

RISK MANAGEMENT PROCESS **CHART 12**



RISK AND CONTROL – 'THREE LINES OF DEFENCE' **CHART 13**



The following tables show the principal risks and uncertainties facing the business, the Board's view on how they have changed over the year, the processes by which we aim to manage them and which of our strategic objectives they impact.

PRINCIPAL RISKS KEY

Strategic goal and objectives
Our overall goal is to provide attractive and sustainable total returns for our shareholders by being at the forefront of meeting the space requirements of our customers. To deliver that strategy, we have set ourselves seven fundamental objectives:

1. Deliver sustainable long-term shareholder returns.
2. Maximise the returns from the investment portfolio.
3. Manage our balance sheet effectively.
4. Maximise development performance.
5. Ensure high levels of customer satisfaction.
6. Attract, develop, retain and motivate high performance individuals.
7. Continually improve sustainability performance.

Change from last year
- ^ Increased
- < > No change
- ˅ Reduced

PEOPLE

Risk description	Impact	Mitigation	Change from 2011/12	Strategic objectives
People p49–50 Inability to attract, retain and develop the right people.	– Lack the skills necessary to deliver the business objectives.	– Competitive remuneration plans. – Appropriate mix of insourcing and outsourcing. – Clear employee objectives and development plans. – Annual employee engagement survey. – Succession planning and talent management.	< > Stable senior management team with clear evidence of employee progress.	1, 6

FINANCIAL

Risk description	Impact	Mitigation	Change from 2011/12	Strategic objectives
Liability structure p30–31 Lack of availability of bank funding.	– Increased cost of borrowing. – Limits ability to meet existing debt maturities and fund forward cash requirements.	– £1.1bn revolving credit facility in place, which matures in 2016 and a £135m bilateral facility which matures in March 2015. – Access to different sources of finance with most of our funding on a long-term basis and with a spread of maturity dates. The weighted average life of our debt at 31 March 2013 is 9.7 years. – Modest gearing (Security Group LTV at 31 March 2013 of 37.7%).	Despite continuing uncertainty in both the financial sector and the eurozone, the cost and availability of medium- and long-term facilities have improved.	1, 3
Liability structure is unable to adapt to changing asset strategy or property value.	– Reduced financial and operational flexibility. – Missed business opportunities and higher cost of financing.	– The Group's Asset and Liability Committee meets three times a year to monitor both sides of the balance sheet and recommend strategy to the Board. – We manage the business within an inner gearing range of 35% to 45% LTV in normal market conditions. – Security Group structure allows assets to be sold and ability to raise new debt. – Our principal debt funding structure benefits from financial default only being triggered at 1 times Security Group ICR (currently 4.1 times) or 100% Security Group LTV (currently 37.7%). – At less than 1.45 times ICR or greater than 65% LTV, a persuasive covenant regime applies which is designed to preserve cash for the potential protection of lenders and encourage the business to reduce debt. – The existing revolving credit facility provides flexibility as it allows debt to be drawn in certain circumstances even when the Security Group LTV exceeds 65%.		1, 3

REGULATORY

Risk description	Impact	Mitigation	Change from 2011/12	Strategic objectives
Health and safety p48–56 Accidents causing injury to employees, contractors, tenants and visitors to our properties.	– Criminal/civil proceedings and resultant reputational damage.	– Board responsibility for health and safety. – Quarterly Board reporting. – Dedicated specialist personnel. – Annual cycle of health and safety audits. – Established policy and procedures including ISO 18001 certification.		1, 5
Environment p48–56 Properties do not comply with legislation or meet customer expectations.	– Increased cost base. – Inability to attract or retain tenants.	– Board responsibility for environment. – Dedicated specialist personnel. – Established policy and procedures including ISO 14001 certified environmental management system. – Active involvement in legislative working parties. – Active environmental programme addressing key areas of energy and waste.	Continuing investment and focus on energy and waste management across the portfolio.	1, 5, 7

PRINCIPAL RISKS KEY

Strategic goal and objectives
Our overall goal is to provide attractive and sustainable total returns for our shareholders by being at the forefront of meeting the space requirements of our customers. To deliver that strategy, we have set ourselves seven fundamental objectives:

1. Deliver sustainable long-term shareholder returns.
2. Maximise the returns from the investment portfolio.
3. Manage our balance sheet effectively.
4. Maximise development performance.
5. Ensure high levels of customer satisfaction.
6. Attract, develop, retain and motivate high performance individuals.
7. Continually improve sustainability performance.

Change from last year
^ Increased
< > No change
v Reduced

PROPERTY INVESTMENT

Risk description	Impact	Mitigation	Change from 2011/12	Strategic objectives
Customers p48–56 Pressure on consumer spending.	– Shift in customer demand with consequent impact on new lettings, renewal of existing leases and rental growth. – Retail tenants unable to meet existing rental commitments.	– Large and diversified tenant base (our largest retail tenant, Arcadia, represents only 2.3% of rents). – Of our income, 62.8% is derived from tenants who make less than a 1% contribution to rent roll. – High quality property portfolio, of which 58.9% is located in London. – Target for maximum percentage of leases subject to expiry in any one year. – Experienced leasing team. – Active development programme to maintain a modern portfolio well suited to occupier requirements. – Strong relationships with occupiers. – Variety of asset types and, for the Retail Portfolio, geographic spread.	^ Trading conditions continue to be very difficult for tenants, particularly within the retail sector, resulting in a number of tenant failures.	1, 2, 5
Market cyclicality p22–31 Volatility and speed of change of asset valuations and market conditions.	– Reduces liquidity and relative property performance.	– Large multi-asset portfolio. – Monitor asset concentration (our largest asset is only 5.9% of the total portfolio). – Average investment property lot size of £67.3m. – Generally favour full control and ownership of assets (14.0% of assets currently in joint ventures). – Average unexpired lease term of 9.1 years with a maximum of 11.0% of gross rental income expiring or subject to break clauses in any single year.	< >	1, 2
Acquisitions p22–31 Inability to acquire new assets to replace properties that have been sold or are in the process of being redeveloped.	– Reduction in revenue profits.	– Experienced investment team. – Integrated portfolio and investment management teams. – Ability to control level of property sales. – Risk analysis of speculative development pipeline on capital and income basis. – Strategy of flexing size of development programme according to the outlook for the market cycle.	< > Although the risk is not considered to have changed from the prior year, there remains a lack of attractively priced assets in both the London and retail sectors. Despite this, we have broadly balanced sales with development expenditure and acquisitions, increasing the proportion of leisure within our business in line with our strategy.	1, 2, 3

DEVELOPMENT

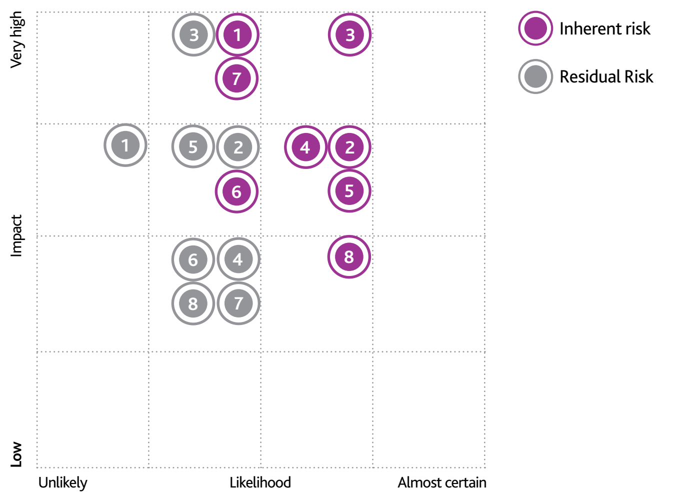
Risk description	Impact	Mitigation	Change from 2011/12	Strategic objectives
Development p22–31 Occupiers reluctant to enter into commitments to take new space in our developments.	– Negative valuation movements. – Reduction in income.	– The impact of failing to lease the un-let element of our development programme must not exceed the Group's retained earnings. – Proportion of capital employed in development programme (based on total costs to completion) will not exceed 20% of our total capital employed, save that where a material part of the development programme is pre-let, this proportion can rise to 25%. – Monitor the level of committed future capital expenditure on our development programme relative to the level of our un-drawn debt facilities. – Monitor market cycle and likely tenant demand before committing to new developments. – Risk analysis of speculative development pipeline on capital and income basis. – Strategy of flexing size of development programme according to the outlook for the market cycle.	Difficult trading conditions continue to affect tenant appetite to take on new space, particularly within the retail sector. Despite this our development programme continues to attract good quality tenants with Trinity Leeds 89% let prior to opening, 20 Fenchurch Street 51% pre-let ahead of its April 2014 completion and 62 Buckingham Gate now 10% pre-let.	1, 2, 3, 4

CURRENT ASSESSMENT OF PRINCIPAL RISKS

The inherent and residual positioning of our principal risks are illustrated in the diagram opposite in terms of impact and likelihood. The inherent or gross risk is the risk that an activity would pose if no controls or other mitigating factors were in place. The residual risk (net risk) is the risk that remains after controls have been taken into account.

Risk

1. Liability structure
2. Customers
3. Market cyclicality
4. Acquisitions
5. Development
6. People
7. Health and safety
8. Environment

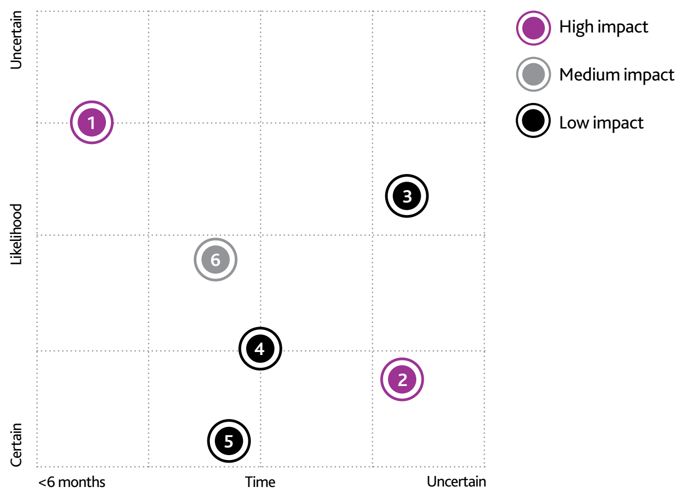


EMERGING RISKS

Emerging risks are those for which the full extent and implications are not yet fully understood. The diagram opposite indicates our current assessment of these risks in terms of the likelihood, timeframe and impact to our business.

Risk

1. Eurozone crisis
2. Climate change
3. Cyber-terrorism
4. Power shortages
5. Increased energy regulation
6. Increased financial regulation



RETAIL PORTFOLIO REVIEW OF THE YEAR

HIGHLIGHTS

-1.5%
Valuation deficit

£11.0m
Development lettings

£501.5m
Acquisitions, including The Cornerhouse, Nottingham, The Printworks, Manchester and X-Leisure

86,600m² of retail space completed at Trinity Leeds and Buchanan Street, Glasgow

Investment lettings of £14.6m, 0.3% above ERV (excludes pre-development properties)

Like-for-like voids down from 3.3% to 2.9%

PROGRESS AGAINST OUR OBJECTIVES FOR 2012/13

Objective	Progress
Outperform IPD sector benchmark.	The portfolio outperformed its IPD sector benchmark by 2.7%.
Protect occupancy by dealing effectively with retailer administrations.	31 March 2013 voids lower at 2.9%. Units in administration unchanged at 2.3%.
Progress development lettings at Trinity Leeds; 185-221 Buchanan Street, Glasgow; Bishop Centre, Taplow; Peterborough; Derby; and Selly Oak.	Letting levels at these schemes at 31 March 2013: Trinity Leeds 89%; 185-221 Buchanan Street, Glasgow 99%; Bishop Centre, Taplow 76% pre-let; Peterborough 0%; Derby 0%; and Selly Oak 39% pre-let.
Schemes completed on time and to budget at Trinity Leeds and 185-221 Buchanan Street, Glasgow (excluding residential element of Buchanan Street, Glasgow, which was not due to complete during the year).	Both achieved.
Commence out-of-town developments at Crawley, Taplow, Derby and Chadwell Heath.	All achieved except Derby, where we changed our strategy for the asset during the year and we are refurbishing the existing park.
Enter into a development agreement with Oxford City Council for Westgate Centre, Oxford.	Not achieved but achieved since the year end.
Submit planning applications at Exeter and three new sites secured in our out-of-town pipeline.	We deferred the Exeter application to extend our pre-application consultations. We secured four sites in our out-of-town pipeline.

OUR MARKET

The retail market continues to reflect an uncertain national economy and straitened circumstances for many consumers. This, together with continuing structural change, has impacted on retailer demand, caused a number of major retailers to enter into administration, and resulted in falling capital and rental values.

Investment volumes in retail property have been at historically low levels reflecting this uncertainty, although prime assets both in- and out-of-town have attracted strong interest when brought to the market.

The sector continues to see a rapid change in consumer behaviour. Shoppers are making fewer trips but spending more per trip. In many centres, footfall is down but sales are up. People are increasingly looking for more convenient ways to shop. They expect more from the time they spend shopping and this is driving a long-term structural shift in retailing activity away from smaller towns and high streets towards larger shopping centres and edge-of-town locations and away from weaker retailers to the bigger brands who have invested in omni-channel. Consumers are increasingly using their mobile devices to check prices and look for offers when visiting shops. They demand a connected environment which makes the information they want accessible. Leisure is an ever more important part of the retail mix, with consumers looking to visit cafés, restaurants, cinemas and other entertainment venues along with shopping for products.

In this fast-changing market, there continues to be demand from strong retailers for the right space in the right locations. Consumer weakness is holding back rental values, but we see opportunities to create value through asset management and development activity which is well matched to shoppers' expectations and requirements. It is clear that the most successful retail property owners will be those who enable retailers to respond to consumer trends in smart, efficient and innovative ways.

OUR STRATEGY

We aim to create value by providing our customers with new or more efficient space that helps drive their profits. We look to improve our assets, raising them up the retail hierarchy and improving their appeal relative to the competition. We constantly look for ways to reduce voids, using our established relationships with retailers to anticipate administrations early and secure new occupiers swiftly. We will continue to identify properties for sale in order to recycle capital into new opportunities.

We are focused on owning and developing dominant or destination centres in thriving locations. We are developing our edge-of-town and out-of-town assets in response to growing demand for convenience from shoppers and new formats from retailers. We are also increasing the proportion of leisure in our retail assets reflecting increasing consumer demand for experiences and investing in standalone leisure assets based on strong property fundamentals, our established relationships with operators and the resilience of the sector to structural change.

We aim to be at the forefront of digitising retail environments and helping retailers to pursue multi-channel strategies. We were the first to commit to free wifi in our centres, introduce Google product search and to trial Amazon lockers. We will continue to experiment with new ideas that have the potential to improve customer experience and help retailers connect profitably with their shoppers. Through our work on Trinity Leeds, we will be assessing the wider potential of our new Customer Relationship Management system, a navigation app, and the use of interactive screens.

OUR PERFORMANCE

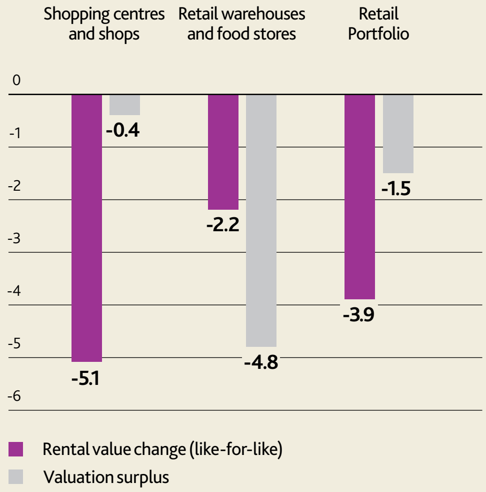
The portfolio produced an ungeared total property return of 4.6%, outperforming its sector benchmark in the IPD Quarterly Universe by 2.7%. Our shopping centres outperformed the IPD sector benchmark by 3.0%. Retail warehouses outperformed the sector benchmark by 0.6%.

The portfolio was valued at £5,348.0m at 31 March 2013, up £596.8m over the year, following a year of significant net investment, slightly offset by a 1.5% overall valuation decrease. Shopping centres and shops were down 0.4%. Retail warehouses and food stores were down 4.8%. Leisure and hotels were

RETAIL PORTFOLIO BY CAPITAL VALUE £5.35bn — CHART 14

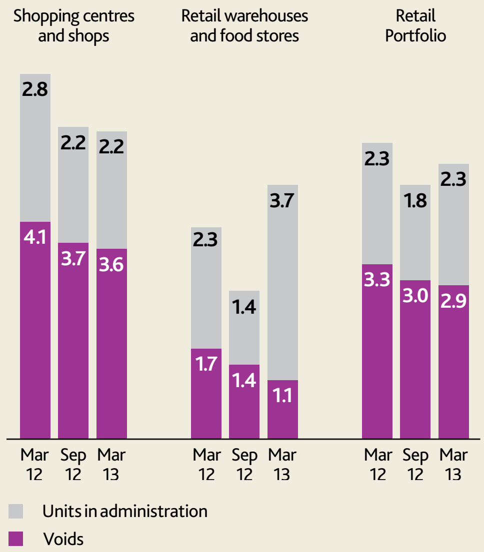
RETAIL VALUE TRENDS — CHART 15

Rental and capital value trends %
12 months ended 31 March 2013

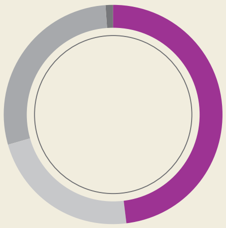


VOIDS AND UNITS IN ADMINISTRATION — CHART 16

Like-for-like Retail Portfolio %
12 months ended 31 March 2013



RETAIL PORTFOLIO FLOORSPACE 1.63 MILLION m^2 — CHART 17



TOP 10 RETAIL CLIENTS — CHART 18

	% of Group rent
Arcadia Group	2.3
Sainsbury's	1.9
Primark	1.5
Boots	1.5
Next	1.4
Dixons Retail	1.3
M&S	1.1
H&M	1.1
Debenhams	1.0
Home Retail Group	1.0
	14.1
Retail other (excluding Accor)	34.5
Total	**48.6**

HOW WE CREATE VALUE

We aim to deliver growing rental income streams, higher asset values and future development opportunities by:

1 Owning and creating assets able to thrive in a fast-changing retail environment.

2 Developing assets that can transform undervalued areas into thriving destinations.

3 Acting decisively to crystallise value and recycle capital.

4 Using asset management expertise to make locations more attractive to shoppers and retailers.

5 Forming close relationships with retailers and local authorities, so we can respond to stakeholders' changing needs.

NET RENTAL INCOME — TABLE 19

	31 March 2013 £m	31 March 2012 £m	Change £m
Like-for-like investment properties	**248.8**	250.3	(1.5)
Proposed developments	**–**	–	–
Development programme	**4.3**	4.6	(0.3)
Completed developments	**9.3**	7.4	1.9
Acquisitions since 1 April 2011	**11.5**	1.3	10.2
Sales since 1 April 2011	**2.5**	16.1	(13.6)
Non-property related income	**4.3**	4.0	0.3
Net rental income	**280.7**	**283.7**	**(3.0)**

down 0.2%. Rental values on our like-for-like portfolio (excluding units materially altered during the year) were down by 5.1% for our shopping centres and shops, and down by 2.2% for our retail warehouses and food stores reflecting difficult market conditions.

Despite a number of retailer insolvencies, we reduced voids across our like-for-like portfolio from 3.3% at March 2012 to 2.9% at March 2013. 1.1% of these are subject to temporary lettings. Units in administration were 2.3%, unchanged from March 2012.

Footfall in our shopping centre portfolio was down 2.6% in the year ended 31 March 2013. The national benchmark was down 3.7% over the same period. Our measured same store like-for-like sales were up 0.8%, while the BRC benchmark was up 0.4%. Our same centre sales, taking into account new lettings and tenant changes, were up 3.7%. Our measured retailers' rent/sales ratio was 10.2%. Total occupancy costs (including rent, rates, service charges and insurance) represented 17.9% of sales.

Net rental income decreased by £3.0m from £283.7m to £280.7m see table 19. The reduction is primarily due to the cessation of income on properties sold last year, notably St John's Centre, Liverpool and Corby Town Centre, which has not been fully offset by the additional £10.2m of income from acquisitions. Within the like-for-like portfolio, higher costs associated with tenant failures, including Clinton Cards, Comet, HMV and Dreams were only partly offset by reduced void related costs, as we increased occupancy levels compared to last year.

OUR OUTLOOK

We expect the retail market to remain tough, but with increasing opportunities for us as we move swiftly to address evolving consumer and retailer demand. The quality of our portfolio, the relationships we have with retailers and our ability to develop new and better space in the best locations will be increasingly important. Our strong balance sheet enables us to progress transactions and developments when others can't.

Our asset management teams will remain extremely busy as they look to maximise occupancy and returns through proactive initiatives. We will continue to time and de-risk our developments with care, in line with market dynamics.

Overall, we see increasing distance between the best retail assets, with their ability to meet people's desire for convenience and great shopping experiences, and the rest. We expect that our responsive approach to multi-channel retailing, leisure, food and beverage and digitally enhanced retailing will help set us apart. Our portfolio and strategy are well matched to the market we see ahead.

KEY OBJECTIVES FOR 2013/14

- Outperform our IPD sector benchmark
- Complete the letting of Trinity Leeds
- Progress pre-lettings at Buchanan Galleries, Glasgow
- Submit planning application for Westgate Centre, Oxford
- Achieve pre-lettings on our out-of-town development programme and progress planning applications
- Achieve planning permission for the Selly Oak development in partnership with Sainsbury's
- Complete developments at Crawley and Chadwell Heath
- Sale of specific assets to fund our investment activity

TRINITY LEEDS IN FOCUS

4m
Customer visits in first two months

9,000
Downloads of our app so far

85,000
Facebook fans

450,000
Visits to www.trinityleeds.com

Our new development reflects the growing importance of digital technology in retailing. The centre is a multi-channel space where customers can use Google product search to check stock availability in the stores; navigate and receive promotions through our app; and collect orders placed online.

The instant popularity of the centre's Facebook page makes it the largest social media group in Leeds. The page enables us to share news and promotions and ask for feedback. Such digital initiatives are helping us to increase footfall, support retailers and offer an even better shopping experience.

1.


2.


3.


4.


1. Multimedia
Retailers can send out news and offers for shoppers via our app, emails, website, mobile website and network of digital screens.

2. Brand immersion
Over the first four days of opening, Sony took every minute of advertising and event space in the centre, including the full screen network.

3. Student Takeover
During our 'Student Takeover' event in April, retailers sent 47 new offers via our digital channels.

4. Mobile app
The Trinity Leeds App is all about personalising your experiences with Trinity Leeds.

More information:
See more on the great ideas drawing people to Trinity Leeds
www.landsecurities.com/annualreport2013.

OUR KEY ASSET ACTIVITY – AT A GLANCE

How we turned a clear plan for every asset into action during the year.

Acquisitions and sales

Acquisitions in the year totalled £501.5m at an average yield of 6.0%. In line with our plan to increase our exposure to leisure, our most significant acquisitions in the year were all leisure assets.

- The Cornerhouse, Nottingham
  Acquired for £50.0m, this 20,900m² asset is anchored by a 14-screen cinema and includes 11 restaurants, two bars, a nightclub and a casino.
- The Printworks, Manchester
  Acquired for £93.8m, the city's dominant leisure destination attracts around eight million visitors each year.
- X-Leisure
  During the year we acquired a further 47.4% equity interest in the X-Leisure Unit Trust and 100% in X-Leisure Limited, the management company of the fund, for £128.2m. The transaction provides us with exposure to 16 leisure assets across the UK, and takes our interest in the fund to 59.4%. Our share of the underlying assets at 31 March 2013 was £351.1m.
- We also made a further £43.3m of other acquisitions including the freehold of the O2 Centre, Finchley Road, and the Boar Lane car park in Leeds.
- Sales during the year were £56.2m including the sale of Cathedral Plaza, Worcester, our share of the BHS store at St David's, Cardiff and the partial sale of Bridgewater Park, Northern Ireland. Since the year end we have sold Clayton Square, Liverpool and a small asset at Stonehills, Welwyn Garden City.

Asset management

This was a very busy year for our asset management teams as they worked to improve space and introduce new formats.

- Debenhams
  In September, we opened a 5,800m² department store for Debenhams at the Ravenside Retail Park in Chesterfield. We also entered into an agreement for lease for a 7,600m² Debenhams department store at Southside, Wandsworth, which is part of our Metro joint venture with Delancey.
- John Lewis Partnership
  We enabled John Lewis to open its first flexible format department shop in October. Located in Exeter and occupying 10,080m² over five floors, the store offers the full John Lewis range by combining physical and online retailing.
- Primark
  In October we also opened a 6,500m² store for Primark at Westwood Cross, Thanet, adding to an exciting fashion offer at the centre. In November, we opened a 5,550m² store for Primark at The Bridges, Sunderland, creating a major new anchor for the centre.
- Kingsmead, Bath
  The opening of Frankie & Benny's during the year took this 8,400m² leisure and restaurant complex to 100% let. We have also forward purchased a 108-bedroom Premier Inn hotel next to the centre which is due to be completed in October 2013.
- The O2 Centre, Finchley Road
  During the year we reconfigured space with lettings to Oliver Bonas, Paperchase and Bo Concept. We also increased the first floor restaurant space, and Vue Cinemas added four new screens. Having also acquired the freehold interest, we are now looking at more extensive development options.
- Nene Valley Retail Park, Northampton
  We lengthened income through lease restructuring, taking the average unexpired lease term on the park from 3.5 years to 8.5 years.
- Bexhill Retail Park
  We secured planning permission for a 4,920m² M&S store at this park. Works are due to complete in August 2013.
- Ravenside Retail Park, Chesterfield
  We achieved planning consent for the construction of an additional 2,460m² of floorspace in two new stores, which we pre-let to Asda Living and Hobbycraft. Works are due to complete in September.
- Accor Hotel Portfolio
  We are engaging with Accor to discuss strategy in relation to the break options they have on these leases in 2019. This will enable us to plan our exit from this non-core part of our portfolio over time.

Development and planning

Building on our early mover advantage, we pushed forward with development based on strong pre-lettings.

- Trinity Leeds
  The scheme opened on schedule, to budget and 95% let or in solicitors' hands. Occupiers include M&S, Primark, Apple, Superdry, Hollister, Next, River Island, H&M, Topshop/Topman, Urban Outfitters and Victoria's Secret.
- 185-221 Buchanan Street, Glasgow
  The scheme opened on schedule, to budget and is now fully let. The retail element of the scheme includes Forever 21, Paperchase, Gap, Fat Face and Watches of Switzerland.
- Whalebone Lane, Chadwell Heath
  In March we started work to refurbish and upgrade a unit previously let to B&Q. The store is pre-let to Asda. We have also let an adjacent 1,223m² store to B&M Stores.
- Crawley
  We started development of a 7,000m² supermarket, which is pre-let to Morrisons, along with 600m² of restaurant space and a 110-bedroom Travelodge hotel.
  The scheme is 94% pre-let.
- Bishop Centre, Taplow
  In September we secured full planning consent for the redevelopment of the existing site. We have committed to the new 12,260m² development, which is 76% pre-let to Tesco, TK Maxx, Nike, Frankie & Benny's and Costa.
- Buchanan Galleries, Glasgow
  Since the year end we have signed M&S as the anchor tenant and secured outline planning permission for a 43,100m² extension to the scheme with an improved public realm and a link into Queen Street station.
- Westgate Centre, Oxford
  With our joint venture partner, the Crown Estate, we have exchanged a conditional agreement for lease with anchor tenant, John Lewis, and entered into a development agreement with Oxford City Council. This provides the opportunity to develop a scheme of approximately 72,000m² in an undersupplied retail location.

RETAIL PORTFOLIO DEVELOPMENT PIPELINE

2013
CRAWLEY
WEST SUSSEX

2014
BISHOP CENTRE
TAPLOW

2013
WHALEBONE LANE,
CHADWELL HEATH

RETAIL DEVELOPMENT PIPELINE AT 31 MARCH 2013 — **TABLE 20**

Property	Description of use	Ownership interest %	Size m^2	Letting status %	Market value £m	Net income/ERV £m	Estimated/actual completion date	Total development costs to date £m	Forecast total development cost £m
Developments after practical completion									
Trinity Leeds	Retail	100	75,900	89	435	29.9	Feb 2013	333	377
Developments approved or in progress									
185-221 Buchanan Street, Glasgow	Retail	100	10,700	99	83	4.7	Mar 2013	48	60
	Residential		4,200				Sept 2013		
Whalebone Lane, Chadwell Heath	Retail	100	5,700	100	19	1.3	Aug 2013	14	18
Crawley	Retail	100	11,000	94	18	2.6	Nov 2013	17	38
Bishop Centre, Taplow	Retail	100	9,390	76	24	2.7	Mar 2014	20	39

Floor areas and letting status shown above represent the full scheme whereas all other figures represent our proportionate share. Letting % is measured by ERV and shows letting status at 31 March 2013. Trading property development schemes are excluded from the development pipeline. Cost figures given for proposed schemes could still be subject to material change prior to final approval.

Total development cost
Total development cost refers to the book value of the land at the commencement of the project, the 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, together with capitalised interest being the Group's borrowing costs associated with direct expenditure on the property under development. Interest is also capitalised on the purchase cost of land or property where it is acquired specifically for redevelopment. Of the properties in the development pipeline at 31 March 2013, interest was capitalised on the land cost at Trinity Leeds, 185-221 Buchanan Street, Glasgow and Crawley. The figures for total development costs include expenditure on the residential element of 185-221 Buchanan Street, Glasgow of £12.9m.

Net income/ERV
Net income/ERV represents net headline annual rent on let units plus ERV at 31 March 2013 on unlet units.

LONDON PORTFOLIO REVIEW OF THE YEAR

HIGHLIGHTS

5.4%
Valuation surplus

£11.8m
Investment lettings at 6.8% ahead of ERV (excludes pre-development properties)

£20.7m
Development lettings

Like-for-like voids down from 2.3% to 1.0%

20 Fenchurch Street, EC3, now 56% pre-let or in solicitors' hands

Over £700m of development committed at The Zig Zag Building, Kings Gate and Nova Victoria, all SW1

PROGRESS AGAINST OUR OBJECTIVES FOR 2012/13

Objective	Progress
Outperform IPD sector benchmark.	The portfolio outperformed its IPD sector benchmark by 0.1%.
Progress development lettings at One New Change, EC4; 123 Victoria Street, SW1; 62 Buckingham Gate, SW1; and 20 Fenchurch Street, EC3.	Letting levels at these schemes at 31 March 2013: One New Change: 100%; 123 Victoria Street: 78%; 62 Buckingham Gate: 0%; 20 Fenchurch Street: 51%.
Practical completion on time and to budget at Wellington House, SW1, and 123 Victoria Street, SW1.	Both schemes completed to budget. Completion of Wellington House delayed by two months.
Progress on time and to budget at 62 Buckingham Gate, SW1, and 20 Fenchurch Street, EC3.	Both schemes are on time and to budget.
Demolition of Kingsgate House, SW1, and commencement of demolition at Victoria Circle (now Nova Victoria), SW1.	Kingsgate House demolished by November with The Zig Zag Building and Kings Gate now under construction; demolition commenced at Nova Victoria, SW1, in October.
Submission of planning applications at Portland House, SW1, and Oxford House, W1.	Both applications submitted during the year.

OUR MARKET

The occupational market was similar to last year, with relatively subdued take-up for new and second-hand office space. Take-up in central London for the 12 months to 31 March 2013 totalled 0.9 million m^2 compared to the 10 year average rate of 1.1 million m^2.

Although overall take-up has been sluggish, there have been pockets of activity where occupiers are willing to move and pay for the right space as evidenced in our portfolio in deals at 20 Fenchurch Street, EC3 and 123 Victoria Street, SW1.

Low business confidence remained a key factor in subduing demand but, as last year, it also served to limit the supply of new space being developed. CB Richard Ellis estimate that just 1.8 million m^2 of office space will be developed or extensively refurbished in the four years between 2013 and 2016; this works out at less than 0.5 million m^2 of space per annum. Furthermore, of the 1.8 million m^2 of space estimated to be developed, 0.9 million m^2 is under construction and of this, 0.3 million m^2 is already pre-let. This leaves just 0.6 million m^2 that is under construction and available.

Low development activity is keeping vacancy rates low. Across central London, as at 31 March 2013, the vacancy rate stood at 7.8% compared to an average vacancy rate of 8.1% over the last 10 years. Not enough of the right space is being built. The development pipeline, including newly completed space currently available, provides just over two years supply, based upon the 10 year average rate of take-up of new space. This means occupiers looking to move in 2014/15 need to be looking for space now. This has extended our window for development, and we have committed to further projects with more in the pipeline.

Despite the flat conditions of the office rental market, London's enduring qualities as a leading financial and commercial centre continue to attract inward investment. According to CB Richard Ellis, central London office transactions totalled £13.3bn over the 12 months to 31 March 2013, the most since the 12 months to 31 March 2008. Overseas investors accounted for over 40% of all transactions. In addition, increased demand for central London homes means the residential market has also remained strong.

OUR STRATEGY

Our priorities are to develop first class office, retail and residential space in central London and to strengthen income streams through smart, rigorous asset management.

We work to maximise returns through the cycle. As early-cycle developers, we gain the benefits of competitive construction costs and rising rental values. Across the portfolio, we have a clear plan for every asset. We do not hesitate to realise and recycle the value in an asset if a more attractive opportunity appears. We manage the balance between development and property investment carefully, with a current emphasis on development as it has the potential to deliver greater returns at this point in the cycle. Our development programme is well timed, well managed, and well matched to the market conditions we see ahead. Where necessary, we establish partnerships that enable us to de-risk and enhance the way we deliver major developments.

It is important that we keep anticipating and responding to the ever-evolving needs and expectations of today's occupiers in the way we plan, design, build and manage our buildings. We also work to form close relationships, which are built on trust, within the communities in which we operate so that our commercial endeavours are supported.

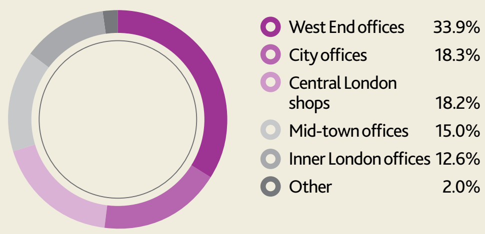
OUR PERFORMANCE

The portfolio produced an ungeared total property return of 10.5%, which outperformed the sector benchmark (central and inner London) in the IPD Quarterly Universe by 0.1%.

The London Portfolio was valued at £6,098.4m at 31 March 2013. This produced a valuation surplus for the year of 5.4%. West End offices were up 6.2%. Mid-town offices were up 4.8%. City offices were up 5.4%. Central London shops were up 7.1%. Within these figures, properties within the development programme produced a surplus of 18.2%, while proposed developments were up by 3.7%.

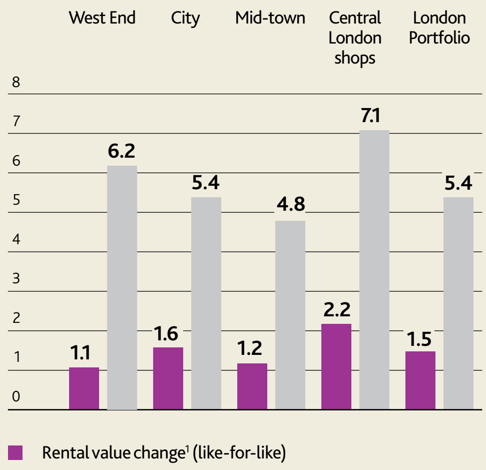
Rental values in our like-for-like portfolio (excluding units materially altered during the year) increased by 1.5%. Across the portfolio, the increases were 1.1% for West End offices, 1.6% for City offices, 1.2% for Mid-town offices and 2.2% for central London shops. Like-for-like voids were 1.0%, compared to 2.3% at March 2012. Void levels on the

LONDON PORTFOLIO BY CAPITAL VALUE £6.10bn — CHART 21



LONDON VALUE TRENDS — CHART 22

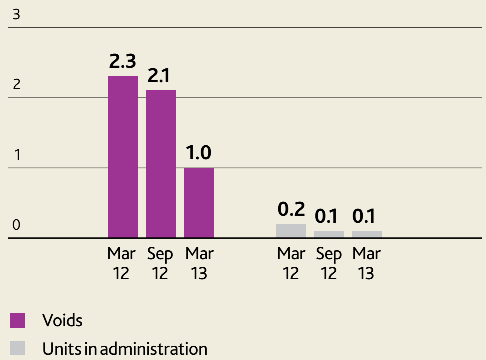
Rental and capital value trends %
12 months ended 31 March 2013



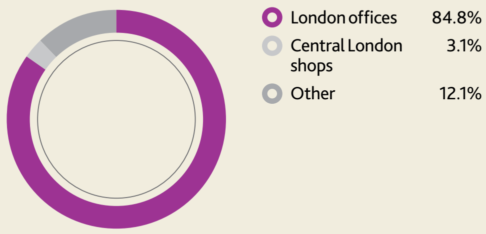
1. Rental value figures exclude units materially altered during the year and also Queen Anne's Gate, SW1.

VOIDS AND UNITS IN ADMINISTRATION — CHART 23

Like-for-like portfolio %



LONDON PORTFOLIO FLOORSPACE 0.75 MILLION m^2 — **CHART 24**



TOP 10 OFFICE TENANTS — **TABLE 25**

	% of Group rent
Central Government (including Queen Anne's Gate, SW1)	5.2
Royal Bank of Scotland	2.7
Deloitte	2.7
Bank of New York Mellon	1.5
Taylor Wessing	1.4
K&L Gates	1.2
Metropolitan Police	1.1
EDF Energy	1.0
Redbus Interhouse	1.0
Microsoft	0.9
	18.7
Office other	19.2
Total	**37.9**

HOW WE CREATE VALUE

We aim to deliver growing rental income streams and higher asset values over the long term by:

1 Owning and creating high quality products that meet customers' changing needs.

2 Developing assets early in the cycle to maximise returns.

3 Acting decisively to crystallise value and recycle capital.

4 Being inventive and energetic in the way we manage our assets.

5 Combining our strong reputation and local knowledge to unlock opportunity.

NET RENTAL INCOME — **TABLE 26**

	31 March 2013 £m	31 March 2012 £m	Change £m
Like-for-like investment properties	**235.5**	226.2	9.3
Proposed developments	**1.6**	4.8	(3.2)
Development programme	**4.5**	15.0	(10.5)
Completed developments	**20.1**	16.1	4.0
Acquisitions since 1 April 2011	**–**	–	–
Sales since 1 April 2011	**0.8**	22.4	(21.6)
Non-property related income	**4.5**	4.5	–
Net rental income	**267.0**	289.0	(22.0)

like-for-like central London shops were 0.8% (2012: 1.2%) and London offices were 1.1% (2012: 2.5%).

Net rental income decreased by £22.0m to £267.0m (see table 26). The reduction is driven almost entirely by the impact of properties sold in the last two years, most notably Eland House and properties sold to our Nova Victoria (formerly Victoria Circle) joint venture, both SW1. Net rental income from the development programme and proposed developments has also reduced, driven by vacant possession at Kingsgate House and Nova Victoria, respectively. Income from like-for-like properties benefits from the completion of the refurbishment at 40 Strand, WC2 in the prior year.

OUR OUTLOOK

The fundamental drivers of supply and demand described earlier are set to remain in place over the short term. Although we expect demand to increase, it will remain below the long-term average. However, supply of new space is set to remain relatively restricted. London continues to attract property investors from overseas.

Looking at longer-term dynamics, the office market is changing. Modern occupiers are increasingly looking for their new space to accommodate more people while providing excellent facilities and cost-effective services in a great location. Floor plans must respond to greater use of open plan working and more flexible meeting areas. Technical resilience in the lift capacity, power supplies, heating, cooling, lighting and environmental performance are increasingly important factors. As we move forward, the most successful schemes and assets will be those that are well placed to meet the efficiency demands and quality expectations of occupiers.

We will not rely on the market for growth.

Value creation will come from well-timed development and active asset management. We continue to believe that delivering developments early in the cycle is preferable, and that the opportunity to generate strong returns from office, retail and residential development remains.

KEY OBJECTIVES FOR 2013/14

- Outperform our IPD sector benchmark
- Complete the letting of 123 Victoria Street, SW1
- Progress development lettings at 62 Buckingham Gate, SW1, 20 Fenchurch Street, EC3 and 1 & 2 New Ludgate, EC4
- Demolition of 1 New Street Square, EC4
- Obtain planning permission at Portland House, SW1 and Oxford House, W1
- Progress on time and to budget at The Zig Zag Building, Kings Gate, Nova Victoria, all SW1 and 20 Fenchurch Street, EC3
- Sale of specific assets to fund our investment activity

RESIDENTIAL DEVELOPMENT IN SW1

£1bn
Total development cost

535
Residential apartments

Location:
Situated in the centre of London and close to three parks, iconic London sights and the river.

Community living:
Fantastic community life, with events and places to meet. Great shopping options, restaurants, cafés and bars.

New heights:
We have submitted plans to change Portland House, Victoria's tallest building, from offices to apartments.

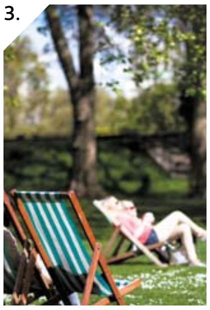
Off-plan strategy:
At Wellington House, our first residential development in SW1, all 59 apartments were sold before completion, for £90.4m.

Next stage:
Phase 1 of our ambitious Nova Victoria scheme will provide a spectacular 67,500m² mix of residential, retail, office and public amenity space.

Visit Victoria and you will see that enormous changes are taking place. Our revitalisation of the area's offices, shops and homes is turning the dusty old corridors of traffic and 1960s' architecture into a vibrant centre at the heart of the capital.
Our residential development activity in SW1 was originally a response to local authority requirements for new homes. But over time we have also seen very strong growth in demand for high-end residential space, and we are meeting that demand. Buyers are attracted by the prime location and high specification of our SW1 schemes, while our heritage and reputation as a developer gives them confidence their property will be delivered as expected.
This area of development promises strong returns for us over the next few years.

1.


2.


3.


4.


1. Transformation
Our masterplan is creating 3 million sq ft of offices, shops and homes.

2. Value
Our SW1 assets are now generating substantial shareholder value.

3. Location
Victoria is becoming one of London's most desirable neighbourhoods.

4. Understanding
We are providing the modern space today's occupiers require.

More information:
See why our residential schemes in SW1 are generating such strong demand
www.landsecurities.com/annualreport2013.

OUR KEY ASSET ACTIVITY – AT A GLANCE

How we turned a clear plan for every asset into action during the year.

Acquisitions and sales

With strong competition for assets and the relative attraction of our development programme driving up values, we opted to take a disciplined approach, making small, strategic acquisitions to support our schemes.

– 6 Castle Lane, SW1
We purchased this asset for £10.1m. It increases our options for the delivery of our masterplan for Victoria.

– 19-23 Shaftesbury Avenue, W1
This £25.8m purchase completed our ownership of the entire freehold island site behind Piccadilly Lights, W1 and has opened up a number of significant reconfiguration options.

– Wellington House, SW1
All of the 59 apartments were sold on completion for £90.4m.

Asset management

Smart asset management is providing us with the strong and reliable revenues we need to complement our activity.

City and Mid-town:

– One New Change, EC4
Following new lettings to CBREi, bwin, Panmure Gordon and Dealogic, the scheme is fully let. New retail lettings – including to Boots and Bang & Olufsen – have been achieved ahead of ERV.

– Times Square, EC4
The asset is fully let following 4,800m² of lettings to Research Now and NICE.

– 47 Mark Lane, EC3
We restructured leases with AXA Insurance UK, securing an additional five years of income, and completed a letting to Jubilee Insurance Services.

– 38-48 Southwark Bridge Road, SE1
We took a surrender of the headlease allowing the undertenant to simultaneously extend its lease by five years. We have subsequently sold the asset, crystallising an 18.5% uplift in value.

– Red Lion Court, SE1
Due to expire in 2015, we restructured Lloyds Banking Group's lease securing their occupation until a minimum of 2020.

West End:

– Nova Victoria, SW1 (formerly Victoria Circle)
Ahead of demolition works, we secured vacant possession of 170 leasehold interests on time and below cost estimates.

– Oriana, W1
At our joint venture with Frogmore, Primark opened its new flagship store and we achieved planning consent for a further 8,440m² of flagship and residential space.

– Cardinal Place, SW1
We strengthened income, completing lease restructures, securing additional lettings and settling an outstanding rent review.

– Oxford House, W1
With the office income due to expire while we explore a conversion to residential, we have maximised income through a 4,120m² short-term letting to Publicis.

– Piccadilly Lights, W1
We have completed lease renewals at two advertising screens ahead of ERV and introduced Jamie's Italian to Sherwood Street. Following our purchase of 19-23 Shaftesbury Avenue, we have let virtually all of the space on short-term leases and plans are underway to remodel three flagship stores and introduce a further advertising screen.

– 7 Soho Square, W1
Due to expire in 2013, we restructured Trip Advisor's lease, securing the building's largest tenant through the Crossrail works period.

Development and planning

Our commitment to developing early in the cycle drove a busy year of activity across London, from Victoria to the City.

– 123 Victoria Street, SW1
Practical completion was achieved in August 2012 and the building is 78% let.

– 62 Buckingham Gate, SW1
This 24,160m² office and 1,450m² retail development completed in May 2013 and is 10% pre-let.

– 20 Fenchurch Street, EC3
This world-class 62,940m² office building is 56% pre-let or in solicitors' hands – a full year ahead of completion. Lettings have been ahead of our expectations in terms of rental level, lease length and incentives.

– Kings Gate, SW1 (trading property)
This prime residential development will comprise 100 private apartments over 14 storeys, providing 10,120m² of contemporary space. 59 of the 100 apartments have already been pre-sold with completion scheduled for January 2015.

– The Zig Zag Building, SW1
The scheme comprises a 20,910m² office and retail building. Construction started in November with practical completion scheduled for January 2015.

– Nova Victoria, SW1 (formerly Victoria Circle)
Phase 1 will provide a spectacular 67,500m² mix of retail, residential, office and public amenity space. Demolition work started in October and completion of the scheme is due in April 2016.

– 1 & 2 New Ludgate, EC4
We completed demolition during the year. A construction contract is fully tendered and completion of this 35,210m² proposed development of high quality office, restaurant and retail accommodation will be 23 months from commitment to build.

– 1 New Street Square, EC4
Demolition started in March 2013 and the earliest completion date for this extension to our successful New Street Square campus is July 2016. Our success at New Street Square gives us confidence in the prospects for this scheme, when delivered.

LONDON PORTFOLIO DEVELOPMENT PIPELINE

2013
62 BUCKINGHAM GATE
LONDON SW1

2015
THE ZIG ZAG BUILDING
LONDON SW1

2016
NOVA VICTORIA PHASE 1
LONDON SW1

LONDON DEVELOPMENT PIPELINE AT 31 MARCH 2013

TABLE 27

Property	Description of use	Ownership interest %	Size m²	Planning status	Letting status %	Market value £m	Net income/ ERV £m	Estimated/ actual completion date	Total development costs to date £m	Forecast total development cost £m
Developments after practical completion										
123 Victoria Street, SW1*	Office	100	18,490		74	228	13.8	Aug 2012	155	155
	Retail		2,620		100					
Developments approved or in progress										
62 Buckingham Gate, SW1	Office	100	24,160		–	253	17.8	May 2013	163	177
	Retail		1,450		–					
20 Fenchurch Street, EC3	Office	50	62,940		51	183	21.1	Apr 2014	147	239
	Retail		1,180		–					
The Zig Zag Building, SW1**	Office	100	17,450		–	88	15.6	Jan 2015	71	181
	Retail		4,150		16					
Nova Victoria (formerly Victoria Circle) Phase 1, SW1	Office	50	44,620		–	112	20.0	Apr 2016	98	384
	Retail		7,420		–					
	Residential		15,460		–					
Proposed developments										
1 & 2 New Ludgate, EC4	Office	100	32,180	PR	–	n/a	n/a	2015	n/a	n/a
	Retail		3,030		–					
1 New Street Square, EC4	Office	100	24,490	PR	–	n/a	n/a	2016	n/a	n/a
	Retail		460		–					

* Office refurbishment only. Figures provided are for the property as a whole including the retail element.
** Includes retail within Kings Gate, SW1.

Property	Description of use	Ownership interest %	Size m²	Planning status	Letting status %	Market value £m	Net income/ ERV £m	Estimated/ actual completion date	Total development costs to date £m	Forecast total development cost £m
Developments let and transferred or sold										
One New Change, EC4	Office	100	31,990		100	504	27.3	Oct 2010	529	529
	Retail		20,160		99					

Where the property is not 100% owned, floor areas and letting status shown above represent the full scheme whereas all other figures represent our proportionate share. Letting % is measured by ERV and shows letting status at 31 March 2013. Trading property development schemes (e.g. Kings Gate, SW1) are excluded from the development pipeline.

Planning status for proposed developments
PR – Planning received.

Total development cost
Total development cost refers to the book value of the land at the commencement of the project, the 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, together with capitalised interest, being the Group's borrowing costs associated with direct expenditure on the property under development. Interest is also capitalised on the purchase cost of land or property where it is acquired specifically for redevelopment. Of the properties in the development pipeline at 31 March 2013, the only property on which interest was capitalised on the land cost was Nova Victoria Phase 1, SW1. The figures for total development costs include expenditure on the residential elements of Nova Victoria Phase 1, SW1 (£133.4m).

Net income/ERV
Net income/ERV represents net headline annual rent on let units plus ERV at 31 March 2013 on unlet units.

TRADING PROPERTY DEVELOPMENT SCHEMES

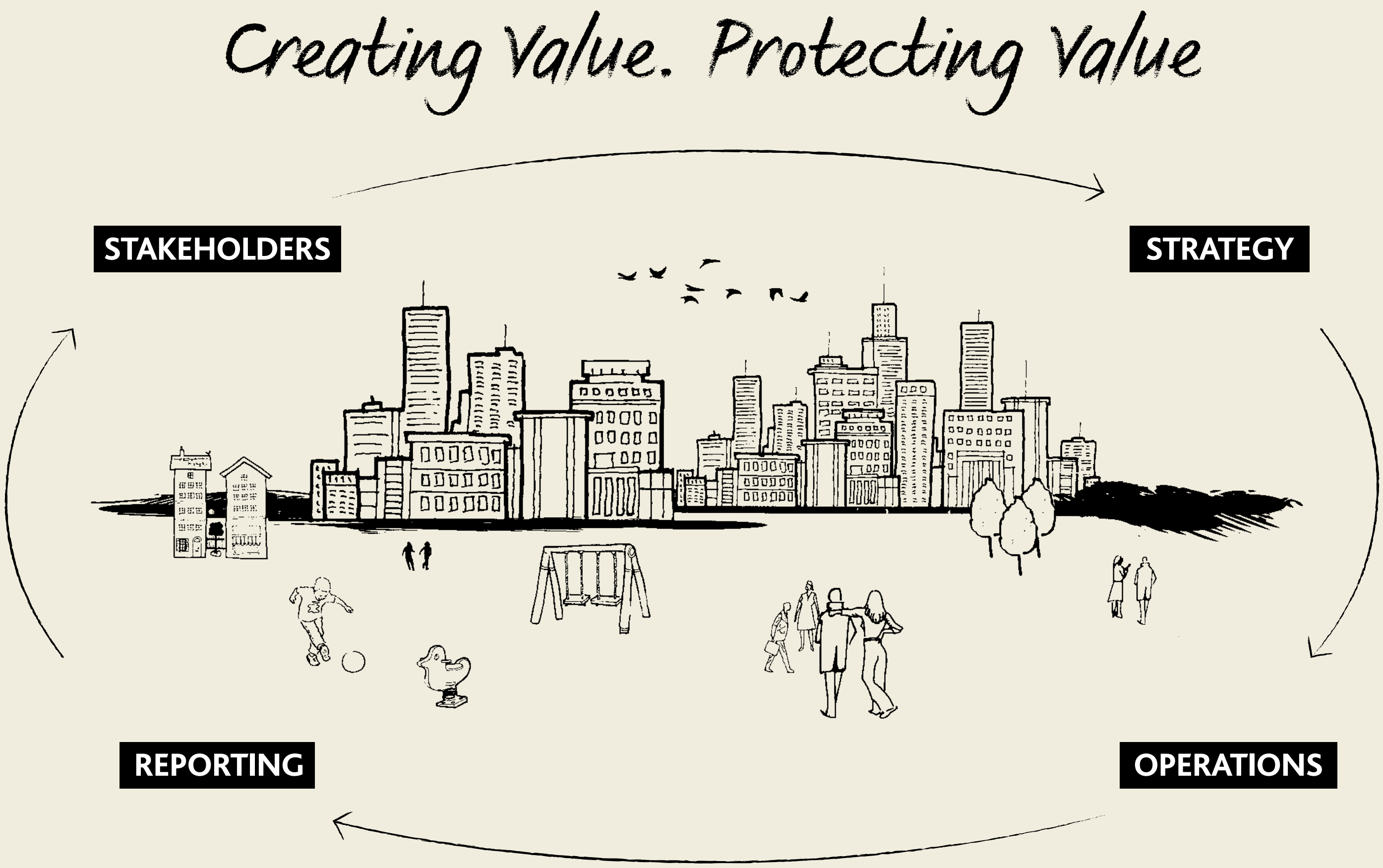
TABLE 28

Property	Description of use	Ownership interest %	Size m²	Number of units	Sales exchanged by unit %	Estimated/ actual completion date	Total development costs to date* £m	Forecast total development cost* £m
Wellington House, SW1	Residential	Sold	6,130	59	100	Oct 2012	n/a	n/a
Kings Gate, SW1	Residential	100	10,120	100	53	Jan 2015	57	161

* Residential TDC excludes any estimated tax on disposal.

CORPORATE RESPONSIBILITY STRATEGY

While there is no simple link between sustainability and share price, we are convinced that taking a long-term approach to business helps us to create and protect value.



By acting responsibly, we are able to deliver

SUSTAINABLE BUSINESS

We aim to create and protect value by being the company people prefer to work with and for.

P51

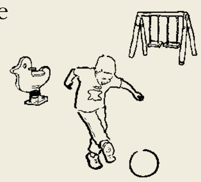
STRONGER COMMUNITIES

We want to be a good neighbour who invests locally and helps to create job opportunities.

P52

BETTER ENVIRONMENTS

We work hard to ensure our sites are safe, waste is minimised and natural resources are used carefully.



P53

CORPORATE RESPONSIBILITY REPORT

SUSTAINING OUR SUCCESS

While there is no simple link between sustainability and share price, we are convinced that taking a long-term approach to business helps us to create and protect value. We believe thinking that looks beyond the short term provides us with a portfolio of properties that can respond to changing customer needs, public expectations and regulation.

Mutual advantage is central to our approach. We look to create benefits for all of the stakeholders affected by our activities. To turn that aspiration into action, we have a set of standards that apply across the Company. Certain areas, such as energy, are coordinated at Group level. Others – such as supporting community groups, charities and schools – are handled locally, with our teams on the ground using their knowledge and relationships to make a difference. We try to respond to the particular needs of each area, rather than impose initiatives from afar. And we aim to make a significant and lasting contribution whatever we do, wherever we work.

We report on our approach under the banner of 'corporate responsibility' (CR). As with other areas of our activity, we are working to a clear plan on CR. You can read more about our progress in our Corporate Responsibility Report 2013 at www.landsecurities.com/responsibility.

Working with students from Pimlico Academy

OUR STAKEHOLDERS

Our activities bring us into contact with a wide range of people. We describe some of the key groups below. Of course, many people interact with us in more than one way. For example, someone might be a regular visitor to one of our shopping centres, work for a local authority partner and live near one of our developments. Some of our employees are also investors.

Investors

Our investors expect us to use their capital responsibly so that we can provide them with sustainable returns. They want to know that we are a well-governed organisation that considers both the immediate and the long-term issues and opportunities facing the Company, our customers and our industry. We commission an independent investor survey every two years, which helps us to understand our investors' views and expectations. We provide a wide range of communications to shareholders, including a comprehensive area on our website and a range of reports, including this Annual Report.

Employees

We aim to attract, retain and develop the brightest and best people in our industry. We want them to make the most of their talents, and aspire to be the best at what they do. We recognise and reward those who create and protect value for the Company.

We continue to develop people's leadership skills at all levels of the business and aim to identify future leaders early in their careers. We compare our employee development and culture with high performance companies in general, rather than others in our industry. We encourage close co-operation between our teams across the business, and promote knowledge and resource sharing.

We are committed to equal opportunities and to providing a diverse and inclusive workplace in which everyone is treated with respect. As part of this, we work to ensure all employees, including those with disabilities, receive the same opportunities for training, career development and promotion. We adhere to the UN Declaration of Human Rights, and this underpins all our policies, systems and actions. We encourage people to speak up and listen to others. Our annual employee engagement survey enables management to identify what is working well from the employees' perspective, and what needs to be improved. We also have an Exchange Forum in which employee representatives discuss key issues with members of the Senior Management Board. The Forum was relaunched this year to ensure it continues to be relevant. We believe it plays a vital role in helping us to achieve success.

Many of our employees donate or raise money for charities, or volunteer their time. We support the efforts of our volunteers, award bursaries and run a Give As You Earn scheme to encourage charitable donations from employees.

Creating a better shopping environment at St David's, Cardiff

Customers

In Retail, we work closely with retailers to help them respond to a demanding and fast-changing market. We develop new and better ways for them to minimise costs and trade successfully. We look to maximise value for money for service charge payers, and we enable occupiers to discuss proposed charges with us during the budgeting process. We also provide a breakdown of service charges at all of our shopping centres and retail parks, so occupiers can see how their charge compares to those elsewhere.

In London, our West End team and City and Mid-town team include individuals from financial management and property management. This means occupiers receive a seamless service rather than having to work with different Land Securities teams to address different requirements. Our open door policy means occupiers can come in at any time to discuss issues or make suggestions.

To ensure we respond to our occupiers' needs, all of our tenants have their own Land Securities contact, we conduct customer satisfaction surveys and we hold occupier review meetings. See page 38 for our top ten retail occupiers and page 44 for our top ten office occupiers.

The local community supports the launch of Trinity Leeds

Suppliers and service partners
The most significant activities carried out by our suppliers and contractors include construction, construction-related trades and architectural services, cleaning, security, mechanical/electrical services, engineering, waste management and concierge services.

Our aim is to procure the best value goods and services from suppliers that meet our standards. To this end, all of our suppliers are registered on our new central Supplier Information Management System. This captures essential information provided by them. We use this information to carry out a full and thorough evaluation of their suitability as a supplier.

We also work in partnership with our supply chain to ensure their staff are well trained. We require their employees to act responsibly at all times and to deliver the services that our customers demand. We expect all of our service partners and suppliers to comply with all appropriate legislation. They must also conform to high ethical, social and environmental standards, including the highest standards for safety and health. We have a robust tendering and sourcing process for goods and services to ensure that we get best value from our relationships. We also monitor the performance of each supplier using key contract performance indicators, and we work together to achieve mutual advantage.

Communities
Wherever we work, we spend time in understanding how we can best support the local community. We work closely with local authorities, community agencies and voluntary groups to create employment, education and enterprise opportunities. We work with supply chain partners to help groups such as ex-offenders, young people with no experience and the long-term unemployed. And we also link up with national and local charities, so our buildings can help to connect people with causes they care about.

With development schemes or asset management initiatives, we consult with all interested parties early in the process. We want our buildings to be part of local life, not an island in the community.

Local authorities
A productive relationship with local authorities is essential if we are to secure planning for developments and make the greatest possible contribution to each area. No two communities are the same, so we build partnerships with decision makers, economic development teams and planning departments to help us understand local priorities. This enables our teams to focus investment and activity in the right way on the right issues.

Central government, regulators, trade bodies and NGOs
We aim to be a trusted adviser to government, and to be seen in our industry as a company that sets high standards and addresses the big issues. We engage with legislators, including members of both Houses of Parliament, and the trade organisations that influence them. We participate in industry bodies such as the British Property Federation, British Council for Offices, British Council for Shopping Centres, Better Buildings Partnership, London First, the UK Green Building Council and the European Public Real Estate Association. And we meet with a number of non-governmental organisations relevant to our work.

Consumers
We want the shoppers who visit our assets to enjoy spending time in them and to value the services they find there. Leisure is an increasingly important part of the retail mix, and we are doing more than ever before to provide great restaurants, cafés, bars and entertainment venues. We try to speak to as many members of the public as possible through the customer service desks in our shopping centres, by communicating through regular shopper surveys, and providing feedback facilities on our websites. We run bespoke training for our customer service staff so they can help visitors gain the best experience from their shopping trip.

GOVERNANCE

Our Stakeholder Panel meets once a year and includes customers and individuals from academia and the investment community. Together, they provide a range of valuable opinions on our targets, performance and reporting.

Our Corporate Responsibility Committee meets six times a year and is made up of people from across the business. The individuals that sit on the Committee include experts on property development and portfolio management, health and safety, and environment. The Committee's remit is to define our corporate responsibility strategy, make sure our activities remain relevant to our business objectives and monitor our performance. That performance is ultimately reviewed by the Executive Directors, as are the Group's CR targets. Chaired by the Group Tax and Treasury Director, Martin Wood, the Committee reports to our Chief Executive.

We also have a network of corporate responsibility advisers located throughout the business. This team provides information and guidance on CR initiatives to colleagues. It meets six times per year and a member of the CR Committee attends as an observer.

SUSTAINABLE BUSINESS

We work to sustain our success by ensuring that our business plans take account of the way the world is changing. This is about smart thinking that helps us to prepare for tomorrow while competing today.

Our approach often requires us to create benefits for ourselves by investing for the benefit of others. For example, by supporting social and economic development in the local community, we enhance the long-term success of a shopping centre.

By making the public realm around our office buildings attractive and vibrant, we make our assets more appealing to our customers and their staff. And by being alive to the potential effects of climate change on policy and public opinion, we ensure our new buildings can respond to the needs of tomorrow's occupiers and tomorrow's legislation.

From addressing opportunities to managing risk, smart thinking is helping to make us a sustainable business with a bright future.

RESPONDING TO A CHANGING WORLD

Given the importance of sustainability to our business, our Board of Directors requested additional input from management this year to ensure they have a full understanding of critical issues. Presentations highlighted the changing context for our business, including macro issues such as economic pressures, climate change, resource scarcity, localism and transparency, together with changes within society, business culture, technology and mobility. Specific issues likely to affect our business were then explored further, including potential restrictions on development, increasingly stringent environmental legislation, environmental threats to property and transparency. This work has strengthened the Board's ability to identify and address the short, medium and long-term issues that may affect our business. The scale of the issues involved underlines that sustainability is about much more than simply being a 'green' business.

CREATING A BETTER VICTORIA

Once a rather outdated part of central London, we are helping to transform the Victoria, SW1, area into one of the capital's most dynamic quarters. Along with reshaping Victoria's built environment, we are making substantial investments in the social and economic success of the area. Our coordinated programme of investment and action includes everything from education projects in local schools to support for young people's centres, employment and apprenticeship schemes, charities, hostels and homeless shelters. We are also part of the Business Improvement District. The scale of this work is made possible by the close partnerships we have formed with Westminster City Council and organisations such as Jobcentre Plus, The Prince's Trust, London's Probation Service and a number of our suppliers. By working together in a joined-up way we are able to have a lasting impact on life in SW1.

LEARNING AND TALKING

Volunteering
We introduced a new approach to volunteering this year. Volunteers now get two days' holiday for personal volunteering time, and an additional two days out of the office for professional volunteering that enables them to develop their skills while supporting one of our local communities.

Investor relations
As a leader in our industry, we believe we should set high standards when communicating about sustainability. For example, this year we invited a group of Socially Responsible Investors to our Environment Conference, and we met with mainstream investors to discuss how we see risks and opportunities from a sustainability perspective.

Employee surveys
We used to run an Employee Engagement Survey each year. This year we have moved to a new approach in which we carry out a full survey every other year and a lighter touch Pulse survey in the alternate years. This was a Pulse year, and the overall findings included the following:

95%
of respondents said "Overall, I am satisfied with working for Land Securities"

94%
of respondents said "I am proud to work for Land Securities"

90%
of respondents would "Recommend Land Securities as a good place to work"

Detailed performance on key Sustainable Business targets can be found on page 56.

STRONGER COMMUNITIES

Ultimately, the people who live where our properties are located determine whether we succeed or not. They affect everything from our ability to secure planning permission to the success of our shops and the quality of life for office tenants.

So wherever we have a significant asset, we invest in and work with the people who live nearby, and with local organisations. Whether it's through charitable giving, creating employment or providing educational opportunities, our aim is to earn people's trust and to help the area thrive. More and more, we look to develop long-term partnerships that address the most pressing local needs. In some locations that might mean we focus on employment projects. In others it might be education that receives priority.

WORKING TOGETHER IN LONDON

The construction industry requires 29,000 new recruits each year to 2017 to cope with planned developments and an ageing workforce. As the capital's largest commercial property developer, this shortfall represents a risk – lack of skilled people may delay construction. But it also represents an opportunity, providing job openings for those who live in and around our schemes, many of whom are furthest from the employment market.

Devised and led by us, the London Employment Strategy is a framework designed to maximise the effectiveness of property related work, training and apprenticeship initiatives in the capital. Land Securities fully funds four weeks of pre-employment training for each candidate. We then work with our partners to ensure those candidates can access qualifications, work experience and employment opportunities. This year, 94 candidates have secured jobs.

SUPPORTING THROUGH REPORTING

From employment and training to spending with local suppliers, we know that property development and asset initiatives can have substantial social and economic effects. But those effects have yet to be measured or analysed accurately, and lack of data is restricting the ability of local authorities to assess prospective schemes. To address this, we are working on a new reporting programme that will capture socio-economic benefits and impacts of what we do. Our first report has covered development at Trinity Leeds. This will be followed up with analysis of the centre's impact a year after opening. Such comprehensive reporting takes some time to complete, but we hope to be sharing our findings with more local authorities as we move through the year and into 2014.

SUPPORTING COMMUNITIES

Charity partner
During 2012 we partnered with the MS Society in all of our retail centres, enabling them to raise both awareness and funds of more than £100,000. The relationship will continue through 2013 as we help the charity to attract new volunteers during its 60th anniversary year.

Made in Marylebone
In February, 50 of our employees gave up a day of their time to help the Marylebone Project, a charity that supports homeless women on the path back to independent living. Our team used their skills to transform part of the charity's HQ into a revenue-generating space. We also ran workshops for residents, and made and sold products from a market stall to raise funds.

London Benchmarking Group
We are part of a group of organisations that have committed to report the volume and value of community and charitable endeavours they make each year. Every year we will report how much time and money we have spent supporting local groups. Our voluntary, self-assessed entry can be compared with those from other companies – including our peers in the property industry. Participating in the group will enable us to both benchmark our efforts and see how our support is changing over time.

Donations from our Charities Committee are focused on education, employability, enterprise and the environment. Contributions made more locally respond directly to the varied needs of the different communities in which we operate. We make no political donations.

Key figures from this year include:

£3.5m equivalent value of the space, time, promotion and cash investment made in community activity.

9,255 hours spent by our employees on skills-based, team building and personal volunteering activities.

Detailed performance on key Community targets can be found on page 56.

BETTER ENVIRONMENTS

Commercial property generates around 18% of carbon emissions in the UK, so it has a significant role to play in carbon reduction and overall environmental protection.

Evolving legislation and regulation represent a risk to any property company. Along with informing debate, policy and industry best practice, our approach is to develop an ever better portfolio of buildings well matched to the standards required in coming years.

Part of the challenge is to make investments for the long term without making our properties more expensive for occupiers today, or less profitable for us. Our work in this area covers everything from new forms of energy for buildings to the recycling of waste, support for local ecosystems and initiatives that encourage people to use our buildings in the most intelligent way. But we think bigger than that. If we can design and build more efficient and more flexible buildings – and create even better places for people to live, work and enjoy – everyone wins: occupiers get better value, fewer resources are required, enduring benefits are created for the community and we have assets that are more attractive and more valuable.

EFFICIENCY BY DESIGN

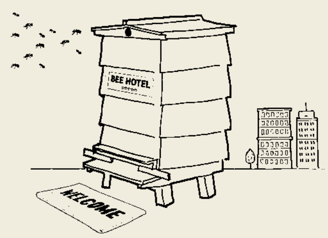
At 20 Fenchurch Street, EC3, we are creating one of the most efficient office properties yet seen in the capital. The building will feature a range of innovations and best practice elements to ensure it exceeds energy and environmental regulations. For example, solar shading will reduce heat while solar panels are in place to generate electricity. A low carbon, natural gas fuel cell – the first to be used in the City – will help to cool, heat and power the building. And the Sky Garden and a green wall will support biodiversity. However, the most important element is the overall design of the building. Its large floorplates, efficient air-conditioning and double decker lifts mean occupiers can accommodate more employees in less space. That space can also be adapted easily to suit changing requirements over time, so the building should have a long economic life.

TAKING CONTROL

Given the scale of our property portfolio, we take energy efficiency very seriously. Finding new and better ways to monitor and manage our energy use has a direct impact on costs for occupiers and for us. It also helps us to reduce emissions. We are now implementing a Company-wide system that will centralise the way we collect energy data, bill occupiers, and think about energy when we design new schemes. Greater control will enable us to reduce inefficiency.

And by applying our new knowledge in the way we design new schemes, our next generation of assets will be meeting regulations and exceeding expectations for years to come.

ENHANCING THE ENVIRONMENT



Influencing change
This year we set a target to 'introduce a behavioural change programme to raise environmental awareness and reduce energy use at two of our managed office buildings'. 95% of the occupants in the buildings have signed up to this pilot scheme, which will look at activities such as water and energy use, recycling, travel and procurement.

Waste management
We set challenging waste management targets for centres within our portfolio. When we acquire new buildings, they often need to be moved from a low benchmark to bring them into line with our existing assets. We are pleased to see the rapid improvement we can generate when we apply our expertise, like in Nottingham at The Cornerhouse, where landfill diversion rates have improved dramatically in ten months.

Biodiversity
A central team helps colleagues in London and Retail to assess whether a particular asset or scheme has the potential to enhance biodiversity. From green walls to ponds and gardens, there are often simple ways in which we can support plant, animal and insect life. For example, to help encourage bee numbers, our team in Exeter has installed new beehives in the city and plans to sell the honey produced at our Princesshay shopping centre. Our Westwood Cross team has also helped by building a 'Bee Hotel' – a large wooden structure that provides a great habitat for wild bees.

100%
of London waste diverted from landfill

90.9%
of Retail waste diverted from landfill

Detailed performance on key Environmental targets can be found on page 56.

EPRA SUSTAINABILITY REPORTING

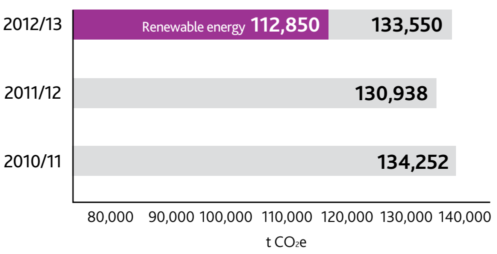
We collect environmental data to help us improve efficiency and ensure we meet regulation. We also share information with our shareholders and other stakeholders so they can get a clear picture of how we use energy and other resources.

We report using European Public Real Estate Association (EPRA) Best Practice Recommendations for Sustainability Reporting. This common reporting standard enables us to compare our impacts and use of resources with those of our peers.

We first published an EPRA-based reporting dashboard in last year's Annual Report. This year we have made improvements to how we display and discuss data to make our reporting as transparent as possible. For example, we now publish conversion factors. We expect to enhance our reporting each year, but believe we are already in good shape to meet Mandatory Carbon Reporting when it is introduced in 2014.

CARBON: ABSOLUTE **CHART 29**

Year-on-year performance tCO_2e



NOTES ON PERFORMANCE

The figures shown do not reflect construction activity, nor do they cover every property in our portfolio. We only report on buildings where we run the building and control the management of energy – what we call our managed portfolio. In the London offices managed portfolio, we report on the landlord-controlled common parts but also the space occupied by our tenants. In the Retail managed portfolio, we usually do not have access to tenants' metering information as they tend to work directly with energy suppliers.

Overall, our absolute environmental performance over the 12 months was broadly consistent with last year's figures. While a year-to-year absolute comparison is currently best practice in our industry, it can only provide a basic overview. Our normalised like-for-like figures provide more meaningful insights into what has changed from year to year.

With both absolute and like-for-like measures, the dynamic nature of a property portfolio has to be taken into account before conclusions are drawn about performance. For example, if we were to acquire a set of environmentally inefficient buildings this may impact our performance during the year, but it would also provide opportunities to substantially increase the efficiency of those poorly performing assets over time. Also, the performance of an individual asset may have altered significantly if, for example, the use of the building had changed or we have introduced new measures to improve resource use. Or we may have had a high number of assets that were unoccupied one year but occupied the next.

A closer look at this year's figures demonstrates the complexity of environmental reporting. We have seen a 9.5% overall increase in total energy used when set against our 2010/11 baseline. However, when we normalise these figures per m^2, we have seen a small decrease in total energy used. Part of this reduction in energy used per m^2 is due to energy efficiency measures. Part is also due to a fall in oil consumption as we replace oil-reliant sites with gas heating systems. Some of the reduction is due to occupier behaviour; buildings being emptied as part of our development pipeline activity; or the conversion factor for electricity moving in our favour due to the decarbonisation of the grid. In short, it is very difficult to isolate one factor as the ultimate cause of any movement in performance.

Performance against baseline Ahead or equal Behind

ABSOLUTE: 2012/13 FIGURES **TABLE 30** / **TABLE 31**

	Total energy usage		Electricity		Gas		Oil		Water
	Total kWh	tCO_2e	Electricity kWh	tCO_2e	Gas kWh	tCO_2e	Oil kWh	tCO_2e	Water m^3
2010/11: Baseline year	287,131,915	134,252	193,319,012	114,768	87,473,505	17,630	6,339,398	1,854	949,942
2012/13	285,267,433	133,550	194,399,641	114,661	87,443,766	17,869	3,424,026	1,020	920,663
Difference	(1,864,482)	(702)	1,080,629	(107)	(29,739)	239	(2,915,372)	(834)	(29,279)
% Change	(0.6)		0.6		0.0		(46.0)		(3.1)

EPRA SUSTAINABILITY REPORTING

CONVERSION — TABLE 32

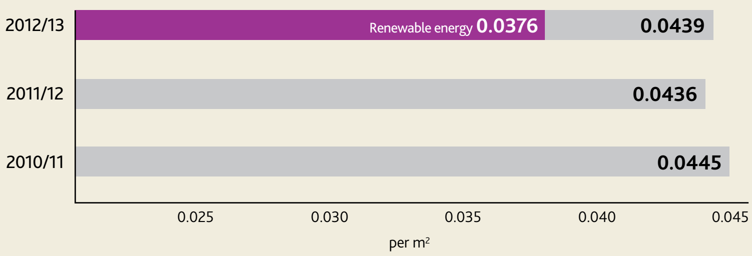
	2010/11 kg CO_2/kWh	2012/13 kg CO_2/kWh
Electricity	0.59367	0.58982
Natural gas	0.20155	0.20435
Burning oil	0.29245	0.29795

CARBON DISCLOSURE PROJECT SUSTAINABILITY REPORTING — TABLE 33

	2011	2012
Disclosure	60	92
Score	D	B

CARBON: LIKE-FOR-LIKE — CHART 34

Year-on-year performance per m²



We set a ten-year carbon reduction target from a 2010/11 baseline. Therefore, unlike conventional financial reporting, we have not restated data to reflect changes to our like-for-like portfolio.

Performance against baseline: Ahead or equal / Behind

LIKE-FOR-LIKE: 2012/13 FIGURES — TABLE 35

	Total energy usage: Total kWh	Total energy usage: tCO_2e	Electricity: Electricity kWh	Electricity: tCO_2e	Gas: Gas kWh	Gas: tCO_2e	Oil: Oil kWh	Oil: tCO_2e
2010/11: Baseline year	214,635,490	101,689	147,537,959	87,598	60,758,133	12,237	6,339,398	1,854
2012/13	235,004,107	111,427	164,177,302	96,835	69,556,741	14,214	1,270,064	378
Difference	20,368,617	9,738	16,639,343	9,237	8,798,608	1,977	(5,069,334)	(1,476)
% Change	9.5		11.3		14.5		(80.0)	

TABLE 36

	Water: Water m³
2010/11: Baseline year	830,976
2012/13	830,829
Difference	(147)
% Change	0.0

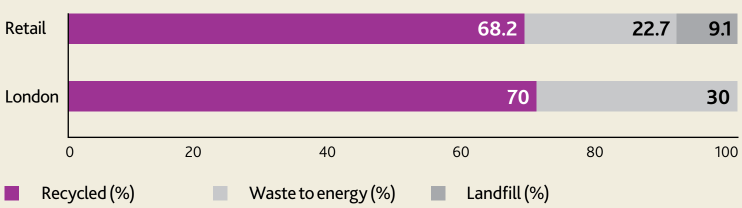
LONDON (LIKE-FOR-LIKE) EPRA NORMALISED PERFORMANCE 2012/13 — TABLE 37

	Baseline 2010/11	2012/13	Change	% Change
Energy				
kWh/m²/year	190	182	(8)	(4.2)
kWh/person/year	2,643	2,540	(103)	(3.9)
GHG				
tCO_2e/m²/year	0.090	0.090	0	0.0
tCO_2e/person/year	1.257	1.252	(0.005)	(0.4)
Water				
m³/m²/year	0.425	0.387	(0.038)	(8.9)
m³/person/year	5.926	5.395	0.53	(9.0)

RETAIL (LIKE-FOR-LIKE) EPRA NORMALISED PERFORMANCE 2012/13 — TABLE 38

	Baseline 2010/11	2012/13	Change	% Change
Energy				
kWh/m²/year	45	49	4	8.9
kWh/person/year	355	411	56	15.8
GHG				
tCO_2e/m²/year	0.021	0.022	0.001	4.8
tCO_2e/person/year	0.167	0.181	0.014	8.4
Water				
m³/m²/year	0.332	0.298	(0.034)	(10.2)
m³/person/year	2.606	2.488	(0.118)	(4.5)

WASTE — CHART 39



Explanation

Waste from our Retail Portfolio remains a challenge. In particular, wet waste – for example, organic waste from restaurants – plays a bigger role in Retail than London and is harder to recycle. Geography affects figures too, with energy-from-waste facilities easier to reach in South East England. More retailers are choosing to recycle some of their more valuable waste, while leaving us to handle the rest. This makes it harder for us to reach our targets, but it does give us plenty of opportunities to improve waste management overall.

KEY TARGETS

KEY TARGETS

Targets	Overall target	2012/13 target	2012/13 performance
Sustainable business:			
Professional volunteering	Maintain or increase 60% employees volunteering rate (for half day or more per year) but increase the proportion of those who provide skilled or professional advice or mentoring to 25% (of the 60%) by March 2014.	Establish accurate recording data across the business and aim for 17% (of benchmark) of volunteers to be providing skilled or professional advice or mentoring.	Achieved. New policy established and subsequent reporting mechanism introduced to capture breakdown of data. 35% of volunteering activity captured is classified as 'professional'.
Customer service	Maintain overall satisfaction rates in both London and Retail Portfolio customer surveys of 4 or over.	N/A	Achieved. Retail: "Overall satisfaction with shopping centre management team" 4.28 (of 5). London: "Overall satisfaction with estate management team" 8.1 (of 10), equivalent 4.05 (of 5).
Investor engagement	90% of our surveyed investor and analyst audience and 90% of our surveyed SRI specialists to believe our CR strategy is clear and perceived to be embedded in the way we do business by March 2014.	Target top ten SRI analysts and host at least one specific event to address SRI issues. Seek feedback on the Land Securities' investment case and include in all corporate reporting as business as usual.	Partially achieved. Invited top SRI analysts to Land Securities' 2012 Environment Conference. CR strategy included in some, but not all, of our corporate reporting.
Stronger communities:			
Reporting to local authorities	Report annually against social, economic and environmental metrics to all regional local authorities and London Boroughs where we have significant shopping centre or development presence by March 2014.	London: roll out City of London Reporting Pack, having taken feedback, to Westminster City Council. Retail: roll out reporting to 10 local authorities and all developments. Obtain feedback to assess what content is most useful and important to the local authorities.	Partially achieved. Met with, and reported to, all major local authorities. Still to roll out standard reporting template.
London Employment Strategy	Deliver the London Portfolio employment and skills programme across three development sites – 20 Fenchurch Street, Park House and 123 Victoria Street by March 2014.	Deliver the pre-employment routeway into construction across three sites – 20 Fenchurch Street, 1 & 2 New Ludgate and Kingsgate House.	Achieved. Delivered routeway across three sites; 20 Fenchurch Street, Kings Gate & The Zig Zag Building and Nova Victoria. Total candidates into employment 94.
Education	Establish working relationships with an increasing number of schools and colleges year on year; four in London, at least one at each appropriate Retail development site and at least one educational initiative adopted in each centre by March 2014.	Further develop relationships with current four London schools and seek feedback from the schools on how to make the relationship more productive. Actively promote opportunities to schools or colleges within retail development catchment areas. Each shopping centre to engage with local authority, agree and trial at least one appropriate educational initiative.	Achieved. Five schools and one college engaged in London. Every shopping centre is engaged in a local educational initiative.
Better environments:			
Energy	Reduce average CO_2 emissions from the like-for-like managed portfolio by 16% by 2020/21 (compared to 2010/11).	N/A	Saw a 1.4% reduction in 2012/13 against an interim reduction target of 5% by March 2014.
Water	Reduce average water consumption across the London managed office estate and the Retail like-for-like portfolio by 10% from a 2010/11 benchmark by March 2018.	Achieve a 5% reduction by 2014.	Achieved. Saw a reduction in the London office portfolio of 8.9% and 10.2% in the Retail Portfolio.
Waste	Increase to 90% the amount of waste diverted from landfill and recycle at least 70% by weight (as an average across all shopping centres) by March 2015.	Portfolio average to show an improvement on the March 2012 landfill avoidance figure, with at least 68% reused or recycled.	Achieved. 90.9% of shopping centre waste diverted from landfill, with 68.2% reused or recycled.
Environmental incidents	Record zero environmental incidents (defined as prosecutions for breaches of legislation or pollution incidents that require clean-up operations).	N/A	Achieved. None recorded in this reporting period.
Health and safety	Remain below industry benchmarks for reportable incidents for health and safety purposes on development sites and within our managed property portfolio.	N/A	Achieved. We have remained well below all available industry benchmarks for reportable incidents.

GOVERNANCE

Leadership

A profile of the Non-executive and Executive Directors who lead the Company.

P58

Good governance

The steps we take to ensure the Company has clear leadership and is well managed.

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Remuneration

How we align what management is paid with our performance and the interests of shareholders.

P74

ESSENTIAL READ

DIRECTORS' REPORT

GOVERNANCE

FINANCIAL STATEMENTS

INVESTOR RESOURCE

BOARD OF DIRECTORS

ALISON CARNWATH (60)
Chairman of the Board

Appointment to the Board:
Alison was appointed to the Board in September 2004 and became Chairman in November 2008.

Career:
Alison worked in investment banking and corporate finance for 20 years, before pursuing a portfolio career. During her banking career, Alison became the first female Director of J.Henry Schroder Wagg & Co. Alison also held the positions of a Senior Partner of Phoenix Securities and Managing Director, New York at Donaldson, Lufkin & Jenrette. Subsequently she served as a Non-executive Director of Friends Provident plc, Gallaher Group plc, Glas Cymru Cyfyngedig (Welsh Water), Barclays plc and Man Group plc. Alison is currently a Non-executive Director at Zurich Insurance Group Ltd, Paccar Inc, a Fortune 500 company and The British Library Trust.

Skills, competencies and experience:
Alison has some 30 years' international finance and investment banking experience. Having held Board positions in an executive and Non-executive capacity in a variety of industries and sectors in the UK and overseas, she brings substantial financial knowledge, strategic and leadership experience.

Board Committees:
She is Chairman of the Nominations Committee and a member of the Remuneration Committee.

ROBERT NOEL (49)
Chief Executive

Appointment to the Board:
Robert was appointed to the Board in January 2010 as Managing Director, London Portfolio and became Chief Executive on 1 April 2012.

Career:
A chartered surveyor and graduate of the University of Reading, Robert was previously Property Director at Great Portland Estates plc between August 2002 and September 2009. Prior to that, he was a Director at property services group Nelson Bakewell. Robert is a Trustee of the property industry charity, LandAid. Former positions include being a Director of the New West End Company, the central London Business Improvement District and Chairman of the Westminster Property Association.

Skills, competencies and experience:
Robert has over 25 years' experience in a number of sectors within the property market. He has extensive knowledge of the London commercial property market in particular and of strategic development. He has significant executive leadership experience in different property sectors and has substantial listed company experience at Board level.

Board Committees:
Robert chairs the Senior Management Board and the Asset and Liability and Investment Committee and is a member of the Finance Committee. He attends the Audit, Remuneration and Nominations Committees at the invitation of the Chairmen of those Committees.

MARTIN GREENSLADE (48)
Chief Financial Officer

Appointment to the Board:
Martin joined the Group as Chief Financial Officer in September 2005.

Career:
A chartered accountant, having trained with Coopers & Lybrand, Martin was previously Group Finance Director of Alvis plc. He has also worked in corporate finance, having served as a member of the executive committee of Nordea's investment banking division and Managing Director of its UK business. Martin is a Trustee of International Justice Mission UK.

Skills, competencies and experience:
Martin brings significant listed company financial and reporting expertise from the property, engineering and financial sectors in the UK and overseas. He is responsible for the finance, tax, treasury, insurance, IS and accounting teams in Land Securities and provides strategic and operational financial expertise to the Group including in relation to corporate financing and investment arrangements.

Board Committees:
Martin sits on the Investment Committee, the Asset and Liability Committee and the Finance Committee. He attends the Audit Committee meetings at the invitation of the Chairman of the Committee. He is also a member of the Senior Management Board.

RICHARD AKERS (51)
Executive Director

Appointment to the Board:
Richard joined the Board in May 2005, following his appointment as Managing Director, Retail Portfolio in July 2004.

Career:
A chartered surveyor, Richard joined the Group in 1995 and previously held the position of Head of Retail Portfolio Management. Prior to joining the Group, Richard worked in retail development for AMEC Developments and prior to that, ARC Properties. He is primarily responsible for the Retail Portfolio, leading the Retail Executive Committee and working with the Chief Executive and Chief Financial Officer on Group matters. Richard also has executive responsibility for Health and Safety across the Group. He is a Non-executive Director of Barratt Developments PLC.

Skills, competencies and experience:
Richard brings more than 25 years' experience of the retail property industry to his role and is a regular author and panellist on industry matters. He has led the Retail business through many recent major changes and challenges in the industry. He is a former President of the British Council of Shopping Centres (BCSC), the main industry body for retail property owners.

Board Committees:
Richard sits on the Investment Committee and the Asset and Liability Committee. He is also a member of the Senior Management Board.

DAVID ROUGH (62)
Non-executive Director

Appointment to the Board:
David joined the Board as a Non-executive Director in April 2002 and was Senior Independent Director from November 2003 to March 2012 and was Chairman of the Remuneration Committee until 30 September 2012.

Career:
David was Group Director (Investments) of Legal and General Group PLC until December 2001, and during that time also served as the Chairman of the Association of British Insurers' Investment Committee. David is a Non-executive Director of Brown, Shipley & Co. Ltd, the private bank, and was previously a Non-executive Director of the London Metal Exchange and Senior Independent Director and Deputy Chairman of Xstrata Group PLC.

Skills, competencies and experience:
David has many years' experience both as an executive in the financial investment industry and subsequently as a Non-executive Director in the investment, property, finance and extractive industries. He has

significant experience of strategic decision making including major international corporate actions. Although he has served on the Board for over nine years, he brings his independent thought and challenge to Board and Committee meetings, particularly in relation to finance and investor matters.

Board Committees:
David is a member of the Audit Committee and Finance Committee.

SIR STUART ROSE (64)
Non-executive Director

Appointment to the Board:
Sir Stuart joined the Board as a Non-executive Director in May 2003.

Career:
His extensive retail experience includes the positions of Chief Executive and then Chairman of Marks and Spencer Group plc from 2004 until 2010, Chief Executive of Arcadia Group from 2000 until December 2002 and Chief Executive of Booker PLC from 1998 until 2000. He is Chairman of Ocado plc and Blue Inc. He is a Non-executive Director of Woolworths Holdings South Africa, and sits on the advisory board of Bridgepoint Capital. He was Chairman of Business in the Community from 2008 to 2010.

Skills, competencies and experience:
Sir Stuart commenced his career in the retail industry in 1972 and has a wealth of international management experience in the sector, having led some of the biggest UK retailers. Although Sir Stuart has been on the Board of the Company for over nine years, he remains independent in thought and action providing insight and challenge particularly on retail, consumer, corporate responsibility and strategic issues. He was knighted in 2008 for services to the retail industry and corporate social responsibility.

KEVIN O'BYRNE (48)
Senior Independent Director

Appointment to the Board:
Kevin was appointed to the Board as a Non-executive Director in April 2008 and was appointed Senior Independent Director on 1 April 2012.

Career:
Kevin is a chartered accountant who trained with Arthur Andersen. He has held several senior finance positions and had been the Group Finance Director of Kingfisher plc since 2008 until his appointment in a key international leadership role as CEO B&Q and Koctas brands, responsible for group businesses in the UK, China, Turkey and Germany. His previous roles included Group Finance Director of Dixons Retail Plc, and European Finance Director for The Quaker Oats Company.

Skills, competencies and experience:
Kevin brings extensive knowledge and experience of strategic development and the management of multi-jurisdictional retailing for a FTSE 100 company. He also brings significant recent and relevant financial skills and expertise, financial governance and executive leadership.

Board Committees:
Kevin is Chair of the Audit Committee and is a member of the Nominations Committee.

CHRIS BARTRAM (64)
Non-executive Director

Appointment:
Chris was appointed to the Board as a Non-executive Director in August 2009.

Career:
Chris is Chairman of Orchard Street Investment Management LLP, a specialist UK commercial property investment manager. He is a chartered surveyor, a Non-executive Director of The Crown Estate and a Wilkins Fellow of Downing College, Cambridge.

He has previously served as Managing Director of Haslemere NV, Chairman of Jones Lang Wooton Fund management, President of the British Property Federation and Chairman of the Bank of England Property Forum.

Skills, competencies and experience:
A property investment specialist, Chris has many years' experience in the commercial property industry in the UK and abroad. He has substantial knowledge of property finance and investment in particular and of the wider property market.

Board Committees:
Member of the Nominations Committee and Remuneration Committee.

STACEY RAUCH (55)
Non-executive Director

Appointment:
Stacey joined the Board as a Non-executive Director on 1 January 2012.

Career:
Stacey is a Director Emeritus of McKinsey & Company where she served clients in the US and internationally for 24 years. Whilst there she co-founded the New Jersey office and was the first woman to be appointed as an industry practice leader. She was a leader in the firm's Retail and Consumer Goods Practices, served as the head of the North American Retail and Apparel Practice and acted as the Global Retail Practice Convener. She retired from McKinsey & Company in September 2010 and is currently a Non-executive Director of Ann Inc, (a listed American women's speciality apparel retailer) and the Tops Holding Corporation, (the parent company of Tops Markets LLC, a US grocery retailer). She is also a Non-executive Director of the Fiesta Restaurant Group which is listed on NASDAQ.

Skills, competencies and experience:
A retail specialist with many years' experience of the sector in the US and internationally, her career with McKinsey saw her consult to a wide range of retailers, apparel wholesalers and consumer goods manufacturers. She brings extensive international retail, and consumer goods industry experience. She also brings current leisure and grocery sector strategic business knowledge to the Board.

Board Committees:
Member of the Audit Committee.

SIMON PALLEY (55)
Non-executive Director

Appointed to the Board:
Simon was appointed to the Board as a Non-executive Director in August 2010.

Career:
A senior figure within the private equity industry, Simon is Chairman of the private equity firm Centerbridge Partners Europe and a Trustee of the University of Pennsylvania and The Tate Foundation.

Simon has had a successful and broad ranging career in investment banking, consulting and private equity. He started his career at Chase Manhattan before moving to Bain & Company. He left there in 1988 to join Bankers Trust as a Vice President, then in 1990 joined BC Partners, a private equity firm where he stayed for 17 years, rising to Managing Partner. Simon is an MBA graduate of The Wharton School, Pennsylvania.

Skills, competencies and experience:
Simon brings considerable strategic management and business oversight experience. He has particular expertise in international finance and investment, investor issues and the shareowner governance of companies.

Board Committees:
Chairman of the Remuneration Committee (from 1 October 2012).

INTRODUCTORY LETTER TO THE CORPORATE GOVERNANCE REPORT FROM THE CHAIRMAN OF THE BOARD

Dear Shareholder,

UK CORPORATE GOVERNANCE CODE

I am pleased to report that once again, your Company has complied in full with the 2010 UK Corporate Governance Code.

At Land Securities, we believe that good corporate governance is more than just an awareness and adherence to rules. It is about the Board setting clear expectations for conduct throughout the business, embracing difficult issues and being honest and open in our business dealings.

We monitor developments in corporate governance, both in the UK and internationally. We adopt emerging practice where it has the potential to enhance transparency and improve our business performance over the long term, whether or not it becomes mandatory. We talk to our shareholders regularly and welcome their feedback on our approach to governance and what they expect from us.

CHIEF EXECUTIVE AND MANAGEMENT

This was Robert Noel's first year as Chief Executive and he has made a significant impact. He has enhanced our governance and operational processes by establishing the London Executive Committee and the Retail Executive Committee. These Committees are responsible for the oversight and governance of our principal businesses. For more information on the Committees, please see page 62.

The Board continues to support and challenge management on significant strategic matters, including the shape of the organisation and changes in our markets.

During the year we paid particularly close attention to how the retail and office markets are changing, what effect this may have on the requirements of our customers and how we must adapt to meet their needs.

BOARD EFFECTIVENESS

We measure the performance of our Board through a series of individual director assessments and this year also by an externally facilitated board effectiveness review. This was conducted by a leading board evaluation firm, Boardroom Review, which completed a comprehensive and rigorous evaluation of the Board's work, effectiveness, composition and efficiency. The outcome was positive. The review generated a number of insightful suggestions which we have set aside time to address over the next 12 months. We will report on progress against them next year.

We are aware that we must continually develop our knowledge and skills so we can respond to changing market conditions and new business challenges and opportunities. Our Board development sessions this year concentrated on corporate responsibility, changing occupier requirements and consumer behaviours, technical innovation and sustainability.

RISK

Our Board meeting in September focused on risk. The purpose of the session was to gauge the risk appetite of Directors and their perception of the level of risk currently being taken in the business. Directors were asked whether they would like to see the Company increase or decrease its exposure to risk as a means of improving returns. The awareness of risk amongst Directors was very high and a consensus emerged as to the levels of risk the Board is happy for the business to take.

BOARD COMMITTEES

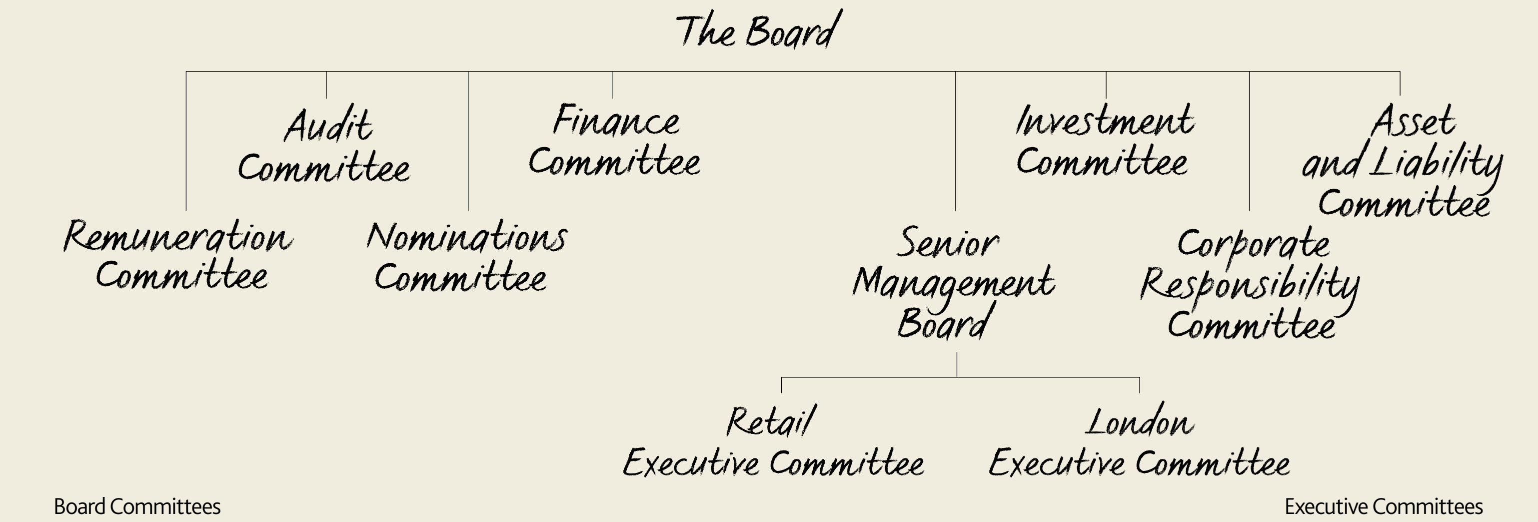
Our Board Committees have continued to perform effectively. Following a year of considerable change with the appointment of a new Chief Executive, the focus of the Nominations Committee included the Board effectiveness review, succession planning at the Senior Manager level and the search for a new Non-executive Director. The Remuneration Committee completed an extensive consultation on changes to the remuneration of our Executive Directors, which received overwhelming support from shareholders. It also considered guidance from investors on their expectations for executive remuneration and the various consultations and proposals from the Department for Business, Innovation & Skills' for Directors' remuneration. The Audit Committee considered a number of key risks within the business and oversaw a tender of our external audit. You will find more on the work of the Committees in this report.

Over the following pages we describe our corporate governance framework in more detail and include case studies of our governance in action. I hope you will find this helpful in understanding our commitment to good governance.

Alison Carnwath
Chairman

LEADERSHIP

THE ROLE OF THE BOARD AND ITS COMMITTEES CHART 40



THE BOARD
The Board provides leadership to the Group. It sets the strategy and oversees its implementation, ensuring that acceptable risks are taken. It ensures that the right people and resources are in place in order to deliver long-term value to shareholders and benefits to the wider community.

To help retain control of key decisions, the Board has put in place a formal schedule of reserved matters that require its approval. The principal reserved matters are:

- strategy;
- new business areas;
- authorisation of transactions in excess of £150m and those which are otherwise significant;
- internal controls and risk management;
- remuneration policy (through the Remuneration Committee);
- shareholder circulars and listing particulars;
- matters relating to share capital, such as share buybacks;
- treasury policy and significant fundraisings;
- dividend policy; and
- appointment/removal of Directors and the Company Secretary.

The Board also delegates matters to Board Committees and management. Clearly defined written limits support these delegations.

A copy of reserved matters is available to view on the Corporate Governance section of the Company's website: www.landsecurities.com/about-us/corporate-governance/role-of-the-board.

AUDIT COMMITTEE
The Audit Committee's primary function is to assist the Board in fulfilling its financial and risk oversight responsibilities. During the year the Committee met four times.

The Committee reviews items such as the half and full year results and then makes a recommendation to the Board.

Further information on the work of the Committee during the year can be found later in this section.

NOMINATIONS COMMITTEE
The Nominations Committee is responsible for considering the Board's structure, size, composition and succession needs. It also has oversight of the succession planning for Senior Managers. The Committee met twice during the year.

The Committee will lead such items as a search for a new Non-executive Director and will then make a recommendation to the Board on the suitable candidate.

Further information on the work of the Committee during the year can be found later in this section.

REMUNERATION COMMITTEE
The Remuneration Committee is responsible for determining the remuneration and conditions of employment for Executive Directors and Senior Managers. The Committee met four times during the year.

Further information on the work of the Committee during the year can be found in the Remuneration Report.

CORPORATE RESPONSIBILITY COMMITTEE
The Corporate Responsibility (CR) Committee reports to the Chief Executive. The Committee meets every two months and is responsible for:

- defining strategic priorities in CR;
- monitoring CR performance; and
- ensuring that CR activities remain directly related to our business objectives.

Our Corporate Responsibility Report 2013 is available at www.landsecurities.com/responsibility.

FINANCE COMMITTEE
The Finance Committee comprises the Chief Executive, the Chief Financial Officer and David Rough, a Non-executive Director. It met three times during the year.

The Committee is responsible for considering the Group's funding and reviewing certain funding activities including the approval of all new debt facilities. Depending on the level and type of funding, further approval may be required from the Board.

ASSET AND LIABILITY COMMITTEE
The Asset and Liability Committee members include all of the Executive Directors, the Group's Research Manager and the Group's Director of Tax and Treasury. It met three times during the year. The Committee is responsible for reviewing the following items, many of which come to the Board for information and discussion:

– the external environment: the economy, financial markets, the property cycle and the property markets in general;

– funding in the context of the Group's long- and short-term requirements;

– the forecast impact of acquisitions, disposals and developments on the Group's balance sheet;

– balance sheet gearing ratios and balance sheet resilience in the event of market shocks; and

– liquidity analysis of the portfolio, development and pre-development exposure.

INVESTMENT COMMITTEE
The Investment Committee meets weekly when required and comprises the Group's Executive Directors. It is responsible for approving significant transactions including acquisitions, disposals, developments and other transactions where they have a value in excess of £20 million or are otherwise unusual.

SENIOR MANAGEMENT BOARD
The Senior Management Board is made up of the Group's Executive Directors and, with effect from 1 April 2013, the Group's General Counsel and Company Secretary and the Group's HR Director. It meets weekly and invites other senior executives to discuss operational matters.

LONDON AND RETAIL EXECUTIVE COMMITTEES
The London Executive Committee and Retail Executive Committee members comprise senior executives across the London and Retail business units respectively. The Committees review governance and operational performance within their business units and ensure adherence to the Group's strategic and financial aims, assessing and mitigating key risks.

To put the work of many of these Committees into context, see page 63 where we have prepared a case study on the X-Leisure acquisition.

BOARD COMPOSITION AND ROLES
The Board comprises the Chairman, three Executive Directors and six independent Non-executive Directors. The Chairman and Chief Executive's key responsibilities are summarised as:

Chairman
– As Chairman, Alison Carnwath is responsible for leading the Board, its effectiveness and governance. She sets the tone for the Company, and ensures the links between the Board and management and the Board with shareholders are strong.

Chief Executive
– As Chief Executive, Robert Noel is responsible for the day-to-day management of the Group's operations, for recommending the Group's strategy to the Board and for implementing the strategy agreed by the Board.

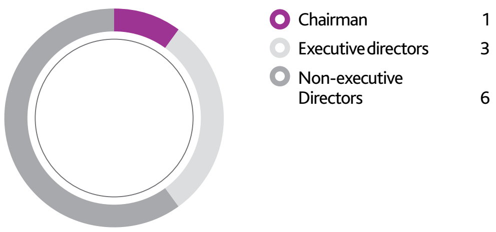
Executive Directors
– Martin Greenslade and Richard Akers support Robert Noel in devising and implementing strategy and in relation to the operational performance of the business.

Independent Non-executive Directors
– David Rough, Sir Stuart Rose, Kevin O'Byrne, Chris Bartram, Simon Palley and Stacey Rauch as Non-executive Directors constructively challenge the Executive Directors and monitor the delivery of the agreed strategy within the risk and control framework set by the Board.

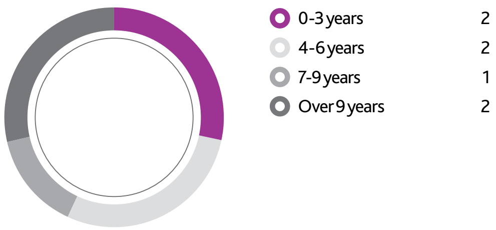
Senior Independent Director
– Kevin O'Byrne as Senior Independent Director is available to discuss any concerns with shareholders that could not be resolved through the normal channels of communication with the Chairman or Chief Executive. No such concerns were raised in the year.

As at 1 April 2013, the composition of the Board was:

SPLIT OF DIRECTORS **CHART 41**



LENGTH OF TENURE OF NON-EXECUTIVE DIRECTORS **CHART 42**



BOARD AND COMMITTEE MEETINGS AND ATTENDANCE **TABLE 43**

Director	Board meetings	Audit Committee meetings	Nominations Committee meetings	Remuneration Committee meetings
Alison Carnwath	7/7		2/2	4/4
Robert Noel	7/7			
Martin Greenslade	7/7			
Richard Akers	7/7			
David Rough	6/7[1]	4/4		4/4
Sir Stuart Rose	7/7			1/1[2]
Kevin O'Byrne	7/7	4/4	2/2	
Chris Bartram	7/7	2/2[3]	2/2	3/3[4]
Simon Palley	7/7			4/4
Stacey Rauch	7/7	3/3[5]		

1. Board meeting rescheduled at short notice, which resulted in David Rough being unable to attend the Board meeting as he was travelling.
2. Sir Stuart Rose stepped down from the Remuneration Committee after its 9 May 2012 meeting.
3. Chris Bartram stepped down from the Audit Committee after its 5 July 2012 meeting.
4. Chris Bartram was appointed to the Remuneration Committee on 19 July 2012.
5. Stacey Rauch was appointed to the Audit Committee on 5 July 2012.
6. David Rough stepped down from the Remuneration Committee on 31 May 2013.

BOARD ACTIVITY

Seven principal Board meetings were held during the year. At every meeting each Executive Director gave a report on his particular area of responsibility within the business, which were primarily:

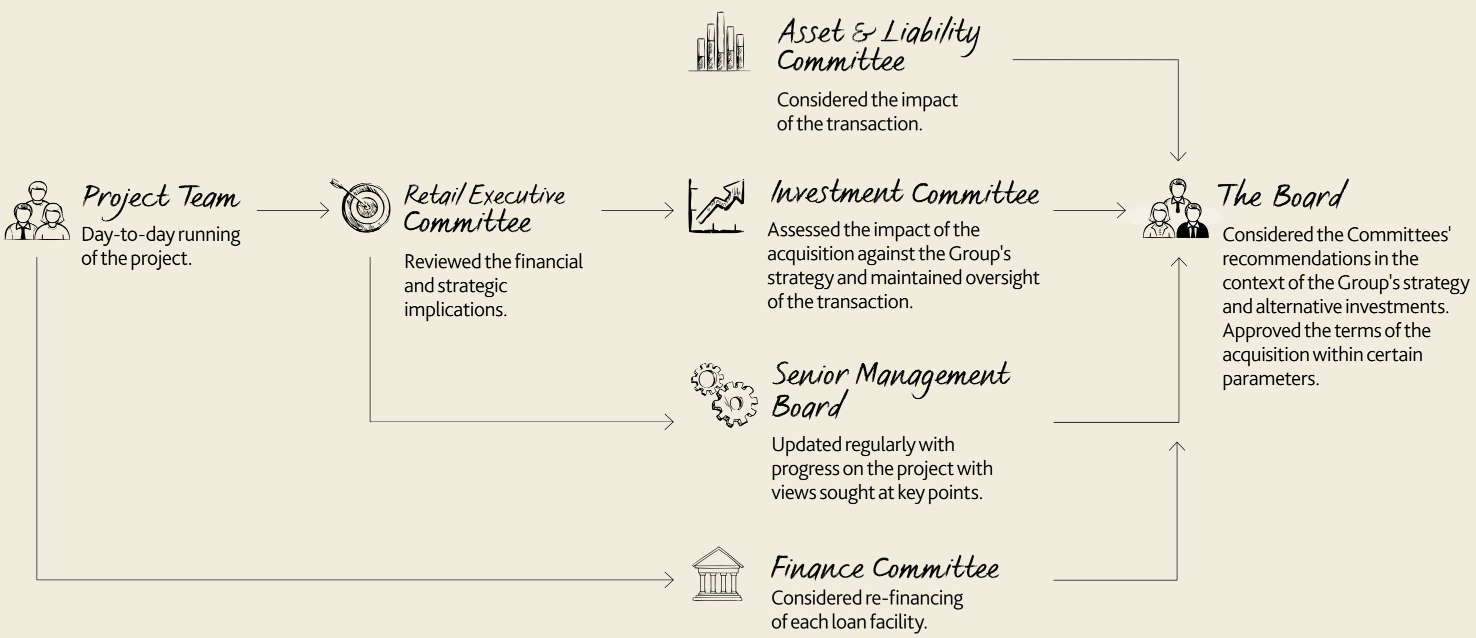
Robert Noel (Chief Executive)
- overview of the Group's operational performance and key activities
- progress with the Group's key business targets
- human resources
- investor relations
- legal and compliance
- corporate responsibility
- operational performance of the London Portfolio
- trends in the London property market

Martin Greenslade (Chief Financial Officer)
- overview of the Group's financial performance
- the Group's financial statements
- the Group's five year forecast and budget
- treasury and tax
- information systems

Richard Akers (Executive Director)
- operational performance of the Retail Portfolio
- trends in retail property markets
- retail property
- Health and Safety
- valuation
- environment

In order to show how our governance works in practice, we have included the following case study:

CASE STUDY: X-LEISURE ACQUISITION



During the year, we increased our ownership from 12% to 59.4% of the X-Leisure Unit Trust, a Jersey regulated specialist fund investing in leisure properties.

This was a significant step towards our goal of increasing the proportion of leisure assets within the portfolio. The transaction was substantial and high profile, involving a diverse mix of leisure assets, from cinema complexes to restaurants, health and fitness centres, bars, nightclubs and indoor ski slopes. Here we highlight how our governance and review processes informed the various stages of the acquisition.

1. Project Team
The opportunity to purchase units in X-Leisure was evaluated by our retail team and corporate finance team (the project team). They were supported by internal experts from the Tax, Insurance, Treasury, Company Secretariat, Finance, Internal Audit, Building Surveying, HR and Legal teams; and by leading external financial advisers, property advisers and law firms in the UK and Jersey. Due diligence helped us to calculate the price we were willing to pay and the returns we expected to generate.

2. Retail Executive Committee
The project team produced a detailed paper for the Retail Executive Committee. The Committee considered the returns, the risks and the impact on the Retail Portfolio.

3. Investment Committee
This Committee considered the proposal in the context of the Group's strategy, alternative opportunities and the likely impact on balance sheet, cash flows and earnings.

4. Senior Management Board
Further due diligence was carried out by the project team and our advisers. The team kept the Retail Executive Committee and the Senior Management Board updated on progress and sought their views at key points.

5. Asset and Liability Committee
This Committee considered the transaction in the context of the economic environment, and its likely impact on the Group's balance sheet, cash flows and funding requirements.

6. Validation
The project team sought and received approval from the Retail Executive Committee and the Investment Committee before non-binding Heads of Terms were signed. The Committees assessed detailed due diligence and integration issues, as well as individual asset plans for each of the properties within the fund.

7. Board approval
At the early stages of the project, the Board considered a discussion paper which enabled the Directors to raise questions well in advance of the requirement for formal Board approval. Once the acquisition terms were close to approval, the Investment Committee approved the outline terms and recommended them to the Board. A special Board meeting considered and approved the transaction delegating authority to an Executive Director to settle the detailed items.

8. Shareholder announcement
On signing, an announcement was released via the London Stock Exchange.

9. Integration
The Retail Executive Committee and the project team agreed a detailed integration plan for the management company, which was set to become a subsidiary of the Group. The Retail Executive Committee assumed responsibility for integration.

10. Finance Committee
Following the purchase, the Finance Committee considered the re-financing of loan facilities within the fund, some of which were nearing expiry. It will also consider future financing arrangements.

LETTER FROM THE NOMINATIONS COMMITTEE

Dear Shareholder,

Last year we appointed a new Chief Executive and a new Non-executive Director. This year we made no changes to the Board, although we did make a number of changes to the composition of our Board Committees. Our focus has been on Board evaluation, the professional development of members of the Board, succession planning and the adoption of a new Board Diversity policy. We have also commenced a search for a new Non-executive Director to join the team.

The evaluation of the Board was conducted independently by leading board evaluation firm, Boardroom Review. The review highlighted the positive and open culture that we have on our Board. It also noted the Board's range of skills, experience and contribution. You can read more about the review on page 65.

Of course, there is always room for improvement. In the coming year we will be concentrating on our longer term vision and on ensuring the Board continues to have the optimal range of skills, experience, diversity and personalities to succeed. We are on course for the Board to comprise 25% women by 2015, in accordance with Lord Davies' recommendations and our new diversity policy.

A leading search consultant attended a meeting of our Nominations Committee in March to discuss our requirements for a new Non-executive Director. Our intention is to make this appointment over the next 12 months.

Leadership and succession planning were also key topics for discussion this year. We established a 'Talent Panel' to examine and enhance the way we recruit and develop the careers and experience of people at all levels of the business. The panel is chaired by Richard Akers.

Over the following pages you can read more about the actions of the Committee, including our work on Board effectiveness.

Alison Carnwath

Alison Carnwath
Chairman

Committee members:
– Alison Carnwath (Chairman)
– Kevin O'Byrne
(Independent Non-executive Director)
– Chris Bartram
(Independent Non-executive Director)

The Committee's written terms of reference are available on the Company's website at www.landsecurities.com/about-us/corporate-governance/board-committees

BOARD EFFECTIVENESS

NOMINATIONS COMMITTEE AGENDA

The Committee met twice during the year. Matters considered included:

– monitoring the Board's structure, size, composition and diversity to achieve a balanced and effective Board in terms of skills, knowledge and experience;
– reviewing the leadership needs and succession planning of the Group including identifying and developing talent;
– engaging an executive search consultant to search for a new Non-executive Director;
– considering potential conflicts of interest amongst Directors;
– undertaking a rigorous review of the independence of Sir Stuart Rose and David Rough, who will shortly complete 10 and 11 years of service on the Board respectively.

BOARD ENVIRONMENT AND ACCESS TO APPROPRIATE INFORMATION

A positive and transparent culture exists on the Board with good contributions from each Board member. The environment encouraged Directors to raise challenging questions, debate issues freely and respond to each other.

The papers presented to the Board were focused on the Board's priorities and were clear and well-articulated. The agenda structure combined presentation and debate.

In addition to Board meetings, the Board calendar included presentations from executives below Board level, non-executive sessions without the Executives present and Board dinners with a variety of attendees including Senior Managers. Effective support to the Board, including governance matters, was provided by the Group General Counsel and Company Secretary.

BOARD EVALUATION CYCLE

CHART 44

Year 1
External evaluation by independent, external consultants →

Year 2
Questionnaires on the issues raised in Year 1 by the same independent consultants →

Year 3
Interviews with the Chairman and Group General Counsel and Company Secretary → (back to Year 1)

BOARD EVALUATION

Review the work of the Board, Board environment and use of time → Conclusions of the Board Review → Progress against 2012 evaluation targets → Areas for focus 2013/14

The review explored three key aspects:

1. the work of the Board (strategy, risk and control, and performance management)
2. the Board environment (culture and composition)
3. the use of Board time (planning and allocation).

Conclusions of the Review

The Board was effective and operating to a high level. Particular areas of strength included:

– financial reporting, internal controls, the Audit Committee and risk management process
– confidence in the Chief Executive and the Executive Team
– the Board's open and inclusive culture, contribution and the quality of Chairmanship
– the structure of the Board calendar, agendas, papers and support
– corporate culture, the development of remuneration policies and executive succession.

Progress against 2012 evaluation targets

– good progress had been made against the previous year's Board evaluation targets; Management's recommendations were updated to improve the assessment of how proposals fit with Group strategy, forecasts and alternatives
– improvement in the focus and content of finance papers
– operational reviews also included regular updates on progress with the Group's key developments.

Areas for focus for 2013/14

– to more closely monitor sector changes
– a commitment from the Company to ensure the Non-executive Directors are able to familiarise themselves with more of the Group's properties
– the future Board composition, and the balance of formal and informal time
– inviting more external subject matter experts to facilitate discussions in highly specialised areas such as technology.

EVALUATION OF THE PERFORMANCE OF THE BOARD

The three-year review cycle started again this year with an independent, formal and rigorous evaluation of the performance of the Board, its Committees, the Directors and the Chairman, conducted by Boardroom Review.

The review included meeting the Chairman to agree the scope of the evaluation, individual meetings with each Director and the Company Secretary, and attendance at the December 2012 Board meeting. The outcome of the evaluation was fed back to the Board at the meeting in February 2013. Boardroom Review does not have any other connections with the Company or individual Directors.

Chairman's evaluation

Kevin O'Byrne, the Senior Independent Director, led the evaluation of the Chairman after the Board meeting in November. He gave feedback to the Chairman on the outcome.

PROFESSIONAL DEVELOPMENT, SUPPORT, TRAINING AND INDUCTION FOR DIRECTORS

The Chairman organised a development session on Corporate Responsibility (CR). This included an overview of Land Securities' current approach, CR programme and emerging issues around sustainability and responsibility. A Board 'away day' was also held, to discuss strategy, develop and refresh the Board's knowledge and skills.

The Board has two specific knowledge development sessions planned in each year. This year the Board received presentations on legal and commercial developments in leases and on Corporate Responsibility initiatives within the Group.

Board knowledge of the Company's property portfolio was enhanced through site visits by the Directors to the developments at 20 Fenchurch Street, EC3, Nova Victoria, SW1, Trinity Leeds and Buchanan Galleries, Glasgow.

To enrich the experience and development of Executive Directors and Senior Managers, the Group supports the taking up of non-executive directorship positions at listed companies and charities. Richard Akers therefore continued as a Non-executive Director of Barratt Developments PLC.

INDUCTION

Stacey Rauch was appointed as a Non-executive Director on 1 January 2012. A comprehensive induction was arranged for her by the Chairman and Group General Counsel and Company Secretary. Her induction has continued this year with visits to properties and development sites across the Retail Portfolio – including those at Gunwharf Quays, Lewisham, the O2 at Finchley and the W12 centre in Shepherd's Bush – and a tour of additional London properties. Stacey also met with a number of Senior Managers in the organisation including Portfolio Directors and Centre Managers, as well as our external auditor and valuers.

BOARD AWAY DAY

The Board's 'away day' was held over two days in London and included:

- an overview by Robert Noel of his first ten months in his role as Chief Executive, which led to a detailed discussion of the business
- a workshop on changing consumer behaviours, and technical innovation and sustainability in retail, facilitated by Richard Akers
- presentations from external experts on the macro-economic environment and property market outlook.

INDEPENDENCE

The Nominations Committee reviewed and confirmed the independence of Sir Stuart Rose and David Rough, who will shortly complete 10 and 11 years of service respectively. In accordance with the UK Corporate Governance Code and guidance published by shareholder bodies, a rigorous review of their independence was conducted. This included an analysis of their contributions to the Board and Board Committees, and their external interests and roles.

The Committee concluded that both David and Sir Stuart were independent in character and judgement. They noted, in particular, their objectivity, the constructive challenge that they provide to management, and the additional support and guidance they give to Executive Directors and Senior Managers outside Board meetings.

The Committee also concluded that the remaining Non-executive Directors were fully independent in character and judgement. In addition, the Committee confirmed that Alison Carnwath was independent at the time of her appointment as Chairman.

DIVERSITY POLICY

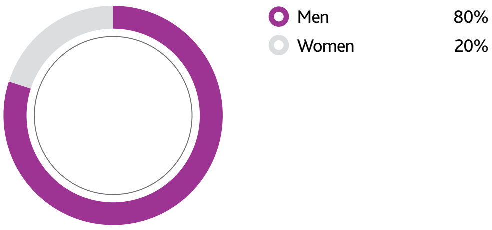
The Board works hard to ensure that it is able to recruit Directors from different backgrounds, with diverse experience, perspectives, personalities, skills and knowledge. We believe that diversity amongst Directors contributes towards a high performing, effective Board. During the year, we adopted a new diversity policy, which is summarised below.

We have made good progress in terms of gender diversity, with more women now filling senior management positions across all of the major divisions of the Company. We continue to focus on this area. Land Securities participates in the FTSE cross-mentoring programme for women wishing to operate at board level in senior positions. Through this we provide a mentoring service for women in FTSE companies and other companies reciprocate.

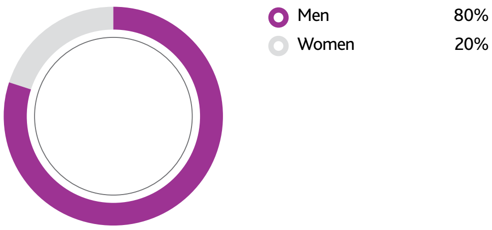
In support of our policy on diversity, we intend to report annually on the following objectives and initiatives that promote gender and other forms of diversity amongst our Board and Senior Management:

- our target to have at least 25% of our Board made up of women by 2015, whilst ensuring that candidates are always selected on merit
- we will consider candidates for appointment as Non-executive Directors from a wider pool, including those with little or no listed company board experience
- we will only engage executive search firms who have signed up to the voluntary Code of Conduct on gender diversity and best practice
- we will ensure the topic of diversity is raised during each Board evaluation
- we will assist the development of a pipeline of high-calibre candidates by encouraging a broad range of senior individuals within the business to take on additional roles so they can gain valuable external board-level experience.

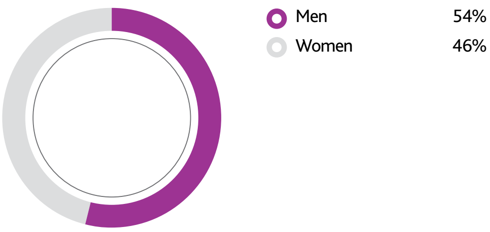
BOARD GENDER SPLIT — CHART 45



WOMEN IN EXECUTIVE POSITIONS — CHART 46



LAND SECURITIES GENDER SPLIT — CHART 47



RE-ELECTION TO THE BOARD

The effectiveness and commitment of the Non-executive Directors has been reviewed. The review noted that the time commitment had gradually increased over the last five years. The Nominations Committee is satisfied with the time commitment of each Non-executive Director during the year and confident that each of them would be in a position to discharge their duties to the Company in the coming year. As detailed in the notice of the Annual General Meeting, all Directors will stand for re-election.

CONFLICTS OF INTEREST

The Board operates a policy to identify and, where appropriate, manage conflicts or potential conflicts of interest.

The Nominations Committee monitors this and considered that there was a potential for a conflict of interest to arise for Chris Bartram, Kevin O'Byrne and Richard Akers. The Committee addressed these potential conflicts as detailed in the table below.

POTENTIAL CONFLICTS OF INTEREST

Director	Potential conflict	Mitigation
Chris Bartram	Chairman of Orchard Street Investment Management (OSIM) and a Non-executive Director of The Crown Estate, which are, in some areas of operation, competitors of the Group	Chris Bartram did not take part in discussions or see relevant information on potential acquisitions of property where there was a realistic prospect of OSIM or The Crown Estate also being involved.
Kevin O'Byrne	Executive Director of Kingfisher plc, a large tenant of the Group	Since operational matters, such as retail leasing, were unlikely to be considered at Board level, the Committee concluded that in practice conflicts of interest were unlikely to occur.
Richard Akers	Non-executive Director of Barratt Developments PLC, a leading housebuilder	The risk of a conflict was considered low given that the Group operated in different sectors of the property market to Barratt Developments, which is predominantly a residential developer. Nevertheless, Barratt Developments agreed not to circulate any papers to Richard Akers or involve him in discussions regarding an acquisition or disposal of land they believe might be in competition or place him in a position of conflict with the Company.

LETTER FROM THE CHAIRMAN OF THE AUDIT COMMITTEE

Dear Shareholder,

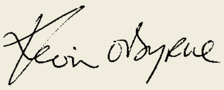
I would like to give you an overview of the operation and scope of the Audit Committee and report on our work over the past year.

The Group has a strong culture of risk awareness embedded in decision making, and robust processes that support the identification and management of risk. Again, this year we undertook a high level review of risks, including the assessment of our 'Top 10' risks for the Group and a 'Watch List' of emerging risks. We also examined some in more detail, with experts from the business invited to attend meetings to update us on the identification and mitigation of risks specifically people risk, cybersecurity and Scottish devolution.

During the year our Internal Audit team assessed the financial controls and risk management in place on a number of our new developments, including Trinity Leeds and 62 Buckingham Gate, SW1. They also undertook a number of audits, including audits of the Treasury and Health and Safety functions, to provide assurance to the Audit Committee that the control environment was continuing to operate effectively.

Our valuers, Knight Frank, and auditors, PricewaterhouseCoopers LLP, regularly attended our meetings to update us on the valuations and results respectively. I met with both to discuss their work both in the company of management and in their absence.

In light of emerging best practice, this year we decided it was appropriate to put our external audit out to tender. The Committee appointed a 'Selection Panel' comprising Alison Carnwath, members of the Committee – including myself – and management. After a thorough review process, we have appointed Ernst & Young LLP as our auditors. Their reappointment will be subject to shareholders' approval at the 2013 AGM.



Kevin O'Byrne
Chairman, Audit Committee

Committee members:
– Kevin O'Byrne (Chairman)
– David Rough (Independent Non-executive Director)
– Stacey Rauch (Independent Non-executive Director)

Although all of the Committee members are considered to be appropriately experienced to fulfil their role, Kevin O'Byrne is considered to have significant, recent and relevant financial experience in line with the UK Corporate Governance Code. Further biographical details of each of the members of the Committee are set out on pages 58 and 59. The Committee's written terms of reference are available on the Company's website at www.landsecurities.com/about-us/corporate-governance/board-committees.

ACCOUNTABILITY

AUDIT COMMITTEE MEETINGS

The Committee's primary function is to assist the Board in fulfilling its financial oversight responsibilities. Meetings of the Audit Committee were also attended by the Chairman of the Board, Executive Directors and the Group's General Counsel and Company Secretary, who acts as Secretary to the Committee. In addition, the Director of Risk Management and Internal Audit and representatives from the Group's auditors during the year, PricewaterhouseCoopers LLP (PwC), were present at each meeting. The Group's external valuers, Knight Frank LLP, also attended the meetings after the half year and full year valuations to present their reports. All of the Board were invited to attend the meeting which reviewed our full year results.

AUDIT COMMITTEE AGENDA

The Committee met four times. Its agenda included reviewing:

- the final and interim financial statements and matters raised by management and the external and internal auditors
- the effectiveness of the Group's system of internal controls and risk management
- the 'Top 10' risks for the whole Group and 'Watch List' of emerging risks
- updates on people risk, cybersecurity and Scottish devolution
- the results of internal audit reviews, management action plans to resolve any issues arising and the tracking of their resolution
- the external auditors, their effectiveness, objectivity and independence, and the terms of engagement and the scope of the audit
- audit plans for external and internal audits
- policy on the provision of non-audit services by the external auditor
- performance of the Company's auditors and the external valuers
- the full and half year valuations and the external valuation process; and
- the Group's policies for preventing fraud and bribery, its employee code of conduct and its business ethics and anti-corruption policy.

In conjunction with the Board evaluation outlined on page 65, the Committee evaluation concluded that it remained an effective Audit Committee.

EXTERNAL AUDITS AND VALUATIONS

External auditors and non-audit work

The Audit Committee had policies and procedures in place to monitor and maintain the objectivity and independence of the external auditors, PwC. The policy requires prior approval by the Chairman of the Audit Committee of non-audit work above a de minimis threshold level of £25,000.

During the year the auditors undertook the following non-audit work, none of which exceeded the non-audit work threshold level:

- providing a comfort letter on the annual update of the Group's debt prospectus
- reviewing agreed procedures in relation to non-statutory financial statements of Thomas More Square Estate
- reviewing agreed procedures in relation to the ground rent schedules provided to The Crown Estate for the Exeter properties
- reviewing the net rent schedule provided to Cardiff City Council for the properties at St David's
- non-statutory reporting on the consolidated financial statements of LS Intermediate Limited
- extraction procedures on the ground rent and service charge certificates.

The ratio of fees for non-audit work to audit services was 1:6. The ratio reflects the relatively straightforward nature of the Group statutory audit.

Due to familiarity with the subject matter and alignment with work carried out under the audit, these services were provided by PwC. In order to maintain PwC's independence and objectivity, PwC undertook its standard independence procedures in relation to those engagements. Further details on the amounts of non-audit work paid to PwC are set out in note 7 to the financial statements. These were reported to and considered by the Audit Committee.

The Committee also appraised the effectiveness of PwC, and also assessed their independence. The Committee concluded that PwC remained independent. Furthermore, PwC confirmed to the Committee that it maintained appropriate internal safeguards to ensure its independence and objectivity.

During the year, the Audit Committee held a private meeting with PwC, without management being present, in order to receive feedback from them on matters such as the quality of interaction with management. The Chairman of the Committee also met with PwC separately on several occasions.

AUDIT TENDER

This year, Land Securities put its audit out to tender. In addition to this being good practice and satisfying new governance requirements, the tender enabled us to determine whether other firms offered a different approach to the audit. A Selection Panel was set up comprising Kevin O'Byrne, David Rough, Martin Greenslade, Alison Carnwath, and Despina Don-Wauchope, the Group Financial Controller.

A number of firms were approached to tender for the audit. The list was based upon their experience, industry skills and knowledge, their ability to perform the audit to a high standard and any pre-existing business relationships that might affect their independence. Three firms submitted tenders and were shortlisted. Each was given access to Directors and Management, including meetings with Robert Noel, Martin Greenslade and Kevin O'Byrne, before presenting to the Selection Panel and Senior Management. The Selection Panel recommended to the Audit Committee and Board that Ernst & Young LLP be selected as the new auditors.

Valuers

The Audit Committee has policies and procedures in place to monitor the objectivity of the Group's independent external valuers, Knight Frank LLP. The work of Knight Frank is particularly important since the valuations of the Group's portfolio help determine a very significant part of the Group's reported performance and Senior Management remuneration.

The significance of the valuation work is reflected in the sophistication of our controls and evaluation procedures.

The external valuers and external auditors have full access to one another. They communicate freely with each other, and exchange information independently of the Group.

During the year, the Audit Committee Chairman, Kevin O'Byrne, attended key valuation meetings to be assured of the independence and rigour of the process. In addition, Knight Frank presented its valuation findings to the Audit Committee at the interim and full year review of results.

We have a fixed fee arrangement with our principal valuers Knight Frank. Given the importance of the work undertaken by Knight Frank, we have disclosed the fees we pay them in note 8 to the financial statements.

The total fees paid by the Company to Knight Frank in the year represented less than 5% of its total fee income for the year.

Significant judgements, key assumptions and estimates

The Audit Committee pays particular attention to matters it considers to be important by virtue of their impact on the Group's results and remuneration of Senior Management, or the level of complexity, judgement or estimation involved in their application on the consolidated financial statements. The main areas of focus during the year are set out below:

TABLE 48

Matter considered	Action
Valuation of the investment property portfolio Although conducted externally by independent valuers, the valuation of the investment property portfolio is inherently subjective, requiring significant judgement. The outcome is significant for the Group in terms of its investment decisions, results and remuneration.	The Audit Committee reviewed the methodology and outcomes of the valuation. The valuers presented their valuation at the half and full year results meetings. The valuers proposed significant increases in the values of our completed developments, which were discussed by the Committee in detail and accepted on a case-by-case basis. The valuers were also asked to highlight any significant judgements and any significant disagreements with management. The objectivity of the independent external valuers, Knight Frank LLP, was also monitored by the Committee and more information on this can be found on page 69.
Bankside In December 2005, the Group sold land on London's South Bank to a residential property developer in return for an upfront payment and a share of any development profit. As the development has now been completed and the vast majority of flats sold, the Group is required to consider how much of the profit it should recognise.	The Committee reviewed a recommendation from management on the amount of profit to be recognised, taking into account the likelihood of the flats selling, their likely selling prices and the timing of sales. Scenarios produced by management were considered by the external auditors and debated with the Committee. The Audit Committee supported management's judgement to recognise profit of £15.4m, which it was felt was prudent at this stage of the sales process.
X-Leisure The Group acquired a further 41.8% holding in the X-Leisure Unit Trust (X-Leisure) in January 2013 and an additional 5.6% investment in March 2013, taking the Group's total holding in X-Leisure to 59.4%. As a result of the transactions, the Group acquired control of X-Leisure and the Committee considered how it would be accounted for, going forward. The matter was made more complex as X-Leisure is a fund, with a number of obligations to other investors.	The Audit Committee reviewed a paper presented by management, on which the external auditors had commented. The paper described the transaction, the accounting standards and any options in terms of how the acquisition might be treated. The subsequent discussion, which involved our external auditors, explored the proposed accounting treatment, how it would differ from our joint ventures and whether the disclosures within our financial statements would enable our investors to properly consider the performance of the asset. The Audit Committee was satisfied by the accounting treatment proposed by management. For more information, please see note 29.

Further details on significant judgements, key assumptions and estimates can be found in note 3 to the financial statements on pages 104 to 105.

CASE STUDY: DEVELOPMENT IN VICTORIA

The scale of regeneration we are undertaking in SW1 means the proportion of development in our portfolio is increasing rapidly. We believe that development activity will provide better returns for our shareholders, albeit at a higher risk. So what risk control measures are in place to mitigate the risks facing our development at Nova Victoria?

Financial risk control measures

We have clear risk control measures limiting the amount of development we can undertake at any time. We use a number of measures to assess the appropriate level of development. These include:

– ensuring that the total proportion of capital employed in our development programme will generally not exceed 20% of our capital employed

– avoiding having an uncovered dividend, by ensuring that the income impact from the un-let element of our development programme does not exceed the Group's retained earnings

– monitoring the relationship between contractual commitments and undrawn cash facilities to ensure we have sufficient cash available to fund the work.

Risk management

Development risks relating to our London properties, such as those in Nova Victoria, are discussed at the London Executive Committee meetings. The risk management process captures development risks, which are recorded on a Group risk register. The register is monitored by our London Executive Committee, our Senior Management Board, the Audit Committee and the Board. Experts in the business are invited to attend Audit Committee meetings to provide an update on how the risks are being managed. As an additional measure, on Nova Victoria we have entered into a 50/50 joint venture with the Canada Pension Plan Investment Board to share the financial exposure for what is a very significant development.

1. Lettings

There is a risk that we will not be able to let space in the development or sell the apartments we are creating. The risk is mitigated by monitoring the market cycle and likely tenant/purchaser demand before committing to new developments and delivering the development in stages to spread supply. In addition, during the development, the leasing and sales teams constantly monitor tenant/purchaser demand and supply in the immediate and wider London areas. Responsibility for these measures has been allocated to specific Senior Managers.

2. Main contractor

The project will take many years to complete and there is a risk that the main contractor will not be able to complete it on budget or at all. This may occur for a number of reasons including: financial difficulty, a lack of expertise or ability to deal with the scale of the works. To mitigate this risk, we evaluated leading contractors from across London and invited the most appropriate to tender for the work. They were asked to provide details of their experience with projects of this scale, their proposed team and construction methodology, detailed company financial information, relevant guarantees and a fixed lump sum price for the works. Only once we were satisfied with their ability to complete the project on budget and programme was the successful bidder appointed. The main contractor's financial position and work will be monitored carefully throughout the project.

3. Construction

The development involves significant demolition and complex mixed-use construction over London Underground tube lines and an overflow sewer on a large site in the centre of one of the busiest areas of London. In order to manage the risk, our project team worked with some of the world's leading consultants to assess the different construction issues and create work streams to efficiently mitigate them.

A fixed price Design and Build construction contract was placed which transferred responsibility for a number of the key risks to the main contractor. The contractors are experts in their field and their work will be monitored carefully during the works, with contingency plans in place to deal with issues that might arise.

4. Utilities

The construction and subsequent occupation of Nova Victoria by tenants and residents will create a significant increase in demand for utility services in the area, particularly electricity, with the risk of providers not being able to meet that demand. We have worked closely with UK Power Networks and other utility suppliers to ensure that likely demand is satisfied. A new sub-station is under construction in Victoria Street which will supply consistent high voltage connections to Nova Victoria and future developments in the area.

5. Programme

The risk is that project costs and timings overrun. Thorough planning including design development, cost analysis and an evaluation of proposed construction methods are undertaken with the contractor to ensure both parties are aligned when the fixed price construction contract is placed. The costs and programme are regularly monitored throughout the project to ensure the development is delivered on time and budget.

6. Health and Safety

The risk here is that an accident occurs during demolition or construction. To mitigate this risk we set industry leading health and safety standards for our contractors to comply with. In addition, we have an on-going health and safety programme with a dedicated in-house health and safety team that undertake regular audits at all stages of the development and advise on health and safety matters.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board is responsible for the Group's system of internal control. This has been designed to manage, rather than eliminate, the risk of any failure to meet business objectives. It can only provide reasonable assurance – not absolute assurance – against material misstatement or loss. The Board's approach to risk management is supported by an oversight structure which includes the Audit Committee.

The Board has an on-going process to identify, evaluate and manage the significant risks faced by the Group. This was in place throughout the year and up to the date of the approval of the Annual Report and Accounts. This process is regularly reviewed by the Board, and accords with the 2005 Turnbull guidance. In addition, the Board reviews annually the effectiveness of the risk management and internal control systems.

System of risk management and internal control
This system includes:

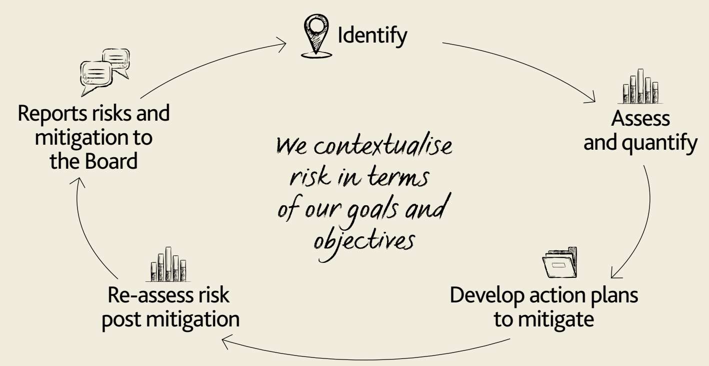
1. Strategic and business planning
– a five year forecast prepared and reviewed by the Board annually.

2. Investment appraisal
– significant capital projects, major contracts and business and property acquisitions reviewed in detail by several Committees
– approvals made in accordance with a formal schedule of reserved matters
– post investment appraisals.

3. Financial monitoring
– profitability, cash flow and capital expenditure closely monitored
– key historic and forecast financial information reported to the Board on a monthly basis.

4. Systems of control, procedures and delegated authorities
– clearly defined guidelines and approval limits exist for capital and operating expenditure and other key business transactions
– financial reporting controls identifying and addressing key financial reporting risks including risks arising from changes in accounting standards, as well as any areas of accounting judgement.

RISK MANAGEMENT PROCESS **CHART 49**



Risk management
The Group's risk management process is embedded throughout the organisation. It can be summarised as follows:

1. Identify
Risks are identified for each area of the business and the Group as a whole.

2. Assess and quantify
Each risk is rated in terms of probability of occurrence and potential impact on financial performance and the reputation of the Group.

3. Develop action plans to mitigate
The Risk Management and Internal Audit team assists the business in developing action plans to mitigate risk and review and test key business processes and controls, including following up with the implementation of management actions to the Audit Committee.

4. Re-assess risk post mitigation
Risks are continually re-assessed to ensure that mitigation strategies have been effective.

5. Report risks and mitigation to the Board
Risks are reviewed with the Executive Directors and the Audit Committee and then reported to the Board.

Assurance
The Audit Committee and the Board reviewed the effectiveness of the Group's system of risk management and internal control including financial, operational and compliance controls. This was primarily achieved by:
– reviewing key controls on a quarterly basis to ensure they were embedded and operating effectively within the business
– reviewing the reports from the Risk Management and Internal Audit team on any issues identified in the course of their work. The Director of Risk Management and Internal Audit met regularly with Senior Management and attended all meetings of the Audit Committee
– reviewing annually the Group's system of internal control. This includes a summary of key controls, a report from the internal audit team on their work and the results of compliance questionnaires. These questionnaires provided assurances from Senior Management that business activities had been conducted appropriately
– reviewing the effectiveness of the internal audit function
– monitoring the risks and associated controls over the financial reporting processes, including the process by which the Group's financial statements are prepared for publication
– reviewing reports from the external auditors on any issues identified in the course of their work, including an internal control report on control weaknesses.

From the review of the risk management and internal control system, the Board confirms that no significant failings or weaknesses have been identified.

Whistleblowing
The Audit Committee also oversees a third-party run whistleblowing facility to enable employees to raise issues on a confidential basis. The Audit Committee ensures that independent investigation of any whistleblowing incidents is undertaken.

RELATIONS WITH INVESTORS

Approach to Investor Relations
The Company has a comprehensive Investor Relations programme which aims to assist existing and potential investors understand the Group.

The Investor Relations programme is arranged between institutional investors, private shareholders and debt investors. Shareholder feedback is provided to the Board to ensure that they understand the views of major investors. During the year, the programme of investor events included:

INSTITUTIONAL SHAREHOLDERS PROGRAMME

Meetings with principal shareholders
- meetings with Directors and the Chairman were offered throughout the year
- the Chairman, particularly with regard to the new remuneration policy, maintained contact with principal shareholders and kept the Board informed of their views
- as well as Non-executive Directors, the Senior Independent Director was available to meet with shareholders
- the Investor Relations programme continued in Europe, North America and the Far East.

Roadshows
- institutional shareholders were invited to annual and half yearly results meetings.

Investor conference
- the Investor conference is held annually and focuses on the Retail and London Portfolios in alternate years. This year, the Conference was held in London and focused on the London Portfolio. As well as updates on market conditions and our business, there were property tours of 20 Fenchurch Street, EC3, and Nova Victoria, SW1. It also provided an opportunity for attendees to meet management below Executive Director level
- the presentations and an audiocast or webcast of the conference were made available on the corporate website to enable those investors who could not attend to access the information provided at the conference.

Industry conferences
- industry conferences provide Executive Directors with a chance to meet a large number of investors on a formal and informal basis. Conferences that were attended by Executive Directors included the UBS Global Property conference in London, Citi CEO conference in Florida, Merrill Lynch conference in New York, and the Kempen conference in Amsterdam, amongst others.

Other initiatives
- the Chairman and Chief Executive held a dinner for the senior heads of equity from UK institutions
- digital communication with investors was developed further this year with investors offered live streaming of the results presentations.

PRIVATE SHAREHOLDERS' PROGRAMME

Private shareholders are encouraged to give feedback to and communicate with the Directors through the Company Secretary. During the year they were also able to meet Directors at the United Kingdom Shareholders' Association (UKSA) meeting, held annually at our head office, and at the Annual General Meeting.

DEBT INVESTORS PROGRAMME

Credit side institutional investors and analysts
- meetings were held with our Chief Financial Officer and our Treasury team after the annual and half year results.

Banks
- there was regular dialogue with our key relationship banks including quarterly meetings with our Treasury team and in-house dinners with Executive and Non-executive Directors
- our Treasury team also actively engaged with potential lenders. Typically, the team will look up to three years ahead when developing new relationships.

Credit rating agencies
- during the year meetings were held by our Treasury team and Senior Management with both Standard & Poor's and Fitch Ratings. As a result of a ratings event, conference calls were also held with principal institutional investors.

Further information on our debt investors can be found at www.landsecurities.com/investors/debt-investors.

ANNUAL GENERAL MEETING (AGM)

The AGM provided all shareholders with an opportunity to question the Board and the Chairmen of the Board Committees on matters put to the meeting, including the Annual Report. Shareholders who attended the AGM were given a detailed presentation by the Chief Executive on the activities and performance of the Group over the preceding year.

The results of voting at general meetings are published on the Company's website, www.landsecurities.com/investors/shareholder-investor-information/AGM-Annual-General-Meeting

INDEPENDENT FEEDBACK ON INVESTOR RELATIONS

The Board received independent feedback on Investor Relations through a biennial presentation by Makinson Cowell, an independent adviser. Makinson Cowell undertook its comprehensive Investor Relations audit last year, so this year their recommendations continued to be implemented.

The Investor Relations department also received feedback from analysts and investors during the year through the Group's corporate advisers. The information was shared with the Board to help members develop their understanding of shareholders' needs and expectations.

Other disclosures
Other disclosures required by paragraph 7.2.6 of the Disclosure and Transparency Rules and the Companies Act 2006 are set out in the Report of the Directors on page 92.

LETTER FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE

Dear Shareholder,

This is my first report to shareholders as Chairman of the Committee, having taken over from David Rough on 1 October. David has been a first class Chairman of the Committee and overseen a number of improvements to the structure of executive remuneration within the Group. I would like to thank him for his contribution and for his support since stepping down.

The last year has been another difficult one for the commercial property market, characterised by uncertainty and caution. Notwithstanding the outlook, for the year, the Board again set ambitious ungeared Total Property Return (TPR) and revenue profit targets for the business. The targets for our long-term incentives, Total Shareholder Return (TSR) and TPR have remained challenging.

The vast majority of our performance targets are relative, aiming to achieve higher TSR and TPR returns than both our listed company peers and investors operating in similar commercial property sectors as ourselves. This means that even in a year where profits are very high, the outturns from our variable pay will be low where we have not outperformed our benchmarks. Of course, this also means that in a year where profits are low or losses are recorded, the outturns for variable pay could be high where outperformance has been significant.

At the beginning of the year, we faced a relatively benign market. Management knew that it would need to rely on its own efforts to create value and meet the targets set for the business. A combination of good judgement and hard work has led to a strong performance against our targets.

In particular, the decision to prioritise development over property investment and our relentless focus on asset management has led to substantially higher returns than would otherwise have been the case.

At year end, we have seen a strong performance on both TSR and TPR measures. Our TSR for the year has been 19.1%. Over three years, it has been 39%, outperforming our peer group by 1.26% per annum. Our ungeared TPR produced 7.8% over the year. Over three years, our TPR was 37%, outperforming other investors in our core sectors by 1.03% per annum. We were especially pleased with our TPR outperformance of 1.70% over the year, which followed a year of underperformance. This has driven our Annual Bonuses higher than for the same period last year, although the proportion of our long-term incentives vesting this year has fallen.

Management was also tasked with beating challenging targets for revenue profit. As we highlighted last year, our revenue profit would be under pressure this year following the sales of a number of properties and the cessation of income from other properties moving into our development programme. The changes caused our net rental income to fall by £25 million from last year, although management's actions have reduced the revenue profit decline to £8.7m. A good result in a difficult environment.

Last year, David Rough took you through the extensive consultation that we undertook with investors on our proposals for a remuneration policy and structure for Executive Directors. We listened carefully to feedback and made a number of changes before putting them to shareholders at our AGM. The proposals received the support of 98.3% of shareholders voting. We believe the new structure is simple, transparent and demonstrably aligned with shareholder interests. We continue to monitor its impact carefully.

In common with many remuneration committees, we have been particularly conscious of the environment for pay in listed companies. We have monitored closely the policy statements received from our shareholders and have responded to the Government's consultations on executive pay. We are supportive of the changes, which are in the process of being finalised by the Government and likely to come into force for our 2014 Annual Report. To demonstrate our commitment, we have adopted as many of the new regulations as possible in a new style of report this year. We have also made the report clearer and easier to read by using more tables and reducing the amount of text. The report is now split into a Policy section, which deals with our remuneration policy going forward, and an Implementation section which deals with payments made to Directors in the year. In another change to previous years, you will have a separate vote on each section.

More details of the work of the Committee follows and I hope you find it helpful in understanding our executive remuneration policy and practice.

Simon Palley

Simon Palley
Chairman, Remuneration Committee

Committee Members:
- Simon Palley (Chairman and Independent Non-executive Director)
- Alison Carnwath (Chairman of the Board)
- Chris Bartram (Independent Non-executive Director)

DIRECTORS' REMUNERATION – POLICY REPORT

1. INTRODUCTION

In this section, we explain:

– Our remuneration strategy and policy
– How this strategy is underpinned by key elements of our remuneration packages
– Why we have selected the performance conditions for variable pay and why we believe they are stretching and aligned with the interests of our shareholders
– Other relevant information about our service agreements with Directors and remuneration around the Group.

Following a significant review of remuneration policy for 2012/13, and subsequent approval of changes to the policy by shareholders at the 2012 AGM, no further changes to policy will be made for 2013/14.

2. REMUNERATION STRATEGY

Put simply, our aim is to generate returns for our shareholders that are higher than those received by others who invest in our peer group or in property assets themselves. The key to achieving this is our people.

Our remuneration strategy is underpinned by remuneration packages that are designed to motivate high performing people to deliver our strategy. They:

– Are simple, transparent and demonstrably aligned with the interest of shareholders
– Reflect the views of our investors, shareholder bodies and other stakeholders
– Are weighted to incentivise outperformance of our peer group, over the short and long term
– Are structured to ensure that superior rewards are only paid for exceptional performance against challenging targets
– Encourage management to adopt a level of risk which is in line with the risk profile of the business and as approved by the Board
– Are applied consistently across the Group to promote alignment and support a high performance culture
– Ensure a long-term focus through the deferral of a significant part of the annual bonus and the requirement for Executive Directors to maintain significant personal investments in the Company's shares.

We have summarised the individual elements of the remuneration packages offered to our Executive Directors in the following table:

REMUNERATION POLICY **(UNAUDITED) TABLE 50**

Purpose and link to strategy	Operation	Opportunity	Performance metrics	Changes in the year
Base salary				
– To aid the recruitment, retention and motivation of high performing people. – To reflect their experience and importance to the business.	– Reviewed annually, with effect from 1 June. Review reflects: – Increases throughout the rest of the business. – Market benchmarking exercise undertaken periodically to ensure salaries are set at around the median of the market competitive level for people in comparable roles with similar levels of experience, performance and contribution. – Where a new Director is appointed at a salary which is at a discount to reflect their experience at that point, the Committee may increase it over time subject to satisfactory performance and market conditions. – In years where no benchmarking exercise is undertaken, increases likely to be aligned with the general increase for the wider workforce or to reflect changes in responsibility. – Changes in the scope of a Director's role may also require a further adjustment to salary.	– N/A	– N/A	– No changes to policy, although Directors' salaries increased by 2.0% for 2013/14[1], slightly lower than the increase for the wider workforce of 2.2%.

REMUNERATION POLICY (CONTINUED) **(UNAUDITED) TABLE 50**

Purpose and link to strategy	Operation	Opportunity	Performance metrics	Changes in the year
Benefits				
– To provide protection and market competitive benefits to aid recruitment and retention of high quality executives.	– Directors are entitled to a combination of: – A company car allowance – Private medical insurance – Life assurance – Ill health income protection – Holiday and sick pay – Professional advice in connection with their directorship.	– N/A	– N/A	– None
Pension				
– To help recruit and retain high performing executives. – Reward continued contribution to the business by enabling Executive Directors to build long term savings.	– Participation into a money purchase pension scheme or cash equivalent.	– Directors receive a pension contribution or allowance of 25% of salary.	– None	– None
Annual bonus				
– To incentivise the delivery of stretching, near-term business targets and personal performance objectives. – To reward near-term outperformance relative to industry benchmarks. – The ability to recognise performance through variable remuneration enables the Group to flexibly control its cost base and react to events and market circumstances. – Deferred bonuses encourage a longer term focus aligned to shareholders and discourage excessive risk taking.	– All measures and targets are reviewed and set by the Committee at the beginning of the year and payments are determined by the Committee after the year end, based on performance against the targets set. – Bonuses up to 50% of salary are paid as cash. – Any amounts in excess of 50% are deferred into shares for one year. – Any amounts in excess of 100% are deferred into shares for two years. – Deferred shares are potentially forfeitable if the executive leaves prior to the share release date[2]. – Not pensionable. – Clawback provisions apply[3].	– Maximum bonus potential of 150% of salary.	– Of this, 130% based on performance against the following key targets, all of which are approved by the Board: – The Group's ungeared Total Property Return (TPR) relative to its sector weighted IPD index. – Revenue profit. – Other key business targets. – 20% based on objectively measurable personal performance objectives.	– None
Savings Related Share Option Scheme				
– To encourage all employees to make a long-term investment in the Company's shares, in a tax efficient way.	– All employees, including Executive Directors, are entitled to contribute up to £250 per month, for between three and seven years. – At the end of the period, participants may use the monies to purchase shares at a discount of 20% to the market price at the time they joined the scheme. Alternatively, they may ask for their contributions to be returned, with accrued interest. – The scheme offers tax advantages in that the gain is free of income tax.		– There are no performance conditions.	– None

REMUNERATION POLICY (CONTINUED)

(UNAUDITED) TABLE 50

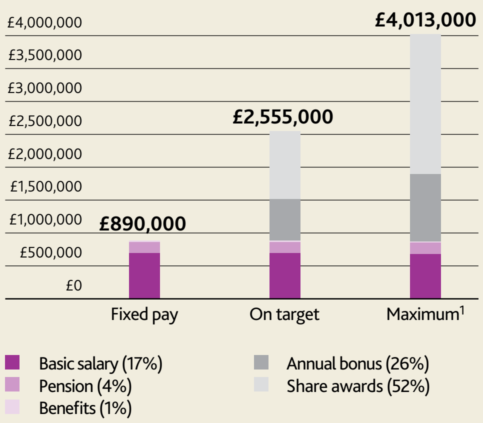
Purpose and link to strategy	Operation	Opportunity	Performance metrics	Changes in the year
Long-term share incentive plans				
– Incentivises value creation over the long-term in excess of that created by general increases in the value of property or shares in property companies. – Rewards execution of our strategy and the long-term outperformance of our competitors. – Encourages long-term investment by Directors in the Company's shares. – Aligns the long-term interests of Directors and shareholders. – Promotes retention.	– The Committee makes an annual award of shares under the Long Term Incentive Plan. – Additional awards are available on the basis of investment by Executive Directors in the Company's shares under the Matching Performance Share Plan. – Vesting under both Plans is on the same basis and determined by the Group's achievements against stretching performance targets over a fixed three year period and continued employment. – The Committee reviews the measures, their relative weightings and targets prior to each award. – Awards will be satisfied by either newly issued shares or shares purchased in the market and any use of newly issued shares will be subject to the dilution limits contained in the scheme rules. – Clawback provisions apply[3].	Long Term Incentive Plan: – Normal and current award policy limit – 150% of salary. – Limit in exceptional circumstances (e.g. recruitment) – 200% of salary. Matching Performance Share Plan: – Up to 150% of salary, subject to pledging sufficient of their own shares. – The pledged shares would then be matched on a two for one basis. – To obtain a maximum award, a Director would be required to pledge shares with a value of 75% of salary (calculated on a pre-tax basis). – The pledge may include shares within their minimum shareholding requirement, but only for the first five years of their appointment. – Once the five year period has elapsed, shares pledged must be over and above the shareholding requirement.	– Measured and vest over a three year period, with no re-testing. – 50% determined by the Group's total shareholder return (TSR) relative to an index (weighted by market capitalisation) based on a comparator group comprising all of the property companies within the FTSE 350 Real Estate Index (except Land Securities)[4]. – 15% of the overall award vests for matching the Index, with 50% vesting where we outperform the Index by 4% or more per annum. No awards vest for below index performance. – Vesting is on a straight-line basis between matching the Index and outperforming it by 4% per annum. – 50% determined by the Group's ungeared total property return (TPR) relative to the IPD weighted indices that reflect the sector mix of the Group's investment portfolio. – 12.5% of the overall award vests for matching the Index with 50% vesting where we outperform the index + 1% per annum. No awards vest for below index performance. – Vesting is on a straight-line basis between matching the Index and outperforming it by 1% per annum.	– None
Share ownership guidelines				
– To provide close alignment between the longer term interests of Directors and shareholders in terms of the Company's growth and performance.	Executive Directors: – Are required to own shares with a value set at a percentage of base salary. – Must be satisfied within five years of appointment in order to qualify for future long-term incentive awards. – Deferred or other unvested share awards not subject to performance conditions may count towards the guideline. Non-executive Directors: – Are required to own shares with a value set at a percentage of annual fees. – Must be satisfied within three years of appointment. – The Committee monitors the Directors' progress against the guidelines as at 31 March of every year, using the share price at the close of business that day.	Executive Directors: – Chief Executive – 200% of salary. – Other Executive Directors – 150% of salary. – Both within five years of appointment. – Once five year shareholding guideline has elapsed, additional shares are required to be held in order to qualify for awards under the Matching Performance Share Plan. Non-executive Directors: – 100% of annual fees, within three years of appointment.	– None	– None

1. The base salaries effective from 1 June 2013 (with the prior year in brackets) are Robert Noel £694,000 (£680,000), Martin Greenslade £469,000 (£460,000) and Richard Akers £418,000 (£410,000). Robert Noel became the Group's Chief Executive on 1 April 2012, with the Committee awarding him an initial salary of £680,000. This reflected his experience at that point and was set at a discount to market competitive benchmarks with the intention that it could be increased towards the market level over time (subject to satisfactory performance in post).
2. Where part of a bonus is deferred into the Company's shares, those shares are held within the Company's employee benefit trust and automatically vest on the first or second anniversary of the award date, in accordance with the rules of the scheme. The proceeds of any dividends accruing on the deferred bonus shares are used to purchase additional shares, with those additional shares transferred to the Executive Director on vesting.
3. The Committee has discretion to recover some or all of the value of awards of annual bonus and/or LTIP/Matching Performance Share Awards where the overpayment was made as a result of the misstatement of the Company's results or a performance condition which caused the overpayment. The recovery will be made against future bonuses and unvested share awards and, to the extent permitted, from Deferred Bonus Shares. This 'clawback' applies to awards made to Executive Directors and to Senior Managers.
4. The TSR comparator group forming the index for 2013 awards will remain the property companies within the FTSE 350 Real Estate Index. The comparator groups for awards made since 2010 are shown on page 80. TSR will be measured over a single three-year performance period from the beginning of the first financial year to which the award relates and ending on the last day of the performance period. The outturn is calculated by comparing average closing price over the 30 days prior to the start and the end of the performance period. TSR calculations are performed independently for the Committee by its benefit advisers, New Bridge Street.

3. FIXED AND VARIABLE PAY

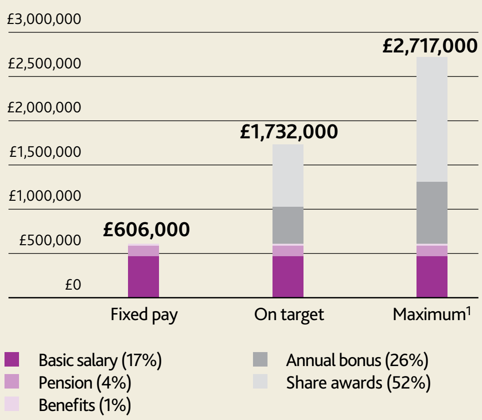
Our aim is to ensure that superior rewards are only paid for exceptional performance, with a substantial proportion of Executive Directors' remuneration payable in the form of performance related pay. The charts that follow illustrate the remuneration opportunity provided to each Executive Director at different levels of performance for the coming year.

ROBERT NOEL, CHIEF EXECUTIVE — **CHART 51**



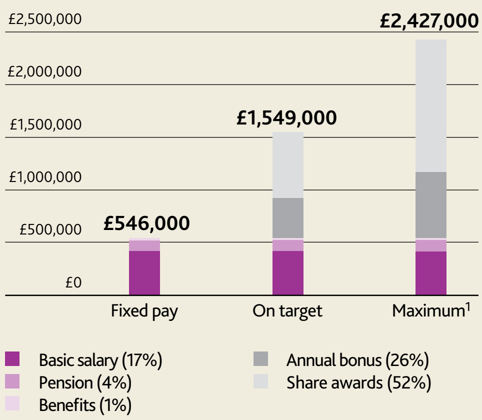
1. Percentages are of the Maximum.

MARTIN GREENSLADE, CHIEF FINANCIAL OFFICER — **CHART 52**



1. Percentages are of the Maximum.

RICHARD AKERS, EXECUTIVE DIRECTOR — **CHART 53**



1. Percentages are of the Maximum.

In developing the above scenarios, the following assumptions have been made:

FIXED AND VARIABLE PAY – ASSUMPTIONS — **(UNAUDITED) TABLE 54**

Fixed
- Consists of the latest base salary, benefits and pension allowances.
- Benefits calculated using the figure for the 2012/13 year from the Directors' emoluments table on page 84.
- Pension allowance calculated at 25% of new base salary.

	Base (£'000)	Benefits (£'000)	Pension (£'000)	Total fixed (£'000)
Robert Noel, Chief Executive	694	22	174	890
Martin Greenslade, Chief Financial Officer	469	20	117	606
Richard Akers, Executive Director	418	23	105	546

On-target
This is based on what a director would receive if performance was in line with targets:
- Annual bonuses pay out at 60% of the maximum for on-target performance.
- Long-term incentive plan performance at median would see approximately 50% of the award vesting[1].

Maximum
- 100% of the Annual bonus.
- 100% vesting of Long-Term Incentive Awards[1].

1. Long-term incentives consists of share awards only, which are measured at face value, i.e. no assumption for increase in share price or dividends.

The following table illustrates in which financial years the various payments in the charts are actually made/released to Executive Directors. The table assumes that the maximum amount of the annual bonus is payable, so that the first third is paid in cash and the balance deferred into shares that vest after one and two years.

PAYMENT SCHEDULE — **(UNAUDITED) TABLE 55**

Financial year	2013-2014	2014-2015	2015-2016	2016-2017
Element of remuneration received	– Base salary. – Pension. – Benefits.	– The annual bonus targets are measured and the first third of the annual bonus is paid in cash.	– The second third of the annual bonus is deferred into shares that are released after one year.	– The final third of the annual bonus is also deferred into shares, that are released after two years. – LTIP and Matching Share Awards vest.

4. OUR CHOICE OF PERFORMANCE TARGETS FOR THE COMING YEAR

Our choice of performance metrics aligns individual reward with the Group's long-term and short-term performance and relative shareholder returns. The following table examines how we intend to achieve this in terms of the targets we have set for the coming year:

PERFORMANCE TARGETS FOR THE COMING YEAR **(UNAUDITED) TABLE 56**

Key metrics for variable pay	Link to strategy and value for shareholders
Long-term incentive and share matching plans	
Total Shareholder Return (50% of award)	– Rewards our outperformance of the returns generated by our listed company peers. – Encourages efficient use of capital through good sector allocation and appropriate gearing. – Based on a market capitalisation of £6.5 billion, our target of 4% per annum outperformance over three years would generate approximately £810 million of value for shareholders over and above that they would have received had we performed in line with our comparator group of property companies within the FTSE 350 Real Estate Index.
Ungeared Total Property Return (50% of award)	– Rewards sustained outperformance by our portfolio compared with the industry's commercial property benchmark weighted towards the sector mix of our portfolio. – Focuses on increasing capital values and rental income. – Capital value growth is reflected in an increased net asset value, which is the measure with the strongest correlation to share price. – On the basis of a portfolio with a value of £11.5 billion, our target 1% per annum outperformance over 3 years generates approximately £350 million of value beyond that which would have been received had the portfolio simply performed in line with the index. – The benchmark sectors we have chosen are amongst the toughest to compete in as they are also amongst the most profitable, attracting some of the best investors in the sector.
Annual bonus – key targets	
Ungeared Total Property Return (39.0% of salary)	– Rewards annual outperformance by our portfolio compared with the industry's commercial property benchmark. – Focuses on increasing capital values and rental income. – Capital value growth is reflected in an increased net asset value, which is the measure with the strongest correlation to share price. – On the basis of a portfolio with a value of £11.5 billion, the 2% outperformance targeted for one year would generate approximately £230 million of return beyond the returns of commercial property within our sectors. – The benchmark sectors we have chosen are amongst the toughest to compete in as they are also amongst the most competitive and profitable.
Absolute growth in revenue profit (39.0% of salary)	– Encourages above inflation growth in income profits, year on year, from a base set in 2010. – Targets set so as not to encourage excessive risk taking. – Encourages sustainable dividend growth and cover over the medium term. – Funds additional investment. – Encourages asset management activity and the income performance of assets, which is a very significant driver of capital values.
Annual Bonus – specific business targets	
Development lettings (20.8% of salary)	– A key driver of income and revenue profit in the future. – Proves the value of the development and drives capital growth.
Revenue profit against budget (10.4% of salary)	– Rewards outperformance of a stretching income profit target set in the context of the Company's business plan for the current year. – Encourages asset management activity and the income performance of assets, which is a very significant driver of capital values.
Achieving planning permission to develop a number of sites (10.4% of salary)	– Increases the value of our investment property. – Provides the ability to generate additional revenue profit and capital growth in the longer term.
Disposal of certain properties at identified price thresholds (10.4% of salary)	– To reallocate capital within our portfolio to areas that will generate higher returns in the future. – To generate selling prices that exceed our view of their values. – Encourages the repositioning of certain parts of our portfolio.
Individual targets for Executive Directors (20.0% of salary)	– A mix of short-term and long-term individual goals set at the beginning of the year. These are commercially sensitive but will be reported on in our next Annual Report.

5. SHORT-TERM AND LONG-TERM INCENTIVES AND TARGETS

Our remuneration policy seeks to balance returns over the short-term and long-term by incentivising outperformance of our peers in the following way:

THE SHORT-TERM AND LONG-TERM BALANCE OF OUR INCENTIVES **(UNAUDITED) TABLE 57**

Duration	Our incentives and targets
Short-Term	– Base salary and benefits to attract and retain high performing people. – Revenue profit performance targets within the annual bonus. – Total Property Return over one year is reflected in the annual bonus. – Successful planning applications will provide future opportunity for the business and will increase the value of our property in the short term. – Asset management initiatives have an immediate impact on revenue profit and capital values with a view to ensuring short-term outperformance of our peers.
Long-Term	– A significant proportion of the annual bonus is deferred into shares. – There are significant shareholding requirements for Executive Directors, of between one and a half and twice times gross annual base salary. – Relative TSR and TPR metrics are measured over three year periods. – Certain business unit KPIs set for the annual bonus, such as development lettings targets and successful planning applications, are likely to have a significant impact on long-term capital growth and revenue profit performance. – Development lettings targets provide dividend cover, scope for dividend growth and support capital values for the longer term. – Successful planning applications will lead to potential for capital and income growth in the future.

6. PERFORMANCE TARGETS FOR OUR LONG-TERM INCENTIVE PLANS

The performance targets we have set for our Long Term Incentive and Matching Performance Share Plans are the same. They are designed to reward significant outperformance of our peers in the most competitive sectors of the commercial property market. The performance conditions are described in the Policy section of this report.

The Committee has chosen the property companies within the FTSE 350 Real Estate Index as the comparator group for measuring our TSR performance against. The TSR comparator groups for awards made since 2010 are set out in the table below.

TOTAL SHAREHOLDER RETURN – COMPARATOR GROUPS **(UNAUDITED) TABLE 58**

	1 April 2010	1 April 2011	1 April 2012	**1 April 2013**
The British Land Company PLC	○	○	○	○
Big Yellow Group PLC	○	○	○	○
Capital & Counties Properties PLC	○	○	○	○
Daejan Holdings PLC	○	○	○	○
Derwent London PLC	○	○	○	○
F&C Commercial Property Trust Limited	○	○	○	○
Grainger PLC	○	○	○	○
Great Portland Estates PLC	○	○	○	○
Hammerson PLC	○	○	○	○
Hansteen Holdings PLC	○	○	○	○
Helical Bar PLC	○	○		
Intu Properties (formerly Capital Shopping Centres Group)	○	○	○	○
Londonmetric Property (which includes London and Stamford Group PLC before its merger)	○	○	○	○
Segro PLC	○	○	○	○
Shaftesbury PLC	○	○	○	○
St Modwen Properties PLC	○	○	○	○
UK Commercial Property Trust Limited	○	○	○	○
UNITE Group PLC	○	○		○
Workspace Group				○

7. EMPLOYEE SHARE OPTION SCHEMES
The Company has historically operated share option arrangements for Executive Directors, with vesting subject to performance testing. New awards ceased to be made to Executive Directors following the adoption of the LTIP in 2005. The awards made under that scheme are exercisable for ten years from grant and a few remain outstanding. These are shown on page 90.

Awards under this scheme continue to be made to employees below the level of Senior Manager.

8. PAY WITHIN THE GROUP
The average base salary increase awarded across the workforce provides a key reference point when determining levels of increase for the Executive Directors.

In setting the pay budget for the wider workforce, the Committee reviewed data on pay settlements within the economy, the rate of inflation and pay settlements for equivalent roles in similar companies.

In previous years, the personal element of an employee's bonus was scored against objectives set at the beginning of the year. This year, we introduced a change whereby the personal element of bonuses was scored on the basis of an employee's performance in their wider role. Inevitably, the scoring will involve an element of discretion. Investor guidelines discourage the use of discretion for bonuses paid to Executive Directors and so it has not been possible to apply the change to them. Executive Directors' annual bonuses will continue to be calculated on the basis of objectives set at the beginning of the year.

8.1 Senior Managers
The Group currently employs 13 Senior Managers in positions below Board level. None of these Senior Managers receives a salary or total remuneration package which is higher than those paid to the Executive Directors. The structure of their remuneration packages, including bonuses, is broadly consistent with that of Executive Directors.

Senior Managers typically have a bonus potential of up to 80% of base salary, with some eligible to receive up to 100%, based on targets set at the beginning of the financial year. In addition, they are eligible to participate in the discretionary bonus pool described below, although awards from this pool to Senior Managers are by exception.

Senior Managers may also receive LTIP and Matching Performance Share Awards, albeit at lower proportions of salary than Executive Directors.

8.2 Other employees
Other employees are also entitled to participate in the Company's bonus scheme. The maximum awards range between 20% and 60% of salary, depending on seniority.

All employees, other than Executive Directors, are also eligible to be considered for an award from the discretionary bonus pool of £1 million, with awards typically normally made to no more than 10% of the Group's employees. The awards are usually not more than 30% of base salary and are made on the basis of an exceptional single achievement or outstanding all-round performance.

In addition, all employees are entitled to receive private health insurance, life assurance, our savings related share option scheme and a season ticket loan, all on the same basis as the Executive Directors.

9. NON-EXECUTIVE DIRECTOR REMUNERATION POLICY
The annual fees of the Chairman of the Board and Non-executive Directors are determined by the Board, having regard to independent advice and published surveys.

The Board also takes into account the time commitments of the Non-executive Directors, which are reviewed annually as part of the Board appraisal process.

No additional fees are payable for membership of Board Committees, though additional fees are paid for specific additional responsibilities:

ADDITIONAL NON-EXECUTIVE DIRECTORS' FEES (UNAUDITED) **TABLE 59**

Name	£
Chair of Audit Committee	£17,500
Chair of Remuneration Committee	£12,500
Senior Independent Director	£10,000

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.

10. DIRECTORS' SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT

DATES OF APPOINTMENT FOR DIRECTORS (UNAUDITED) TABLE 60

Name	Date of appointment	Date of contract
Executive Directors		
Robert Noel	1 January 2010	23 January 2012
Martin Greenslade	1 September 2005	9 May 2013
Richard Akers	17 May 2005	9 May 2013
Non-executive Directors		
Alison Carnwath	1 September 2004	13 November 2008
David Rough	2 April 2002	29 April 2004
Sir Stuart Rose	21 May 2003	29 April 2004
Kevin O'Byrne	1 April 2008	9 April 2008
Chris Bartram	1 August 2009	21 July 2009
Simon Palley	1 August 2010	29 July 2010
Stacey Rauch	1 January 2012	26 November 2011

Executive Director notice periods
All of the Executive Directors have service agreements that are terminable by either the Company or the Executive Director on 12 months' notice. None have fixed terms of service.

Each of these agreements includes a mitigation clause providing for monthly phased payments through the notice period of salary, benefits and pension until alternative employment is found. At that point, payments will cease or be reduced. The Company does not make any arrangements that guarantee pensions with limited or no abatement on severance or early retirement.

Executive Director service agreements – termination provisions
During the course of the year, new service agreements for Martin Greenslade and Richard Akers were executed in order to bring them into line with investor guidelines and best practice.

Their previous service agreements contained provisions contractually entitling them to be treated as 'good leavers' for the purposes of the Company's share schemes in the event they are dismissed. In those circumstances, they would be entitled to automatically receive a time pro-rated vesting of all outstanding share awards, subject to testing of the performance conditions. In addition they would be entitled to receive a bonus payment pro-rated to reflect the proportion of the bonus year they had worked, subject to a minimum payment of 10% of base salary.

Mr Akers' and Mr Greenslade's new service agreements provide for the phased withdrawal of these termination provisions between 1 April 2012 and 31 March 2015. Mr Noel's service agreement does not include these provisions and is already in line with investor guidelines.

Otherwise, any proposals for the early termination of the service agreements of Executive Directors or Senior Managers are considered by the Committee.

Chairman and Non-executive Director letters of appointment
The Chairman and the Non-executive Directors do not have service agreements with the Company.

Each of them has a letter of appointment which sets out the terms of their appointment. The appointment of a Non-executive Director can be terminated, by either party, upon one month's notice and the appointment of the Chairman on three months' notice. Non-executive Directors are appointed under letters of appointment which provide for an initial term of service of three years. The dates of the current letters of appointment of the Non-executive Directors are shown above.

The terms and conditions of appointment of the Non-executive Directors are available for inspection at the Company's registered office.

11. SHAREHOLDER ENGAGEMENT

At last year's AGM, we proposed significant changes to the remuneration structure for our Executive Directors and Senior Managers. The proposals were finalised following a detailed consultation with shareholders who, together, held more than 50% of the Company's shares and also the two largest institutional shareholder representative bodies. During the consultation, which took place over four months, we received a number of suggestions for amendment and requests for additional supporting data. We adopted a number of these suggestions and published much of the additional supporting data in last year's Annual Report. Our proposals received the support of 98.3% of the votes cast at our 2012 AGM.

Since then, we have continued to meet shareholders and shareholder bodies and have encouraged them to share their thoughts with us. As a result, the Committee has resolved to dedicate the major part of one of its meetings each year to consider new trends, shareholder feedback and requirements.

We are very grateful for the time and assistance shareholders have given us.

DIRECTORS' REMUNERATION – IMPLEMENTATION REPORT

In this section, we describe all of the payments made or accruing to Directors in connection with the year under review.

1. THE ROLE OF THE COMMITTEE AND GOVERNANCE

1.1 Responsibilities and Terms of Reference

The Committee is responsible for:

- Engaging with shareholders with regard to pay and ensuring their views are taken into account when setting policy
- Determining the overall strategy and policy for the remuneration of Executive Directors and Senior Managers
- Ensuring the policy is aligned with and assists in the delivery of the Company's strategy
- Ensuring the outturn of performance conditions reflects the performance of the business
- Determining the individual remuneration packages for Executive Directors and Senior Managers
- Overseeing any significant changes to employee remuneration across the Group
- Approving the design of and targets for performance-related incentive schemes
- Overseeing the operation of all incentive schemes and awards and determining whether performance criteria have been met.

The Committee's Terms of Reference are available at www.landsecurities.com.

1.2 Advisers

The Committee appointed and received advice on remuneration and ancillary legal matters from New Bridge Street, a trading name of AON plc. It has also made use of various published surveys to help determine appropriate remuneration levels and relied on information and advice provided by the Group General Counsel and Company Secretary. New Bridge Street has voluntarily signed up to the Remuneration Consultants Group Code of Conduct.

The Committee intends to conduct a tender of its remuneration and benefit advisory work during the course of the coming year.

New Bridge Street also provide benchmarking data to the Group for roles below the Board and software to facilitate pay reviews, but otherwise have no other connection with the Group.

For the financial year under review, New Bridge Street received fees of £54,100 in connection with its work for the Committee.

1.3 Membership and meetings

David Rough chaired the Committee until 1 October 2012, when Simon Palley became Chairman. Mr Rough stood down from the Committee in May 2013.

The other members of the Committee during the year were Alison Carnwath and Chris Bartram. Alison Carnwath is not classified as an independent Non-executive Director for the purposes of the UK Corporate Governance Code, solely by virtue of her being the Chairman of the Board. She was, however, an independent Non-executive Director at the time of her appointment as Chairman. All of the other members were and remain independent Non-executive Directors.

The Committee met four times during the year. All of the members attended all of the meetings. The Group General Counsel and Company Secretary acted as the Committee's Secretary and attended all meetings.

The Chief Executive and Human Resources Director were invited to attend meetings of the Committee. No Director was involved in any decision relating to his or her own remuneration. As set out in the Corporate Governance section of this report, a review of the Committee's performance was undertaken by Boardroom Review.

1.4 Activities and highlights

During the course of the year, the Remuneration Committee was engaged with a number of matters, including:

- Extensive shareholder consultation connection with our review of all aspects of remuneration for Executive Directors and Senior Managers
- Reviewing trends and likely shareholder requirements for inclusion in remuneration policy going forward
- Monitoring, reviewing and responding to the Government's consultation over executive remuneration
- Determining salary increases for Executive Directors and Senior Managers, together with overall levels of salary increases across the Group
- Reviewing the outcomes for business unit and personal targets under the annual bonus scheme for Executive Directors and Senior Managers
- Reviewing the outcomes for achievement against the performance conditions for the Long Term Incentive and Matching Performance Share Plans
- Determining proposed share incentive and bonus awards to Executive Directors and Senior Managers
- Determining Directors' compliance with the Company's Share Ownership Guidelines.

2. DIRECTOR SALARY INCREASES

In accordance with investor guidelines, the Committee has not undertaken a peer group benchmarking exercise this year for Executive Directors. Instead, the Committee has awarded Executive Directors increases of 2.0%. This is slightly less than the average increase received by employees as a whole at 2.2% excluding promotions and exceptional increases. Including those items increases the average to 2.9%. Salary increases take effect from 1 June 2013.

No increases were awarded to our Chairman or Non-executive Directors, whose fees have not increased since October 2009. Our Chairman has not received an increase since her appointment in November 2008.

EXECUTIVE DIRECTOR SALARY INCREASES (£'000) **(UNAUDITED) TABLE 61**

Name	Current	From 1 June 2013	% increase	Average % increase over five years (including 2013/14)
Robert Noel[1]	680	694	2%	–
Martin Greenslade	460	469	2%	2.65%
Richard Akers	410	418	2%	2.41%

1. This is the first salary review for Robert Noel since he became Chief Executive on 1 April 2012.

3. REMUNERATION OUTCOMES FOR DIRECTORS DURING THE YEAR

In this section, we explain the variable pay outcomes for Executive Directors during the year.

We start with a table that shows the payments we expect to make to Directors in connection with the 2012/13 financial year. We then move on to explain the performance outcomes for our variable pay schemes in the context of value created for shareholders before showing the payments to individual Executive Directors and examining the element of their annual bonus determined by their personal performance.

3.1. Directors' Emoluments

The following table shows our Directors' emoluments for the financial year ended 31 March 2013.

It is presented in a different format to those in previous years as we are seeking to comply with both the existing regulations and those expected to come into force for next year's Annual Report. The first 'total' is that required to be shown under the existing rules. The second 'total' includes the additional items of remuneration that we expect will be required to be shown next year. This is commonly known as the 'one number' total and is designed to make it easier to compare remuneration between different companies. It also seeks to ensure that the amounts shown are those earned in relation to the Company's performance in the year.

The basis of disclosure is on an 'accruals' basis. This means that the annual bonus column includes the amount that will be paid in connection with performance achieved in the financial year under review. The values shown for Long Term Incentive Plan awards in 2012/13 are calculated using the closing share price on 31 March 2013, which was the final day of the performance period. The actual price is not known at the time of writing as the awards do not formally vest until June and July 2013. In previous years, we have shown the amounts which actually vest in the year and so have adjusted the 2011/12 year in order to present a like for like comparison.

DIRECTORS' EMOLUMENTS (£'000) (AUDITED) **TABLE 62**

	Basic salary and fees[2]		Benefits[3]		Pension allowance		Annual bonus paid in cash		Annual bonus deferred into shares		Total		Contribution to pension scheme		Long-term incentives vested		Options exercised		Total	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
Executives																				
Robert Noel[1]	680	421	22	15	170	105	340	308	535	81	1,747	930	–	–	845	595	–	–	2,592	1,525
Martin Greenslade	460	435	20	19	113	63	230	331	353	77	1,176	925	–	45	889	1,083	–	–	2,065	2,053
Richard Akers[4]	410	395	23	21	102	63	205	335	306	179	1,046	993	–	39	797	974	8	6	1,851	2,012
Non-executives																				
Alison Carnwath (Chairman)	300	300	–	–							300	300							300	300
David Rough	66	83	–	–							66	83							66	83
Sir Stuart Rose	60	60	–	–							60	60							60	60
Kevin O'Bryne	88	77	–	–							88	77							88	77
Chris Bartram	60	60	–	–							60	60							60	60
Simon Palley	66	60	–	–							66	60							66	60
Stacey Rauch	60	15	–	5							60	20							60	20

1. Robert Noel was appointed Chief Executive on 1 April 2012. His basic salary for 2011/12 reflects his previous position as Managing Director of the Group's London Portfolio. He was awarded 160,000 conditional shares on appointment to the Board in 2010 to replace lost awards made by his previous employer. The final tranche of 80,000 shares vested in June 2012, but was intended to reflect his 2011/12 awards and so is shown in that year for consistency with awards made to other Directors.
2. Basic salary is stated as a per annum figure. In the year Richard Akers received £408,000 and Martin Greenslade £454,000.
3. Benefits consists of the provision of a car allowance, private medical insurance, life assurance and holiday pay.
4. Richard Akers was entitled to an additional bonus of £200,000 for 2011/12, to reflect the Retail Portfolio's Total Property Return perfomance for that year, under a scheme which has now been withdrawn. Although half of the amount is payable in cash in 2012/13 and the balance half deferred into shares for two years, the whole payment is recorded in 2011/12 as the payment relates to performance in that year.
5. Pensions of £63,374 (2011/12: £68,072) were paid to former Directors or their dependents, these relate to unfunded historic benefit obligations.
6. Following the retirement of the Group's Chief Executive, Francis Salway, on 31 March 2012 all of his outstanding share awards lapsed.

3.2 Variable pay – overall performance outcomes

(i) Annual bonus

In the year under review, each Executive Director has had the potential to receive an annual bonus of up to 150% of his base salary. Of this, 130% was dependent on meeting Group targets and 20% dependent on meeting personal targets. All targets were set at the beginning of the year.

The annual bonus payout relating to the performance of the Group in this year has been reduced by 2.9%. The reduction was used to fund an additional payment to each member of our staff who was not entitled to participate in the Group level bonus arrangements. The payment is being made to reflect their contribution towards the Company achieving so many of its targets in the year.

This following table illustrates the Group targets, their significance in terms of the value to the Company and its shareholders and the respective outcomes.

ANNUAL BONUS OUTTURN **(UNAUDITED) TABLE 63**

Target	Percentage of base salary (maximum)	Link to strategy and performance	Outturn: Assessment	Outturn: Percentage of base salary awarded	Outturn: Percentage of maximum
Ungeared total property return	39.0%	– Rewards annual outperformance by our portfolio compared with the industry's commercial property benchmark, weighted towards the capital employed in our core sectors. – Focuses on increasing capital values and rental income. – Capital value growth is reflected in an increased net asset value, which is the measure with the strongest correlation to share price. – On the basis of a portfolio with a value of £11.5bn, the 2% outperformance targeted for one year would generate approximately £230m of value beyond general movements in the value of commercial property within our sectors and cost c.£2.4m in terms of bonuses paid to Directors and other employees. – The benchmark sectors we have chosen are amongst the toughest to compete in as they are amongst the most profitable and attract some of the most successful investors in the industry.	– The Land Securities Total Property Return for the year outperformed the IPD Quarterly Universe figure by 1.7% (adjusted for the capital employed in our core sectors).	33.0%	85.0%
Share in long-term real growth in group revenue profit	39.0%	– Encourages above inflation growth in income profits, year on year, from a base set in 2010. – Target set so as not to encourage excessive risk taking. – Encourages sustainable dividend growth and cover over the medium term. – Funds additional investment. – Encourages asset management activity and focus on the income performance of assets, which is a very significant driver of capital values.	– Revenue profit for the year exceeded the target. – Although the performance was good, it was below that of the previous year and this is reflected in a lower outturn.	31.4%	81.0%
Key business targets: Development lettings	20.8%	– A key driver of income and revenue profit in the future. – Proves the value of the development and drives capital growth.	– The Group secured development lettings for the year of £31.7m, against a maximum target of £33m. – The outturn is calculated on the basis that nothing is paid out until a threshold of half of the target is achieved (£16.5m). Achievement is calculated on a straight-line basis from threshold to the maximum.	19.0%	91.5%
Revenue profit against budget	10.4%	– Rewards outperformance of a stretching income profit target set in the context of the Company's business plan for the current year. – Encourages asset management activity and the income performance of assets, which is a very significant driver of capital values.	– Revenue profit achieved in the year exceeds the upper threshold of the target.	10.4%	100%
Charging the Group's interest in its Nova Victoria development into its secured lending pool	10.4%	– The aim is to increase the value of the pool of assets which can be mortgaged. – As we invest in Nova Victoria, the value of the asset will increase significantly. – Ultimately, this will reduce the Group's overall cost of borrowing.	– This was achieved, with the outcome exceeding expectations.	10.4%	100%

ANNUAL BONUS OUTTURN (CONTINUED) **(UNAUDITED) TABLE 63**

Target	Percentage of base salary (maximum)	Link to strategy and performance	Outturn: Assessment	Outturn: Percentage of base salary awarded	Outturn: Percentage of maximum
Opening the Group's Trinity Leeds development on time.	10.4%	– Creates momentum for the opening of the scheme – Brings forward the receipt of income. – Builds customer confidence in our ability to deliver schemes on time.	– This was achieved to an exacting timeline.	10.4%	100%
Executive Director individual targets Each Director received a number of personal targets, which included: – Ensuring the success of the new three Executive Director structure (in 2011/12, there were four Executive Directors). – Developing clear communication channels with domestic and international investors. – Management of Group overheads. – Implementation of a new budgeting and forecasting system. – Building a Group wide career development programme for high performing employees.	20.0%	These targets comprise a number of measures that are designed to improve the short- and long-term performance of the Group.	Individual Executive Directors were scored by the Remuneration Committee on the basis of objectively measurable targets set at the beginning of the year. The outturn was as follows: – Robert Noel – Martin Greenslade – Richard Akers	 17.0% 15.0% 13.0%	 85.0% 75.0% 65.0%
Total	**150%**		Robert Noel[1] Martin Greenslade[1] Richard Akers[1]	**129%** **127%** **125%**	

1. The outturn is adjusted to take account of the performance of the trading properties and income extracted from a property in Queen Anne's Gate, London, SW1, through a bond issue in 2009.
2. The bonus outturns are reduced by 2.90% to fund an additional payment to staff to reward their efforts during the year.

(ii) Long Term Incentive Plan

Summary of the performance conditions
Awards under the Group's Long Term Incentive Plans are subject to performance conditions measured over three financial years. The performance conditions compare the Group's relative performance against its peers in terms of Total Property Return (TPR) and Total Shareholder Return (TSR), with each measure contributing 50% to the total. The performance conditions are explained in detail in the Policy section of this report.

For the TPR portion of the measure, a performance in line with the IPD weighted indices that reflect the sector mix of Land Securities investment portfolio will cause 12.5% of the award to vest, with straight-line vesting to the maximum 50% for where our TPR outperforms by 1% per annum or more.

For the TSR proportion of the measure, a performance in line with that of the property companies comprised within the FTSE 350 Real Estate Index will cause 15% of the award to vest, with straight-line vesting to the maximum 50% vesting for where our TSR outperforms that of the Index by 4% per annum.

The Policy Section of this report sets out the performance conditions and their calculation in full.

Calculation of the 2013 outturn and interim measurements for subsequent awards
Awards made in 2010 were measured over the three year period to 31 March 2013, with 76.1% vesting.

For awards granted in 2011, the Group's performance over the two years to 31 March 2013 would, if sustained over the three year period, result in 81.9% of the share awards vesting. For awards granted in 2012, performance over the one year period to 31 March 2013 would, if sustained over the second and third years of the period, result in 70.1% of the awards vesting.

The performance calculation and relative value created for awards vesting in 2013 are illustrated below.

TOTAL SHAREHOLDER RETURN – 1 APRIL 2010 TO 31 MARCH 2013 — **TABLE 64**

Proportion of the total award	Performance target for maximum vesting	Land Securities' TSR over the period	Comparator Group TSR over the period	Land Securities' outperformance (per annum)	Approximate value of the outperformance[1]	Proportion of award vesting (max 50%)
50%	Outperformance of our comparator group by 4% per annum	39.1%	35.2%	1.26%	£198m	26.1%

1. Based on a market capitalisation of £5,144 million at 1 April 2010.

UNGEARED TOTAL PROPERTY RETURN – 1 APRIL 2010 TO 31 MARCH 2013 — **TABLE 65**

Proportion of the total award	Performance target for maximum vesting	Land Securities' TPR over the period	IPD sector weighted TPR over the period	Land Securities' outperformance (per annum)[2]	Approximate value of the outperformance[1]	Proportion of award vesting (max 50%)
50%	Ungeared outperformance of our sector weighted IPD index by 1% per annum	36.8%	32.7%	1.03%	£296m	50.00%

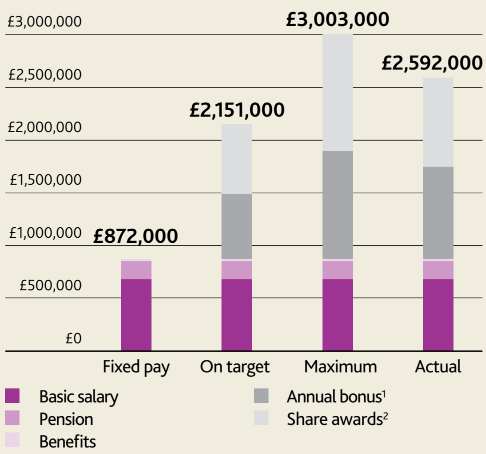
1. Based on a portfolio value of £9,540 million at 1 April 2010.
2. The outturn is adjusted to take account of the performance of the trading properties and the capital and income extracted from a property in Queen Anne's Gate, London SW1, though a bond issue in 2009.

Individual outcomes

In this section, we set out the components of each Executive Director's remuneration for the year, compared with the maximum that could have been paid. This is illustrated in the form of a chart and a table that shows the amounts. The footnotes for the table apply to the charts as well.

We also explain any additional payments made to Directors that are not described in the previous section of this report.

ROBERT NOEL, CHIEF EXECUTIVE



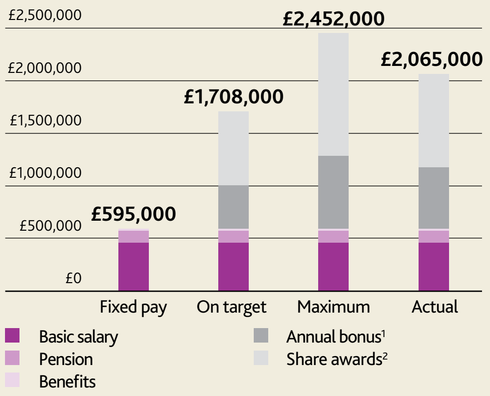
(UNAUDITED) TABLE 66

Element of pay	Maximum potential (£'000)	Outcome: Percentage of maximum achieved	Outcome: (£'000)
Base salary	680	n/a	680
Pension	170	n/a	170
Benefits	22	n/a	22
Annual bonus[1]			
– Group element	884	86%	759
– Individual element	136	85%	116
Long Term Incentive Plan[2]	1,111	76%	845
Total	3,003	81%[3]	2,592

1. £340,000 of Robert Noel's annual bonus will be deferred into shares for one year and £195,000 for two years.
2. In 2010, Robert Noel received LTIP and Matching Share Awards over 134,057 shares, with a value of £794,000, in connection with his position as Managing Director of the London Portfolio. He became CEO on 1 April 2012. The award was based on an average share price of approximately £5.92. Since then, the share price has increased, closing at £8.29 on 31 March 2013. For consistency and in order to better illustrate the percentage of the maximum that will vest, we have substituted the grant price with the closing price at 31 March 2013 in both the table and the chart.
3. Percentage is of variable pay maximum.

As part of the package to recruit Mr Noel to the Board as Managing Director of the London Portfolio on 1 January 2010, Mr Noel was granted an award of shares which broadly matched the long-term incentive awards he left behind at his previous employer. This award was described in the last year's report and was structured to reflect the timing and likelihood of vesting of those share awards. In relation to quantum it was agreed that these awards would not be subject to performance conditions but the value would be scaled back to reflect assumptions in relation to the likelihood of vesting. An award of 160,000 shares was made, to be released over three years. The final award of 80,000 shares vested in June 2012, but replaced awards vesting for performance ending in the financial year 2011/12. Accordingly, these have been recorded in the 2011/12 year, in line with other awards made to Executive Directors the Company for the same year. The final tranche of the award had a value of £595,000.

MARTIN GREENSLADE, CHIEF FINANCIAL OFFICER

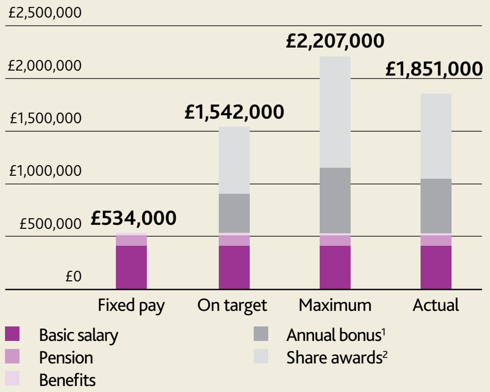


(UNAUDITED) TABLE 67

Element of pay	Maximum potential (£'000)	Outcome: Percentage of maximum achieved	Outcome: (£'000)
Base salary	460	n/a	460
Pension	113	n/a	113
Benefits	20	n/a	20
Annual bonus[1]			
– Group element	598	86%	514
– Individual element	92	75%	69
Long-Term Incentive Plan[2]	1,169	76%	889
Total	2,452	79%[3]	2,065

1. £230,000 of Martin Greenslade's annual bonus will be deferred into shares for one year and £123,000 for two years.
2. In 2010, Martin Greenslade received LTIP and Matching Share Awards over 140,936 shares with a value of £835,000, based on an average share price of approximately £5.92. Since then, the share price has increased, closing at £8.29 on 31 March 2013. For consistency and in order to better illustrate the percentage of the maximum that will vest, we have substituted the grant price with the closing price at 31 March 2013 in both the table and the chart.
3. Percentage is of variable pay maximum.

RICHARD AKERS, EXECUTIVE DIRECTOR



(UNAUDITED) TABLE 68

Element of pay	Maximum potential (£'000)	Outcome: Percentage of maximum achieved	Outcome: (£'000)
Base salary	410	n/a	410
Pension	103	n/a	103
Benefits	23	n/a	23
Annual bonus[1]			
– Group element	533	86%	458
– Individual element	82	65%	53
Long-Term Incentive Plan[2]	1,048	76%	797
Share Options exercised	8	n/a	8
Total	2,207	79%[3]	1,852

1. £205,000 of Richard Akers' annual bonus will be deferred into shares for one year and £101,000 for two years.
2. In 2010, Richard Akers' received LTIP and Matching Share Awards over 126,421 shares with a value of £749,000 based on an average share price of approximately £5.92. Since then, the share price has increased, closing at £8.29 on 31 March 2013. For consistency and in order to better illustrate the percentage of the maximum that will vest, we have substituted the grant price with the closing price at 31 March 2013 in both the table and the chart.
3. Percentage is of variable pay maximum.

Mr Akers became a Non-executive Director of Barratt Developments PLC on 2 April 2012. In keeping with the Company's policy, the Nominations Committee has permitted him to retain his Director's fees of £58,000 per annum.

Mr Akers ceased to be an active member of the Group's defined benefit pension scheme on 31 March 2012 and so did not receive any additional accrual of benefit in respect of his service in the year under review.

DEFINED BENEFIT PENSION SCHEME (AUDITED) TABLE 69

	Accrued benefit at 31 March 2013 £	Increase in accrued benefits excluding inflation £	Increase in accrued benefits including inflation £	Transfer value of increase in accrued benefits excluding inflation £	Transfer value of accrued benefits at 1 April 2012 £	Transfer value of accrued benefits at 31 March 2013 £	Increase in transfer value net of Directors' contributions** £
R J Akers	37,752	0	1,003	0	765,626	856,286	90,660

* R J Akers opted out of the Scheme on 31 March 2012 and has a deferred benefit which is linked to inflation. He does not earn future pension accrual.
** There were no contributions from the Director.
The 'Increase in transfer value net of Directors' contributions' differs from the 'Transfer value of increase in accrued benefit' in that it reflects the change in market conditions over the year less the Directors' own contributions to the pension scheme.
The transfer values, have been calculated on the basis of the actuarial advice in accordance with the 2008 transfer value regulations.
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.

5. DIRECTORS' SHARES

The interests of the Directors in the shares of the Company as at 31 March 2013 are shown below.

DIRECTORS' INTERESTS IN SHARES AT 31 MARCH 2013 (AUDITED) TABLE 70

	Ordinary shares		Deferred shares		LTIP performance shares*		LTIP matching shares*		Conditional share award	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
A J Carnwath	**136,476**	131,328	**–**	–	**–**	–	**–**	–	**–**	–
R M Noel	**109,140**	70,740	**21,370**	10,127	**249,072**	117,798	**246,382**	115,782	**–**	80,000
R J Akers	**202,604**	141,388	**129,146**	94,009	**188,872**	189,168	**188,619**	178,416	**–**	–
M F Greenslade	**229,293**	156,486	**37,487**	26,626	**211,052**	210,522	**209,974**	197,786	**–**	–
D Rough	**18,524**	18,524	**–**	–	**–**	–	**–**	–	**–**	–
S Rose	**16,250**	16,250	**–**	–	**–**	–	**–**	–	**–**	–
S Palley	**16,408**	16,408	**–**	–	**–**	–	**–**	–	**–**	–
C Bartram	**9,253**	9,253	**–**	–	**–**	–	**–**	–	**–**	–
K O'Byrne	**11,516**	11,516	**–**	–	**–**	–	**–**	–	**–**	–
S Rauch	**8,000**	6,000	**–**	–	**–**	–	**–**	–	**–**	–

* Subject to performance conditions (see page 79).

There have been no changes in the shareholdings of the Directors between the end of the financial year and 31 May 2013, save that Alison Carnwath and Martin Greenslade acquired 1,238, and 1,778 shares respectively under the Company's Scrip Dividend Plan.

No Director had any other interests in contracts or securities of the Company or any of its subsidiary undertakings during the year.

ESSENTIAL READ
DIRECTORS' REPORT
GOVERNANCE
FINANCIAL STATEMENTS
INVESTOR RESOURCE

OUTSTANDING SHARE AWARDS MADE TO EXECUTIVE DIRECTORS

The tables below illustrate those share awards made to Executive Directors that have not yet vested or, in the case of awards made under historic share option schemes, have not yet been exercised.

LTIP AND MATCHING SHARES AWARDED AND THOSE THAT VESTED THIS YEAR* (AUDITED) TABLE 71

	Cycle ending	Award date	Market price at award date (p)	Shares awarded	Shares vested	Market price at date of vesting (p)	Vesting date
R M Noel							
– LTIP shares							
	2013	29/06/2010	572	68,493			29/06/2013
	2014	29/06/2011	827.5	49,305			29/06/2014
	2015	27/07/2012	777	131,274			27/07/2015
– Matching shares							
	2013	30/07/2010	613	65,564			30/07/2013
	2014	29/07/2011	861	50,218			29/07/2014
	2015	27/07/2012	781	130,600			27/07/2015
M F Greenslade							
– LTIP shares							
	2012	29/06/2009	468	88,273	75,826	742.02	29/06/2012
	2013	29/06/2010	572	70,890			29/06/2013
	2014	29/06/2011	827.5	51,359			29/06/2014
	2015	27/07/2012	777	88,803			27/07/2015
– Matching shares							
	2012	31/07/2009	532	76,160	65,421	794.77	31/07/2012
	2013	30/07/2010	613	70,046			30/07/2013
	2014	29/07/2011	861	51,580			29/07/2014
	2015	27/07/2012	781	88,348			27/07/2015
R J Akers							
– LTIP shares							
	2012	29/06/2009	468	79,446	68,244	742.02	29/06/2012
	2013	29/06/2010	572	63,801			29/06/2013
	2014	29/06/2011	827.5	45,921			29/06/2014
	2015	27/07/2012	777	79,150			27/07/2015
– Matching shares							
	2012	31/07/2009	532	68,542	58,877	794.77	31/07/2012
	2013	30/07/2010	613	62,620			30/07/2013
	2014	29/07/2011	861	47,254			29/07/2014
	2015	27/07/2012	781	78,745			27/07/2015

* Subject to performance tests (see page 79).

DIRECTORS' OPTIONS OVER ORDINARY SHARES (AUDITED) TABLE 72

			Granted during year		Exercised/(lapsed) during year					
	Note	Number of options at 31/03/12	Number	Grant price (pence)	Number	Exercise price (pence)	Market price on exercise (pence)	Number of options at 31/3/2013 (4)	Exercise price (pence)	Exercisable dates
R J Akers	(1), (3)	8,600	–	–	8,600	710	799	–	710	07/2006-07/2013
	(1), (3)	12,762	–	–	–	–	–	12,762	1044	07/2007-07/2014
	(2)	4,033	–	–	–	–	–	4,033	388	08/2014-02/2015
M F Greenslade	(2)	1,193	–	–	(1,193)	–	–	–	1372	12/2011-06/2012
	(2)	–	1,599	577	–	–	–	1,599	577	08/2015-02/2016

1. 2002 Executive Share Option Scheme. Vesting of Awards is dependent on the Company's growth in normalised adjusted EPS exceeding the growth in RPI by at least 2.5% per year.
2. 2003 Savings Related Share Option Scheme. Not subject to performance conditions as it is available to all staff and HM Revenue & Customs' rules do not permit performance conditions for this type of scheme.
3. As adjusted for the Rights Issue in March 2009.
4. Total number of options held by Directors at 31 March 2013 was 18,394 (2012: 26,588).
5. The range of the closing middle market prices for Land Securities Group PLC ordinary shares during the year was 849 pence to 704 pence. The closing share price on 28 March 2013 was 829.0 pence.

All outstanding share option awards capable of exercise at 31 March 2013 have an exercise price that is above the market price on that date.

Compliance with shareholding guidelines
In May 2010 the Committee agreed that Martin Greenslade and Richard Akers had met the shareholding guidelines, which are set out in the Policy section of this report. Following his appointment as the Group's Chief Executive on 1 April 2012, Mr Noel will have five years to meet the ownership guidelines.

In May 2012, the Committee determined that all Non-executive Directors in place at the time had complied with this requirement, with the exception of Stacey Rauch whom the Committee determined met the guidelines in May 2013.

6. PAY AROUND THE GROUP

6.1 Senior Managers

During the year under review, bonuses for this group of employees ranged from 60% to 103% of salary (2012: 49% to 84%). The average bonus is 86% of salary (2012: 61%). Two of these employees received additional bonuses in the year that related to the performance of their business units in the prior year. This scheme has now been withdrawn. Including these payments would increase the upper end of the range from 103% to 124% and the average to 92%.

The Long-Term Incentive Plan awards made to Senior Managers vested on the same basis as the awards made to Executive Directors.

6.2 All Other Employees

The average pay increase for employees other than Executive Directors was 2.2%, or 2.90% including salary adjustments and promotions, as against 2.0% for the Executive Directors. The ratio of the salary of the Chief Executive to the average salary across the Group (excluding Directors) was 13:1 (£680,000: £52,100).

7. DILUTION

Awards granted under the 2005 and 2012 Long-term Incentive Plans, which cover LTIP and Matching Performance Share Awards, Deferred Bonus Share Awards and the 2005 Executive Share Option Plan are satisfied through the funding of an Employee Benefit Trust administered by an external trustee which acquires shares in the market. The Employee Benefit Trust held 1,037,633 shares at 31 March 2013.

The exercise of share options under the Group's Savings-Related Share Option Scheme, which is open to all employees who have completed three months' service with the Group, is satisfied by the allotment of newly issued shares. At 31 March 2013, the total number of shares which could be allotted under this scheme was 460,875 shares, which represent significantly less than 1% of the issued share capital of the Company.

8. LAND SECURITIES 2012 AGM, DIRECTORS' REMUNERATION REPORT VOTING RESULTS

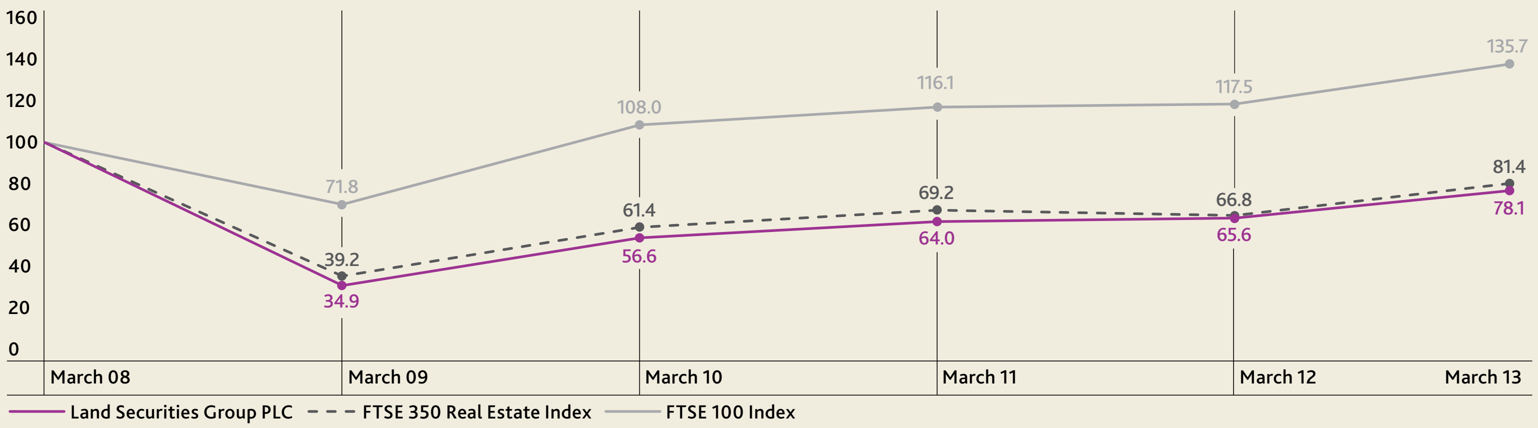
The votes cast on the resolution seeking approval for the Directors' Remuneration Report at our 2012 AGM were as follows:

Votes for	% for	Votes against	Votes withheld
530,687,023	98.44	8,384,136	7,485,118

9. PERFORMANCE GRAPHS

As required by legislation covering the Directors' Remuneration Report, the following illustrates the performance of the Company measured by total shareholder return (share price growth plus dividends paid) against a 'broad equity market index' over a period of five years. As the Company is a constituent of the FTSE 350 Real Estate Index, this is considered to be the most appropriate benchmark for the purposes of the graph. An additional line to illustrate the Company's performance compared with the FTSE 100 index over the previous five years, is also included.

TOTAL SHAREHOLDER RETURN (£) **(UNAUDITED) TABLE 73**



This graph shows the value, by 31 March 2013, of £100 invested in Land Securities Group PLC on 31 March 2008 compared with the value of £100 invested in the FTSE 350 Real Estate Index or the FTSE 100 Index over the same period.
The other points plotted are the values at intervening financial year ends.
Source: Thomson Reuters

Adrian de Souza
Group General Counsel and Company Secretary

REPORT OF THE DIRECTORS – ADDITIONAL DISCLOSURES

Share capital
At the Company's last Annual General Meeting (AGM), held on 19 July 2012, shareholders authorised the Company to make market purchases of ordinary shares representing up to 10% of its issued share capital at that time and to allot shares within certain limits approved by shareholders. These authorities expire at the 2013 AGM and a renewal will be sought.

During the year the Company purchased 4,599,131 of its ordinary shares. The number of shares purchased is equivalent to the number of shares that were issued in connection with the scrip dividend scheme at a time when the share price was at a material discount to adjusted net asset value. The purpose of the purchase was to minimise dilution associated with the issue of shares under the scrip dividend scheme. Following this and other purchases in earlier periods, the Company currently holds 10,495,131 ordinary shares in treasury.

As at 31 March 2013 there were 1,031,237 shares held in the Employee Benefit Trust (EBT) for the purposes of satisfying awards made under the Company's employee share plans. The EBT has waived its entitlement to a dividend.

New shares were allotted during the year only in relation to certain employee share awards and the Company's scrip dividend facility. Resolutions to renew these authorities will be proposed at the 2013 AGM. The Company has no restrictions on the transfer of its shares.

Substantial shareholders
At 7 May 2013 the interests in issued share capital which had been notified to the Company under the Disclosure and Transparency Rules (DTR 5) of the UK Listing Authority are shown below.

Shareholders owning over 3% of the Company's shares:

Shareholder	Number of shares	% holding
BlackRock, Inc.	57,371,354	7.33
Norges Bank	42,042,530	5.37
APG Algemene Pensioen Groep	30,953,837	3.95
Peel Holdings Plc	28,135,823	3.59
Legal & General Investment Management	24,128,855	3.08

Directors' indemnities and insurance
On 5 May 2006, the Company agreed to indemnify each Director against any liability incurred in relation to acts or omissions arising in the course of their office. The indemnity applies only to the extent permitted by law. A copy of the deed of indemnity is available for inspection at the Company's registered office and at the AGM. The Company has ensured that appropriate insurance cover is available in respect of potential legal action against its Directors.

Auditors and disclosure of information to auditors
So far as the Directors are aware, there is no relevant audit information that has not been brought to the attention of the Company's auditors. Each Director has taken all reasonable steps to make himself or herself aware of any relevant audit information and to establish that such information was provided to the auditors. Following the tender of the audit during the year, a resolution to appoint Ernst & Young LLP as auditors to the Company will be proposed at the 2013 AGM. For more details on the audit tender please see page 68 and 69.

Provisions on change of control
There are a number of agreements which take effect, alter or terminate upon a change of control of the Company. None of these are considered significant. The Company's share schemes contain provisions which take effect in the event of a change of control, but do not entitle participants to a greater interest in the shares of the Company than created by the initial grant or award under the relevant scheme.

Payment policy
The Group's policy is to pay invoices in accordance with their terms. The Company has no trade creditors as at 31 March 2013. The Group's creditor payment days at 31 March 2013 represented 28 days' of purchases (2012: 27 days).

Charitable donations
During the year £0.5m was donated to charitable causes. For more information, please see the Corporate Responsibility section on page 48.

Financial reporting and the 'going concern' basis for accounting
The Board seeks to present a balanced and understandable assessment of the Group's position and prospects. In order to satisfy themselves that the Company has adequate resources to continue in operational existence for the foreseeable future, the Directors have reviewed assumptions about future trading performance, valuation projections and debt requirements contained within the Group's current five year plan and reported against them, internally, on a monthly basis. This, together with available market information and the Directors' knowledge and experience of the Group's property portfolio and markets, has given them sufficient confidence to continue to adopt the going concern basis in preparing the accounts. 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.

Voting rights
Each ordinary share of the Company carries one vote. Further information on the voting and other rights of shareholders are set out in the Company's Articles of Association and in the explanatory notes that accompany the Notice of the AGM which are available on the Company's website at www.landsecurities.com.

Directors' powers
As set out in the Company's Articles of Association, the business of the Company is managed by the Board who may exercise all the powers of the Company.

Appointment and removal of Directors
The Board may appoint a Director, either to fill a vacancy or as an addition to the existing Board. This Director must retire at the next AGM of the Company and put themselves forward for re-appointment by the shareholders.

In addition to any power of removal conferred by the Companies Act, the Company may by special resolution remove any Director before the expiration of his period of office and may, subject to the Articles, by ordinary resolution appoint another person who is willing to act as a Director in his place.

Annual General Meeting
Accompanying this report is the Notice of the AGM which sets out the resolutions for the meeting, together with an explanation of them.

By order of the Board

Adrian de Souza
Group General Counsel and Company Secretary

FINANCIAL STATEMENTS

Income

Earnings per share, Group revenue, costs and other important financial information.

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Balance sheets

The Group's balance sheet at 31 March 2013.

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Notes

Accounting policies, segmental information and other helpful guidance.

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STATEMENT OF DIRECTORS' RESPONSIBILITIES

in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit and loss of the Group and Company for that period.

In preparing these financial statements the Directors are required to:

– select suitable accounting policies and then apply them consistently;
– make judgements and accounting estimates that are reasonable and prudent;
– state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
– prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' responsibility statement
Each of the Directors, whose names and functions are listed below, confirm that:

– to the best of their knowledge, the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
– to the best of their knowledge, the management reports (which are incorporated into the Report of the Directors) contained in the Annual Report include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

A copy of the financial statements of the Group is placed on the Company's website. The Directors are responsible for the maintenance and integrity of statutory and audited information on the Company's website at www.landsecurities.com. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors of Land Securities Group PLC as at the date of this Annual Report are as set out below:

Alison Carnwath, Chairman
Robert Noel, Chief Executive
Kevin O'Byrne, Senior Independent Director*
Martin Greenslade, Chief Financial Officer
David Rough*
Richard Akers, Executive Director
Sir Stuart Rose*
Chris Bartram*
Simon Palley*
Stacey Rauch*

*Non-executive Directors

By order of the Board
Adrian de Souza
Group General Counsel and
Company Secretary
14 May 2013

INDEPENDENT AUDITORS' REPORT

to the members of Land Securities Group PLC

We have audited the financial statements of Land Securities Group PLC for the year ended 31 March 2013 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Statements of Cash Flows, the Group and Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' responsibilities set out on page 94, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report 2013 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2013 and of the Group's profit and Group's and Parent Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 92, in relation to going concern;
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Parwinder Purewal
(Senior Statutory Auditor)
for and on behalf of:
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
14 May 2013

INCOME STATEMENT

for the year ended 31 March 2013

	Notes	Group 2013 £m	Group 2012 £m
Group revenue[1]	5	**736.6**	671.5
Costs		**(290.7)**	(239.6)
		445.9	431.9
(Loss)/profit on disposal of investment properties		**(3.1)**	45.4
Profit on disposal of other investments		**1.6**	–
Net surplus on revaluation of investment properties	14	**196.7**	169.8
Release of impairment/(impairment charge) on trading properties	22	**7.1**	(2.0)
Operating profit		**648.2**	645.1
Interest expense	9	**(201.6)**	(201.1)
Interest income	9	**32.5**	26.2
Fair value movement on interest-rate swaps	9	**(1.6)**	(4.5)
Movement on redemption liability	28	**(4.5)**	–
Net gain on business combination	29	**1.4**	–
		474.4	465.7
Share of post-tax profit from joint ventures	19	**58.6**	52.2
Impairment of investment in joint ventures	19	**–**	(2.2)
Profit before tax		**533.0**	515.7
Income tax	11	**–**	8.0
Profit for the financial year		**533.0**	523.7
Attributable to:			
Owners of the Parent		**533.0**	522.9
Non-controlling interests		**–**	0.8
Profit for the financial year		**533.0**	523.7
Earnings per share attributable to the owners of the Parent (pence)			
Basic earnings per share	12	**68.4**	67.5
Diluted earnings per share	12	**68.1**	67.4

1. Group revenue excludes the share of joint ventures' revenue of **£108.6m** (2012: £121.4m).

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2013

	Notes	Group 2013 £m	Group 2012 £m
Profit for the financial year		**533.0**	523.7
Other comprehensive income consisting of:			
Actuarial gains/(losses) on defined benefit pension scheme	34	**3.9**	(16.1)
Share of joint ventures' fair value movement on interest-rate swaps treated as cash flow hedges	19	**(0.9)**	4.9
Revaluation of other investments	29	**2.3**	–
Recycling of revaluation of other investments to the income statement	29	**(2.3)**	–
Other comprehensive income/(expense) for the financial year		**3.0**	(11.2)
Total comprehensive income for the financial year		**536.0**	512.5
Attributable to:			
Owners of the Parent		**536.0**	511.7
Non-controlling interests		**–**	0.8
Total comprehensive income for the financial year		**536.0**	512.5

BALANCE SHEETS

at 31 March 2013

		Group		Company	
	Notes	2013 £m	2012 £m	2013 £m	2012 £m
Non-current assets					
Investment properties	14	**9,651.9**	8,453.2	**–**	–
Other property, plant and equipment	16	**8.3**	8.8	**–**	–
Net investment in finance leases	17	**188.0**	185.0	**–**	–
Loan investments	18	**50.0**	50.8	**–**	–
Investments in joint ventures	19	**1,301.0**	1,137.6	**–**	–
Investments in subsidiary undertakings	20	**–**	–	**6,180.7**	6,177.8
Other investments	21	**–**	32.3	**–**	–
Trade and other receivables	23	**10.6**	–	**–**	–
Pension surplus	34	**5.9**	–	**–**	–
Total non-current assets		**11,215.7**	9,867.7	**6,180.7**	6,177.8
Current assets					
Trading properties and long-term development contracts	22	**152.8**	133.1	**–**	–
Trade and other receivables	23	**344.8**	759.6	**21.8**	15.8
Monies held in restricted accounts and deposits	24	**30.9**	29.5	**–**	–
Cash and cash equivalents	25	**41.7**	29.7	**0.1**	0.2
Total current assets		**570.2**	951.9	**21.9**	16.0
Total assets		**11,785.9**	10,819.6	**6,202.6**	6,193.8
Current liabilities					
Borrowings	31	**(436.2)**	(10.8)	**–**	–
Trade and other payables	26	**(364.3)**	(361.3)	**(609.3)**	(691.5)
Provisions	27	**(7.0)**	(8.6)	**–**	–
Derivative financial instruments	30	**(9.1)**	–	**–**	–
Current tax liabilities		**(21.2)**	(21.6)	**–**	–
Total current liabilities		**(837.8)**	(402.3)	**(609.3)**	(691.5)
Non-current liabilities					
Borrowings	31	**(3,315.2)**	(3,225.1)	**–**	–
Derivative financial instruments	30	**(10.7)**	(6.5)	**–**	–
Pension deficit	34	**–**	(2.4)	**–**	–
Trade and other payables	26	**(17.4)**	(27.7)	**–**	–
Redemption liability	28	**(118.1)**	–	**–**	–
Total non-current liabilities		**(3,461.4)**	(3,261.7)	**–**	–
Total liabilities		**(4,299.2)**	(3,664.0)	**(609.3)**	(691.5)
Net assets		**7,486.7**	7,155.6	**5,593.3**	5,502.3
Equity					
Capital and reserves attributable to the owners of the Parent					
Ordinary shares	36	**79.2**	78.5	**79.2**	78.5
Share premium		**787.6**	786.2	**787.6**	786.2
Capital redemption reserve		**30.5**	30.5	**30.5**	30.5
Merger reserve		**–**	–	**373.6**	373.6
Share-based payments		**6.8**	6.8	**6.8**	6.8
Retained earnings		**6,590.3**	6,271.2	**4,315.6**	4,226.7
Own shares	37	**(7.7)**	(17.8)	**–**	–
Equity attributable to the owners of the Parent		**7,486.7**	7,155.4	**5,593.3**	5,502.3
Non-controlling interests		**–**	0.2	**–**	–
Total equity		**7,486.7**	7,155.6	**5,593.3**	5,502.3

The financial statements on pages 96 to 146 were approved by the Board of Directors on 14 May 2013 and were signed on its behalf by:

R M Noel **M F Greenslade**
Directors

STATEMENT OF CHANGES IN EQUITY

Group	Ordinary shares £m	Share premium £m	Capital redemption reserve £m	Share-based payments £m	Retained earnings[1] £m	Own shares £m	Total £m	Non-controlling interest £m	Total equity £m
	Attributable to owners of the Parent								
At 1 April 2011	77.6	785.5	30.5	7.2	5,914.3	(3.6)	6,811.5	0.8	6,812.3
Profit for the year ended 31 March 2012	–	–	–	–	522.9	–	522.9	0.8	523.7
Other comprehensive income:									
Actuarial loss on pension scheme	–	–	–	–	(16.1)	–	(16.1)	–	(16.1)
Share of joint ventures' fair value movement on interest-rate swaps treated as cash flow hedges	–	–	–	–	4.9	–	4.9	–	4.9
Total comprehensive income for the year ended 31 March 2012	–	–	–	–	511.7	–	511.7	0.8	512.5
Transactions with owners:									
Exercise of options	–	0.7	–	–	–	–	0.7	–	0.7
New share capital subscribed	0.9	65.7	–	–	–	–	66.6	–	66.6
Transfer to retained earnings in respect of shares issued in lieu of cash dividends	–	(65.7)	–	–	65.7	–	–	–	–
Fair value of share-based payments	–	–	–	4.8	–	–	4.8	–	4.8
Release on exercise/forfeiture of share options	–	–	–	(5.2)	5.2	–	–	–	–
Settlement and transfer of shares to employees on exercise of share options	–	–	–	–	(4.3)	4.3	–	–	–
Dividends to owners of the Parent	–	–	–	–	(221.4)	–	(221.4)	–	(221.4)
Distribution paid to non-controlling interests	–	–	–	–	–	–	–	(1.4)	(1.4)
Acquisition of own shares	–	–	–	–	–	(18.5)	(18.5)	–	(18.5)
Total transactions with owners of the Parent	0.9	0.7	–	(0.4)	(154.8)	(14.2)	(167.8)	(1.4)	(169.2)
At 31 March 2012	78.5	786.2	30.5	6.8	6,271.2	(17.8)	7,155.4	0.2	7,155.6
Profit for the year ended 31 March 2013	**–**	**–**	**–**	**–**	**533.0**	**–**	**533.0**	**–**	**533.0**
Other comprehensive income:									
Actuarial gain on pension scheme	**–**	**–**	**–**	**–**	**3.9**	**–**	**3.9**	**–**	**3.9**
Share of joint ventures' fair value movement on interest-rate swaps treated as cash flow hedges	**–**	**–**	**–**	**–**	**(0.9)**	**–**	**(0.9)**	**–**	**(0.9)**
Revaluation of other investments	**–**	**–**	**–**	**–**	**2.3**	**–**	**2.3**	**–**	**2.3**
Recycling of revaluation of other investments to the income statement	**–**	**–**	**–**	**–**	**(2.3)**	**–**	**(2.3)**	**–**	**(2.3)**
Total comprehensive income for the year ended 31 March 2013	**–**	**–**	**–**	**–**	**536.0**	**–**	**536.0**	**–**	**536.0**
Transactions with owners:									
Exercise of options	**0.1**	**1.4**	**–**	**–**	**–**	**–**	**1.5**	**–**	**1.5**
New share capital subscribed	**0.6**	**49.8**	**–**	**–**	**–**	**–**	**50.4**	**–**	**50.4**
Transfer to retained earnings in respect of shares issued in lieu of cash dividend	**–**	**(49.8)**	**–**	**–**	**49.8**	**–**	**–**	**–**	**–**
Purchase of treasury shares	**–**	**–**	**–**	**–**	**(34.4)**	**–**	**(34.4)**	**–**	**(34.4)**
Fair value of share-based payments	**–**	**–**	**–**	**2.9**	**–**	**–**	**2.9**	**–**	**2.9**
Release on exercise/forfeiture of share options	**–**	**–**	**–**	**(2.9)**	**2.9**	**–**	**–**	**–**	**–**
Settlement and transfer of shares to employees on exercise of share options	**–**	**–**	**–**	**–**	**(7.3)**	**10.6**	**3.3**	**–**	**3.3**
Dividends to owners of the Parent	**–**	**–**	**–**	**–**	**(228.8)**	**–**	**(228.8)**	**–**	**(228.8)**
Unpaid dividends refunded	**–**	**–**	**–**	**–**	**0.9**	**–**	**0.9**	**–**	**0.9**
Transfer to redemption liability	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(0.2)**	**(0.2)**
Acquisition of own shares	**–**	**–**	**–**	**–**	**–**	**(0.5)**	**(0.5)**	**–**	**(0.5)**
Total transactions with owners of the Parent	**0.7**	**1.4**	**–**	**–**	**(216.9)**	**10.1**	**(204.7)**	**(0.2)**	**(204.9)**
At 31 March 2013	**79.2**	**787.6**	**30.5**	**6.8**	**6,590.3**	**(7.7)**	**7,486.7**	**–**	**7,486.7**

1. Included within retained earnings are cumulative losses in respect of cash flow hedges (interest rate swaps) of **£3.9m** (2012: £3.0m).

STATEMENT OF CHANGES IN EQUITY

Company	Ordinary shares £m	Share premium £m	Capital redemption reserve £m	Merger reserve[1] £m	Share-based payments £m	Retained earnings £m	Total £m
At 1 April 2011	77.6	785.5	30.5	373.6	7.2	4,505.7	5,780.1
Loss for the year ended 31 March 2012	–	–	–	–	–	(29.1)	(29.1)
Exercise of options	–	0.7	–	–	–	–	0.7
New share capital subscribed	0.9	65.7	–	–	–	–	66.6
Transfer to retained earnings in respect of shares issued in lieu of cash dividend	–	(65.7)	–	–	–	65.7	–
Fair value of share-based payments	–	–	–	–	4.8	–	4.8
Transfer of treasury shares from Group undertakings	–	–	–	–	–	(99.4)	(99.4)
Release on exercise/forfeiture of share options	–	–	–	–	(5.2)	5.2	–
Dividends	–	–	–	–	–	(221.4)	(221.4)
At 31 March 2012	78.5	786.2	30.5	373.6	6.8	4,226.7	5,502.3
Profit for the year ended 31 March 2013	**–**	**–**	**–**	**–**	**–**	**298.5**	**298.5**
Exercise of options	**0.1**	**1.4**	**–**	**–**	**–**	**–**	**1.5**
New share capital subscribed	**0.6**	**49.8**	**–**	**–**	**–**	**–**	**50.4**
Transfer to retained earnings in respect of shares issued in lieu of cash dividend	**–**	**(49.8)**	**–**	**–**	**–**	**49.8**	**–**
Fair value of share-based payments	**–**	**–**	**–**	**–**	**2.9**	**–**	**2.9**
Purchase of treasury shares	**–**	**–**	**–**	**–**	**–**	**(34.4)**	**(34.4)**
Release on exercise/forfeiture of share options	**–**	**–**	**–**	**–**	**(2.9)**	**2.9**	**–**
Dividends	**–**	**–**	**–**	**–**	**–**	**(228.8)**	**(228.8)**
Unclaimed dividends refunded	**–**	**–**	**–**	**–**	**–**	**0.9**	**0.9**
At 31 March 2013	**79.2**	**787.6**	**30.5**	**373.6**	**6.8**	**4,315.6**	**5,593.3**

1. The merger reserve arose on 6 September 2002 when the Company acquired 100% of the issued share capital of Land Securities PLC. The merger reserve represents the excess of the cost of acquisition over the nominal value of the shares issued by the Company to acquire Land Securities PLC. The merger reserve does not represent a realised or distributable profit.

STATEMENTS OF CASH FLOWS

for the year ended 31 March 2013

	Notes	Group 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £m
Net cash generated from operations					
Cash generated from operations	39	**345.0**	399.1	–	–
Interest paid		**(175.6)**	(164.4)	–	–
Interest received		**10.3**	27.1	–	–
Employer contributions to defined benefit pension scheme	34	**(4.7)**	(4.9)	–	–
Acquisition of trading properties		**(7.2)**	–	–	–
Capital expenditure on trading properties		**(25.4)**	(16.7)	–	–
Disposal of trading properties		**104.4**	19.4	–	–
Corporation tax paid		**(0.1)**	(5.5)	–	–
Net cash inflow from operations		**246.7**	254.1	–	–
Cash flows from investing activities					
Investment property development expenditure		**(208.8)**	(158.8)	–	–
Acquisition of investment properties and other investments		**(243.9)**	(107.3)	–	–
Acquisition of subsidiary undertaking (net of cash acquired)	29	**(86.8)**	–	–	–
Other investment property related expenditure		**(66.2)**	(145.9)	–	–
Disposal of investment properties		**509.9**	513.7	–	–
Expenditure on non-property related non-current assets		**(2.0)**	(2.3)	–	–
Receipts in respect of finance lease receivables		**–**	1.1	–	–
Disposal of other investments		**3.0**	–	–	–
Loans repaid by third parties		**0.8**	22.8	–	–
Cash contributed to joint ventures		**(3.9)**	(21.1)	–	–
Loan advances to joint ventures	19	**(159.1)**	(66.5)	–	–
Loan repayments by joint ventures	19	**12.8**	18.0	–	–
Distributions from joint ventures	19	**30.6**	24.1	–	–
Net cash (outflow)/inflow from investing activities		**(213.6)**	77.8	–	–
Cash flows from financing activities					
Cash received on issue of shares arising from exercise of share options		**4.7**	0.7	–	–
Purchase of own shares and treasury shares		**(34.9)**	(18.5)	–	–
Proceeds from new loans (net of finance fees)		**200.6**	288.1	–	–
Repayment of loans	31	**(10.9)**	(461.0)	(0.1)	–
(Increase)/ decrease in monies held in restricted accounts and deposits	24	**(1.4)**	5.6	–	–
Decrease in finance leases payable		**(0.1)**	(0.2)	–	–
Dividends paid to owners of the Parent	10	**(178.3)**	(153.1)	–	–
Distributions paid by subsidiary undertakings	28	**(0.8)**	(1.4)	–	–
Net cash outflow from financing activities		**(21.1)**	(339.8)	(0.1)	–
Increase/(decrease) in cash and cash equivalents for the year		**12.0**	(7.9)	(0.1)	–
Cash and cash equivalents at the beginning of the year		**29.7**	37.6	0.2	0.2
Cash and cash equivalents at the end of the year	25	**41.7**	29.7	0.1	0.2

The Company cash flow statement excludes transactions, including the payment of dividends, that are settled on the Company's behalf by other Group undertakings.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

1. BASIS OF PREPARATION

These financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared in Pounds Sterling (rounded to the nearest hundred thousand), which is the presentation currency of the Group (Land Securities Group PLC and all of its subsidiary undertakings), and under the historical cost convention as modified by the revaluation of land and buildings, available-for-sale investments, derivative financial instruments and financial assets and liabilities held for trading. A summary of the more important Group accounting policies, which have been applied consistently across the Group, is set out in note 2 below.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates, disclosed in note 3, are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Land Securities Group PLC has not presented its own statement of comprehensive income (and separate income statement), as permitted by Section 408 of Companies Act 2006. The profit for the year of the Company, dealt with in its financial statements, was **£298.5m** (2012: a loss of £29.1m).

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies are consistent with those applied in the year ended 31 March 2012, as amended to reflect the adoption of the new Standards, Amendments to Standards and Interpretations which are mandatory for the year ended 31 March 2013.

The following accounting standards or interpretations were effective for the financial year beginning 1 April 2012 but have not had a material impact on the Group:

- IFRS 7 (amendment) 'Financial instruments: Disclosures' (disclosures on transfers of financial assets)

The following IFRS accounting standards and interpretations relevant to the Group have been issued but are not yet effective, or have not yet been adopted by the EU. None of these standards or interpretations have been early adopted by the Group. The Group is in the process of assessing the impact of these new standards and interpretations on its financial reporting. None of these standards are expected to have a significant impact on the Group's reporting, although some may require additional disclosures to be included in the notes to the financial statements.

- IFRS 7 (amendment) 'Financial instruments: Disclosures' (offsetting requirement and converged disclosure)
- IFRS 10 'Consolidated Financial Statements'
- IFRS 11 'Joint Arrangements'
- IFRS 12 'Disclosure of Interests in Other Entities'
- IFRS 13 'Fair Value Measurement'
- IAS 19 (revised) 'Employee Benefits'
- IAS 27 (revised) 'Separate Financial Statements'
- IAS 28 (revised) 'Associates and Joint Ventures'
- IAS 1 (amendment) 'Presentation of Financial Statements'
- IAS 12 (amendment) 'Income Tax'
- IAS 32 (amendment) 'Financial instruments: Presentation' (assets and liability offsetting)

(a) Basis of consolidation

The consolidated financial statements for the year ended 31 March 2013 incorporate the financial statements of Land Securities Group PLC (the Company) and all its subsidiary undertakings (the Group). Subsidiary undertakings are those entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries and joint ventures acquired or disposed of during the year are included from the effective date of acquisition or to the effective date of disposal. Accounting practices of subsidiaries and joint ventures which differ from Group accounting policies are adjusted on consolidation.

Business combinations are accounted for under the acquisition method. Any excess of the purchase price of business combinations over the fair value of the assets, liabilities and contingent liabilities acquired and resulting deferred tax thereon is recognised as goodwill. Any discount received is credited to the income statement in the period of acquisition as a 'gain on business combination'. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date and any gains or losses arising from such re-measurement are recognised in the income statement.

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. Interests in joint ventures are accounted for using the equity method of accounting as permitted by IAS 31 'Interests in joint ventures'. The equity method requires the Group's share of the joint venture's post-tax profit or loss for the period to be presented separately in the income statement and the Group's share of the joint venture's net assets to be presented separately in the balance sheet. Joint ventures with net liabilities are carried at zero value in the balance sheet where there is no commitment to fund the deficit and any distributions are included in the consolidated income statement for the year.

The Group's share of jointly controlled assets, related liabilities, income and expenses are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Intra-group balances and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with joint ventures are eliminated to the extent of the Group's interest in the joint venture concerned. Unrealised losses are eliminated in the same way, but only to the extent that there is no evidence of impairment.

(b) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Senior Management Board, which during the year consisted of the three Executive Directors.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013 continued

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Unallocated income and expenses are items incurred centrally which are neither directly attributable nor reasonably allocatable to individual segments. Unallocated assets are cash and cash equivalents, monies held in restricted accounts, loan investments and the pension surplus. Unallocated liabilities include borrowings, derivative financial instruments, current tax liabilities and trade and other payables.

(c) Investment properties

Investment properties are those properties, either owned by the Group or where the Group is a lessee under a finance lease, that are held either to earn rental income or for capital appreciation, or both. In addition, properties held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases.

Investment properties are measured initially at cost, including related transaction costs. After initial recognition at cost, investment properties are carried at their fair values based on market value determined by professional independent valuers at each reporting date. Properties are treated as acquired at the point when the Group assumes the significant risks and returns of ownership and as disposed when these are transferred to the buyer. This generally occurs on unconditional exchange, except where completion is expected to occur significantly after exchange. Additions to investment properties consist of costs of a capital nature and, in the case of investment properties under development, capitalised interest. Certain internal staff and associated costs directly attributable to the management of major schemes during the construction phase are also capitalised.

The difference between the fair value of an investment property at the reporting date and its carrying amount prior to re-measurement is included in the income statement as a valuation surplus or deficit.

When the Group begins to redevelop an existing investment property for continued future use as an investment property, the property remains an investment property and is accounted for as such. When the Group begins to redevelop an existing investment property with a view to sell, the property is transferred to trading properties and held as a current asset. The property is re-measured to fair value as at the date of the transfer with any gain or loss being taken to the income statement. The re-measured amount becomes the deemed cost at which the property is then carried in trading properties.

Borrowing costs associated with direct expenditure on properties under development or undergoing major refurbishment are capitalised. The interest capitalised is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amount capitalised is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalised as from the commencement of the development work until the date of practical completion. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalised on the purchase cost of land or property acquired specifically for redevelopment in the short-term but only where activities necessary to prepare the asset for redevelopment are in progress.

(d) Property, plant and equipment

This category comprises computers, motor vehicles, furniture, fixtures and fittings and improvements to Group offices. These assets are stated at cost less accumulated depreciation and are depreciated to their residual value on a straight-line basis over their estimated useful lives of between two and five years.

The residual values and useful lives of all property, plant and equipment are reviewed, and adjusted if appropriate, at least at each financial year end.

(e) Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost in the Company's balance sheet, less any provision for impairment in value.

(f) Trading properties and long-term development contracts

Trading properties are those properties held for sale or those being developed with a view to sell and are shown at the lower of cost and net realisable value. Proceeds received on the sale of trading properties are recognised within revenue.

Revenue on long-term development contracts is recognised according to the stage reached in the contract by reference to the value of work completed using the percentage of completion method. An appropriate estimate of the profit attributable to work completed is recognised once the outcome of the contract can be estimated reliably. The gross amount due from customers for contract work is shown as a receivable. The gross amount due comprises costs incurred plus recognised profits less the sum of recognised losses and progress billings. Where the sum of recognised losses and progress billings exceeds costs incurred plus recognised profits, the amount is shown as a liability.

(g) Other investments

Other investments are available-for-sale financial assets and are held at fair value. Changes to fair value are recorded within other comprehensive income.

(h) Trade and other receivables

Trade and other receivables are recognised initially at fair value, subsequently at amortised cost and, where relevant, adjusted for the time value of money. A provision for impairment is established where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables concerned. If collection is expected in more than one year, they are classified as non-current assets.

(i) Cash and cash equivalents

Cash and cash equivalents comprises cash balances, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or fewer. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are deducted from cash and cash equivalents for the purpose of the statement of cash flows.

(j) Loan investments

Loan investments are non-derivative financial assets which are initially recognised at fair value plus acquisition costs. They are subsequently carried at amortised cost using the effective interest method.

(k) Provisions

A provision is recognised in the balance sheet when the Group has a constructive or legal obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Where relevant, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013 continued

(l) Borrowings
Borrowings, other than bank overdrafts, are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the income statement over the period of the borrowings, using the effective interest method.

Where existing borrowings are exchanged for new borrowings and the terms of the existing and new borrowings are not substantially different (as defined by IAS 39), the new borrowings are recognised initially at the carrying amount of the existing borrowings. The difference between the amount initially recognised and the redemption value of the new borrowings is recognised in the income statement over the period of the new borrowings, using the effective interest method.

(m) Redemption liability
Where instruments held in a subsidiary by third parties are redeemable at the option of the holder, these interests are classified as a financial liability. The liability is carried at the redemption amount; the value is reassessed at the balance sheet date and movements are recognised in the income statement.

(n) Pension benefits
In respect of defined benefit pension schemes, pension obligations are measured at discounted present value, while pension scheme assets are measured at their fair value, except annuities, which are valued to match the liability or benefit value. The operating and financing costs of such schemes are recognised separately in the income statement. Service costs are spread using the projected unit credit method. Financing costs are recognised in the periods in which they arise and are included in interest expense. Actuarial gains and losses arising from either experience differing from previous actuarial assumptions, or changes to those assumptions, are recognised immediately in other comprehensive income.

Contributions to defined contribution schemes are charged to the income statement as incurred.

(o) Share capital
Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

The consideration paid by any Group entity to acquire the Company's equity share capital including any directly attributable incremental costs, is deducted from equity until the shares are cancelled, reissued or disposed. Where own shares are sold or reissued, the net consideration received is included in equity. Shares acquired by the Employee Share Ownership Trust (ESOT) are presented on the Group balance sheet as 'own shares'. Purchases of treasury shares are deducted from retained earnings.

(p) Share-based payments
The cost of granting share options and other share-based remuneration to employees and directors is recognised through the income statement. These are equity settled and therefore the fair value is measured at the grant date. Where the share awards have non-market related performance criteria the Group has used the Black-Scholes option valuation model to establish the relevant fair values. Where the share awards have a TSR market related performance criteria the Group has used the Monte-Carlo simulation valuation model to establish the relevant fair values. The resulting values are amortised through the income statement over the vesting period of the options and other grants. For awards with non-market related criteria, the charge is reversed if it appears probable that the performance criteria will not be met.

(q) Revenue
The Group recognises revenue on an accruals basis, when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Group. Revenue comprises rental income, service charges and other recoveries from tenants of the Group's investment and trading properties, proceeds of sales of its trading properties and income arising on long-term contracts. Rental income includes the 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 fees.

Rental income from investment property leased out under an operating lease is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are an integral part of the net consideration for the use of the property and are therefore recognised on the same straight-line basis. Service charges and other recoveries are recorded as income in the periods in which they are earned.

When property is let under a finance lease, the Group recognises a receivable at an amount equal to the net investment in the lease at inception of the lease. Rentals received are accounted for as repayments of principal and finance income as appropriate. Finance income is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining net investment in the finance lease. Contingent rents, being lease payments that are not fixed at the inception of a lease, for example turnover rents, are recorded as income in the periods in which they are earned.

(r) Expenses
Property and contract expenditure is expensed as incurred with the exception of expenditure on long-term development contracts (see (f)).

Rental payments made under an operating lease are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are an integral part of the net consideration for the use of the property and are also recognised on a straight-line basis.

Minimum lease payments payable on finance leases and operating leases accounted for as finance leases under IAS 40 are apportioned between finance expense and reduction of the outstanding liability. Finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining liability. Contingent rents (as defined in (q)) are charged as an expense in the periods in which they are incurred.

(s) Impairment
The carrying amounts of the Group's non-financial assets, other than investment properties (see (c)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see below). An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. The value in use is determined as the net present value of the future cash flows expected to be derived from the asset, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013 continued

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount after the reversal does not exceed the amount that would have been determined, net of applicable depreciation, if no impairment loss had been recognised.

(t) Derivative financial instruments (derivatives) and hedge accounting

The Group uses interest-rate swaps to help manage its interest-rate risk. In accordance with its treasury policy, the Group does not hold or issue derivatives for trading purposes.

Where hedge accounting is applied the Group documents, at the inception of the transaction, the relationship between the hedging instruments and the hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

All derivatives are initially recognised at fair value at the date the derivative is entered into and are subsequently re-measured at fair value. The fair value of interest-rate swaps is based on broker or counterparty quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for similar instruments at the measurement date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument.

Cash flow hedges: where a derivative is designated as a hedge of the variability of a highly probable forecast transaction (i.e. an interest payment) the element of the gain or loss on the derivative that is an effective hedge is recognised directly in other comprehensive income. The associated gains or losses that were recognised in the statement of other comprehensive income are reclassified into the income statement on termination or expiry of the hedge.

Derivatives that do not qualify for hedge accounting: the gain or loss on derivatives that do not qualify for hedge accounting, and the non-qualifying element of derivatives that do qualify for hedge accounting, are recognised immediately in the income statement.

(u) Income tax

Income tax on the profit for the year comprises current and deferred tax. Current tax is the tax payable on the taxable income for the year and any adjustment in respect of previous years. Deferred tax is provided in full using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the asset is realised or the liability is settled.

No provision is made for temporary differences (i) arising on the initial recognition of assets or liabilities, other than on a business combination, that affect neither accounting nor taxable profit and (ii) relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future.

(v) Leases

A Group company is the lessee:

i) Operating lease – leases in which substantially all risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

ii) Finance lease – leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised within investment properties at the commencement of the lease at the lower of the fair value of the property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The finance charges are charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The investment properties acquired under finance leases are subsequently carried at their fair value.

A Group company is the lessor:

i) Operating lease – properties leased out to tenants under operating leases are included in investment properties in the balance sheet.

ii) Finance lease – when assets are leased out under a finance lease, the present value of the minimum lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method before tax, which reflects a constant periodic rate of return. Where only the buildings element of a property lease is classified as a finance lease, the land element is shown within operating leases.

(w) Dividends

Final dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

3. SIGNIFICANT JUDGEMENTS, KEY ASSUMPTIONS AND ESTIMATES

The Group's significant accounting policies are stated in note 2 above. Not all of these significant accounting policies require management to make difficult, subjective or complex judgements or estimates.
The following is intended to provide an understanding of the policies that management consider critical because of the level of complexity, judgement or estimation involved in their application and their impact on the consolidated financial statements. These judgements involve assumptions or estimates in respect of future events. Actual results may differ from these estimates.

(a) Investment property valuation

The Group uses the valuation performed by its external valuers, Knight Frank LLP and Jones Lang LaSalle, as the fair value of its investment properties.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013 continued

3. SIGNIFICANT JUDGEMENTS, KEY ASSUMPTIONS AND ESTIMATES CONTINUED

The valuation of the Group's property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental revenues from that particular property. As a result, the valuations the Group places on its property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility or low transaction flow in the commercial property market.

The investment property valuation contains a number of assumptions upon which Knight Frank LLP and Jones Lang LaSalle have based their valuation of the Group's properties as at 31 March 2013. The assumptions on which the Property Valuation Reports have been based include, but are not limited to, matters such as the tenure and tenancy details for the properties, ground conditions at the properties, the structural condition of the properties, prevailing market yields and comparable market transactions. These assumptions are market standard and accord with the RICS Valuation Standards. However, if any assumptions made by the property valuer prove to be false, this may mean that the value of the Group's properties differs from their valuation, which could have a material effect on the Group's financial condition.

(b) Finance lease calculations

In apportioning rentals on finance lease properties, the Group is required to estimate the split of the fair values of the properties concerned between land and buildings. The inception of many of the Group's leases took place many years ago and therefore reliable estimates are very difficult to obtain. Accordingly, the Group has had to apply its judgement in estimating the split at inception of certain finance lease properties.

(c) Trading properties

Trading properties are carried at the lower of cost and net realisable value. The latter is assessed by the Group having regard to suitable valuations performed by its external valuer, Knight Frank LLP.

The estimation of the net realisable value of the Group's trading properties, especially the development land and infrastructure programmes, is inherently subjective due to a number of factors, including their complexity, unusually large size, the substantial expenditure required and long timescales to completion. In addition, as a result of these timescales to completion, the plans associated with these programmes could be subject to significant variation. As a result, and similar to the valuation of investment properties, the net realisable values of the Group's trading properties are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate.

If the assumptions upon which the external valuer has based their valuation prove to be false, this may have an impact on the net realisable value of the Group's trading properties, which would in turn have an effect on the Group's financial condition.

(d) Trade receivables

The Group is required to judge when there is sufficient objective evidence to require the impairment of individual trade receivables. It does this on the basis of the age of the relevant receivables, external evidence of the credit status of the counterparty and the status of any disputed amounts.

(e) Compliance with the Real Estate Investment Trust (REIT) taxation regime

On 1 January 2007 the Group converted to a group REIT. In order to achieve and retain group REIT status, several entrance tests had to be met and certain ongoing criteria must be maintained. The main criteria are as follows:

- at the start of each accounting period, the assets of the tax exempt business must be at least 75% of the total value of the Group's assets;
- at least 75% of the Group's total profits must arise from the tax exempt business; and
- at least 90% of the notional taxable profit of the property rental business must be distributed.

The Directors intend that the Group should continue as a group REIT for the foreseeable future, with the result that deferred tax is no longer recognised on temporary differences relating to the property rental business.

4. SEGMENTAL INFORMATION

Management has determined the Group's operating segments based on the information reviewed by the Senior Management Board (SMB) to make strategic decisions. During the year, the SMB consisted of the three Executive Directors.

All the Group's operations are in the UK and are organised into two operating segments against which the Group reports its segmental information, being Retail Portfolio and London Portfolio. The London Portfolio includes all our London offices and central London shops and the Retail Portfolio includes all our shopping centres, hotels and leisure assets, shops, retail warehouse properties and assets held in retail joint ventures, excluding central London shops.

The information and reports reviewed by the SMB are prepared on a combined portfolio basis, which includes the Group's share of joint ventures and non-wholly owned subsidiaries on a proportionately consolidated basis. The following segmental information is therefore presented on a proportionately consolidated basis.

The Group's primary measure of underlying profit before tax is revenue profit. This measure seeks to show the profit arising from ongoing operations and as such removes all items of a capital nature (e.g. valuation movements and profit/(loss) on disposal of investment properties) and one-off or exceptional items. It includes the pre-tax results of subsidiaries and joint ventures on a proportionately consolidated basis. Segment profit is the lowest level to which the profit arising from the ongoing operations of the Group is analysed between the two segments. The Group manages its financing structure, with the exception of joint ventures, on a pooled basis and, as such, debt facilities and interest charges are not specific to a particular segment.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013 continued

4. SEGMENTAL INFORMATION CONTINUED

The segmental information provided to Senior Management for the reportable segments for the year ended 31 March 2013 is as follows:

Group	Retail Portfolio			London Portfolio			Year ended 31 March 2013 Total		
Revenue profit	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m
Rental income	256.0	66.9	322.9	253.6	16.5	270.1	509.6	83.4	593.0
Finance lease interest	1.9	0.5	2.4	9.1	–	9.1	11.0	0.5	11.5
Gross rental income (before rents payable)	257.9	67.4	325.3	262.7	16.5	279.2	520.6	83.9	604.5
Rents payable[1]	(9.4)	(2.1)	(11.5)	(3.1)	–	(3.1)	(12.5)	(2.1)	(14.6)
Gross rental income (after rents payable)	248.5	65.3	313.8	259.6	16.5	276.1	508.1	81.8	589.9
Service charge income	34.9	10.1	45.0	37.1	0.6	37.7	72.0	10.7	82.7
Service charge expense	(36.4)	(11.1)	(47.5)	(36.7)	(0.7)	(37.4)	(73.1)	(11.8)	(84.9)
Net service charge expense	(1.5)	(1.0)	(2.5)	0.4	(0.1)	0.3	(1.1)	(1.1)	(2.2)
Other property related income	11.4	1.2	12.6	17.7	0.1	17.8	29.1	1.3	30.4
Direct property expenditure	(31.1)	(12.1)	(43.2)	(26.2)	(1.0)	(27.2)	(57.3)	(13.1)	(70.4)
Net rental income	227.3	53.4	280.7	251.5	15.5	267.0	478.8	68.9	547.7
Indirect property expenditure	(20.5)	(2.8)	(23.3)	(15.3)	(0.7)	(16.0)	(35.8)	(3.5)	(39.3)
Depreciation	(0.1)	–	(0.1)	(0.9)	–	(0.9)	(1.0)	–	(1.0)
Segment profit before interest	206.7	50.6	257.3	235.3	14.8	250.1	442.0	65.4	507.4
Joint venture net interest expense	–	(16.4)	(16.4)	–	(14.6)	(14.6)	–	(31.0)	(31.0)
Segment profit	206.7	34.2	240.9	235.3	0.2	235.5	442.0	34.4	476.4
Group services – income							3.8	–	3.8
– expense							(40.3)	–	(40.3)
Interest expense							(199.8)	–	(199.8)
Interest income							32.5	–	32.5
Eliminate effect of bond exchange de-recognition							18.1	–	18.1
Revenue profit							256.3	34.4	290.7

1. Included within rents payable is finance lease interest payable of **£1.7m** (2012: £1.5m) and **£0.4m** (2012: £0.6m) for the Retail and London portfolios, respectively.

Group	Retail Portfolio			London Portfolio			Year ended 31 March 2013 Total		
Reconciliation to profit before tax	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m
Segment profit before interest	206.7	50.6	257.3	235.3	14.8	250.1	442.0	65.4	507.4
Trading property sales proceeds	–	4.6	4.6	106.7	4.7	111.4	106.7	9.3	116.0
Carrying value of trading property disposals	–	(4.0)	(4.0)	(69.3)	(4.7)	(74.0)	(69.3)	(8.7)	(78.0)
Profit on disposal of trading properties	–	0.6	0.6	37.4	–	37.4	37.4	0.6	38.0
Long-term development contract income	–	3.1	3.1	–	–	–	–	3.1	3.1
Long-term development contract expenditure	–	(3.1)	(3.1)	0.1	–	0.1	0.1	(3.1)	(3.0)
Profit on long-term development contracts	–	–	–	0.1	–	0.1	0.1	–	0.1
	206.7	51.2	257.9	272.8	14.8	287.6	479.5	66.0	545.5
Investment property disposal proceeds	40.9	15.6	56.5	4.9	4.5	9.4	45.8	20.1	65.9
Carrying value of investment property disposals (including lease incentives)	(46.4)	(14.1)	(60.5)	(2.5)	(4.5)	(7.0)	(48.9)	(18.6)	(67.5)
(Loss)/profit on disposal of investment properties	(5.5)	1.5	(4.0)	2.4	–	2.4	(3.1)	1.5	(1.6)
Net surplus/(deficit) on revaluation of investment properties	(48.8)	(30.9)	(79.7)	245.8	51.4	297.2	197.0	20.5	217.5
Impairment release/(charge) on trading properties	–	(0.2)	(0.2)	7.1	(3.8)	3.3	7.1	(4.0)	3.1
	152.4	21.6	174.0	528.1	62.4	590.5	680.5	84.0	764.5
Group services – income							3.8	–	3.8
– expense							(40.3)	–	(40.3)
Profit on disposal of other investments							1.6	–	1.6
Adjustment to include subsidiaries at 100%[2]							2.6	0.5	3.1
Operating profit							648.2	84.5	732.7
Interest expense							(201.6)	(31.0)	(232.6)
Interest income							32.5	–	32.5
Fair value movement on interest-rate swaps							(1.6)	4.8	3.2
Movement on redemption liability							(4.5)	–	(4.5)
Net gain on business combination							1.4	–	1.4
Joint ventures net liabilities adjustment							–	0.3	0.3
Profit before tax							474.4	58.6	533.0

2. This represents the interest in X-Leisure which we do not own, but is consolidated in the Group numbers.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013 continued

4. SEGMENTAL INFORMATION CONTINUED

Group	Retail Portfolio			London Portfolio			Year ended 31 March 2012 Total		
Revenue profit	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m
Rental income	255.9	66.1	322.0	279.5	11.7	291.2	535.4	77.8	613.2
Finance lease interest	2.1	0.4	2.5	6.2	–	6.2	8.3	0.4	8.7
Gross rental income (before rents payable)	258.0	66.5	324.5	285.7	11.7	297.4	543.7	78.2	621.9
Rents payable[1]	(9.5)	(2.1)	(11.6)	(4.2)	–	(4.2)	(13.7)	(2.1)	(15.8)
Gross rental income (after rents payable)	248.5	64.4	312.9	281.5	11.7	293.2	530.0	76.1	606.1
Service charge income	33.9	8.4	42.3	42.8	0.3	43.1	76.7	8.7	85.4
Service charge expense	(34.5)	(10.6)	(45.1)	(45.3)	(0.3)	(45.6)	(79.8)	(10.9)	(90.7)
Net service charge expense	(0.6)	(2.2)	(2.8)	(2.5)	–	(2.5)	(3.1)	(2.2)	(5.3)
Other property related income	12.8	1.2	14.0	19.0	–	19.0	31.8	1.2	33.0
Direct property expenditure	(29.8)	(10.6)	(40.4)	(19.8)	(0.9)	(20.7)	(49.6)	(11.5)	(61.1)
Net rental income	230.9	52.8	283.7	278.2	10.8	289.0	509.1	63.6	572.7
Indirect property expenditure	(23.6)	(2.3)	(25.9)	(16.7)	(0.6)	(17.3)	(40.3)	(2.9)	(43.2)
Depreciation	(2.2)	–	(2.2)	(0.4)	–	(0.4)	(2.6)	–	(2.6)
Segment profit before interest	205.1	50.5	255.6	261.1	10.2	271.3	466.2	60.7	526.9
Joint venture net interest expense	–	(21.2)	(21.2)	–	(10.7)	(10.7)	–	(31.9)	(31.9)
Segment profit	205.1	29.3	234.4	261.1	(0.5)	260.6	466.2	28.8	495.0
Group services – income							3.9	–	3.9
– expense							(44.0)	–	(44.0)
– eliminate non-revenue profit income							–	–	–
Interest expense							(201.1)	–	(201.1)
Interest income							26.2	–	26.2
Eliminate effect of bond exchange de-recognition							16.6	–	16.6
Eliminate debt restructuring charges							2.8	–	2.8
Revenue profit							270.6	28.8	299.4

1. Included within rents payable is finance lease interest payable of £1.5m and £0.6m for the Retail and London portfolios, respectively.

Group	Retail Portfolio			London Portfolio			Year ended 31 March 2012 Total		
Reconciliation to profit before tax	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m
Segment profit before interest	205.1	50.5	255.6	261.1	10.2	271.3	466.2	60.7	526.9
Trading property sales proceeds	0.9	26.2	27.1	7.1	5.2	12.3	8.0	31.4	39.4
Carrying value of trading property disposals	(0.6)	(23.4)	(24.0)	(5.2)	(5.0)	(10.2)	(5.8)	(28.4)	(34.2)
Profit on disposal of trading properties	0.3	2.8	3.1	1.9	0.2	2.1	2.2	3.0	5.2
Long-term development contract income	–	1.9	1.9	7.4	–	7.4	7.4	1.9	9.3
Long-term development contract expenditure	–	(1.9)	(1.9)	(3.8)	–	(3.8)	(3.8)	(1.9)	(5.7)
Profit on long-term development contracts	–	–	–	3.6	–	3.6	3.6	–	3.6
	205.4	53.3	258.7	266.6	10.4	277.0	472.0	63.7	535.7
Investment property disposal proceeds	255.1	26.8	281.9	706.3	–	706.3	961.4	26.8	988.2
Carrying value of investment property disposals (including lease incentives)	(235.1)	(25.8)	(260.9)	(680.9)	–	(680.9)	(916.0)	(25.8)	(941.8)
Profit on disposal of investment properties	20.0	1.0	21.0	25.4	–	25.4	45.4	1.0	46.4
Net surplus/(deficit) on revaluation of investment properties	6.1	(11.6)	(5.5)	163.7	32.7	196.4	169.8	21.1	190.9
Impairment (charge)/release on trading properties	–	(0.9)	(0.9)	(2.0)	0.8	(1.2)	(2.0)	(0.1)	(2.1)
	231.5	41.8	273.3	453.7	43.9	497.6	685.2	85.7	770.9
Group services – income							3.9	–	3.9
– expense							(44.0)	–	(44.0)
Operating profit							645.1	85.7	730.8
Interest expense							(201.1)	(31.9)	(233.0)
Interest income							26.2	–	26.2
Fair value movement on interest-rate swaps							(4.5)	(0.9)	(5.4)
Impairment of investment in joint ventures							(2.2)	–	(2.2)
Joint venture tax adjustment							–	(0.3)	(0.3)
Joint venture net liabilities adjustment							–	(0.4)	(0.4)
Profit before tax							463.5	52.2	515.7

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013 continued

4. SEGMENTAL INFORMATION CONTINUED

Group	Retail Portfolio			London Portfolio			Year ended 31 March 2013 Total		
Balance sheet	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m
Investment properties	4,290.9	978.1	5,269.0	5,139.6	587.6	5,727.2	9,430.5	1,565.7	10,996.2
Other property, plant and equipment	2.0	–	2.0	6.3	–	6.3	8.3	–	8.3
Net investment in finance leases	29.4	4.8	34.2	151.6	–	151.6	181.0	4.8	185.8
Trading properties and long-term development contracts	–	8.8	8.8	152.8	12.0	164.8	152.8	20.8	173.6
Trade and other receivables	106.2	50.9	157.1	249.7	5.7	255.4	355.9	56.6	412.5
Share of joint venture cash	–	37.5	37.5	–	15.5	15.5	–	53.0	53.0
Joint venture net liabilities adjustment	–	–	–	–	0.3	0.3	–	0.3	0.3
Segment assets	4,428.5	1,080.1	5,508.6	5,700.0	621.1	6,321.1	10,128.5	1,701.2	11,829.7
Unallocated:									
Cash and cash equivalents							30.6	–	30.6
Monies held in restricted accounts							30.9	–	30.9
Loan investments							50.0	–	50.0
Pension surplus							5.9	–	5.9
Adjustment for proportionate share of subsidiary assets							239.0	12.0	251.0
Joint venture liabilities							–	(412.2)	(412.2)
Total assets							10,484.9	1,301.0	11,785.9
Trade and other payables	(127.9)	(29.8)	(157.7)	(145.4)	(29.0)	(174.4)	(273.3)	(58.8)	(332.1)
Provisions	(1.1)	(0.4)	(1.5)	(5.9)	–	(5.9)	(7.0)	(0.4)	(7.4)
Redemption liability	(115.4)	–	(115.4)	(2.7)	–	(2.7)	(118.1)	–	(118.1)
Share of joint venture borrowings	–	(200.9)	(200.9)	–	(152.1)	(152.1)	–	(353.0)	(353.0)
Segment liabilities	(244.4)	(231.1)	(475.5)	(154.0)	(181.1)	(335.1)	(398.4)	(412.2)	(810.6)
Unallocated:									
Borrowings							(3,627.0)	–	(3,627.0)
Derivative financial instruments							(16.1)	–	(16.1)
Current tax liabilities							(21.2)	–	(21.2)
Trade and other payables							(98.9)	–	(98.9)
Adjustment for proportionate share of subsidiary liabilities							(137.6)	–	(137.6)
Joint venture liabilities to assets							–	412.2	412.2
Total liabilities							(4,299.2)	–	(4,299.2)
Other segment items									
Capital expenditure	162.2	(1.8)	160.4	115.4	80.7	196.1	277.6	78.9	356.5

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2013 continued

4. SEGMENTAL INFORMATION CONTINUED

Group	Retail Portfolio			London Portfolio			Year ended 31 March 2012 Total		
Balance sheet	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m
Investment properties	3,672.4	1,004.1	4,676.5	4,780.8	449.3	5,230.1	8,453.2	1,453.4	9,906.6
Other property, plant and equipment	2.5	–	2.5	6.3	–	6.3	8.8	–	8.8
Net investment in finance leases	33.0	8.3	41.3	152.0	–	152.0	185.0	8.3	193.3
Trading properties and long-term development contracts	–	7.7	7.7	133.1	15.3	148.4	133.1	23.0	156.1
Trade and other receivables	222.0	96.8	318.8	537.6	3.6	541.2	759.6	100.4	860.0
Share of joint venture cash	–	21.3	21.3	–	22.8	22.8	–	44.1	44.1
Segment assets	3,929.9	1,138.2	5,068.1	5,609.8	491.0	6,100.8	9,539.7	1,629.2	11,168.9
Unallocated:									
Cash and cash equivalents							29.7	–	29.7
Monies held in restricted accounts							29.5	–	29.5
Loan investments							50.8	–	50.8
Other investments							32.3	–	32.3
Joint venture liabilities							–	(491.6)	(491.6)
Total assets							9,682.0	1,137.6	10,819.6
Trade and other payables	(96.5)	(66.2)	(162.7)	(138.1)	(12.6)	(150.7)	(234.6)	(78.8)	(313.4)
Provisions	(0.6)	(0.6)	(1.2)	(8.0)	–	(8.0)	(8.6)	(0.6)	(9.2)
Share of joint venture borrowings	–	(263.4)	(263.4)	–	(148.8)	(148.8)	–	(412.2)	(412.2)
Segment liabilities	(97.1)	(330.2)	(427.3)	(146.1)	(161.4)	(307.5)	(243.2)	(491.6)	(734.8)
Unallocated:									
Borrowings							(3,235.9)	–	(3,235.9)
Derivative financial instruments							(6.5)	–	(6.5)
Pension deficit							(2.4)	–	(2.4)
Current tax liabilities							(21.6)	–	(21.6)
Trade and other payables							(154.4)	–	(154.4)
Joint venture liabilities to assets							–	491.6	491.6
Total liabilities							(3,664.0)	–	(3,664.0)
Other segment items									
Capital expenditure	133.0	14.0	147.0	151.3	31.3	182.6	284.3	45.3	329.6

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013 continued

5. GROUP REVENUE

Group	2013 £m	2012 £m
Rental income (excluding adjustment for lease incentives)	**494.2**	520.7
Adjustment for lease incentives	**19.2**	14.7
Rental income	**513.4**	535.4
Service charge income	**72.9**	76.7
Other property related income	**28.8**	31.8
Trading property sales proceeds	**106.7**	8.0
Long-term development contract income	**–**	7.4
Finance lease interest	**11.0**	8.3
Other income	**3.8**	3.9
	736.6	671.5

Revenue includes proceeds on the sale of trading properties, which in the year ended 31 March 2013 includes proceeds on the sale of Wellington House of **£90.4m** and an estimate of the probable amounts due on the profit share in respect of land sold in 2005 (Bankside 4) of **£15.4m**.

6. EMPLOYEE COSTS

Group	2013 Number	2012 Number
The average monthly number of employees during the year was:		
Indirect property or contract and administration	**433**	436
Direct property or contract services:		
Full-time	**144**	178
Part-time	**14**	42
	591	656

The average number of employees for the year ended 31 March 2013 includes 20 employees in respect of our X-Leisure operations, acquired in January 2013. The average number of employees for the year ended 31 March 2012 includes 45 employees in respect of our Brand Empire operations, which ceased trading in that year.

Group	2013 £m	2012 £m
Employee costs		
Salaries and wages	**49.5**	50.8
Social security	**6.2**	7.2
Other pension (note 34)	**2.7**	3.0
Share-based payments (note 35)	**2.9**	4.8
	61.3	65.8

With the exception of the Directors and the Group General Counsel & Company Secretary, who are employed by Land Securities Group PLC, all employees are employed by subsidiaries of the Group.

During the year, no Directors had retirement benefits accruing under either the defined contribution pension scheme (2012: one) or the defined benefit scheme (2012: one). Information on Directors' emoluments, share options and interests in the Company's shares is given in the Directors' remuneration report on pages 74 to 91.

Details of the employee costs associated with the Group's Executive Directors are included in note 40.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2013 continued

7. AUDITOR REMUNERATION

Group	2013 £m	2012 £m
Services provided by the Group's auditor		
Audit fees:		
Parent company and consolidated financial statements	**0.3**	0.2
Audit of subsidiary undertakings	**0.3**	0.3
Other fees:		
Audit related assurance services	**0.1**	0.2
	0.7	0.7

It is the Group's policy to employ the Group's auditors, PricewaterhouseCoopers LLP, on assignments additional to their statutory duties where their expertise and experience with the Group are important. Where appropriate, the Group seeks tenders for services and if fees are expected to be greater than £25,000 they are pre-approved by the Audit Committee. In addition, PricewaterhouseCoopers LLP also receives fees for statutory duties performed for some of our joint venture arrangements, of which our proportionate share of the fees was **£0.1m** (2012: £0.1m).

8. EXTERNAL VALUER REMUNERATION

Group	2013 £m	2012 £m
Services provided by the Group's external valuers		
Valuation fees:		
Year and half year valuations	**0.8**	0.9
Security Group valuation	**0.1**	–
	0.9	0.9
Other consultancy and agency services	**1.5**	1.1
	2.4	2.0

The fee payable to Knight Frank LLP (Knight Frank), the Group's external valuers, for the year end and half year valuation is a fixed fee that is adjusted on an annual basis for acquisitions and disposals of investment properties in the reporting period to which the fee relates. Knight Frank also undertakes some other consultancy and agency work on behalf of the Group. In addition, Knight Frank receives fees for their duties performed for some of our joint venture arrangements, of which our proportionate share of the fees was **£0.1m** (2012: £0.1m).

Jones Lang LaSalle (JLL) was employed to perform the valuation for investment properties in respect of the X-Leisure properties acquired in the year. The valuation fee has a fixed element and a variable element based on the value of the portfolio. Both Knight Frank and JLL have confirmed to us that the total fees paid by the Group represented less than 5 per cent of their total revenues in each year.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013 continued

9. NET INTEREST EXPENSE

Group	2013 £m	2012 £m
Interest expense		
Bond and debenture debt	**(177.3)**	(177.8)
Bank borrowings	**(18.3)**	(13.0)
Other interest payable	**(0.8)**	(0.6)
Amortisation of bond exchange de-recognition	**(18.1)**	(16.6)
Interest on pension scheme liabilities	**(7.8)**	(8.0)
	(222.3)	(216.0)
Interest capitalised in relation to properties under development	**20.7**	14.9
Total interest expense	**(201.6)**	(201.1)
Interest income		
Short-term deposits	**0.6**	0.4
Interest received on loan investments	**2.3**	3.8
Other interest receivable	**5.4**	7.4
Interest receivable from joint ventures	**15.6**	5.5
Expected return on pension scheme assets	**8.6**	9.1
Total interest income	**32.5**	26.2
Fair value movement on interest-rate swaps	**(1.6)**	(4.5)
Net interest expense	**(170.7)**	(179.4)

Included within rents payable (note 4) is finance lease interest payable of **£2.1m** (2012: £2.1m).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013 continued

10. DIVIDENDS

Ordinary dividends paid	Payment date	Actual per share pence	Group and Company 2013 £m	Group and Company 2012 £m
For the year ended 31 March 2011:				
Third interim	26 April 2011	7.0	–	53.9
Final	28 July 2011	7.2	–	55.6
For the year ended 31 March 2012:				
First interim	24 October 2011	7.2	–	55.8
Second interim	9 January 2012	7.2	–	56.1
Third interim	26 April 2012	7.2	**56.1**	–
Final	26 July 2012	7.4	**57.5**	–
For the year ended 31 March 2013:				
First interim	12 October 2012	7.4	**57.6**	–
Second interim	10 January 2013	7.4	**57.6**	–
Gross dividend			**228.8**	221.4

The Board has proposed a final quarterly dividend for the year ended 31 March 2013 of **7.6p** per share (2012: 7.4p), which will be 100% PID, to the extent it is paid in cash, and result in a further estimated distribution of **£59.4m** (2012: £57.5m). It will be paid on 19 July 2013 to shareholders who are on the Register of Members on 21 June 2013. The final dividend is in addition to the third quarterly interim dividend of **7.4p** or **£57.8m** paid on 17 April 2013 (2012: 7.2p or £56.1m). The total dividend paid and proposed in respect of the year ended 31 March 2013 is **29.8p** (2012: 29.0p).

The Company operates a scrip dividend scheme which provides shareholders with the opportunity to receive their dividend in shares as opposed to cash. Shares issued in lieu of dividends during the year, all of which were non-PID distributions, totalled **£50.4m** (2012: £66.6m). The difference between the gross dividend of **£228.8m** and the amount reported in the consolidated cash flow for the year of **£178.3m** is the shares issued in lieu of dividends (£50.4m), the timing of the payment of the related withholding tax (£0.8m) and unpaid dividends refunded during the year (£0.9m).

A cash dividend may be paid as a PID, a non-PID, or a mixture of the two. Following the enactment of the Finance (No.3) Act 2010, the issue of ordinary shares under the scrip in lieu of a cash dividend can also qualify as a PID, a non-PID, or a mixture of the two. Confirmation of whether PID or non-PID treatment to a particular dividend will apply will be announced prior to the relevant ex-dividend date. The scrip dividend alternative for the proposed final quarterly dividend will be a non-PID.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013 continued

11. INCOME TAX

Group	2013 £m	2012 £m
Current tax		
Adjustment in respect of prior years	–	8.0
Total income tax credit in the income statement	–	8.0

The tax for the year is lower than the standard rate of corporation tax in the UK of **24%** (2012: 26%). The differences are explained below:

Profit before tax	**533.0**	515.7
Profit before tax multiplied by the rate of corporation tax in the UK of **24%** (2012: 26%)	**(127.9)**	(134.1)
Effects of:		
Interest rate fair value movements and other timing differences	**(0.1)**	(0.9)
Adjustment in respect of prior years	–	8.0
Non-allowable expenses and non-taxable items	**(0.2)**	(1.6)
Losses carried forward	**(2.0)**	(4.9)
Utilised losses brought forward	**11.2**	7.2
Exempt property rental profits and revaluations in the year	**119.0**	134.0
Exempt property losses in the year	–	0.3
Total income tax credit in the income statement (as above)	–	8.0

The Group has unutilised trading and other tax losses carried forward as at 31 March 2013 of approximately **£63.0m** (2012: £86.0m).

During the year the Group released provisions of **£nil** (2012: £8.0m) to the income statement. At 31 March 2013, the Group held a provision of **£21.3m** (2012: £21.3m) for interest on overdue tax in relation to a dispute with HM Revenue & Customs. This dispute has now been resolved and the liability will be settled during 2013/14.

Land Securities Group PLC elected for group Real Estate Investment Trust (REIT) status with effect from 1 January 2007. As a result, the Group no longer pays UK corporation tax on the profits and gains from qualifying rental business in the UK provided it meets certain conditions. Non-qualifying profits and gains of the Group continue to be subject to corporation tax as normal.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013 continued

12. EARNINGS PER SHARE

Group	2013 £m	2012 £m
Profit for the financial year attributable to the owners of the Parent	**533.0**	522.9
Fair value movement on redemption liability	**4.5**	–
Net surplus on revaluation of investment properties – Group	**(197.0)**	(169.8)
– Joint ventures	**(20.5)**	(21.1)
Loss/(profit) on disposal of investment properties – Group	**3.1**	(45.4)
– Joint ventures	**(1.5)**	(1.0)
Impairment (release)/charge on trading properties – Group	**(7.1)**	2.0
– Joint ventures	**4.0**	0.1
Profit on disposal of trading properties – Group	**(37.4)**	(2.2)
– Joint ventures	**(0.6)**	(3.0)
Fair value movement on interest-rate swaps – Group	**1.6**	4.5
– Joint ventures	**(4.8)**	0.9
Impairment of investment in joint ventures	**–**	2.2
Joint venture net liabilities adjustment[1]	**(0.3)**	0.4
Profit on disposal of other investments	**(1.6)**	–
Net gain on business combination	**(1.4)**	–
Adjustment for proportionate share of earnings	**(3.8)**	–
EPRA adjusted earnings attributable to the owners of the Parent	**270.2**	290.5
Tax adjustments related to prior periods – Group	**–**	(8.0)
Eliminate profit on long-term development contracts – Group[2]	**(0.1)**	(3.6)
Eliminate debt restructuring charges and other interest items – Group	**–**	2.8
Eliminate amortisation of bond exchange de-recognition – Group	**18.1**	16.6
Adjusted earnings attributable to the owners of the Parent	**288.2**	298.3

1. Joint ventures with net liabilities are carried at zero value in the balance sheet where there is no commitment to fund the deficit.
2. The profit on long-term development contracts has been removed from our adjusted earnings due to the long-term, capital nature of these programmes.

	2013 million	2012 million
Weighted average number of ordinary shares	**789.1**	781.5
Weighted average number of treasury shares	**(8.7)**	(5.9)
Weighted average number of own shares	**(1.5)**	(1.4)
Weighted average number of ordinary shares – basic earnings per share	**778.9**	774.2
Dilutive effect of share options	**3.4**	1.7
Weighted average number of ordinary shares – diluted earnings per share	**782.3**	775.9

	2013 pence	2012 pence
Basic earnings per share	**68.4**	67.5
Diluted earnings per share	**68.1**	67.4
Adjusted earnings per share	**37.0**	38.5
Adjusted diluted earnings per share	**36.8**	38.5
EPRA adjusted diluted earnings per share	**34.5**	37.4

Management has chosen to disclose adjusted earnings per share in order to provide an indication of the Group's underlying business performance. Accordingly, it excludes the effect of debt and other restructuring charges, non-recurring items and other items of a capital nature. We believe our measure of adjusted diluted earnings per share is more appropriate than the EPRA measure in the context of our business.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013 continued

13. NET ASSETS PER SHARE

Group	2013 £m	2012 £m
Net assets attributable to the owners of the Parent	**7,486.7**	7,155.4
Fair value of interest-rate swaps – Group	**16.1**	6.5
– Joint ventures	**8.4**	14.3
EPRA adjusted net assets	**7,511.2**	7,176.2
Reverse bond exchange de-recognition adjustment	**(432.8)**	(450.9)
Adjusted net assets attributable to the owners of the Parent	**7,078.4**	6,725.3
Reinstate bond exchange de-recognition adjustment	**432.8**	450.9
Fair value of interest-rate swaps – Group	**(16.1)**	(6.5)
– Joint ventures	**(8.4)**	(14.3)
Excess of fair value of debt over book value (note 31)	**(1,111.8)**	(860.9)
EPRA triple net assets	**6,374.9**	6,294.5

	2013 million	2012 million
Number of ordinary shares in issue	**792.1**	785.1
Number of treasury shares	**(10.5)**	(5.9)
Number of own shares	**(1.1)**	(2.3)
Number of ordinary shares – basic net assets per share	**780.5**	776.9
Dilutive effect of share options	**3.2**	2.6
Number of ordinary shares – diluted net assets per share	**783.7**	779.5

	2013 pence	2012 pence
Net assets per share	**959**	921
Diluted net assets per share	**955**	918
Adjusted net assets per share	**907**	866
Adjusted diluted net assets per share	**903**	863
EPRA measure – adjusted diluted net assets per share	**958**	921
– diluted triple net assets per share	**813**	808

Adjusted net assets per share excludes fair value adjustments on financial instruments used for hedging purposes and the bond exchange de-recognition adjustment as management consider that this better represents the expected future cash flows of the Group. EPRA measures have been included to assist comparison between European property companies. We believe our measure of adjusted net assets attributable to the owners of the Parent is more indicative of underlying performance.

14. INVESTMENT PROPERTIES

The net book value of leasehold properties where head leases have been capitalised is **£947.3m** (2012: £885.7m).

The fair value of the Group's investment properties at 31 March 2013 has been arrived at on the basis of a valuation carried out at that date by Knight Frank LLP and Jones Lang LaSalle, external valuers. The valuation by Knight Frank LLP and Jones Lang LaSalle, which conform to Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors and with IVA 1 of the International Valuation Standards, were arrived at by reference to market evidence of transaction prices for similar properties. Investment properties include capitalised interest of **£208.8m** (2012: £189.9m). The average rate of interest capitalisation for the year is **5.0%** (2012: 5.0%). The historical cost of investment properties is **£7,003.5m** (2012: £6,006.5m).

The current value of investment properties, including joint ventures, in respect of proposed developments is **£123.6m** (2012: £212.6m). Developments are transferred out of the development programme when physically complete and 95% let, or two years after practical completion, whichever is earlier. The only scheme transferred out of the development programme during the year was One New Change, EC4.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013 continued

14. INVESTMENT PROPERTIES CONTINUED

Group	Portfolio management £m	Development programme £m	Total £m
Net book value at 1 April 2011	8,028.0	861.0	8,889.0
Property acquisitions	69.7	–	69.7
Issue of finance lease	(89.7)	–	(89.7)
Capital expenditure	140.2	141.8	282.0
Capitalised interest	1.8	11.7	13.5
Disposals	(863.5)	(32.3)	(895.8)
Depreciation	(0.1)	–	(0.1)
Transfer from trading properties	14.8	–	14.8
Valuation surplus	95.6	74.2	169.8
Net book value at 31 March 2012	**7,396.8**	**1,056.4**	**8,453.2**
Property acquisitions	**237.7**	**7.6**	**245.3**
Acquisition of finance lease	**1.1**	**–**	**1.1**
Capital expenditure	**32.9**	**244.9**	**277.8**
Capitalised interest	**0.6**	**18.3**	**18.9**
Disposals	**(48.5)**	**–**	**(48.5)**
Disposal of finance lease (leasehold)	**2.0**	**–**	**2.0**
Net movement in finance leases	**10.7**	**–**	**10.7**
Depreciation	**(0.3)**	**–**	**(0.3)**
Acquired in business combination – property acquisition (note 29)	**540.3**	**–**	**540.3**
– acquisition of finance lease (note 29)	**4.7**	**–**	**4.7**
Transfer to trading properties	**(50.0)**	**–**	**(50.0)**
Transfers from the development programme into portfolio management	**462.7**	**(462.7)**	**–**
Transfers from portfolio management into the development programme	**(87.9)**	**87.9**	**–**
Valuation surplus	**22.7**	**174.0**	**196.7**
Net book value at 31 March 2013	**8,525.5**	**1,126.4**	**9,651.9**

The following table reconciles the net book value of the investment properties to the market value. The components of the reconciliation are included within their relevant balance sheet headings.

	Portfolio management £m	Development programme £m	Total £m
Net book value at 31 March 2012	7,396.8	1,056.4	8,453.2
Plus: tenant lease incentives (note 23)	181.1	23.6	204.7
Less: head leases capitalised (note 33)	(22.0)	(1.3)	(23.3)
Plus: properties treated as finance leases	197.4	7.8	205.2
Market value at 31 March 2012 – Group	7,753.3	1,086.5	8,839.8
– Joint ventures (note 19)	1,389.2	101.6	1,490.8
– Group on a proportionate basis	9,142.5	1,188.1	10,330.6
Net book value at 31 March 2013	**8,525.5**	**1,126.4**	**9,651.9**
Plus: tenant lease incentives (note 23)	**228.8**	**9.2**	**238.0**
Less: head leases capitalised (note 33)	**(28.7)**	**–**	**(28.7)**
Plus: properties treated as finance leases	**200.1**	**11.9**	**212.0**
Market value at 31 March 2013 – Group	**8,925.7**	**1,147.5**	**10,073.2**
– Adjustment for non-wholly owned subsidiaries[1]	**(240.0)**	**–**	**(240.0)**
– Joint ventures (note 19)	**1,317.7**	**295.5**	**1,613.2**
– Group on a proportionate basis	**10,003.4**	**1,443.0**	**11,446.4**

1. This represents the interest in X-Leisure which we do not own, but is consolidated in the Group numbers.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013 continued

15. CAPITAL COMMITMENTS

Group	2013 £m	2012 £m
Contracted capital commitments at the end of the period in respect of:		
Investment properties	**170.5**	87.4
Trading properties	**66.5**	9.1
Joint ventures and jointly controlled assets (our share)	**302.2**	17.9
Total capital commitments	**539.2**	114.4

16. OTHER PROPERTY, PLANT AND EQUIPMENT

Group	£m
Net book value at 1 April 2011	11.3
Capital expenditure	2.3
Disposals	(0.2)
Depreciation	(4.6)
Net book value at 31 March 2012	**8.8**
Capital expenditure	**2.2**
Disposals	**(0.1)**
Depreciation	**(2.6)**
Net book value at 31 March 2013	**8.3**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013 continued

17. NET INVESTMENT IN FINANCE LEASES

Group	2013 £m	2012 £m
Non-current		
Finance leases – gross receivables	**379.6**	414.9
Unearned finance income	**(225.2)**	(263.5)
Unguaranteed residual value	**33.6**	33.6
	188.0	185.0
Current		
Finance leases – gross receivables	**12.0**	11.5
Unearned finance income	**(10.3)**	(11.0)
	1.7	0.5
Total net investment in finance leases	**189.7**	185.5
Gross receivables from finance leases:		
Not later than one year	**12.0**	11.5
Later than one year but not more than five years	**49.3**	46.5
More than five years	**330.3**	368.4
	391.6	426.4
Unearned future finance income	**(235.5)**	(274.5)
Unguaranteed residual value	**33.6**	33.6
Net investment in finance leases	**189.7**	185.5

The Group has leased out a number of investment properties under finance leases, which range from 25 to 100 years in duration from the inception of the lease. These are accounted for as finance lease receivables rather than investment properties.

The fair value of the Group's finance lease receivables, using a discount rate of **4.9%** (2012: 5.0%), is **£188.4m** (2012: £190.5m).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013 continued

18. LOAN INVESTMENTS

Group	2013 Real estate secured loan notes £m	2013 Loans to third parties £m	2013 Total £m	2012 Real estate secured loan notes £m	2012 Loans to third parties £m	2012 Total £m
At the beginning of the year	**0.8**	**50.0**	**50.8**	22.2	50.0	72.2
Amortisation of loan note discount at acquisition	**–**	**–**	**–**	1.2	–	1.2
Redemptions	**(0.8)**	**–**	**(0.8)**	(22.6)	–	(22.6)
At the end of the year	**–**	**50.0**	**50.0**	0.8	50.0	50.8

The credit quality of loan investments is assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. None of the loan investments are past due and are therefore not impaired.

Group	2013 Real estate secured loan notes £m	2013 Loans to third parties £m	2013 Total £m	2012 Real estate secured loan notes £m	2012 Loans to third parties £m	2012 Total £m
Counterparties with external credit ratings						
AAA	**–**	**–**	**–**	–	–	–
AA-	**–**	**–**	**–**	0.8	–	0.8
	–	**–**	**–**	0.8	–	0.8
Counterparties without external credit ratings						
Group 1[1]	**–**	**–**	**–**	–	–	–
Group 2[2]	**–**	**50.0**	**50.0**	–	50.0	50.0
Group 3[3]	**–**	**–**	**–**	–	–	–
	–	**50.0**	**50.0**	–	50.0	50.0
	–	**50.0**	**50.0**	0.8	50.0	50.8

1. New counterparty (less than six months).
2. Existing counterparty (more than six months) with no defaults in the past.
3. Existing counterparty (more than six months) with some defaults in the past.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2013 continued

19. INVESTMENTS IN JOINT VENTURES
The Group's joint ventures are described below:

Name of joint venture	Percentage owned	Business segment	Year end date	Joint venture partners
20 Fenchurch Street Limited Partnership	50.0%	London Portfolio	31 March	Canary Wharf Group plc
Metro Shopping Fund Limited Partnership	50.0%	Retail Portfolio	31 March	Delancey Real Estate Partners Limited
Buchanan Partnership	50.0%	Retail Portfolio	31 December	The Henderson UK Shopping Centre Fund
St. David's Limited Partnership	50.0%	Retail Portfolio	31 December	Intu Properties plc
Bristol Alliance Limited Partnership	50.0%	Retail Portfolio	31 December	Hammerson plc
The Harvest Limited Partnership	50.0%	Retail Portfolio	31 March	J Sainsbury plc
The Oriana Limited Partnership	50.0%	London Portfolio	31 March	Frogmore Real Estate Partners Limited Partnership
The Scottish Retail Property Limited Partnership[1]	50.0%	Retail Portfolio	31 March	The British Land Company PLC
Westgate Oxford Alliance Limited Partnership[1]	50.0%	Retail Portfolio	31 March	The Crown Estate Commissioners
The Martineau Galleries Limited Partnership[1]	33.3%	Retail Portfolio	31 December	Hammerson plc/Pearl Group Limited
The Martineau Limited Partnership[1,3]	33.3%	Retail Portfolio	31 December	Hammerson plc/Pearl Group Limited
The Ebbsfleet Limited Partnership[1]	50.0%	London Portfolio	31 March	Lafarge Cement UK PLC
Millshaw Property Co. Limited[1]	50.0%	Retail Portfolio	31 March	Evans Property Group Limited
Hungate (York) Regeneration Limited[1]	33.3%	Retail Portfolio	30 June	Crosby Lend Lease PLC/ Evans Property Group Limited
Countryside Land Securities (Springhead) Limited[1]	50.0%	London Portfolio	30 September	Countryside Properties PLC
Victoria Circle Limited Partnership[1]	50.0%	London Portfolio	31 March	Canada Pension Plan Investment Board
The Empress State Limited Partnership[1]	50.0%	London Portfolio	31 December	Capital & Counties Properties PLC
HNJV Limited[1,3]	50.0%	London Portfolio	31 March	Places for People Group Limited
Fen Farm Developments Limited[1,2]	50.0%	Retail Portfolio	31 March	Economic Zones World
West India Quay Unit Trust[1]	50.0%	Retail Portfolio	31 December	Schroder Exempt Property Unit Trust

1. Included within Other in subsequent tables.
2. Disposed of in the year to 31 March 2012.
3. Dissolved in the year to 31 March 2013.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013 continued

19. INVESTMENTS IN JOINT VENTURES CONTINUED

Year ended 31 March 2013

Income statement	20 Fenchurch Street Limited Partnership £m	Metro Shopping Fund Limited Partnership £m	Buchanan Partnership £m	St. David's Limited Partnership £m	Bristol Alliance Limited Partnership £m	The Harvest Limited Partnership £m	The Oriana Limited Partnership £m	Other £m	Total £m
Rental income	0.1	6.8	8.9	17.2	18.4	4.1	7.1	21.1	83.7
Finance lease interest	–	–	0.1	–	0.3	–	–	0.1	0.5
Gross rental income (before rents payable)	0.1	6.8	9.0	17.2	18.7	4.1	7.1	21.2	84.2
Rents payable	–	–	–	(1.2)	(0.6)	–	–	(0.3)	(2.1)
Gross rental income (after rents payable)	0.1	6.8	9.0	16.0	18.1	4.1	7.1	20.9	82.1
Service charge income	–	1.6	1.3	2.4	2.4	0.1	0.3	2.6	10.7
Service charge expense	–	(1.8)	(1.4)	(2.9)	(2.5)	(0.1)	(0.2)	(2.9)	(11.8)
Net service charge expense	–	(0.2)	(0.1)	(0.5)	(0.1)	–	0.1	(0.3)	(1.1)
Other property related income	–	0.2	–	0.3	0.3	0.1	–	0.4	1.3
Direct property expenditure	(0.1)	(0.8)	(0.9)	(3.9)	(3.9)	(0.3)	(0.1)	(3.1)	(13.1)
Net rental income	–	6.0	8.0	11.9	14.4	3.9	7.1	17.9	69.2
Indirect property expenditure	(0.1)	(0.4)	–	(0.6)	(0.5)	(0.5)	(0.4)	(1.0)	(3.5)
Segment profit/(loss) before interest	(0.1)	5.6	8.0	11.3	13.9	3.4	6.7	16.9	65.7
Net interest expense[1]	(4.5)	(3.2)	(4.1)	(5.3)	–	(1.4)	(4.5)	(13.0)	(36.0)
Capitalised interest	2.4	–	–	–	–	–	–	2.6	5.0
Segment profit/(loss)	(2.2)	2.4	3.9	6.0	13.9	2.0	2.2	6.5	34.7
Segment profit/(loss) before interest	(0.1)	5.6	8.0	11.3	13.9	3.4	6.7	16.9	65.7
Trading properties sale proceeds	–	–	–	3.7	–	–	–	5.6	9.3
Carrying value of trading properties disposals	–	–	–	(3.1)	–	–	–	(5.6)	(8.7)
Profit on disposal of trading properties	–	–	–	0.6	–	–	–	–	0.6
Long-term development contract income	–	–	–	–	–	3.1	–	–	3.1
Long-term development contract expenditure	–	–	–	–	–	(3.1)	–	–	(3.1)
Profit on long-term development contracts	–	–	–	–	–	–	–	–	–
Investment property disposal proceeds	–	–	–	15.4	–	–	4.5	0.2	20.1
Carrying value of investment property disposals	–	–	–	(14.1)	–	–	(4.5)	–	(18.6)
Profit on disposal of investment properties	–	–	–	1.3	–	–	–	0.2	1.5
Net surplus/(deficit) on revaluation of investment properties	23.1	(6.3)	–	8.1	(17.9)	(1.4)	7.3	7.8	20.7
Impairment charge on trading properties	–	–	–	(0.1)	–	–	–	(3.9)	(4.0)
Operating profit/(loss)	23.0	(0.7)	8.0	21.2	(4.0)	2.0	14.0	21.0	84.5
Net interest expense	(2.1)	(3.2)	(4.1)	(4.4)	–	(1.4)	(3.4)	(7.6)	(26.2)
Profit/(loss) before tax	20.9	(3.9)	3.9	16.8	(4.0)	0.6	10.6	13.4	58.3
Income tax	–	–	–	–	–	–	–	–	–
	20.9	(3.9)	3.9	16.8	(4.0)	0.6	10.6	13.4	58.3
Net liabilities adjustment[2]	–	–	–	–	–	–	–	0.3	0.3
Share of post-tax profit/(loss)	20.9	(3.9)	3.9	16.8	(4.0)	0.6	10.6	13.7	58.6

1. Excludes fair value movements on interest rate swaps.
2. Joint ventures with net liabilities are carried at zero value in the balance sheet where there is no commitment to fund the deficit and any distributions are included in the consolidated income statement for the year.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013 continued

19. INVESTMENTS IN JOINT VENTURES CONTINUED

Year ended 31 March 2012

Income statement	20 Fenchurch Street Limited Partnership £m	Metro Shopping Fund Limited Partnership £m	Buchanan Partnership £m	St. David's Limited Partnership £m	Bristol Alliance Limited Partnership £m	The Harvest Limited Partnership £m	The Oriana Limited Partnership £m	Other £m	Total £m
Rental income	0.1	7.2	9.2	16.1	18.7	4.2	3.7	18.6	77.8
Finance lease interest	–	–	0.1	–	0.2	–	–	0.1	0.4
Gross rental income (before rents payable)	0.1	7.2	9.3	16.1	18.9	4.2	3.7	18.7	78.2
Rents payable	–	–	–	(1.3)	(0.6)	–	–	(0.2)	(2.1)
Gross rental income (after rents payable)	0.1	7.2	9.3	14.8	18.3	4.2	3.7	18.5	76.1
Service charge income	–	1.2	1.1	2.2	2.1	0.2	0.1	1.8	8.7
Service charge expense	–	(2.0)	(1.1)	(2.9)	(2.5)	(0.1)	(0.2)	(2.1)	(10.9)
Net service charge expense	–	(0.8)	–	(0.7)	(0.4)	0.1	(0.1)	(0.3)	(2.2)
Other property related income	–	0.2	–	0.3	0.3	–	–	0.4	1.2
Direct property expenditure	(0.4)	(0.7)	(1.1)	(4.1)	(2.6)	(0.4)	(0.5)	(1.7)	(11.5)
Net rental income	(0.3)	5.9	8.2	10.3	15.6	3.9	3.1	16.9	63.6
Indirect property expenditure	(0.1)	(0.3)	(0.1)	(0.5)	(0.4)	(0.2)	(0.3)	(1.0)	(2.9)
Segment profit/(loss) before interest	(0.4)	5.6	8.1	9.8	15.2	3.7	2.8	15.9	60.7
Net interest expense[1]	(1.4)	(4.7)	(4.1)	(7.3)	–	(1.8)	(4.9)	(8.5)	(32.7)
Capitalised interest	0.7	–	–	–	–	–	–	0.1	0.8
Segment profit/(loss)	(1.1)	0.9	4.0	2.5	15.2	1.9	(2.1)	7.5	28.8
Segment profit/(loss) before interest	(0.4)	5.6	8.1	9.8	15.2	3.7	2.8	15.9	60.7
Trading property sales proceeds	–	–	–	7.1	–	–	–	24.3	31.4
Carrying value of trading property disposals	–	–	–	(6.2)	–	–	–	(22.2)	(28.4)
Profit on disposal of trading properties	–	–	–	0.9	–	–	–	2.1	3.0
Long-term development contract income	–	–	–	–	–	1.9	–	–	1.9
Long-term development contract expenditure	–	–	–	–	–	(1.9)	–	–	(1.9)
Profit on long-term development contracts	–	–	–	–	–	–	–	–	–
Investment property disposal proceeds	–	–	–	0.6	–	26.2	–	–	26.8
Carrying value of investment property disposals	–	(0.2)	–	(0.4)	–	(25.4)	–	0.2	(25.8)
Profit/(loss) on disposal of investment properties	–	(0.2)	–	0.2	–	0.8	–	0.2	1.0
Net surplus/(deficit) on revaluation of investment properties	13.4	(0.6)	1.3	2.5	(8.6)	0.1	14.4	(1.4)	21.1
Impairment (charge)/release on trading properties	–	–	–	(1.6)	–	–	–	1.5	(0.1)
Operating profit	13.0	4.8	9.4	11.8	6.6	4.6	17.2	18.3	85.7
Net interest expense	(0.7)	(4.7)	(4.1)	(9.6)	–	(3.8)	(3.0)	(6.9)	(32.8)
Profit before tax	12.3	0.1	5.3	2.2	6.6	0.8	14.2	11.4	52.9
Income tax	–	(0.3)	–	–	–	–	–	–	(0.3)
	12.3	(0.2)	5.3	2.2	6.6	0.8	14.2	11.4	52.6
Net liabilities adjustment[2]	–	–	–	–	–	–	–	(0.4)	(0.4)
Share of post-tax profit/(loss)	12.3	(0.2)	5.3	2.2	6.6	0.8	14.2	11.0	52.2

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013 continued

19. INVESTMENTS IN JOINT VENTURES CONTINUED

Net investment	20 Fenchurch Street Limited Partnership £m	Metro Shopping Fund Limited Partnership £m	Buchanan Partnership £m	St. David's Limited Partnership £m	Bristol Alliance Limited Partnership £m	The Harvest Limited Partnership £m	The Oriana Limited Partnership £m	Other £m	Total £m
At 1 April 2011	70.5	25.6	135.9	144.2	296.8	95.1	47.6	123.9	939.6
Cash contributed	0.1	16.8	0.8	–	–	0.3	–	3.1	21.1
Property and other contributions	–	–	–	0.1	–	–	14.2	85.2	99.5
Distributions	–	(0.6)	(3.3)	–	(17.0)	–	–	(3.2)	(24.1)
Fair value movement on cash flow hedges taken to comprehensive income	–	1.0	–	–	–	2.1	–	1.8	4.9
Disposals	–	–	–	–	–	–	–	(1.9)	(1.9)
Loan advances	18.7	–	–	19.0	1.0	3.0	–	24.8	66.5
Loan repayments	–	–	–	(18.0)	–	–	–	–	(18.0)
Share of post-tax profit/(loss)	12.4	(0.2)	5.3	2.2	6.6	0.8	14.2	10.9	52.2
Impairment of investment	–	–	–	–	–	–	–	(2.2)	(2.2)
At 31 March 2012	**101.7**	**42.6**	**138.7**	**147.5**	**287.4**	**101.3**	**76.0**	**242.4**	**1,137.6**
Cash contributed	**–**	**1.5**	**0.3**	**–**	**–**	**–**	**–**	**2.1**	**3.9**
Property and other contributions	**0.1**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**0.1**
Distributions	**–**	**(0.7)**	**(4.7)**	**–**	**(14.7)**	**–**	**–**	**(10.5)**	**(30.6)**
Acquired in business combination	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**29.0**	**29.0**
Fair value movement on cash flow hedges taken to comprehensive income	**–**	**(2.5)**	**–**	**–**	**–**	**0.8**	**–**	**0.8**	**(0.9)**
Loan advances	**52.9**	**–**	**–**	**26.7**	**–**	**2.0**	**1.1**	**76.4**	**159.1**
Loan repayments	**–**	**–**	**–**	**(4.9)**	**–**	**–**	**(5.6)**	**(2.3)**	**(12.8)**
Loan settled through equity	**–**	**–**	**–**	**–**	**–**	**(43.0)**	**–**	**–**	**(43.0)**
Share of post-tax profit/(loss)	**20.9**	**(3.9)**	**3.9**	**16.8**	**(4.0)**	**0.6**	**10.6**	**13.7**	**58.6**
At 31 March 2013	**175.6**	**37.0**	**138.2**	**186.1**	**268.7**	**61.7**	**82.1**	**351.6**	**1,301.0**
Balance sheet at 31 March 2013									
Investment properties[1]	**183.1**	**106.6**	**136.0**	**253.2**	**257.2**	**72.0**	**160.4**	**409.0**	**1,577.5**
Current assets	**2.9**	**5.3**	**4.4**	**36.2**	**21.3**	**13.4**	**9.3**	**42.9**	**135.7**
	186.0	**111.9**	**140.4**	**289.4**	**278.5**	**85.4**	**169.7**	**451.9**	**1,713.2**
Current liabilities	**(10.4)**	**(3.1)**	**(2.2)**	**(7.8)**	**(7.2)**	**(3.1)**	**(3.1)**	**(88.3)**	**(125.2)**
Non-current liabilities	**–**	**(71.8)**	**–**	**(95.5)**	**(2.6)**	**(20.6)**	**(84.5)**	**(12.3)**	**(287.3)**
	(10.4)	**(74.9)**	**(2.2)**	**(103.3)**	**(9.8)**	**(23.7)**	**(87.6)**	**(100.6)**	**(412.5)**
Net liabilities adjustment[2]	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**0.3**	**0.3**
Net assets	**175.6**	**37.0**	**138.2**	**186.1**	**268.7**	**61.7**	**82.1**	**351.6**	**1,301.0**
Market value of investment properties[1]	**183.1**	**107.5**	**137.5**	**264.7**	**271.7**	**72.9**	**163.5**	**412.3**	**1,613.2**
Net (debt)/cash	**2.9**	**(68.6)**	**2.3**	**(74.5)**	**(0.1)**	**(15.6)**	**(78.5)**	**(67.9)**	**(300.0)**
Balance sheet at 31 March 2012									
Investment properties[1]	101.6	109.1	132.8	266.0	275.4	73.5	150.7	344.3	1,453.4
Current assets	1.3	5.9	8.2	22.4	23.3	52.4	3.7	58.6	175.8
	102.9	115.0	141.0	288.4	298.7	125.9	154.4	402.9	1,629.2
Current liabilities	(1.2)	(3.4)	(2.3)	(45.0)	(8.7)	(3.5)	(2.7)	(15.5)	(82.3)
Non-current liabilities	–	(69.0)	–	(95.9)	(2.6)	(21.1)	(75.7)	(145.0)	(409.3)
	(1.2)	(72.4)	(2.3)	(140.9)	(11.3)	(24.6)	(78.4)	(160.5)	(491.6)
Net assets	**101.7**	**42.6**	**138.7**	**147.5**	**287.4**	**101.3**	**76.0**	**242.4**	**1,137.6**
Market value of investment properties[1]	**98.2**	**110.0**	**138.0**	**278.1**	**290.0**	**74.3**	**151.1**	**351.1**	**1,490.8**
Net (debt)/cash	**1.3**	**(65.2)**	**1.9**	**(92.3)**	**0.7**	**(19.4)**	**(72.6)**	**(122.5)**	**(368.1)**

1. The difference between the book value and the market value is the amount included in prepayments in respect of lease incentives, head leases capitalised and properties treated as finance leases.
2. Joint ventures with net liabilities are carried at zero value in the balance sheet where there is no commitment to fund the deficit and any distributions are included in the consolidated income statement for the year.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013 continued

20. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

Company	2013 £m	2012 £m
At the beginning of the year	**6,177.8**	6,173.0
Capital contributions relating to share-based payments (note 35)	**2.9**	4.8
At the end of the year	**6,180.7**	6,177.8

In accordance with IFRIC 11 'IFRS 2 – Group and Treasury Transactions' the equity settled share-based payment charge for the employees of the Company's subsidiaries is treated as an increase in the cost of investment in the subsidiaries, with a corresponding increase in the Company's equity.

The Directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. The principal Group undertakings which are consolidated are listed below:

	2013 Holding	2012 Holding
Group operations		
Land Securities Properties Limited	**100%**	100%
Investment property business		
Land Securities Intermediate Limited	**100%**	100%
Land Securities Property Holdings Limited	**100%**	100%
Ravenseft Properties Limited	**100%**	100%
LS Cardinal Limited	**100%**	100%
The City of London Real Property Company Limited	**100%**	100%
Ravenside Investments Limited	**100%**	100%
LS Victoria Properties Limited	**100%**	100%
LS London Holdings One Limited	**100%**	100%

All principal subsidiary undertakings operate in Great Britain and are registered in England and Wales. A full list of subsidiary undertakings at 31 March 2013 will be appended to the Company's next annual return.

21. OTHER INVESTMENTS

Group	2013 £m	2012 £m
At the beginning of the year	**32.3**	1.8
Acquisitions	**–**	30.5
Disposals	**(1.7)**	–
Revaluation	**2.3**	–
Transfer arising on business combination	**(32.9)**	–
At the end of the year	**–**	32.3

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013 continued

22. TRADING PROPERTIES AND LONG-TERM DEVELOPMENT CONTRACTS

Group	Development land and infrastructure £m	Other £m	Long-term development contracts £m	Total £m
At 1 April 2011	107.6	15.5	6.2	129.3
Transfer between categories	(39.7)	39.7	–	–
Capital expenditure	2.2	20.6	–	22.8
Capitalised interest	0.8	0.6	–	1.4
Transfer to investment properties	–	(14.8)	–	(14.8)
Disposals	(0.9)	(4.9)	–	(5.8)
Impairment provision	(2.0)	–	–	(2.0)
Contract costs deferred	–	–	2.2	2.2
At 31 March 2012	**68.0**	**56.7**	**8.4**	**133.1**
Acquisitions	**7.1**	**–**	**–**	**7.1**
Capital expenditure	**3.1**	**17.1**	**–**	**20.2**
Capitalised interest	**0.9**	**0.9**	**–**	**1.8**
Transfer from investment properties	**–**	**50.0**	**–**	**50.0**
Disposals	**–**	**(67.5)**	**–**	**(67.5)**
Impairment release	**7.1**	**–**	**–**	**7.1**
Contract costs deferred	**–**	**–**	**1.0**	**1.0**
At 31 March 2013	**86.2**	**57.2**	**9.4**	**152.8**

The realisable value of the Group's trading properties at 31 March 2013 has been based on a valuation carried out at that date by Knight Frank LLP, external valuers. The cumulative impairment provision at 31 March 2013 in respect of Development land and infrastructure was **£103.4m** (31 March 2012: £110.5m); and in respect of Other was **£0.3m** (31 March 2012: £0.3m).

Group Long-term development contracts	2013 £m	2012 £m
Income statement:		
Contract revenue recognised as revenue in the year	**–**	7.4
Contract expenditure recognised as costs in the year	**0.1**	(3.8)
	0.1	3.6
Balance sheet:		
Contract costs incurred and recognised profits (less recognised losses) to date	**9.4**	8.4
Balance at the end of the year	**9.4**	8.4

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013 continued

23. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013 £m	2012 £m	**2013 £m**	2012 £m
Trade receivables	**52.0**	34.6	**–**	–
Less: allowance for doubtful accounts	**(12.3)**	(10.1)	**–**	–
Net trade receivables	**39.7**	24.5	**–**	–
Property sales receivables	**3.1**	482.1	**–**	–
Other receivables	**10.8**	4.1	**–**	0.1
Tenant lease incentives	**238.0**	204.7	**–**	–
Prepayments and accrued income	**33.3**	35.9	**–**	–
Current tax assets	**–**	–	**16.3**	10.2
Net investment in finance leases due within one year (note 17)	**1.7**	0.5	**–**	–
Amounts due from joint ventures	**18.2**	7.8	**–**	–
Loans to Group undertakings	**–**	–	**5.5**	5.5
Total current trade and other receivables	**344.8**	759.6	**21.8**	15.8
Plus: non-current trade and other receivables	**10.6**	–	**–**	–
Total trade and other receivables	**355.4**	759.6	**21.8**	15.8

Group	1-30 days past due £m	Up to 6 months past due £m	Up to 12 months past due £m	More than 12 months past due £m	Total £m
Accounts receivable past due					
As at 31 March 2013					
Past due but not impaired	**32.8**	**5.1**	**1.8**	**–**	**39.7**
Past due and impaired	**0.4**	**1.8**	**3.4**	**6.7**	**12.3**
	33.2	**6.9**	**5.2**	**6.7**	**52.0**
As at 31 March 2012					
Past due but not impaired	23.0	1.3	0.2	–	24.5
Past due and impaired	–	1.7	3.0	5.4	10.1
	23.0	3.0	3.2	5.4	34.6

In accordance with IFRS 7, the amounts shown as past due represent the total credit exposure, not the amount actually past due. Trade receivables are all considered past due as they relate to rents receivable from tenants all of which are payable in advance.

Group	**2013 £m**	2012 £m
Movement in allowances for doubtful accounts		
At 1 April	**10.1**	13.9
Net charge to the income statement	**4.3**	0.9
Acquired in business combination	**1.4**	–
Utilised in the year	**(3.5)**	(4.7)
At 31 March	**12.3**	10.1

Group	**2013 £m**	2012 £m
Movement in tenant lease incentives		
At 1 April	**204.7**	194.2
Revenue recognised	**19.2**	14.7
Capital incentives granted	**15.8**	2.6
Provision for doubtful receivables	**(1.5)**	(2.2)
Disposal of properties	**(0.2)**	(4.6)
At 31 March	**238.0**	204.7

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013 continued

24. MONIES HELD IN RESTRICTED ACCOUNTS AND DEPOSITS

Group	2013 £m	2012 £m
Cash at bank and in hand	**7.4**	7.2
Short-term deposits	**23.5**	22.3
	30.9	29.5

Monies held in restricted accounts and deposits represent cash held by the Group in accounts with conditions that restrict the use of these monies by the Group and, as such, does not meet the definition of cash and cash equivalents as defined in IAS 7 'Statement of Cash Flows'. Holding cash in restricted accounts does not prevent the Group from optimising returns by putting these monies on short-term deposit.

The credit quality of monies held in restricted accounts and deposits can be assessed by reference to external credit ratings of the counterparty where the account or deposit is placed.

Group	2013 £m	2012 £m
Counterparties with external credit ratings		
AAA	**–**	–
AA	**–**	–
A+	**7.4**	23.5
A	**23.5**	4.0
BBB+	**–**	2.0
	30.9	29.5

25. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013 £m	2012 £m	2013 £m	2012 £m
Cash at bank and in hand	**17.4**	11.5	**0.1**	0.2
Short-term deposits	**24.3**	1.0	**–**	–
Liquidity funds	**–**	17.2	**–**	–
	41.7	29.7	**0.1**	0.2

Liquidity funds

The liquidity funds are AAA rated cash-investment funds with constant net asset values, offering the Group same day access to the funds deposited. These investments yielded an average return of **0.5%** in the year ended 31 March 2013 (2012: an average return of 0.6%).

Short-term deposits

The effective interest rate on short-term deposits was **0.3%** at 31 March 2013 (2012: 0.4%) and had an average maturity of **2 days** (2012: 2 days).

The credit quality of cash and cash equivalents can be assessed by reference to external credit ratings of the counterparty where the account or deposit is placed.

Group	2013 £m	2012 £m
Counterparties with external credit ratings		
AAA	**–**	17.2
AA	**–**	–
AA-	**19.5**	–
A+	**6.1**	1.6
A	**16.1**	8.7
A-	**–**	2.2
	41.7	29.7

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013 continued

26. TRADE AND OTHER PAYABLES

	Group		Company	
	2013 £m	2012 £m	**2013 £m**	2012 £m
Trade payables	**6.6**	7.4	**–**	–
Capital payables	**32.5**	48.1	**–**	–
Other payables	**29.5**	46.9	**6.4**	7.2
Accruals and deferred income	**293.4**	214.1	**13.0**	3.0
Amounts owed to joint ventures	**2.3**	44.8	**–**	–
Loans from Group undertakings	**–**	–	**589.9**	681.3
Total current trade and other payables	**364.3**	361.3	**609.3**	691.5
Non-current trade and other payables	**17.4**	27.7	**–**	–
Total trade and other payables	**381.7**	389.0	**609.3**	691.5

Capital payables 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 year end. Deferred income principally relates to rents received in advance.

27. PROVISIONS

Group	£m
At 31 March 2012	**8.6**
Charge to income statement for the year	**5.2**
Utilised in the year	**(4.0)**
Released to the income statement in the year	**(1.3)**
Reclassified to accruals	**(1.5)**
At 31 March 2013	**7.0**

Included in the balance above, the following amounts are anticipated to be utilised within one year:

At 31 March 2012	8.3
At 31 March 2013	**6.7**

Provisions relate to costs arising in the ordinary course of business in respect of a number of properties held by the Group.

28. REDEMPTION LIABILITY

Group	£m
At 1 April 2012	**–**
Transfer from non-controlling interests	**0.2**
Transfer from other creditors	**0.8**
Arising on business combination	**129.7**
Acquisition of additional interest	**(16.0)**
Distributions paid by subsidiary undertakings	**(0.8)**
Movement in redemption liability	**4.2**
At 31 March 2013	**118.1**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013 continued

29. BUSINESS COMBINATION

On 16 January 2013 the Group acquired 322m units in the X-Leisure Unit Trust (X-Leisure) from Capital & Regional Units Limited and AREA (X-L) Limited, representing a 42% holding. Prior to the acquisition, the Group held 92.5m units in X-Leisure (a 12% holding), which was recorded within other investments. As a result of this transaction, the Group's holding in X-Leisure increased to 54%. The acquisition increases the proportion of leisure assets in the Group's business in line with the Group's strategic objectives for the Retail Portfolio.

X-Leisure owns 99.9% of the X-Leisure Limited Partnership, with the remaining 0.1% ownership being with X-Leisure (GP) Limited. On the same day, the Group acquired 100% of both X-Leisure (GP) Limited and X-Leisure Limited (previously owned 50% by Capital & Regional Property Management Limited and 50% by AREA (X-L) Management Limited).

The acquisition of additional units in X-Leisure, together with the acquisition of X-Leisure (GP) Limited and X-Leisure Limited resulted in the Group obtaining control of X-Leisure from 16 January 2013. The transaction has therefore been accounted for as a business combination, achieved in stages.

The fair value of the consideration paid to acquire the 42% holding was £112.0m, being the cash consideration. The previously held interest has been measured at fair value at the acquisition date. As a result of this, a gain of £2.3m has been recognised in other comprehensive income and recycled to the income statement.

The fair value of the assets and liabilities acquired is set out in the table below:

	Fair value £m
Assets	
Investment property	**545.0**
Investment in joint venture	**29.0**
Finance lease receivable	**18.4**
Cash	**25.2**
Trade and other receivables	**6.0**
Total assets	**623.6**
Liabilities	
Borrowings	**(305.8)**
Trade and other payables	**(7.1)**
Accruals and deferred income	**(22.0)**
Derivative financial instruments	**(11.7)**
Total liabilities	**(346.6)**
Net assets	**277.0**
Fair value of previously held interest	**32.9**
Redemption liability	**129.7**
Fair value of consideration paid	**112.0**
Gain on acquisition of subsidiary	**2.4**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013 continued

29. BUSINESS COMBINATION CONTINUED

The fair value of the consideration, the redemption liability and the previously held interest are less than the value of the identifiable assets and, as a result, a gain of £2.4m has been recognised in the income statement on acquisition within net gain on business combination. Also included within this line are transaction related costs of £3.3m and the gain on the revaluation of the previously held investment of £2.3m. The gain on bargain purchase of £2.4m reflects the discount achieved on the purchase of the units, together with the impact of the net fair value adjustments recorded on acquisition.

The fair value of trade and other receivables is £6.0m and includes trade receivables with a fair value of £2.7m. The gross contractual amount for trade receivables due is £3.9m, of which £1.2m is expected to be uncollectible.

In March 2013, the Group acquired a further 5% holding in X-Leisure for £16.3m, increasing the Group's total holding to 59%.

Pro forma information

During the year the acquired companies contributed £10.7m to the revenue of the Group and £4.9m to the profit for the year. The pro forma consolidated results of the Group, as if the acquisitions had been made on 1 April 2012, would show an increase to revenue of £39.2m and an increase to profit after taxation of £14.7m.

In calculating the pro forma information, the results of the acquired companies for the period before acquisition have been adjusted to reflect the Group's accounting policies and the fair value adjustments made on acquisition. The information is provided for illustrative purposes only and is not necessarily indicative of the results of the combined Group that would have occurred had the purchases actually been made at the beginning of the year, or indicative of future results of the combined Group.

30. DERIVATIVE FINANCIAL INSTRUMENTS

Group	2013 £m	2012 £m
Current liabilities	**9.1**	–
Non-current liabilities	**10.7**	6.5
Total	**19.8**	6.5

Interest-rate swaps

The Group uses interest-rate swaps to manage its exposure to interest-rate movements on its interest-bearing loans and investments. The fair value of these contracts is recorded in the balance sheet and is determined by discounting future cash flows at the prevailing market rates at the balance sheet date.

The change in fair value of the contracts that are not designated as hedging instruments is taken to the income statement. For contracts that are designated as cash flow hedges the change in the fair value of the contracts is recognised in the statement of other comprehensive income.

There was no ineffectiveness to be recognised from the designated cash flow hedges in either the current or prior year. The deferred asset or liability assumed is released to the income statement on termination or expiry of the hedge. At the balance sheet date, the notional amount of outstanding derivative financial instruments was as follows:

	2013 £m	2012 £m
Interest-rate swaps	**1,016.8**	220.0
	1,016.8	220.0

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013 continued

31. BORROWINGS

Group	Secured/ unsecured	Fixed / floating	Effective interest rate %	Nominal/ notional value £m	Fair value £m	Book value £m
						2013
Current borrowings						
Sterling						
5.292 per cent MTN due 2015	Secured	Fixed	5.3	**122.7**	**125.1**	**122.7**
5.253 per cent QAG Bond	Secured	Fixed	5.3	**11.8**	**14.3**	**11.8**
Syndicated bank debt	Secured	Floating	LIBOR+ margin	**264.8**	**264.8**	**264.8**
Bilateral facilities	Secured	Floating	LIBOR+ margin	**35.7**	**37.0**	**36.9**
Total current borrowings				**435.0**	**441.2**	**436.2**
Non-current borrowings						
Sterling						
4.875 per cent MTN due 2019	Secured	Fixed	5.0	**400.0**	**458.9**	**397.8**
5.425 per cent MTN due 2022	Secured	Fixed	5.5	**255.3**	**307.1**	**254.7**
4.875 per cent MTN due 2025	Secured	Fixed	4.9	**300.0**	**357.7**	**297.7**
5.391 per cent MTN due 2026	Secured	Fixed	5.4	**210.7**	**254.0**	**210.0**
5.391 per cent MTN due 2027	Secured	Fixed	5.4	**608.6**	**744.0**	**606.3**
5.376 per cent MTN due 2029	Secured	Fixed	5.4	**317.6**	**384.8**	**316.1**
5.396 per cent MTN due 2032	Secured	Fixed	5.4	**322.7**	**392.9**	**320.9**
5.125 per cent MTN due 2036	Secured	Fixed	5.1	**500.0**	**596.5**	**498.6**
Bond exchange de-recognition adjustment				**–**	**–**	**(432.8)**
				2,914.9	**3,495.9**	**2,469.3**
5.253 per cent QAG Bond	Secured	Fixed	5.3	**317.2**	**384.1**	**317.2**
Syndicated bank debt	Secured	Floating	LIBOR+ margin	**330.0**	**330.0**	**330.0**
Bilateral facilities	Secured	Floating	LIBOR+ margin	**170.0**	**170.0**	**170.0**
Amounts payable under finance leases (note 33)	Unsecured	Fixed	7.3	**28.7**	**42.0**	**28.7**
Total non-current borrowings				**3,760.8**	**4,422.0**	**3,315.2**
Total borrowings				**4,195.8**	**4,863.2**	**3,751.4**

Medium term notes (MTNs)
The MTNs are secured on the fixed and floating pool of assets of the Security Group. Debt investors benefit from security over a pool of investment properties, development properties and the Group's investment in the Bristol Alliance Limited Partnership, the Westgate Oxford Alliance Limited Partnership and the Victoria Circle Limited Partnership, valued at **£9.3bn** at 31 March 2013 (2012: £8.8bn). The Group's investment in the Victoria Circle Limited Partnership was charged to the Security Group in the year ended 31 March 2013. The secured debt structure has a tiered operating covenant regime which gives the Group substantial flexibility when the loan to value and interest cover in the Security Group are less than 65% and more than 1.45 times respectively. If these limits are exceeded the operating environment becomes more restrictive with provisions to encourage the reduction in gearing (see note 32). The interest rate is fixed until the expected maturity, being two years before the legal maturity date for each MTN, whereupon the interest rate for the last two years is LIBOR plus a step-up margin. The effective interest rate includes the amortisation of issue costs. The MTNs are listed on the Irish Stock Exchange and their fair values are based on their respective market prices.

Syndicated bank debt
At 31 March 2013 the Group had a **£1.085bn** authorised credit facility with a maturity of December 2016, which was **£330.0m** drawn.

This facility is committed and is secured on the assets of the Security Group.

Also included are bank facilities of **£293.4m**, arising on the acquisition of X-Leisure. Undrawn facilities at 31 March 2013 were **£28.6m** and the facilities mature in December 2013 and March 2014.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013 continued

31. BORROWINGS CONTINUED

Bilateral facilities

At 31 March 2012 the Group had a £135.0m facility with a maturity of November 2014, which was undrawn. In March 2013, the borrowing under this facility was repaid and the facility cancelled in full. At the same time a new facility for the same amount was entered into, which matures in March 2018. The new facility was **£95.0m** drawn at 31 March 2013. A further committed bilateral facility of **£165.0m**, maturing in May 2014, is available to the Group and was **£75.0m** drawn at 31 March 2013 (2012: £nil). The bilateral facilities are secured on the assets of the Security Group.

Also included in bilateral facilities is a **£36.9m** facility arising on the acquisition of X-Leisure. The facility was fully drawn at 31 March 2013 and matures in June 2013.

Queen Anne's Gate Bond

On 29 July 2009, the Group issued a £360.3m bond secured on the rental cash flows from the commercial lease with the UK Government over Queen Anne's Gate, (QAG). The QAG Bond is a fully amortising bond with a final maturity in February 2027 and a fixed interest rate of 5.253% per annum. At 31 March 2013 the bond had an amortised book value of **£329.0m** (2012: £339.4m).

Fair values

The fair values of any floating rate financial liabilities are assumed to be equal to their nominal value, but adjusted for the effect of exit fees payable on redemption.

						2012
Group	Secured/ unsecured	Fixed/ floating	Effective interest rate %	Nominal/ notional value £m	Fair value £m	Book value £m
Current borrowings						
Sterling						
5.253 per cent QAG Bond	Secured	Fixed	5.3	10.5	12.2	10.5
Amounts payable under finance leases (note 33)	Unsecured	Fixed	7.8	0.3	0.3	0.3
Total current borrowings				**10.8**	**12.5**	**10.8**
Non-current borrowings						
Sterling						
5.292 per cent MTN due 2015	Secured	Fixed	5.3	122.7	127.8	122.7
4.875 per cent MTN due 2019	Secured	Fixed	5.0	400.0	442.4	397.4
5.425 per cent MTN due 2022	Secured	Fixed	5.5	255.3	290.9	254.7
4.875 per cent MTN due 2025	Secured	Fixed	4.9	300.0	328.4	297.5
5.391 per cent MTN due 2026	Secured	Fixed	5.4	210.7	236.4	209.9
5.391 per cent MTN due 2027	Secured	Fixed	5.4	608.8	689.2	606.4
5.376 per cent MTN due 2029	Secured	Fixed	5.4	317.6	356.9	316.1
5.396 per cent MTN due 2032	Secured	Fixed	5.4	322.7	359.4	320.9
5.125 per cent MTN due 2036	Secured	Fixed	5.1	500.0	537.0	498.5
Bond exchange de-recognition adjustment				–	–	(450.9)
				3,037.8	3,368.4	2,573.2
5.253 per cent QAG Bond	Secured	Fixed	5.3	329.0	380.5	328.9
Syndicated bank debt	Secured	Floating	LIBOR+ margin	300.0	300.0	300.0
Bilateral facilities	Secured	Floating	LIBOR+ margin	–	–	–
Amounts payable under finance leases (note 33)	Unsecured	Fixed	7.8	23.0	35.4	23.0
Total non-current borrowings				**3,689.8**	**4,084.3**	**3,225.1**
Total borrowings				**3,700.6**	**4,096.8**	**3,235.9**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013 continued

31. BORROWINGS CONTINUED

Reconciliation of the movement in borrowings

Group	2013 £m	2012 £m
At the beginning of the year	**3,235.9**	3,384.3
Repayment of loans	**(10.9)**	(461.0)
Acquired in business combination (note 29)	**305.8**	–
Proceeds from new loans	**200.8**	300.0
Amortisation of finance fees	**1.0**	1.1
Amortisation of bond exchange de-recognition adjustment	**18.1**	16.6
Net movement in finance lease obligations	**0.7**	(5.1)
At the end of the year	**3,751.4**	3,235.9

Bond exchange de-recognition

On 3 November 2004, a debt refinancing was completed resulting in the Group exchanging all of its outstanding bond and debenture debt for new MTNs with higher nominal values. The new MTNs did not meet the IAS 39 requirement to be substantially different from the debt that it replaced. Consequently the book value of the new debt is reduced to the book value of the original debt by the 'bond exchange de-recognition' adjustment which is then amortised to zero over the life of the new MTNs. The amortisation is charged to net interest expenses in the income statement.

32. FINANCIAL RISK MANAGEMENT

Introduction

A review of the Group's objectives, policies and processes for managing and monitoring risk is set out in the 'Financial review' (pages 26 to 31) and 'Our principal risks and how we manage them' (pages 32 to 35). This note provides further detail on financial risk management and includes quantitative information on specific financial risks.

The Group is exposed to a variety of financial risks: market risks (principally interest-rate risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise the potential adverse effects of these on the Group's financial performance and includes the use of derivative financial instruments to hedge certain risk exposures.

Financial risk management is carried out by Group Treasury under policies approved by the Board of Directors.

Capital structure

The capital structure of the Group consists of shareholders' equity and net borrowings, including cash held on deposit. The type and maturity of the Group's borrowings are analysed further in note 31 and the Group's equity is analysed into its various components in the Statement of changes in equity. Capital is managed so as to promote the long-term success of the business and to maintain sustainable returns for shareholders.

The Group's strategy is to maintain an appropriate net debt to total equity ratio (gearing) and loan-to-value ratio (LTV) to ensure that asset level performance is translated into enhanced returns for shareholders whilst maintaining an appropriate risk reward balance to accommodate changing financial and operating market cycles. As the Group came out of the last property downturn, its objective was to see rising asset values reduce gearing and LTV ratios. The following table details a number of the Group's key metrics in relation to managing its capital structure:

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013 continued

32. FINANCIAL RISK MANAGEMENT CONTINUED

	2013				2012		
Group	Group £m	Adjustment for non-wholly owned subsidiaries[1] £m	Joint ventures £m	Combined £m	Group £m	Joint ventures £m	Combined £m
Property portfolio							
Market value of investment properties	**10,073.2**	**(240.0)**	**1,613.2**	**11,446.4**	8,839.8	1,490.8	10,330.6
Trading properties and long-term contracts	**152.8**	**–**	**20.8**	**173.6**	133.1	23.0	156.1
	10,226.0	**(240.0)**	**1,634.0**	**11,620.0**	8,972.9	1,513.8	10,486.7
Net debt							
Borrowings	**3,751.4**	**(124.4)**	**344.6**	**3,971.6**	3,235.9	397.9	3,633.8
Cash and cash equivalents	**(41.7)**	**11.4**	**(53.0)**	**(83.3)**	(29.7)	(41.4)	(71.1)
Monies held in restricted accounts and deposits	**(30.9)**	**–**	**–**	**(30.9)**	(29.5)	(2.7)	(32.2)
Fair value of interest-rate swaps	**19.8**	**(3.7)**	**8.4**	**24.5**	6.5	14.3	20.8
Net debt	**3,698.6**	**(116.7)**	**300.0**	**3,881.9**	3,183.2	368.1	3,551.3
Less: Fair value of interest-rate swaps	**(19.8)**	**3.7**	**(8.4)**	**(24.5)**	(6.5)	(14.3)	(20.8)
Reverse bond exchange de-recognition (note 31)	**432.8**	**–**	**–**	**432.8**	450.9	–	450.9
Adjusted net debt	**4,111.6**	**(113.0)**	**291.6**	**4,290.2**	3,627.6	353.8	3,981.4
Adjusted total equity							
Total equity	**7,486.7**			**7,486.7**	7,155.6		7,155.6
Fair value of interest-rate swaps	**19.8**	**(3.7)**	**8.4**	**24.5**	6.5	14.3	20.8
Reverse bond exchange de-recognition (note 31)	**(432.8)**			**(432.8)**	(450.9)		(450.9)
Adjusted total equity	**7,073.7**	**(3.7)**	**8.4**	**7,078.4**	6,711.2	14.3	6,725.5
Gearing	**49.4%**			**51.8%**	44.5%		49.6%
Adjusted gearing	**58.1%**			**60.6%**	54.1%		59.2%
Loan to value – Group	**40.2%**			**36.9%**	40.4%		38.0%
Loan to value – Security Group	**37.7%**				37.6%		
Weighted average cost of debt	**4.9%**			**4.9%**	5.0%		5.0%

1. This represents the 40.6% interest in X-Leisure which we do not own but is consolidated in the Group numbers.

The following table summarises the Group's financial assets and liabilities into the categories required by IFRS 7, 'Financial Instruments, Disclosure':

Group	2013 £m	2012 £m
Available-for-sale financial assets	**–**	32.3
Loans and receivables	**405.4**	810.4
Financial liabilities at amortised cost	**(4,133.1)**	(3,624.9)
Net financial liabilities at fair value through profit and loss	**(19.8)**	(6.5)
Other	**(118.1)**	–
	(3,865.6)	(2,788.7)

Financial risk factors

(i) Credit risk

The Group's principal financial assets are cash and cash equivalents, trade and other receivables, finance lease receivables, amounts due from joint ventures, loans to third parties and commercial property backed loan notes. Further details concerning the credit risk of counterparties is provided in the note that specifically relates to each type of asset.

Bank and financial institutions

One of the principal credit risks of the Group arises from financial derivative instruments and deposits with banks and financial institutions. In line with the policy approved by the Board of Directors, where the Group manages the deposit only independently-rated banks and financial institutions with a minimum rating of A- are accepted. Group Treasury currently performs a weekly review of the credit ratings of all its financial institution counterparties. Furthermore, Group Treasury ensures that funds deposited with a single financial institution remain within the Group's policy limits.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013 continued

32. FINANCIAL RISK MANAGEMENT CONTINUED

Trade receivables

Trade receivables are presented in the balance sheet net of allowances for doubtful receivables. Impairment is made where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables concerned. The balance is low relative to the scale of the balance sheet and, owing to the long-term nature and diversity of the Group's tenancy arrangements, the credit risk of trade receivables is considered to be low. Furthermore, a credit report is obtained from an independent rating agency prior to the inception of a lease with a new counterparty. This report is used to determine the size of the deposit that is required from the tenant at inception. In general these deposits represent between three and six months' rent.

Finance lease receivables

This balance relates to amounts receivable from tenants in respect of tenant finance leases. This is not considered a significant credit risk as the tenants are generally of good financial standing.

Loans to third parties

A loan maturing in 2035 was made to Semperian PPP (formerly Trillium Investment Partners LP) as part of the disposal of the Trillium business. This loan is not considered a significant credit risk as it is repayable from dividends from investments in government infrastructure projects.

(ii) Liquidity risk

The Group actively maintains a mixture of notes with final maturities between 2015 and 2036, and medium-term committed bank facilities that are designed to ensure that the Group has sufficient available funds for its operations and its committed capital expenditure programme.

Management monitors the Group's available funds as follows:

Group	**March 2013 £m**	December 2012 £m	September 2012 £m	June 2012 £m	March 2012 £m
Cash and cash equivalents	**41.7**	43.1	19.3	31.5	29.7
Undrawn committed credit lines	**913.6**	1,010.0	1,130.0	1,025.0	1,085.0
Available funds	**955.3**	1,053.1	1,149.3	1,056.5	1,114.7
As a proportion of drawn debt	**23.0%**	28.1%	31.7%	28.3%	30.3%

The Group's core financing structure is in the Security Group, although the remaining Non-Restricted Group may also secure independent funding.

Security Group

The Group's principal financing arrangements utilise the credit support of a ring-fenced group of assets (the Security Group) that comprises the majority of the Group's investment property portfolio. These arrangements operate in 'tiers' determined by LTV and Interest cover ratio (ICR). This structure is most flexible at lower tiers (with a lower LTV and a higher ICR) and allows property acquisitions, disposals and developments to occur with relative freedom. In higher tiers, the requirements become more prescriptive. No financial covenant default is triggered until the applicable LTV exceeds 100% or the ICR is less than 1.0x.

As at 31 March 2013, the reported LTV for the Security Group was **37.7%** (2012: 37.6%), meaning that the Group was operating in Tier 1 and benefited from maximum operational flexibility.

Management monitors the key covenants attached to the Security Group on a monthly basis, including LTV, ICR, sector and regional concentration and disposals.

Non-Restricted Group

The Non-Restricted Group obtains funding when required from a combination of inter-company loans from the Security Group, equity and external bank debt. Bespoke credit facilities are established with banks when required for the Non-Restricted Group projects and joint ventures, usually on a limited-recourse basis.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013 continued

32. FINANCIAL RISK MANAGEMENT CONTINUED

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the expected maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

				2013
Group	**Less than 1 year £m**	**Between 1 and 2 years £m**	**Between 2 and 5 years £m**	**Over 5 years £m**
Borrowings (excluding finance lease liabilities)	**625.4**	**264.8**	**981.8**	**4,429.2**
Finance lease liabilities	**2.2**	**2.2**	**6.7**	**259.1**
Derivative financial instruments	**9.1**	**7.9**	**2.8**	**–**
Trade payables	**6.6**	**–**	**–**	**–**
Capital payables	**32.5**	**–**	**–**	**–**
Redemption liability	**–**	**118.1**	**–**	**–**
	675.8	**393.0**	**991.3**	**4,688.3**

				2012
Group	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Borrowings (excluding finance lease liabilities)	193.2	313.5	862.3	4,623.8
Finance lease liabilities	2.1	3.6	3.5	203.5
Derivative financial instruments	–	–	6.5	–
Trade payables	7.4	–	–	–
Capital payables	48.1	–	–	–
	250.8	317.1	872.3	4,827.3

(iii) Market risk

The Group is exposed to market risk through interest rates and availability of credit.

Interest rates

The Group uses derivative products to manage its interest-rate exposure, and has a hedging policy that generally requires at least 80% of its existing debt plus increases in debt associated with net committed capital expenditure to be at fixed interest rates for the coming five years. Due to a combination of factors, principally the high level of certainty required under IAS 39 'Financial Instruments: Recognition and Measurement', hedging instruments used in this context do not qualify for hedge accounting. Specific interest-rate hedges are also used within our joint ventures to fix the interest rate exposure on limited-recourse debt. Where specific hedges are used in geared joint ventures to fix the interest exposure on limited-recourse debt, these may qualify for hedge accounting.

At 31 March 2013, the Group (including joint ventures) had **£1.2bn** (2012: £0.6bn) of interest rate swaps in place, and its net debt was **90.7%** fixed (2012: 94.8%). Based on the Group's debt balances at 31 March 2013, a 1% increase in interest rates would increase the net interest payable in the income statement by **£5.0m** (2012: £3.0m). The sensitivity has been calculated by applying the interest rate change to the variable rate borrowings, net of interest-rate swaps and cash and cash equivalents.

Foreign exchange

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Group's functional currency.

The Group does not normally enter into any foreign currency transactions as it is UK based. However, where significant committed expenditure in foreign currencies is identified, it is the Group's policy to hedge 100% of that exposure by entering into forward purchases of foreign currency to fix the Sterling value. Therefore the Group's foreign-exchange risk is low.

The Group had no foreign currency exposure at 31 March 2013 or at 31 March 2012.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013 continued

32. FINANCIAL RISK MANAGEMENT CONTINUED

Financial maturity analysis

The interest rate profile of the Group's undiscounted borrowings, after taking into account the effect of the interest-rate swaps, are set out below:

			2013			2012
Group	Fixed rate £m	Floating rate £m	Total £m	Fixed rate £m	Floating rate £m	Total £m
Sterling	**3,395.3**	**800.5**	**4,195.8**	3,400.6	300.0	3,700.6

The expected maturity profiles of the Group's borrowings are as follows:

			2013			2012
Group	Fixed rate £m	Floating rate £m	Total £m	Fixed rate £m	Floating rate £m	Total £m
One year or less, or on demand	**134.5**	**300.5**	**435.0**	10.8	–	10.8
More than one year but not more than two years	**13.2**	**75.0**	**88.2**	8.7	–	8.7
More than two years but not more than five years	**48.7**	**425.0**	**473.7**	165.7	300.0	465.7
More than five years	**3,198.9**	**–**	**3,198.9**	3,215.4	–	3,215.4
	3,395.3	**800.5**	**4,195.8**	3,400.6	300.0	3,700.6

The expected maturity profiles of the Group's derivative instruments are as follows:

Group	2013 £m	2012 £m
One year or less, or on demand	**296.8**	–
More than one year but not more than two years	**220.0**	–
More than two years but not more than five years	**500.0**	220.0
	1,016.8	220.0

Valuation hierarchy

Interest-rate swaps, the redemption liability and other investments are the only financial instruments which are carried at fair value. The table below shows the aggregate assets and liabilities carried at fair value by valuation method:

				2013				2012
Group	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets	**–**	**–**	**–**	**–**	–	32.3	–	32.3
Liabilities	**–**	**(137 .9)**	**–**	**(137.9)**	–	(6.5)	–	(6.5)

Note:
Level 1: valued using unadjusted quoted prices in active markets for identical financial instruments.
Level 2: valued using techniques based on information that can be obtained from observable market data.
Level 3: valued using techniques incorporating information other than observable market data.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2013 continued

33. OBLIGATIONS UNDER FINANCE LEASES

Group	2013 £m	2012 £m
The minimum lease payments under finance leases fall due as follows:		
Not later than one year	**2.1**	2.1
Later than one year but not more than five years	**8.4**	7.1
More than five years	**234.2**	203.5
	244.7	212.7
Future finance charges on finance leases	**(216.0)**	(189.4)
Present value of finance lease liabilities	**28.7**	23.3
The present value of finance lease liabilities fall due as follows:		
Not later than one year	**–**	0.3
Later than one year but not more than five years	**–**	–
More than five years	**28.7**	23.0
	28.7	23.3

The fair value of the Group's lease obligations, using a discount rate of **4.9%** (2012: 5.0%), is **£42.0m** (2012: £35.7m).

34. NET PENSION SURPLUS/(DEFICIT)

Defined contribution scheme

A defined contribution 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.

Pension costs for defined contribution schemes are as follows:

Group	2013 £m	2012 £m
Defined contribution schemes	**2.1**	2.0

Defined benefit scheme

The Pension & Assurance Scheme of the Land Securities Group of Companies (the Scheme) is a wholly-funded scheme, and 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 credit method. As the Scheme is closed to new members, the current service cost is expected to increase as a percentage of salary of the Scheme members, under the projected unit credit method, as members approach retirement. A full actuarial valuation of the Land Securities Scheme was undertaken on 30 June 2012 by the independent actuaries, Hymans Robertson Consultants & Actuaries. As a result of this valuation, the Trustees and the Group have agreed that, in order to address the deficit at that time, a combined employee and employer contribution rate of 44% of pensionable salary will be paid, together with additional employer contributions of £4m per annum, for a period of six years commencing on 1 July 2013. Employees currently contribute 5% of this combined contribution rate. This valuation was updated to 31 March 2013 using, where required, assumptions prescribed by IAS 19, 'Employee Benefits'. The next full actuarial valuation will be performed as at 30 June 2015.

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

The major assumptions used in the valuation, were (in nominal terms):

Group	2013 %	2012 %
Rate of increase in pensionable salaries	**3.50**	3.50
Rate of increase in pensions in payment	**3.50**	3.50
Discount rate	**4.30**	4.80
Inflation – Retail Price Index	**3.50**	3.50
– Consumer Price Index	**2.70**	2.70
Expected return on scheme assets	**4.83**	5.25

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013 continued

34. NET PENSION SURPLUS/(DEFICIT) CONTINUED

The expected return on scheme assets is based on expectations for bonds and equities. At the year end, the expected return on bonds is based on market yields of long-dated bonds at that date. The expected return on equities includes an additional equity-risk premium.

On 1 April 2013 an amendment to IAS 19 'Employee Benefits' will be adopted by the Group (note 2), at which point the finance income on assets will be calculated with reference to the discount rate and not the expected rate of return on scheme assets.

The mortality assumptions used in this valuation were:

Group	2013 years	2012 years
Life expectancy at age 60 for current pensioners – Men	**30.9**	30.0
– Women	**32.2**	31.7
Life expectancy at age 60 for future pensioners (current age 40) – Men	**33.7**	33.1
– Women	**34.0**	34.9

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

Group	2013 %	2012 %	2013 £m	2012 £m
Equities	**7.00**	7.50	**66.4**	59.6
Bonds and insurance contracts	**4.30**	3.98	**125.6**	101.8
Other	**0.50**	0.50	**0.8**	1.0
Fair value of scheme assets			**192.8**	162.4
Present value of scheme liabilities			**(186.9)**	(164.8)
Net pension surplus/(deficit)			**5.9**	(2.4)

The major categories of scheme assets as a percentage of total scheme assets are as follows:

Group	2013 %	2012 %
Equities	**34**	37
Bonds and insurance contracts	**66**	63

The scheme assets do not include any directly owned financial instruments issued by the Company. Indirectly owned financial instruments had a fair value of less than **£0.1m** (2012: £0.1m).

Group	2013 £m	2012 £m
Analysis of the amounts charged to the income statement		
Analysis of the amount charged to operating profit		
Current service cost	**1.1**	1.0
Charge to operating profit	**1.1**	1.0
Analysis of amount credited to interest expense		
Expected return on scheme assets	**(8.6)**	(9.1)
Interest on scheme liabilities	**7.8**	8.0
Net credit to interest expense	**(0.8)**	(1.1)

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.1%	Decrease/increase by 1.6% or £3m
Rate of mortality	Increase by 1 year	Increase by 2.7% or £5m

As the above table demonstrates, changes in assumptions can have a significant impact on the scheme liabilities. The assumptions agreed with the Trustees of the Scheme for the triennial valuation and subsequent interim updates differ from those described by IAS 19, 'Employee Benefits'. Using the assumptions agreed with the Trustees would result in a balance sheet deficit for the Scheme of £22.8m at 31 March 2013 as opposed to a surplus of £5.9m.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013 continued

34. NET PENSION SURPLUS/(DEFICIT) CONTINUED

Group Change in the present value of the defined benefit obligation	2013 £m	2012 £m
At the beginning of the year	**164.8**	141.9
Current service cost	**1.1**	1.0
Interest cost	**7.8**	8.0
Actuarial losses	**18.2**	18.4
Benefits paid	**(5.1)**	(4.7)
Contributions by scheme participants	**0.1**	0.2
At the end of the year	**186.9**	164.8

Group Changes in the fair value of scheme assets	2013 £m	2012 £m
At the beginning of the year	**162.4**	150.6
Expected return on scheme assets	**8.6**	9.1
Employer contributions	**4.7**	4.9
Actual return less expected return on scheme assets	**22.1**	2.3
Benefits paid	**(5.1)**	(4.7)
Contributions by scheme participants	**0.1**	0.2
At the end of the year	**192.8**	162.4
Actual return on scheme assets	**30.7**	11.4

Group Analysis of the amounts recognised in other comprehensive income	2013 £m	2012 £m
Analysis of gains and losses		
Actual return less expected return on scheme assets	**22.1**	2.3
Experience losses arising on scheme liabilities	**(18.2)**	(18.4)
Actuarial gains/(losses)	**3.9**	(16.1)
Cumulative actuarial losses recognised in other comprehensive income	**(40.6)**	(44.5)

Actuarial gains and losses are recognised immediately through the Statement of comprehensive income.

Group History of experience gains and losses	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Experience adjustments					
Scheme assets	**11.5%**	1.4%	0.2%	17.8%	24.5%
Scheme liabilities	**9.7%**	11.2%	7.9%	27.3%	10.6%
Present value of scheme liabilities	**(186.9)**	(164.8)	(141.9)	(148.1)	(104.1)
Fair value of scheme assets	**192.8**	162.4	150.6	141.6	107.1
Surplus/(deficit)	**5.9**	(2.4)	8.7	(6.5)	3.0

The employer contributions expected to be paid in respect of the defined benefit schemes during the financial year ending 31 March 2014 amount to £5m.

The Company did not operate any defined contribution schemes or defined benefit schemes during the financial year ended 31 March 2013 or in the previous financial year.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013 continued

35. SHARE-BASED PAYMENTS

The Group operates a number of share-based payment schemes, all of which are equity settled. The total cost recognised in the income statement was **£2.9m** in the year ended 31 March 2013 (2012: £4.8m). The following table analyses the total cost between each of the relevant schemes, together with number of options outstanding.

Group		Outstanding at 31 March		
	2013 Charge £m	**2013 Number (millions)**	2012 Charge £m	2012 Number (millions)
Long-term incentive plan	**2.2**	**2.4**	2.7	2.2
Deferred bonus share scheme	**0.1**	**0.2**	1.1	0.1
Conditional shares granted 1 January 2010	**0.1**	**–**	0.2	0.1
Executive share option schemes	**0.4**	**3.2**	0.5	3.5
Savings related share option schemes	**0.1**	**0.5**	0.3	0.6
	2.9	**6.3**	4.8	6.5

A summary of the main features of each type of scheme is given below. The schemes have been split into two categories: Executive schemes and other schemes. For further details on Executive schemes, see the Directors' remuneration report on pages 74 to 91.

Executive schemes:

Long-term incentive plan

The Long-Term Incentive Plan (LTIP) is open to Executive Directors and senior executives, and awards are made at the discretion of the Remuneration Committee. In addition, an award of Matching Shares can be made where the individual acquires Land Securities Group PLC shares and pledges to hold them for a period of three years. Awards of LTIP Performance Shares and Matching Shares are subject to the same performance criteria and vest over three years. Awards may be satisfied by the issue of new shares, the transfer of treasury shares or the transfer of shares other than treasury shares. The shares will be issued at nil consideration, subject to vesting conditions being met. The weighted average share price at the date of vesting during the year was **761p** (2012: 722p). The estimated fair value of awards granted during the year under the scheme was **£3.7m** (2012: £3.2m).

Deferred bonus shares scheme

The Executive Directors' annual bonus is structured in two distinct parts made up of an initial payment and deferred shares. The shares are deferred for two or three years and are not subject to additional performance criteria. Awards made under the plan are satisfied by the transfer of existing shares held by the Employee Share Ownership Trust (ESOT), which are issued at nil consideration. No deferred shares vested during the year. In the prior year the weighted average share price at the date of vesting was **676p**. The estimated fair value of awards granted during the year under the scheme was **£0.4m** (2012: £0.4m).

Conditional shares granted 1 January 2010

160,000 shares were granted to R Noel on his appointment on 1 January 2010. The final shares vested on 30 June 2012 leaving no conditional shares outstanding at 31 March 2013. The share price at the date of vesting during the year was **744p** (2012: 837p). The estimated fair value of the awards on the date of grant was **£1.0m**.

Other schemes:

Executive share option scheme (ESOS)

The 2005 ESOS is open to executives and management staff not eligible to participate in the LTIP. Awards are discretionary and are granted in the ordinary shares of the Company at the middle market price on the three dealing days immediately preceding the date of grant. Options vest over three years and are not subject to performance conditions. Options are satisfied by the transfer of shares from the ESOT. Options lapse ten years after the date of grant. The weighted average share price at the date of exercise for shares exercised during the year was **698p** (2012: 749p). The estimated fair value of options granted during the year under the scheme was **£0.5m** (2012: £0.5m).

Savings related share option schemes

Under the Savings Related Share Option Schemes Executive Directors and eligible employees are invited to make regular monthly contributions into a Sharesave scheme operated by Lloyds Banking Group. On completion of the three, five or seven year contract period, ordinary shares in the Company may be purchased at a price based upon the current market price at date of invitation less 20% discount. The weighted average share price at the date of exercise for shares exercised during the year was **800p** (2012: 677p). The estimated fair value of options granted during the year under the scheme was **£0.2m** (2012: £0.1m).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013 continued

35. SHARE-BASED PAYMENTS CONTINUED

The aggregate number of share awards outstanding for the Group for each type of schemes and their weighted average exercise price is shown below:

Group	Executive schemes*		Other schemes			
	Number of awards		Number of options		Weighted average exercise price	
	2013 Number (millions)	2012 Number (millions)	2013 Number (millions)	2012 Number (millions)	2013 Pence	2012 Pence
At the beginning of the year	**2.4**	2.7	**4.1**	4.7	**702**	780
Granted	**1.1**	0.8	**0.9**	0.7	**732**	800
Exercised	**(0.7)**	(0.5)	**(1.0)**	(0.1)	**467**	633
Forfeited	**(0.2)**	(0.6)	**(0.2)**	(0.9)	**805**	1,133
Lapsed	**–**	–	**(0.1)**	(0.3)	**827**	885
At the end of the year	**2.6**	2.4	**3.7**	4.1	**764**	702
Exercisable at the end of the year	**–**	–	**1.2**	1.0	**934**	1,117
	Years	Years			Years	Years
Weighted average remaining contractual life	**1.4**	1.2			**6.1**	6.1

* Executive schemes are granted at nil consideration.

The number of share awards outstanding for the Group by range of exercise prices is shown below:

Group	Outstanding at 31 March 2013			Outstanding at 31 March 2012		
Exercise price – range Pence	Weighted average exercise price Pence	Number of awards Number (millions)	Weighted average remaining contractual life Years	Weighted average exercise price Pence	Number of awards Number (millions)	Weighted average remaining contractual life Years
Nil*	**–**	**2.6**	**1.4**	–	2.4	1.2
200 – 399	**388**	**0.2**	**1.9**	388	0.5	1.6
400 – 599	**527**	**1.4**	**6.2**	520	1.8	7.5
600 – 799	**736**	**0.7**	**7.8**	684	0.3	1.7
800 – 999	**828**	**0.6**	**8.3**	828	0.6	9.2
1,000 – 1,199	**1,071**	**0.5**	**3.4**	1,071	0.6	4.4
1,200 – 1,399	**1,282**	**0.1**	**2.3**	1,287	0.1	3.1
1,400 – 1,599	**1,563**	**0.2**	**3.9**	1,565	0.2	4.9

* Executive schemes are granted at nil consideration.

Fair-value inputs for awards with non-market performance conditions

Fair values are calculated using the Black-Scholes option pricing model for awards with non-market performance conditions. Inputs into this model for each scheme are as follows:

Group	Long-Term Incentive Plan (awards issued before 31 March 2009)	Deferred Bonus Shares	Conditional shares granted 1 January 2010	2002 Executive Share Option Scheme	2005 Executive Share Option Scheme	Savings Related Share Option Scheme
Range of share prices at grant date	485p to 861p	584p to 828p	661p	788p to 1,159p	469p to 1,737p	485p to 1,903p
Range of exercise prices	nil p	nil p	nil p	788p to 1,159p	469p to 1,737p	388p to 1,523p
Expected volatility	20% to 22%	20% to 22%	22%	19%	19% to 22%	19% to 22%
Expected life	3 years	2 to 3 years	2.5 years	3 to 5 years	2.3 to 5 years	3 to 7 years
Risk-free rate	0.35% to 2.25%	0.28% to 1.82%	1.32%	3.60% to 5.10%	0.35% to 5.67%	0.35% to 5.53%
Expected dividend yield	3.35% to 5.98%	nil to 4.79%	4.38%	4.23% to 4.34%	2.97% to 6.53%	3.02% to 5.98%

Expected volatility was determined by calculating the historic volatility of the Group's share price over the previous ten years. The expected life used in the model has been determined based upon management's best estimate for the effects of non-transferability, vesting/exercise restrictions and behavioural considerations. Risk-free rate is the yield at the date of the grant of an award on a gilt-edged stock with a redemption date equal to the anticipated vesting of that award.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013 continued

35. SHARE-BASED PAYMENTS CONTINUED

Fair-value inputs for awards with market performance conditions

Fair values are calculated using the Monte-Carlo simulation option pricing model for awards with market performance conditions. Awards made under the 2005 Long-Term Incentive Plan which were granted after 31 March 2009 include a Total Shareholder Return (TSR) condition, which is a market based condition. The inputs into this model for the scheme are as follows:

Group	Range of share prices at date of grant	Range of exercise prices	Expected volatility – Group	Expected volatility – index of comparator companies	Correlation – Group vs. index
2005 Long-Term Incentive Plan (awards issued after 31 March 2009)	485p – 861p	nil p	20% – 22%	20% – 25%	85%

36. ORDINARY SHARE CAPITAL

Group and Company	Allotted and fully paid 2013 £m	2012 £m
Ordinary shares of 10p each	**79.2**	78.5
	79.2	78.5

Following a change to the Company's Articles of Association, the issued share capital of the Company now consists of ordinary shares of 10p nominal value each. References to the Non-equity B shares and the Redeemable preference shares, previously issued by the Company but no longer in issue, have been removed.

	Number of shares 2013	2012
At the beginning of the year	**785,141,158**	775,872,954
Issued on the exercise of options	**330,649**	114,026
Issued in lieu of cash dividends	**6,599,128**	9,154,178
At the end of the year	**792,070,935**	785,141,158

The number of options over ordinary shares that were outstanding at 31 March 2013 was **3,742,923** (2012: 4,150,147). If all the options were exercised at that date then **801,761** new ordinary shares (2012: 1,068,275 new ordinary shares) would be issued and **2,941,162** shares would be required (2012: 3,081,872 shares transferred) from the ESOT.

Shareholders at the Annual General Meeting have previously authorised the acquisition of shares by the Company representing up to 10% of its share capital, to be held as treasury shares. During the year ended 31 March 2013, **4,599,131** ordinary shares (2012: nil ordinary shares) were acquired to be held as treasury shares. This was done when new shares were issued to satisfy the scrip dividend, and the share price was materially below our adjusted net asset value per share. This was done in order to minimise the dilutive impact of the scrip dividend on net assets per share. At 31 March 2013 the Group held **10,495,131** ordinary shares (2012: 5,896,000 ordinary shares) with a market value of **£87.0m** (2012: £42.6m) in treasury.

37. OWN SHARES

Group	2013 £m	2012 £m
Cost at the beginning of the year	**17.8**	3.6
Acquisition of ordinary shares	**0.5**	18.5
Transfer of shares to employees on exercise of share options	**(10.6)**	(4.3)
Cost at the end of the year	**7.7**	17.8

Own shares consist of shares in Land Securities Group PLC held by the Employee Share Ownership Trust (ESOT) in respect of the Group's commitment to a number of its employee share option schemes (note 35).

The number of shares held by the ESOT at 31 March 2013 was **1,031,237** (2012: 2,355,235). The market value of these shares at 31 March 2013 was **£8.5m** (2012: £17.0m).

38. CONTINGENCIES

The Group has contingent liabilities in respect of legal claims, guarantees, and warranties arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013 continued

39. CASH FLOW FROM OPERATING ACTIVITIES

	Group		Company	
Reconciliation of operating profit to net cash inflow from operating activities:	2013 £m	2012 £m	2013 £m	2012 £m
Cash generated from operations				
Operating profit/(loss)	**648.2**	645.1	**328.0**	(11.9)
Adjustments for:				
Depreciation	**2.6**	4.6	**–**	–
Loss/(profit) on disposal of investment properties	**3.1**	(45.4)	**–**	–
Profit on disposal of trading properties	**(37.4)**	(2.2)	**–**	–
Profit on disposal of other investments	**(1.6)**	–	**–**	–
Net valuation surplus on investment properties	**(196.7)**	(169.8)	**–**	–
Impairment (release)/charge on trading properties	**(7.1)**	2.0	**–**	–
Share-based payment charge	**2.9**	4.8	**–**	–
Defined benefit pension scheme charge	**1.1**	1.0	**–**	–
	415.1	440.1	**328.0**	(11.9)
Changes in working capital:				
Increase in long-term development contracts	**(1.0)**	(2.2)	**–**	–
(Increase)/decrease in receivables	**(48.0)**	5.5	**–**	–
(Decrease)/increase in payables and provisions	**(21.1)**	(44.3)	**(328.0)**	11.9
Net cash generated from operations	**345.0**	399.1	**–**	–

40. RELATED PARTY TRANSACTIONS

Subsidiaries

During the year, the Company entered into transactions, in the normal course of business, with other related parties as follows:

Company	2013 £m	2012 £m
Transactions with subsidiary undertakings:		
Recharge of costs	**(212.9)**	(161.3)
Dividends received	**350.0**	–
Interest paid	**(45.7)**	(27.4)

At 31 March 2013, the Company had a net outstanding balance of **£584.4m** (2012: £675.8m) due to subsidiary undertakings.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013 continued

40. RELATED PARTY TRANSACTIONS CONTINUED

Joint ventures

As disclosed in note 19, the Group has investments in a number of joint ventures. Details of transactions and balances between the Group and its joint ventures are disclosed as follows:

	Year ended and as at 31 March 2013				Year ended and as at 31 March 2012			
Group	Revenues £m	Net investments into joint ventures £m	Amounts owed by joint ventures £m	Amounts owed to joint ventures £m	Revenues £m	Net investments into joint ventures £m	Amounts owed by joint ventures £m	Amounts owed to joint ventures £m
20 Fenchurch Street Limited Partnership	**5.7**	**52.9**	**6.0**	**(0.1)**	2.7	18.7	1.5	–
Metro Shopping Fund Limited Partnership	**0.1**	**0.8**	**0.7**	**–**	2.4	16.2	0.6	–
Buchanan Partnership	**4.4**	**(4.4)**	**0.8**	**–**	4.3	(2.5)	0.5	–
St. David's Limited Partnership	**1.4**	**21.8**	**0.3**	**–**	1.6	1.1	0.4	–
Bristol Alliance Limited Partnership	**1.1**	**(14.7)**	**0.2**	**–**	1.0	(16.0)	0.2	–
The Harvest Limited Partnership	**1.2**	**(41.0)**	**0.6**	**–**	1.5	3.3	0.8	(42.9)
The Oriana Limited Partnership	**0.1**	**(4.5)**	**0.1**	**(0.5)**	0.1	14.2	0.8	(0.1)
The Scottish Retail Property Limited Partnership	**2.3**	**57.5**	**0.5**	**(0.1)**	0.4	1.9	0.4	–
Westgate Oxford Alliance Limited Partnership	**0.9**	**(0.2)**	**0.6**	**–**	0.7	(1.2)	0.4	–
The Martineau Galleries Limited Partnership	**0.2**	**(0.7)**	**0.1**	**–**	0.2	(0.6)	0.2	–
The Ebbsfleet Limited Partnership	**–**	**–**	**–**	**–**	–	–	0.2	–
Millshaw Property Co. Limited	**(0.8)**	**–**	**–**	**(11.2)**	–	–	–	(10.4)
Countryside Land Securities (Springhead) Limited	**0.1**	**(1.7)**	**1.2**	**–**	0.1	0.3	1.1	–
Victoria Circle Limited Partnership	**8.1**	**11.5**	**7.1**	**–**	0.7	102.0	0.7	(1.8)
The Empress State Limited Partnership	**–**	**–**	**–**	**–**	–	5.4	–	–
The Martineau Limited Partnership	**–**	**(0.2)**	**–**	**–**	–	–	–	–
Fen Farm Developments Limited	**–**	**–**	**–**	**–**	0.1	–	–	–
West India Quay Unit Trust	**–**	**(0.5)**	**–**	**(1.6)**	–	–	–	–
	24.8	**76.6**	**18.2**	**(13.5)**	15.8	142.8	7.8	(55.2)

Further detail of the above transactions and balances can be seen in note 19.

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the applicable categories specified in IAS 24 'Related Party Disclosures'. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' remuneration report on pages 74 to 91.

Group	2013 £m	2012 £m
Short-term employee benefits	**4.3**	6.9
Post-employment benefits	**–**	0.1
Share-based payments	**1.6**	1.9
	5.9	8.9

41. OPERATING LEASE ARRANGEMENTS

The Group earns rental income by leasing its investment and operating properties to tenants under non-cancellable operating leases.

At the balance sheet date, the Group had contracted with tenants to receive the following future minimum lease payments:

Group	2013 £m	2012 £m
Not later than one year	**486.5**	494.6
Later than one year but not more than five years	**1,918.9**	1,328.4
More than five years	**3,371.1**	3,140.7
	5,776.5	4,963.7

The total of contingent rents recognised as income during the year was **£39.5m** (2012: £40.5m).

INVESTOR RESOURCE

Business analysis

A closer look at some of our key performance areas.

P148

Five year summary

The Group's financial performance since 2009.

P156

For investors

Useful dates and contact details for shareholders.

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BUSINESS ANALYSIS

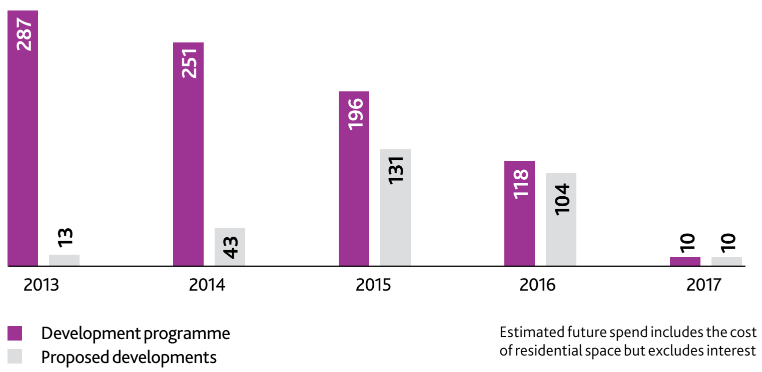
% PORTFOLIO BY VALUE AND NUMBER OF PROPERTY HOLDINGS AT 31 MARCH 2013

TABLE 74

£m	Value %	Number of properties
0 – 9.99	2.0	57
10 – 24.99	4.5	30
25 – 49.99	6.9	24
50 – 99.99	17.0	26
100 – 149.99	13.2	12
150 – 199.99	10.2	7
200 +	46.2	14
Total	**100.0**	**170**

DEVELOPMENT – ESTIMATED FUTURE SPEND (£m)

CHART 75



Estimated future spend includes the cost of residential space but excludes interest

YIELD – LIKE-FOR-LIKE PORTFOLIO

TABLE 76

	31 March 2013			31 March 2012	
	Net initial yield %	**Topped-up net initial yield %**	**Equivalent yield %**	Net initial yield %	Equivalent yield %
Shopping centres and shops	**6.4**	**6.5**	**6.3**	6.0	6.4
Retail warehouses and food stores	**5.5**	**5.7**	**5.9**	5.0	5.6
Leisure and hotels	**6.7**	**6.7**	**6.7**	6.8	6.8
Central London shops	**4.2**	**4.3**	**5.3**	4.1	5.5
London offices	**5.1**	**5.6**	**5.5**	5.1	5.6
Total portfolio	**5.5**	**5.8**	**5.8**	5.3	5.9

COMBINED PORTFOLIO VALUE BY LOCATION AT 31 MARCH 2013

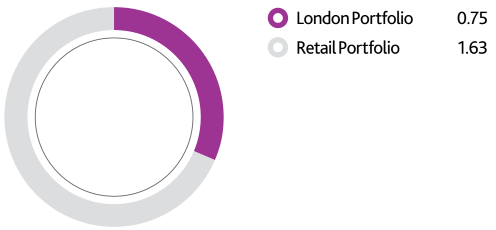
TABLE 77

	Shopping centres and shops %	Retail warehouses %	Offices %	Hotel, leisure, residential and other %	Total %
Central, inner and outer London	12.3	0.3	42.6	3.9	59.1
South East and Eastern	4.4	4.5	–	2.2	11.1
Midlands	–	1.3	–	0.9	2.2
Wales and South West	7.1	0.6	–	0.2	7.9
North, North West, Yorkshire and Humberside	8.2	2.4	0.1	2.0	12.7
Scotland and Northern Ireland	5.4	1.2	–	0.4	7.0
Total	**37.4**	**10.3**	**42.7**	**9.6**	**100.0**

% figures calculated by reference to the combined portfolio value of £11.45bn.

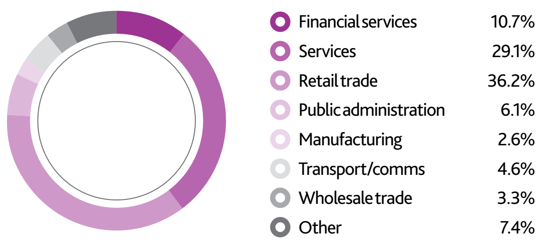
FLOOR SPACE (MILLION m²)

CHART 78



CONTRACTED RENTAL INCOME BREAKDOWN BY TENANT BUSINESS SECTOR

CHART 79



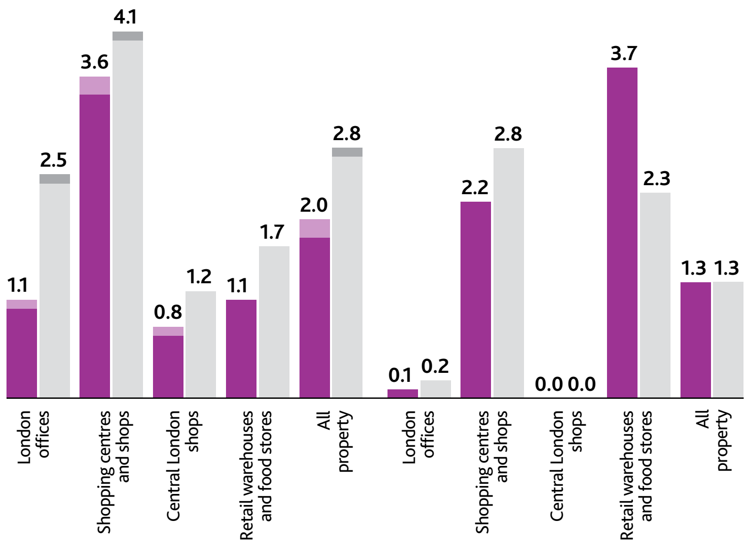
BUSINESS ANALYSIS

TOP 12 OCCUPIERS — TABLE 80

	% of Group rent[1]
Central Government (including Queen Anne's Gate, SW1)[2]	5.2
Accor	5.1
Royal Bank of Scotland	2.7
Deloitte	2.7
Arcadia Group	2.3
Sainsbury's	1.9
Bank of New York Mellon	1.5
Primark	1.5
Boots	1.5
Next	1.4
Taylor Wessing	1.4
Dixons Retail	1.3
	28.5

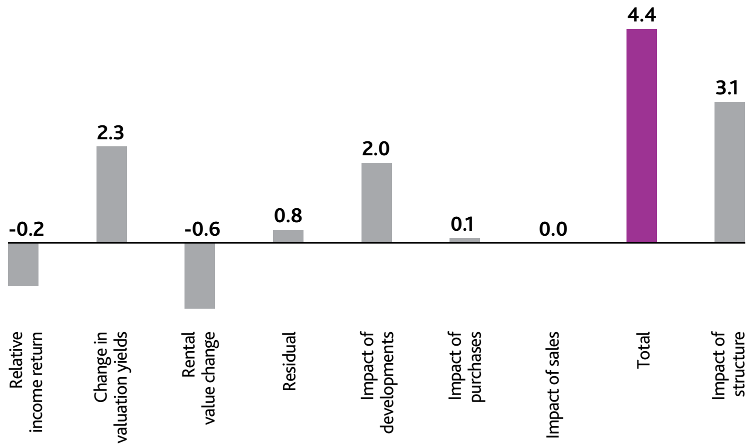
1. On a proportionate basis.
2. Rent from Central Government excluding Queen Anne's Gate, SW1 is 0.1%.

VOIDS AND UNITS IN ADMINISTRATION LIKE-FOR-LIKE PORTFOLIO (%) — CHART 82



31 March 2013
Properties held for development
31 March 2012
Properties held for development

ANALYSIS OF PERFORMANCE RELATIVE TO IPD (%) — CHART 84



Attribution analysis, ungeared total return, 12 months to 31 March 2013, relative to IPD Quarterly Universe (Source: IPD).

PROPERTY INCOME DISTRIBUTION (PID) — CHART 81

Who can claim exemption from deduction of withholding tax on Property Income Distributions?[1]
- UK companies
- Charities
- Local authorities
- UK pension schemes
- Managers of PEPs, ISAs and Child Trust Funds

Who is unlikely to be able to claim exemption from deduction of withholding tax on Property Income Distributions?
- Overseas shareholders[2]
- Individual private shareholders

1. See investor information on pages 162-163 for how eligible shareholders can claim exemption.
2. May be able to reclaim some or all of the withholding tax under relevant double taxation treaty.

CALCULATION OF REQUIRED PROPERTY INCOME DISTRIBUTION (PID) — TABLE 83

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m
Profit before tax per accounts	**533.0**	515.7
Adjustment to exclude		
Net surplus on revaluation of investment properties	**(217.5)**	(190.9)
Loss/(Profit) on disposal of investment properties	**1.6**	(46.4)
Profit on disposal of trading properties	**(38.0)**	(5.2)
Profit on long-term development contracts	**(0.1)**	(3.6)
Trading property impairment (release)/charge	**(3.1)**	2.1
Interest income	**(32.5)**	(26.2)
Fair value movement on interest rate swaps	**(3.2)**	5.4
Net gain on business combination	**(1.4)**	–
Adjustment for proportionate share of results	**(3.8)**	–
Fair value movement on redemption liability	**4.5**	–
Profit on disposal of other investments	**(1.6)**	–
Joint venture accounting adjustments	**(0.3)**	2.9
	237.6	253.8
Tax adjustments		
Capital allowances	**(48.0)**	(42.3)
Capitalised interest	**(25.7)**	(14.9)
Other	**28.0**	19.2
Estimated tax exempt income for year	**191.9**	215.8
PID thereon (90%)	**172.7**	194.2
PID dividends paid in the year	**178.4**	154.8

The table provides a reconciliation of the Company's profit before tax to its estimated tax exempt income, 90% of which the Company is required to distribute as a PID to comply with REIT regulations. The Company has 12 months after the year end to make the minimum distribution. Accordingly PID dividends paid in the year may relate to the distribution requirement of the previous period.

BUSINESS ANALYSIS

EPRA PERFORMANCE MEASURES — TABLE 85

	Definition for EPRA measure	Notes	31 March 2013 Land Securities measure	31 March 2013 EPRA measure	31 March 2012 Land Securities measure	31 March 2012 EPRA measure
Adjusted earnings	Recurring earnings from core operational activity	12	**£288.2m**	**£270.2m**[1]	£298.3m	£290.5m[1]
Adjusted earnings per share	Adjusted diluted earnings per weighted number of ordinary shares	12	**36.8p**	**34.5p**[1]	38.5p	37.4p[1]
Adjusted net assets	Net asset value adjusted to exclude fair value movements on interest-rate swaps	13	**£7,078.4m**	**£7,511.2**[2]	£6,725.3m	£7,176.2m[2]
Adjusted net assets per share	Adjusted diluted net assets per share	13	**903p**	**958p**[2]	863p	921p[2]
Triple net assets	Adjusted net assets amended to include the fair value of financial instruments and debt	13	**£6,374.9m**	**£6,374.9m**	£6,294.5m	£6,294.5m
Triple net assets per share	Diluted triple net assets per share	13	**813p**	**813p**	808p	808p
Net Initial Yield (NIY)	Annualised rental income less non-recoverable costs as a % of market value plus assumed purchasers' costs[3]		**4.7%**	**5.5%**	4.8%	5.4%
Topped-up NIY	NIY adjusted for rent-free periods[3]		**5.3%**	**5.8%**	5.2%	5.7%
Voids/vacancy rate	ERV of vacant space as a % of ERV of combined portfolio excluding the development programme[4]		**2.0%**	**2.3%**	2.8%	3.6%

Refer to notes 12 and 13 and table 90 for further analysis.

1. EPRA adjusted earnings and EPRA adjusted earnings per share include the effect of bond exchange de-recognition charges of **£18.1m** (2012: £16.6m), profit on long-term development contracts of **£0.1m** (2012: £3.6m) and in 2012 non-revenue profit debt restructuring charges of £2.8m and non-revenue tax adjustments of £8.0m.
2. EPRA adjusted net assets and adjusted diluted net assets per share include the bond exchange de-recognition adjustment of **£432.8m** (2012: £450.9m).
3. Our NIY and Topped-up NIY relate to the combined portfolio and are calculated by our external valuers. EPRA NIY and EPRA Topped-up NIY calculations are consistent with ours, but exclude the development programme.
4. Our measure reflects voids in our like-for-like portfolio only. The EPRA measure reflects voids in the combined portfolio excluding only the development programme.

RECONCILIATION OF NET BOOK VALUE OF THE INVESTMENT PROPERTIES TO THE MARKET VALUE — TABLE 86

	As at 31 March 2013				As at 31 March 2012		
	Group (excl. joint ventures) £m	Adjustment for pro-portionate share[1] £m	Joint ventures £m	Total £m	Group (excl. joint ventures) £m	Joint ventures £m	Total £m
Net book value	**9,651.9**	**(233.2)**	**1,577.5**	**10,996.2**	8,453.2	1,453.4	9,906.6
Plus: tenant lease incentives	**238.0**	**(0.2)**	**35.5**	**273.3**	204.7	33.8	238.5
Less: head leases capitalised	**(28.7)**	**1.9**	**(4.6)**	**(31.4)**	(23.3)	(4.5)	(27.8)
Plus: properties treated as finance leases	**212.0**	**(8.5)**	**4.8**	**208.3**	205.2	8.1	213.3
Market value	**10,073.2**	**(240.0)**	**1,613.2**	**11,446.4**	8,839.8	1,490.8	10,330.6

1. This represents the interest in X-Leisure which we do not own, but is consolidated in the Group numbers.

LIKE-FOR-LIKE REVERSIONARY POTENTIAL — TABLE 87

Reversionary potential	31 March 2013 % of rent	31 March 2012 % of rent
Gross reversions	**8.4**	8.4
Over-rented	**(7.0)**	(5.5)
Net reversionary potential	**1.4**	2.9

The reversion is calculated with reference to the gross secure rent roll after the expiry of rent-free periods on those properties which fall under the like-for-like definition as set out in the notes to the combined portfolio analysis. Reversionary potential excludes additional income from the letting of voids and the expiry of rent-free periods.

ONE YEAR PERFORMANCE RELATIVE TO IPD UNGEARED TOTAL RETURNS – YEAR TO 31 MARCH 2013 — TABLE 88

	Land Securities %	IPD[1] %
Retail – Shopping centres	5.4	2.4
– Retail warehouses	1.1[2]	0.5
Central London shops	12.5	15.1
Central London offices	10.2[3]	9.6
Total portfolio[4]	**7.8**	**3.2**

1. IPD Quarterly Universe. 2. Including supermarkets. 3. Including inner London offices. 4. Including leisure and hotel portfolio and other.

BUSINESS ANALYSIS

TOP 10 PROPERTY HOLDINGS

TABLE 89

Total value £4.32bn (38% of combined portfolio)

Name	Principal occupiers	Ownership interest %		Floor area m^2	Annualised net rent[1] £m	Let by income %	Weighted average unexpired lease term yrs
Cardinal Place, SW1	Microsoft	100	Retail	9,300	34.7	98	5.8
	Wellington		Office	51,500			
	M&S		Other	500			
New Street Square, EC4	Deloitte	100	Retail	2,100	32.3	100	10.5
	Taylor Wessing		Office	62,300			
One New Change, EC4	K&L Gates	100	Retail	20,200	17.9	100	9.8
	CME		Office	32,000			
	H&M		Other	2,300			
	Next						
	Topshop						
Queen Anne's Gate, SW1	Central Government	100	Office	32,900	28.7	100	13.6
Trinity Leeds	H&M						
	Topshop	100	Retail	63,000	9.9	89	12.5
	Next		Other	12,900			
	Primark						
	River Island						
Gunwharf Quays, Portsmouth	Vue Cinema	100	Retail	31,300	22.5	100	7.6
	M&S		Office	2,800			
	Nike		Other	24,300			
	Gap						
	Ted Baker						
Piccadilly Lights, W1	Hyundai	100	Retail	6,400	12.9	94	3.3
	Barclays		Office	2,400			
	Boots		Other	1,300			
White Rose Centre, Leeds	Sainsbury's	100	Retail	65,000	20.7	99	7.9
	Debenhams						
	M&S						
	Primark						
	H&M						
Bankside 2&3, SE1	Royal Bank of Scotland	100	Retail	3,200	16.3	100	14.2
			Office	35,200			
			Other	270			
Cabot Circus, Bristol	House of Fraser	50	Retail	114,200	18.7	94	8.5
	Harvey Nichols		Other	8,800			
	H&M						
	Next						
	Topshop						

1. Group share.

COMBINED PORTFOLIO ANALYSIS

LIKE-FOR-LIKE SEGMENTAL ANALYSIS

	Market value[1]		Valuation movement[2]		Rental income[3]		Annualised rental income[4]	Annualised net rent[5]		Net estimated rental value[6]	
	31 March 2013 £m	31 March 2012 £m	Surplus/(deficit) £m	Surplus/(deficit) %	31 March 2013 £m	31 March 2012 £m	31 March 2013 £m	31 March 2013 £m	31 March 2012 £m	31 March 2013 £m	31 March 2012 £m
Retail Portfolio											
Shopping centres and shops	2,384.4	2,450.6	(78.5)	(3.2%)	182.4	185.4	183.6	174.9	172.0	169.0	178.5
Retail warehouses and food stores	1,093.4	1,152.3	(70.6)	(6.1%)	67.5	64.9	68.4	67.5	65.0	70.0	70.4
Leisure and hotels	450.8	447.6	3.2	0.7%	32.0	30.8	31.8	31.8	30.9	31.8	31.7
Other	31.6	38.6	(5.5)	(14.9%)	4.4	4.1	3.7	3.6	4.2	4.2	4.8
Total Retail Portfolio	3,960.2	4,089.1	(151.4)	(3.7%)	286.3	285.2	287.5	277.8	272.1	275.0	285.4
London Portfolio											
West End	1,492.0	1,469.5	18.9	1.3%	88.2	84.6	87.6	84.3	84.3	77.8	77.1
City	507.6	483.5	18.7	3.9%	26.6	25.7	24.5	23.6	23.8	31.6	30.9
Mid-town	885.8	848.9	37.7	5.3%	41.5	37.9	43.4	41.2	40.1	48.7	48.2
Inner London	770.6	769.0	1.3	0.2%	49.0	52.5	47.5	45.7	45.7	47.3	46.7
Total London offices	3,656.0	3,570.9	76.6	2.4%	205.3	200.7	203.0	194.8	193.9	205.4	202.9
Central London shops	842.4	771.4	64.7	8.4%	38.7	34.3	39.2	38.9	35.0	50.0	50.1
Other	68.8	61.5	3.1	4.9%	2.0	2.1	2.0	2.0	2.0	2.1	2.1
Total London Portfolio	4,567.2	4,403.8	144.4	3.5%	246.0	237.1	244.2	235.7	230.9	257.5	255.1
Like-for-like portfolio[10]	8,527.4	8,492.9	(7.0)	(0.1%)	532.3	522.3	531.7	513.5	503.0	532.5	540.5
Proposed developments[3]	123.6	106.8	4.4	3.7%	2.3	3.5	–	–	3.2	–	3.7
Completed developments[3]	759.3	726.4	22.9	3.3%	36.6	32.4	34.4	32.0	28.8	42.3	42.2
Acquisitions[11]	593.1	30.2	(12.9)	(2.2%)	13.6	1.4	39.0	36.9	1.9	41.6	1.8
Sales and restructured interests[12]	–	54.0	–	–	4.0	39.2	–	–	3.1	–	3.2
Development programme[13]	1,443.0	920.3	204.1	16.8%	15.7	23.1	32.8	13.7	14.2	129.2	101.1
Combined portfolio	11,446.4	10,330.6	211.5	2.0%	604.5	621.9	637.9	596.1	554.2	745.6	692.5
Surplus on investment property reclassified as trading			6.0	13.3%							
Properties treated as finance leases					(11.5)	(8.7)					
Combined portfolio			217.5	2.0%	593.0	613.2					

TOTAL PORTFOLIO ANALYSIS

	Market value[1]		Valuation movement[2]		Rental income[3]		Annualised rental income[4]	Annualised net rent[5]		Net estimated rental value[6]	
	31 March 2013 £m	31 March 2012 £m	Surplus/(deficit) £m	Surplus/(deficit) %	31 March 2013 £m	31 March 2012 £m	31 March 2013 £m	31 March 2013 £m	31 March 2012 £m	31 March 2013 £m	31 March 2012 £m
Retail Portfolio											
Shopping centres and shops	3,161.3	3,014.7	(11.8)	(0.4%)	207.3	218.6	222.4	199.7	193.7	220.6	229.8
Retail warehouses and food stores	1,183.0	1,230.1	(59.4)	(4.8%)	69.2	69.8	69.9	68.8	67.9	78.1	74.2
Leisure and hotels	968.8	467.8	(2.1)	(0.2%)	44.2	31.7	69.8	67.8	32.2	69.2	32.9
Other	34.9	38.6	(6.4)	(15.5%)	4.6	4.4	3.7	3.6	4.1	4.3	4.7
Total Retail Portfolio	5,348.0	4,751.2	(79.7)	(1.5%)	325.3	324.5	365.8	339.9	297.9	372.2	341.6
London Portfolio											
West End	2,065.0	1,819.9	117.9	6.2%	92.4	104.8	92.5	84.5	86.6	137.0	111.9
City	1,115.5	981.9	54.7	5.4%	41.1	41.9	37.9	33.4	31.4	70.7	70.1
Mid-town	917.1	875.3	36.1	4.8%	44.8	43.4	43.4	41.2	43.3	48.7	51.6
Inner London	770.6	769.0	1.3	0.2%	49.1	52.5	47.5	45.7	45.7	47.3	46.7
Total London offices	4,868.2	4,446.1	210.0	4.9%	227.4	242.6	221.3	204.8	207.0	303.7	280.3
Central London shops	1,110.8	1,007.2	73.2	7.1%	48.6	48.1	48.8	49.4	46.4	67.2	66.5
Other	119.4	126.1	8.0	7.4%	3.2	6.7	2.0	2.0	2.9	2.5	4.1
Total London Portfolio	6,098.4	5,579.4	291.2	5.4%	279.2	297.4	272.1	256.2	256.3	373.4	350.9
Combined portfolio	11,446.4	10,330.6	211.5	2.0%	604.5	621.9	637.9	596.1	554.2	745.6	692.5
Surplus on investment property reclassified as trading			6.0	13.3%							
Properties treated as finance leases					(11.5)	(8.7)					
Combined portfolio			217.5	2.0%	593.0	613.2					
Represented by:											
Investment portfolio	9,845.0	8,839.8	197.0	2.1%	520.6	543.7	557.6	515.1	472.5	622.8	582.8
Share of joint ventures	1,601.4	1,490.8	20.5	1.3%	83.9	78.2	80.3	81.0	81.7	122.8	109.7
Combined portfolio	11,446.4	10,330.6	217.5	2.0%	604.5	621.9	637.9	596.1	554.2	745.6	692.5

COMBINED PORTFOLIO ANALYSIS

LIKE-FOR-LIKE SEGMENTAL ANALYSIS

TABLE 90

	Gross estimated rental value[7]		Net initial yield[8]		Equivalent yield[9]		Voids (by ERV)[3]	
	31 March 2013 £m	31 March 2012 £m	**31 March 2013 %**	31 March 2012 %	**31 March 2013 %**	31 March 2012 %	**31 March 2013 %**	31 March 2012 %
Retail Portfolio								
Shopping centres and shops	**179.5**	189.0	**6.4%**	6.0%	**6.3%**	6.4%	**3.6%**	4.1%
Retail warehouses and food stores	**70.6**	70.9	**5.5%**	5.0%	**5.9%**	5.6%	**1.1%**	1.7%
Leisure and hotels	**31.8**	31.7	**6.7%**	6.8%	**6.7%**	6.8%	**–**	–
Other	**4.3**	4.9	**7.5%**	9.1%	**10.1%**	10.0%	**25.6%**	16.3%
Total Retail Portfolio	**286.2**	296.5	**6.2%**	5.8%	**6.3%**	6.2%	**2.9%**	3.3%
London Portfolio								
West End	**77.8**	77.1	**5.2%**	5.4%	**5.5%**	5.5%	**1.7%**	2.3%
City	**31.8**	31.3	**4.7%**	4.3%	**5.5%**	5.6%	**0.3%**	3.2%
Mid-town	**49.8**	49.2	**4.4%**	4.5%	**5.1%**	5.3%	**0.8%**	4.3%
Inner London	**48.2**	47.5	**5.7%**	5.6%	**5.9%**	5.8%	**0.8%**	0.6%
Total London offices	**207.6**	205.1	**5.1%**	5.1%	**5.5%**	5.6%	**1.1%**	2.5%
Central London shops	**50.3**	50.4	**4.2%**	4.1%	**5.3%**	5.5%	**0.8%**	1.2%
Other	**2.1**	2.1	**2.5%**	2.7%	**2.6%**	2.9%	**–**	4.8%
Total London Portfolio	**260.0**	257.6	**4.9%**	4.9%	**5.4%**	5.5%	**1.0%**	2.3%
Like-for-like portfolio[10]	**546.2**	554.1	**5.5%**	5.3%	**5.8%**	5.9%	**2.0%**	2.8%
Proposed developments[3]	**–**	3.8	**0.0%**	2.9%	**n/a**	n/a	**n/a**	n/a
Completed developments[3]	**43.7**	43.3	**3.8%**	3.2%	**5.2%**	5.3%	**n/a**	n/a
Acquisitions[11]	**41.9**	2.0	**5.8%**	5.8%	**6.7%**	n/a	**n/a**	n/a
Sales and restructured interests[12]	**–**	3.9	**4.7%**	4.8%	**n/a**	n/a	**n/a**	n/a
Development programme[13]	**129.3**	101.2	**0.7%**	0.9%	**5.3%**	5.3%	**n/a**	n/a
Combined portfolio	**761.1**	708.3	**4.7%**	4.8%	**5.7%**	n/a	**n/a**	n/a

TOTAL PORTFOLIO ANALYSIS

Retail Portfolio				
Shopping centres and shops	**232.4**	241.4	**5.4%**	5.4%
Retail warehouses and food stores	**78.7**	74.5	**5.2%**	4.9%
Leisure and hotels	**69.3**	32.9	**6.4%**	6.8%
Other	**4.5**	4.7	**6.8%**	9.1%
Total Retail Portfolio	**384.9**	353.5	**5.6%**	5.4%
London Portfolio				
West End	**137.0**	112.2	**3.8%**	4.4%
City	**71.0**	70.8	**3.0%**	2.9%
Mid-town	**49.8**	53.3	**4.3%**	4.8%
Inner London	**48.2**	47.5	**5.7%**	5.6%
Total London offices	**306.0**	283.8	**4.0%**	4.3%
Central London shops	**67.7**	66.9	**4.0%**	4.0%
Other	**2.5**	4.1	**1.4%**	1.3%
Total London Portfolio	**376.2**	354.8	**3.9%**	4.2%
Combined portfolio	**761.1**	708.3	**4.7%**	4.8%
Represented by:				
Investment portfolio	**636.2**	597.0	**4.7%**	4.8%
Share of joint ventures	**124.9**	111.3	**4.8%**	4.5%
Combined portfolio	**761.1**	708.3	**4.7%**	4.8%

Notes:
1. The market value figures, on a proportionate basis, are determined by the Group's external valuers.
2. The valuation movement is stated after adjusting for the effect of SIC 15 under IFRS.
3. Refer to glossary for definition.
4. Annualised rental income is annual 'rental income' (as defined in the glossary) at the balance sheet date, except that car park and commercialisation income are included on a net basis (after deduction for operational outgoings). Annualised rental income includes temporary lettings.
5. Annualised net rent is annual cash rent, after the deduction of ground rents, as at the balance sheet date. It is calculated with the same methodology as annualised rental income but is stated net of ground rent and before SIC 15 adjustments.
6. Net estimated rental value is gross estimated rental value, as defined in the glossary, after deducting expected ground rents.
7. Gross estimated rental value (ERV) – refer to glossary for definition. The figure for proposed developments relates to the existing buildings and not the schemes proposed.
8. Net initial yield – refer to glossary for definition. This calculation includes all properties including those sites with no income.
9. Equivalent yield – refer to glossary for definition. Proposed developments are excluded from the calculation of equivalent yield on the combined portfolio.
10. The like-for-like portfolio – refer to glossary for definition. Capital expenditure on refurbishments, acquisitions of head leases and similar capital expenditure has been allocated to the like-for-like portfolio in preparing this table.
11. Includes all properties acquired since 1 April 2011.
12. Includes all properties sold since 1 April 2011.
13. The development programme – refer to glossary for definition. Net initial yield figures are only calculated for properties in the development programme that have reached practical completion.

LEASE LENGTHS

TABLE 91

	Unexpired lease term at 31 March 2013	
	Like-for-like portfolio	Like-for-like portfolio, completed developments and acquisitions
	Mean[1] years	Mean[1] years
Shopping centres and shops	**8.0**	**7.9**
Retail warehouses and food stores	**8.7**	**8.8**
Leisure and hotels	**6.5**	**9.7**
Total Retail Portfolio	**7.9**	**8.4**
West End	**8.7**	**8.7**
City	**6.8**	**8.2**
Mid-town	**11.4**	**11.4**
Inner London	**10.8**	**10.8**
Total London offices	**9.5**	**9.6**
Central London shops	**9.2**	**9.1**
Total London Portfolio	**9.8**	**9.8**
Combined portfolio	**8.8**	**9.1**

1. Mean is the rent-weighted average remaining term on leases subject to lease expiry/break clauses.

DEVELOPMENT PIPELINE FINANCIAL SUMMARY

TABLE 92

	Cumulative movements on the development programme to 31 March 2013						Total scheme details[1]				
	Market value at start of scheme £m	Capital expenditure incurred to date £m	Capitalised interest to date £m	Valuation surplus/ (deficit) to date[2] £m	Disposals, SIC 15 rent and other adjustments £m	Market value at 31 March 2013 £m	Estimated total capital expenditure[3] £m	Estimated total capitalised interest £m	Estimated total develop-ment cost[4] £m	Net income/ ERV[5] £m	Valuation surplus/ (deficit) for year ended 31 March 2013[2] £m
Developments let and transferred or sold											
Shopping centres and shops	–	–	–	–	–	–	–	–	–	–	–
Retail warehouses and food stores	–	–	–	–	–	–	–	–	–	–	–
London Portfolio	135.0	341.1	52.6	(60.1)	35.1	503.7	341.1	52.6	528.7	27.3	14.0
	135.0	341.1	52.6	(60.1)	35.1	503.7	341.1	52.6	528.7	27.3	14.0
Developments after practical completion, approved or in progress											
Shopping centres and shops	97.5	260.4	23.5	125.8	10.8	518.0	316.1	23.5	437.1	34.6	60.9
Retail warehouses and food stores	33.5	16.4	0.1	10.5	0.2	60.7	59.3	1.9	94.7	6.6	10.5
London Portfolio	373.5	294.5	16.3	218.9	(38.9)	864.3	701.9	60.0	1,135.4	88.3	138.7
	504.5	571.3	39.9	355.2	(27.9)	1,443.0	1,077.3	85.4	1,667.2	129.5	210.1
		Movement on proposed developments for the year to 31 March 2013									
Proposed developments											
Shopping centres and shops	–	–	–	–	–	–	–	–	–	–	–
Retail warehouses and food stores	–	–	–	–	–	–	–	–	–	–	–
London Portfolio	106.8	12.6	0.1	4.4	(0.3)	123.6	287.5	16.9	428.0	36.1	4.4
	106.8	12.6	0.1	4.4	(0.3)	123.6	287.5	16.9	428.0	36.1	4.4

Notes:
1. Total scheme details exclude properties sold in the year.
2. Includes profits realised on the disposal of investment properties and any surplus or deficit on investment properties transferred to trading.
3. For proposed development properties the estimated total capital expenditure represents the outstanding costs required to complete the scheme as at 31 March 2013.
4. Includes the property at its market value at the start of the financial year in which the property was added to the development programme together with estimated capitalised interest. For proposed development properties, the market value of the property at 31 March 2013 is included in the estimated total cost. Estimated total development cost includes the cost of residential properties in the development programme (£12.9m for shopping centres and shops and £133.4m for the London Portfolio). Estimated costs for proposed schemes could still be subject to material change prior to final approval.
5. Net headline annual rent on let units plus net ERV at 31 March 2013 on unlet units.

FIVE YEAR SUMMARY

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Income statement					
Group revenue	**736.6**	671.5	701.9	833.4	821.2
Costs	**(290.7)**	(239.6)	(270.8)	(392.5)	(326.4)
	445.9	431.9	431.1	440.9	494.8
(Loss)/profit on disposal of investment properties	**(3.1)**	45.4	75.7	(32.5)	(130.8)
Net surplus/(deficit) on revaluation of investment properties	**196.7**	169.8	794.1	746.0	(4,113.4)
Profit on disposal of other investments	**1.6**	–	–	–	–
Release of impairment/(impairment) of trading properties	**7.1**	(2.0)	(1.4)	(10.6)	(92.3)
Operating profit/(loss)	**648.2**	645.1	1,299.5	1,143.8	(3,841.7)
Net interest expense	**(170.7)**	(179.4)	(216.1)	(212.1)	(332.5)
Movement on redemption liability	**(4.5)**	–	–	–	–
Net gain on business combination	**1.4**	–	–	–	–
	474.4	465.7	1,083.4	931.7	(4,174.2)
Share of post-tax profit/(loss) from joint ventures	**58.6**	52.2	143.9	137.6	(599.0)
Impairment of investment in joint ventures	**–**	(2.2)	–	–	–
Profit/(loss) before tax	**533.0**	515.7	1,227.3	1,069.3	(4,773.2)
Income tax	**–**	8.0	16.8	23.1	(0.5)
Profit/(loss) for the financial year from continuing activities	**533.0**	523.7	1,244.1	1,092.4	(4,773.7)
Discontinued operations	**–**	–	–	–	(420.9)
Profit/(loss) for the financial year	**533.0**	523.7	1,244.1	1,092.4	(5,194.6)
Revaluation surplus/(deficit) for the year:					
Group	**197.0**[1]	169.8	794.1	746.0	(4,113.4)
Joint ventures	**20.5**	21.1	114.7	117.8	(630.3)
Total	**217.5**	190.9	908.8	863.8	(4,743.7)
Revenue profit	**290.7**	299.4	274.7	251.8	314.9

1. Includes our subsidiaries on a proportionate basis.

FIVE YEAR SUMMARY

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Balance sheet					
Investment properties	**9,651.9**	8,453.2	8,889.0	8,044.3	7,929.4
Other property, plant and equipment	**8.3**	8.8	11.3	12.8	14.3
Net investment in finance leases	**188.0**	185.0	116.8	115.4	116.3
Loan investments	**50.0**	50.8	72.2	84.3	50.0
Investment in joint ventures	**1,301.0**	1,137.6	939.6	787.8	930.8
Other investments	**–**	32.3	1.8	–	–
Pension surplus	**5.9**	–	8.7	–	3.0
Deferred tax assets	**–**	–	–	–	1.9
Trade and other receivables	**10.6**	–	77.0	–	–
Total non-current assets	**11,215.7**	9,867.7	10,116.4	9,044.6	9,045.7
Trading properties and long-term development contracts	**152.8**	133.1	129.3	87.9	94.9
Derivative financial instruments	**–**	–	–	1.0	–
Trade and other receivables	**344.8**	759.6	352.5	334.4	392.1
Monies held in restricted accounts and deposits	**30.9**	29.5	35.1	95.6	29.9
Cash and cash equivalents	**41.7**	29.7	37.6	159.4	1,609.1
Total current assets	**570.2**	951.9	554.5	678.3	2,126.0
Borrowings	**(436.2)**	(10.8)	(33.0)	(308.6)	(1.1)
Derivative financial instruments	**(9.1)**	–	–	(1.1)	(112.0)
Trade and other payables	**(364.3)**	(361.3)	(423.2)	(395.5)	(625.8)
Provisions	**(7.0)**	(8.6)	(7.4)	(1.5)	–
Current tax liabilities	**(21.2)**	(21.6)	(35.5)	(111.0)	(161.5)
Total current liabilities	**(837.8)**	(402.3)	(499.1)	(817.7)	(900.4)
Borrowings	**(3,315.2)**	(3,225.1)	(3,351.3)	(3,209.7)	(5,449.5)
Derivative financial instruments	**(10.7)**	(6.5)	(2.0)	–	–
Pension deficit	**–**	(2.4)	–	(6.5)	–
Deferred tax liabilities	**–**	–	–	–	(1.6)
Trade and other payables	**(17.4)**	(27.7)	(6.2)	–	–
Redemption liability	**(118.1)**	–	–	–	–
Total non-current liabilities	**(3,461.4)**	(3,261.7)	(3,359.5)	(3,216.2)	(5,451.1)
Net assets	**7,486.7**	7,155.6	6,812.3	5,689.0	4,820.2
Net debt	**(3,698.6)**	(3,183.2)	(3,313.6)	(3,263.4)	(3,923.6)
Results per share from continuing activities					
Total dividend payable in respect of the financial year (actual)	**29.8p**	29.0p	28.2p	28.0p	56.5p
Total dividend payable in respect of the financial year (restated)[1]	**n/a**	n/a	n/a	n/a	51.7p
Basic earnings/(loss) per share	**68.4p**	67.5p	162.3p	144.0p	(918.0)p
Diluted earnings/(loss) per share	**68.1p**	67.4p	162.2p	144.0p	(918.0)p
Adjusted earnings per share[2]	**37.0p**	38.5p	35.5p	33.1p	60.3p
Adjusted diluted earnings per share[2]	**36.8p**	38.5p	35.5p	33.1p	60.3p
Net assets per share	**959p**	921p	885p	750p	639p
Diluted net assets per share	**955p**	918p	884p	750p	639p
Adjusted net assets per share	**907p**	866p	827p	691p	593p
Adjusted diluted net assets per share	**903p**	863p	826p	691p	593p

1. The restated total dividend payable represents the theoretical dividend per share that would have been paid had the bonus shares inherent in the Rights Issue been in existence at the relevant dividend dates.
2. In 2012 adjusted earnings and adjusted earnings per share were restated to exclude profits on disposals of trading properties and long-term development contracts. The prior years have been adjusted accordingly.

RETAIL ASSET DISCLOSURES

ASSETS > £200M	Type/location	Open A1 Planning Consent?	Ownership	Freehold/ leasehold	Office floorspace (m²)	Retail floorspace (m²)
Accor Hotels	Leisure and hotels		100%	Freehold/ Leasehold	–	–
Cabot Circus, Bristol	Shopping centres		50%	Leasehold	–	114,200
Gunwharf Quays, Portsmouth	Shopping centres		100%	Freehold	2,800	31,300
St David's, Cardiff	Shopping centres		50%	Leasehold	–	120,200
The Centre, Livingston	Shopping centres		100%	Freehold	–	93,400
Trinity Leeds	Shopping centres		100%	Freehold	–	63,000
White Rose, Leeds	Shopping centres		100%	Leasehold	–	65,000
ASSETS FROM £100M TO £200M						
Bon Accord & St Nicholas Centre, Aberdeen	Shopping centres		50%	Leasehold	–	40,900
Buchanan Galleries, Glasgow	Shopping centres		50%	Leasehold	–	55,800
Overgate, Dundee	Shopping centres		100%	Leasehold	–	39,000
Princesshay, Exeter	Shopping centres		50%	Leasehold	–	44,500
The Bridges, Sunderland	Shopping centres		100%	Leasehold	–	56,600
The O2 Centre, Finchley, London	Shopping centres		100%	Leasehold	–	23,500
ASSETS FROM £50M TO £100M						
185-221 Buchanan Street, Glasgow	Shopping centres		100%	Freehold	–	10,700
Lewisham Shopping Centre, London	Shopping centres		100%	Freehold	–	21,800
Southside Centre, Wandsworth, London	Shopping centres		50%	Freehold	100	45,400
The Cornerhouse, Nottingham	Leisure and hotels		100%	Freehold	–	–
The Galleria, Hatfield	Shopping centres		100%	Freehold	–	25,400
The Printworks, Manchester	Leisure and hotels		100%	Freehold	–	–
West 12 Shopping Centre, Shepherds Bush, London	Shopping centres		100%	Freehold	1,900	17,700
Xscape, Milton Keynes	Leisure and hotels		59%	Freehold	–	3,600
ASSETS FROM £100M TO £200M						
Lakeside Retail Park, West Thurrock	Retail warehouses	Yes	100%	Freehold	–	35,300
Retail World Team Valley, Gateshead	Retail warehouses	Yes	100%	Leasehold	–	35,300
Westwood Cross, Thanet	Retail warehouses	Yes	100%	Freehold	–	41,300
ASSETS FROM £50M TO £100M						
Bexhill Retail Park, Bexhill-on-Sea	Retail warehouses	Partial	100%	Freehold	–	24,100
Greyhound Retail Park, Chester	Retail warehouses	Yes	100%	Freehold	–	18,900
Kingsway West Retail Park, Dundee	Retail warehouses	No	100%	Freehold	–	27,300
Poole Retail Park, Poole	Retail warehouses	Partial	100%	Freehold	–	19,300
The Peel Centre, Bracknell	Retail warehouses	Yes	100%	Leasehold	–	15,700

Notes:
All data as at 31 March 2013. Floor areas represent the full property areas whereas the annualised net rent and asset value represent Land Securities' share. Floor areas are rounded to the nearest 100m² for areas over 500m² and rounded to the nearest 10m² for areas under 500m². Annualised net rent is annual cash rent, after deduction of ground rents, as at the balance sheet date. (e) Extended.

Other floorspace (m²)	Principal occupiers	Annualised net rent (£m)	Year of construction	Year of last refurbishment
229,600	Accor	29.8	Various	
8,800	House of Fraser, Harvey Nichols, H&M, Next, Topshop	18.7	2008	
24,300	Vue Cinema, M&S, Nike, Gap, Ted Baker	22.5	2001	
–	John Lewis, New Look, H&M, Debenhams	14.6	SD1 – 1982 SD2 – 2009	SD1 – 1991 & 2009
–	BHS, Debenhams, M&S, H&M, Next, Boots, Primark	16.2	Phase 1 – 1976 Phase 2 – 1996 Phase 3 – 2008	Phase 1 – 1996 & 2008, 2011 (e) Phase 2 – 2008
12,900	H&M, Topshop, Next, Primark, River Island	9.9	2013	
–	Sainsbury's, Debenhams, M&S, Primark, H&M	20.7	1997	
–	Next, Boots, New Look, River Island, H&M, Topshop	7.6	St Nicholas Centre – 1985 Bon Accord – 1990	St Nicholas Centre – 2009 Bon Accord – 2012
–	John Lewis, Hollister, H&M, Boots, Next	8.9	1999	
–	Debenhams, Next, Arcadia, Gap, Primark	10.8	2000	
–	John Lewis, Debenhams, Arcadia, New Look, Next, River Island, Hollister	9.2	2007	
–	Debenhams, Tesco, Next, H&M, Boots, Primark	13.5	Phase 1 – 1969 Phase 2 – 2000 Market Square – 2001	Phase 1 2000 2013 (e)
4,200	Sainsbury's, Vue Cinema, Homebase, Virgin Active	8.0	1998	2013 (e)
4,200	Forever21, Gap, Paperchase	1.1	2013	
–	M&S, Boots, BHS, H&M	7.1	1975	1991 & 2007
5,700	Waitrose, Virgin Active, Primark, Cineworld	5.6	1971	2013 (e)
20,900	Cineworld, TGI Friday	3.5	2001	
3,800	M&S, TK Maxx, Gap, SportsDirect	7.2	1990	
34,500	Virgin Active, United Cinema, Tiger Tiger	6.4	–	2000
4,400	Morrisons, Poundland, Boots, Argos	5.1	1970	2001, 2012 (e)
33,500	Snozone, Cineworld, Virgin Active	3.6	2000	

Other floorspace (m²)	Principal occupiers	Annualised net rent (£m)	Year of construction	Year of last refurbishment
–	Currys, Next, Toys R Us, Argos, Mothercare	8.8	1987	2012 (e)
–	TK Maxx, Next, Boots, Mothercare, Arcadia, Asda Living, Currys/PC World	10.8	1986	2003
–	M&S, Debenhams, H&M, Next, Primark	7.6	2005	2013 (e)
–	Tesco, Next, B&Q, Boots	5.0	1989	2004, 2013 (e)
–	DFS, Dunelm, Pets at Home, John Lewis at Home	3.7	1990	
–	Next Home, Currys, Dunelm, Homebase, Toys R Us, Boots	5.1	Phase 1 – 1987 Phase 2 – 2004	
–	John Lewis at Home, Boots, Next Home, Mothercare	4.0	1987	2006, 2010 (e)
–	Morrisons, Tesco, Next, JD Sports, New Look	5.0	1988	Rolling – latest 2012

LONDON ASSET DISCLOSURES

ASSETS > £200M

	Location	Ownership	Freehold/leasehold	Office floorspace (m^2)	Retail floorspace (m^2)
62 Buckingham Gate, SW1	West End	100%	Freehold	24,200	1,400
123 Victoria Street, SW1	West End	100%	Freehold	18,500	2,600
Bankside 2 & 3, Southwark Street, SE1	Inner London	100%	Leasehold	35,200	3,200
Cardinal Place, Victoria Street, SW1	West End	100%	Freehold	51,500	9,300
New Street Square, New Fetter Lane, EC4	Mid-town	100%	Leasehold	62,300	2,100
One New Change, Cheapside, EC4	City	100%	Leasehold	32,000	20,200
Piccadilly Lights, W1	West End	100%	Freehold	2,400	6,400
Queen Anne's Gate, Petty France, SW1	West End	100%	Freehold	32,900	–
Times Square, Queen Victoria Street, EC4	City	95%	Freehold	34,500	340

ASSETS FROM £100M TO £200M

	Location	Ownership	Freehold/leasehold	Office floorspace (m^2)	Retail floorspace (m^2)
20 Fenchurch Street, EC3	City	50%	Freehold	62,940	1,200
32-50 Strand, WC2	Mid-town	100%	Freehold	8,700	3,400
Dashwood House, Old Broad Street, EC2	City	100%	Leasehold	13,900	700
Empress State Building, Lillie Road, SW6	Inner London	50%	Freehold	39,900	300
Harbour Exchange, E14	Inner London	100%	Leasehold	43,400	–
Haymarket House, Haymarket, SW1	West End	100%	Freehold	7,500	3,400
Hill House, Little New Street, EC4	Mid-town	100%	Freehold	15,500	–
Portland House, Bressenden Place, SW1	West End	100%	Freehold	26,900	1,100
Oriana, Oxford Street, W1	West End	50%	Freehold/ Leasehold	2,300	23,600
Nova Victoria, SW1	West End	50%	Freehold	56,100	7,900

ASSETS FROM £50M TO £100M

	Location	Ownership	Freehold/leasehold	Office floorspace (m^2)	Retail floorspace (m^2)
1 & 2 New Ludgate, EC4	City	100%	Freehold	32,200	3,000
10, 20 & 30 Eastbourne Terrace, W2	West End	100%	Freehold	18,100	–
47 Mark Lane, EC3	City	100%	Freehold	7,900	1,600
Holborn Gate, High Holborn, WC1	Mid-town	100%	Freehold	12,700	1,000
Oxford House, Oxford Street, W1	West End	100%	Freehold	5,700	1,700
Moorgate Hall, Moorgate, EC2	City	100%	Leasehold	6,500	1,600
Red Lion Court, Park Street, SE1	Inner London	100%	Freehold	11,900	–
The Zig Zag Building, SW1*	West End	100%	Freehold	17,400	4,200
Thomas More Square, Thomas More Street, E1	Inner London	50%	Freehold	49,800	900
Westminster City Hall, Victoria Street, SW1	West End	100%	Freehold	16,600	600

Notes:
All data as at 31 March 2013. Floor areas represent the full property areas whereas the annualised net rent and asset value represent Land Securities' share. Floor areas are rounded to the nearest $100m^2$ for areas over $500m^2$ and rounded to the nearest $10m^2$ for areas under $500m^2$. Annualised net rent is annual cash rent, after deduction of ground rents, as at the balance sheet date.

* Includes retail within Kings Gate, SW1.

Other floorspace (m²)	Principal occupiers	Annualised net rent (£m)	Year of construction	Year of last refurbishment
–	–	–	Current development	
–	Jimmy Choo, CDC, Boots, John Lewis, Intuit, CPA Global	2.7	1977	2012
270	The Royal Bank of Scotland	16.3	2007	–
500	Microsoft, Experian, EDF, Wellington Management, M&S	34.7	2006	–
20	Deloitte, Taylor Wessing, Speechly Bircham	32.3	2008	–
2,300	K&L Gates, Friends Life, CME, Panmure, bwin, H&M, M&S, Topshop, Next	17.9	2010	–
1,300	Hyundai, Coca-Cola, Samsung, Barclays, Boots, Gap	12.9	Various	2011
–	Central Government	28.7	1977	2007
140	Bank of New York Mellon, Dechert, Nice Systems, Research Now	12.8	2003	–
–	Markel, Kiln, Liberty Mutual, Liberty Syndicates, RSA	0.1	Current development	–
600	Bain & Company, Superdrug, Natwest Bank, Lloyds, McDonald's, Sainsbury's	1.8	1957	2012
–	Edwards, Angell Palmer & Dodge, Cadwalader Wickersham & Taft, Mitsubishi Pharma	6.5	1976	2008
1,800	Metropolitan Police Authority	6.9	1961	2003
–	Telecity, HSBC, British American Tobacco	9.0	1988/1989	–
700	Incisive Media, Curtis Brown Group, Whitbread Group, A3D2	5.3	1955	Rolling – latest 2012
–	Deloitte	5.3	1973	2002
1,300	Bill & Melinda Gates Foundation, Regus, Pioneer Global Investments	12.5	1962	Rolling – latest 2010
70	Primark, Boots, Sainsbury's	7.1	Various	Rolling – latest 2012
15,500	–	–	Current development	–
–	–	–	Demolished	–
70	Marks and Spencer PLC, Chapman Taylor, Davy Process Technology	5.5	1955/57	Rolling – latest 2009
40	Kenexa, AXA Insurance, Acenden	2.3	1964	Rolling – latest 2010
430	Good Relations, FTI, Regus	5.2	1974	Rolling – latest 2010
–	Publicis, Woods Bagot	3.6	1964	2006
–	Mace	1.2	1990	Rolling – latest 2012
–	Lloyds Banking Group	4.3	1990	–
–		–	Current development	–
2,800	News International, Virgin Media, Easynet	7.3	1990	2008/2009
–	Westminster City Council	2.5	1963	–

INVESTOR INFORMATION

FINANCIAL CALENDAR — **TABLE 93**

Ex-dividend date – 2012/13 final dividend	19 June 2013
Record date – 2012/13 final dividend	21 June 2013
First quarter interim management statement announcement	17 July 2013
AGM – London	18 July 2013
Payment date – 2012/13 final dividend	19 July 2013
Ex-dividend date – 1st interim dividend*	11 September 2013
Payment date – 1st interim dividend*	11 October 2013
2013/14 Half yearly results announcement	12 November 2013
Ex-dividend date – 2nd interim dividend*	4 December 2013
Payment date – 2nd interim dividend*	9 January 2014
Third quarter interim management statement announcement	January 2014
Ex-dividend date – 3rd interim dividend*	12 March 2014
Payment date – 3rd interim dividend*	11 April 2014
2013/14 Annual results announcement	May 2014

* Provisional dates.

SCRIP DIVIDENDS

Following the approval by shareholders of the Scrip Dividend scheme at the Annual General Meeting on 19 July 2012, the Company offers shareholders the option to receive a Scrip dividend – an issue of shares available to shareholders at no dealing or stamp duty reserve tax costs. Shareholders have the option to forgo their cash dividend for the share alternative. Details of the scheme, including the rules, and the required mandate forms for participation are available at www.landsecurities.com/investors/shareholder-investor-information/scrip-dividend or, alternatively, please contact:
The Share Dividend Team,
Equiniti,
Aspect House, Spencer Road,
Lancing, West Sussex BN99 6DA
Telephone: 0871 384 2268*
International dialling: +44 (0)121 415 7173

REIT DIVIDEND PAYMENTS

As a UK REIT, the Company is exempted from corporation tax on rental income and gains on its property rental business but is required to pay Property Income Distributions (PIDs). UK shareholders will generally be taxed on PIDs received at their full marginal tax rates. However, should a shareholder opt to receive their dividend as shares (under the Scrip Dividend scheme) instead of cash then this form of dividend would be treated as a non-PID (unless notified by the Company that it was paid as a PID) and would be subject to tax on the cash equivalent of the Scrip as though it were an ordinary UK dividend.

For most shareholders, PIDs will be paid after deducting withholding tax at the basic rate. However, certain categories of shareholder are entitled to receive PIDs without withholding tax, principally UK resident companies, UK public bodies, UK pension funds and managers of ISAs, PEPs and Child Trust Funds. A detailed note on the tax consequences for shareholders and forms to enable certain classes of shareholder to claim exemption from withholding tax are available at www.landsecurities.com/investors/shareholder-investor-information/uk-reit-taxation.

BALANCE OF BUSINESS TESTS

REIT legislation specifies conditions in relation to the type of business a REIT may conduct, which the Group is required to meet in order to retain its REIT status.
In summary, at least 75% of the Group's profits must be derived from REIT qualifying activities (the 75% profits test) and 75% of the Group's assets must be employed in REIT qualifying activities (the 75% assets test). Qualifying activities means a property rental business. For the result of these tests for the Group for the financial year, and at the balance sheet date, see Table 94 below.

REIT BALANCE OF BUSINESS — **TABLE 94**

	For the year ended 31 March 2013			For the year ended 31 March 2012		
	Tax-exempt business	**Residual business**	**Adjusted results**	Tax-exempt business	Residual business	Adjusted results
Profit before tax (£m)	**261.7**	**49.6**	**311.3**	261.9	18.3	280.2
Balance of business – 75% profits test	**84.1%**	**15.9%**		93.5%	6.5%	
Adjusted total assets (£m)	**11,247.3**	**703.4**	**11,950.7**	10,302.2	1,008.9	11,311.1
Balance of business – 75% assets test	**94.1%**	**5.9%**		91.1%	8.9%	

INVESTOR INFORMATION

OUR WEBSITE
Our corporate website gives you access to share price and dividend information as well as sections on managing your shares electronically and corporate governance; and other debt and equity investor information on the Group. To access the website please go to www.landsecurities.com/investors.

REGISTRAR
All general enquiries concerning holdings of ordinary shares in Land Securities Group PLC, should be addressed to:

Equiniti,
Aspect House, Spencer Road,
Lancing, West Sussex BN99 6DA
Telephone: 0871 384 2128*
Textphone: 0871 384 2255*
International dialling: +44 (0)121 415 7049
Website: www.shareview.co.uk

An online share management service is available, enabling shareholders to access details of their Land Securities shareholdings electronically. Shareholders wishing to view this information, together with additional information such as indicative share prices and information on recent dividends, should visit www.landsecurities.com/investors/shareholder-investor-information/dividend information or www.shareview.co.uk/myportfolio.

E-COMMUNICATION
We encourage shareholders to consider receiving their communications electronically. Choosing to receive shareholder communications electronically means you receive information quickly and securely and allows Land Securities to communicate in a more environmentally friendly and cost-effective way. To register for this service, shareholders should visit www.landsecurities.com/investors/shareholder-investor-information/manage-your-shares or www.shareview.co.uk/myportfolio.

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 contact the registrars or complete a mandate instruction available from www.landsecurities.com/investors/shareholder-investor-information/dividend information and return it to the registrars. Under this arrangement tax vouchers are sent to the shareholder's registered address.

DIVIDENDS FOR SHAREHOLDERS RESIDENT OUTSIDE THE UK
Instead of waiting for a Sterling cheque to arrive by mail, you can ask us to send your dividends direct to your bank account. This is a service our registrar can arrange in over 30 different countries worldwide and it normally costs less than paying in a Sterling cheque. For more information contact the Company's registrar, Equiniti, on +44 (0)121 415 7047 or download an application form online at www.shareview.co.uk/myportfolio or by writing to our registrars at the address given.

SHARE DEALING FACILITIES
Equiniti provides both existing and prospective UK shareholders with simple ways of buying and selling Land Securities Group PLC ordinary shares by telephone, internet or post.

For telephone dealing, call 0845 603 7037 between 8.00am and 4.30pm Monday to Friday. For internet dealing, log on to www.shareview.co.uk/dealing. For postal dealing, call 0871 384 2248* for full details and a form.

Existing shareholders will need to provide the account/shareholder reference number, shown on the share certificate.

Other brokers and banks or building societies also offer share dealing facilities.

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 the charity ShareGift (registered charity 1052686), which specialises in using such holdings for charitable benefit. A ShareGift Donation form can be obtained from the registrar and further information about ShareGift is available at www.sharegift.org or by writing to:
ShareGift,
17 Carlton House Terrace,
London SW1Y 5AH
Telephone: 020 7930 3737

CORPORATE INDIVIDUAL SAVINGS ACCOUNTS (ISAs)
The Company has arranged for a Corporate ISA to be managed by Equiniti Financial Services Limited, who can be contacted at:
Aspect House,
Spencer Road,
Lancing, West Sussex BN99 6UY
Telephone: 0871 384 2244*

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 and the Scheme of Arrangement in September 2002, was 203p. On the assumption that the 5 for 8 Rights Issue in March 2009 was taken up in full, the adjusted price would be 229p.

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,
PO Box 9501, Nottingham NG80 1WD
Telephone: 0870 241 1713
Fax: 0115 976 8785
Website: www.uar.co.uk

SHARE PRICE INFORMATION
The latest information on Land Securities Group PLC share price is available on our website www.landsecurities.com.

UNSOLICITED MAIL AND SHAREHOLDER FRAUD
Shareholders are advised to be wary of unsolicited mail or telephone calls offering free advice, to buy shares at a discount or offering free company reports. To find more detailed information on how shareholders can be protected from investment scams visit www.fca.org.uk/consumers/scams/investment-scams/share-fraud-and-boiler-room-scams.

REGISTERED OFFICE
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Registered in England and Wales
No. 4369054

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5 Strand, London WC2N 5AF
and at:
City Exchange, 11 Albion Street,
Leeds LS1 5ES
120 Bath Street, Glasgow G2 2EN

*Calls to 0871 telephone numbers are charged at 8p per minute from a BT landline. Other telephone providers' costs may vary. Lines open 8.30am to 5.30pm, Monday to Friday, excluding bank holidays.

GLOSSARY

Adjusted earnings per share (EPS)
Earnings per share based on revenue profit after related tax.

Adjusted net asset value (NAV) per share
NAV per share adjusted to remove the effect of the de-recognition of the 2004 bond exchange and cumulative fair value movements on interest-rate swaps and similar instruments.

Adjusted net debt
Net debt excluding cumulative fair value movements on interest-rate swaps, the adjustment arising from the de-recognition of the bond exchange and amounts payable under finance leases. It generally includes the net debt of subsidiaries and joint ventures on a proportionate basis.

Average unexpired lease term
The weighted average of the unexpired term of all leases other than short-term lettings such as car parks and advertising hoardings, temporary lettings of less than one year, residential leases and long ground leases.

Book value
The amount at which assets and liabilities are reported in the financial statements.

BREEAM
Building Research Establishment's Environmental Assessment Method.

Combined portfolio
The combined portfolio comprises the investment properties of the Group's subsidiaries, on a proportionately consolidated basis when not wholly owned, together with our share of investment properties held in our joint ventures. Unless stated otherwise, references are to the combined portfolio when the investment property business is discussed.

Completed developments
Completed developments consist of those properties previously included in the development programme, which have been transferred from the development programme since 1 April 2011.

Development pipeline
The development programme together with proposed developments.

Development programme
The development programme consists of committed developments (Board approved projects with the building contract let), authorised developments (Board approved), projects under construction and developments which have reached practical completion within the last two years but are not yet 95% let.

Diluted figures
Reported results adjusted to include the effects of potentially dilutive shares issuable under employee share schemes.

Earnings per share (EPS)
Profit after taxation attributable to owners of the Parent divided by the weighted average number of ordinary shares in issue during the period.

EPRA
European Public Real Estate Association.

EPRA net initial yield
EPRA net initial yield is defined within EPRA's Best Practice Recommendations as the annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the gross market value of the property. It is consistent with the net initial yield calculated by the Group's external valuers.

Equivalent yield
Calculated by the Group's external valuers, equivalent yield is the internal rate of return from an investment property, based on the gross outlays for the purchase of a property (including purchase costs), reflecting reversions to current market rent and such items as voids and non-recoverable expenditure but ignoring future changes in capital value. The calculation assumes rent is received annually in arrears.

ERV – Gross estimated rental value
The estimated market rental value of lettable space as determined biannually by the Group's external valuers.

Fair value movement
An accounting adjustment to change the book value of an asset or liability to its market value.

Finance lease
A lease that transfers substantially all the risks and rewards of ownership from the lessor to the lessee.

Gearing
Total borrowings, including bank overdrafts, less short-term deposits, corporate bonds and cash, at book value, plus cumulative fair value movements on financial derivatives as a percentage of total equity. For adjusted gearing, see note 32 in the financial statements.

Gross market value
Market value plus assumed usual purchaser's costs at the reporting date.

Head lease
A lease under which the Group holds an investment property.

Interest Cover Ratio (ICR)
A calculation of a company's ability to meet its interest payments on outstanding debt. It is calculated using revenue profit before interest, divided by net interest (excluding the mark-to-market movement on interest-rate swaps, bond exchange de-recognition, capitalised interest and interest on the pension scheme assets and liabilities). The calculation excludes joint ventures.

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

Investment portfolio
The investment portfolio comprises the investment properties of the Group's subsidiaries, on a proportionately consolidated basis where not wholly owned.

Joint venture
An entity in which the Group holds an interest and is jointly controlled by the Group and one or more partners under a contractual arrangement. Decisions on financial and operating policies essential to the operation, performance and financial position of the venture require each partner's consent.

Lease incentives
Any incentive offered to occupiers to enter into a lease. Typically the incentive will be an initial rent-free period, or a cash contribution to fit-out or similar costs. For accounting purposes the value of the incentive is spread over the non-cancellable life of the lease.

LIBOR
The London Interbank Offered Rate, the interest rate charged by one bank to another for lending money, often used as a reference rate in bank facilities.

Like-for-like portfolio
The like-for-like portfolio includes all properties which have been in the portfolio since 1 April 2011, but excluding those which are acquired, sold or included in the development pipeline at any time since that date.

Like-for-like managed properties
Properties in the like-for-like portfolio other than those in our joint ventures which we do not manage operationally.

Loan-to-value (LTV)
Group LTV is the ratio of adjusted net debt, including subsidiaries and joint ventures, to the sum of the market value of investment properties and the book value of trading properties of the Group, its subsidiaries and joint ventures, all on a proportionate basis, expressed as a percentage. For the Security Group, LTV is the ratio of net debt lent to the Security Group divided by the value of secured assets.

Market value
Market value is determined by the Group's external valuers, in accordance with the RICS Valuation Standards, as an opinion of the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing.

Mark-to-market adjustment
An accounting adjustment to change the book value of an asset or liability to its market value.

Net asset value (NAV) per share
Equity attributable to owners of the Parent divided by the number of ordinary shares in issue at the period end.

Net initial yield
Net initial yield is a calculation by the Group's external valuers of the yield that would be received by a purchaser, based on the Estimated Net Rental Income expressed as a percentage of the acquisition cost, being the market value plus assumed usual purchasers' costs at the reporting date. The calculation is in line with EPRA guidance.

Estimated Net Rental Income is the passing cash rent less ground rent at the balance sheet date, estimated non-recoverable outgoings and void costs including service charges, insurance costs and void rates.

Outline planning consent
This gives consent in principle for a development, and covers matters such as use and building mass. Full details of the development scheme must be provided in an application for 'reserved matters approval', including detailed layout, scale, appearance, access and landscaping, before a project can proceed. An outline planning permission will lapse if the submission of 'reserved matters' have not been made within three years, or if it has not been implemented within three years or within two years of the final approval of 'reserved matters', unless otherwise expressly stated within conditions attached to the permission itself or, for any permissions granted on or before 1 October 2009, a successful application has been made to extend the time within which 'reserved matters' application can be submitted, or the overall limit for commencement of development.

Over-rented
Space where the passing rent is above the ERV.

Passing cash rent
The estimated annual rent receivable as at the reporting date which includes estimates of turnover rent and estimates of rent to be agreed in respect of outstanding rent review or lease renewal negotiations. Passing cash rent may be more or less than the ERV (see over-rented, reversionary and ERV). Passing cash rent excludes annual rent receivable from units in administration save to the extent that rents are expected to be received. Void units and units that are in a rent-free period at the reporting date are deemed to have no passing cash rent. Although temporary lets of less than 12 months are treated as void, income from temporary lets is included in passing cash rents.

Pre-let
A lease signed with an occupier prior to completion of a development.

Pre-development properties
Pre-development properties are those properties within the like-for-like portfolio which are being managed to align vacant possession within a three year horizon with a view to redevelopment.

Property income distribution (PID)
A PID is a distribution by a REIT to its shareholders paid out of qualifying profits. A REIT is required to distribute at least 90% of its qualifying profits as a PID to its shareholders.

Proposed developments
Proposed developments are properties which have not yet received final Board approval or are still subject to main planning conditions being satisfied, but which are more likely to proceed than not.

Qualifying activities/Qualifying assets
The ownership (activity) of property (assets) which is held to earn rental income and qualifies for tax-exempt treatment (income and capital gains) under UK REIT legislation.

Real Estate Investment Trust (REIT)
A REIT must be a publicly quoted company with at least three-quarters of its profits and assets derived from a qualifying property rental business. Income and capital gains from the property rental business are exempt from tax but the REIT is required to distribute at least 90% of those profits to shareholders. Corporation tax is payable on non-qualifying activities in the normal way.

Rental value change
Increase or decrease in the current rental value, as determined by the Group's external valuers, over the reporting period on a like-for-like basis.

Rental income
Rental income is as reported in the income statement, on an accruals basis, and adjusted for the spreading of lease incentives over the term certain of the lease in accordance with SIC 15. It is stated gross, prior to the deduction of ground rents and without deduction for operational outgoings on car park and commercialisation activities.

Retail warehouse park
A scheme of three or more retail warehouse units aggregating over 5,000m^2 with shared parking.

Return on average capital employed
Group profit before interest, plus joint venture profit before interest, divided by the average capital employed (defined as shareholders' funds plus adjusted net debt).

Return on average equity
Group profit before tax plus joint venture tax divided by the average equity shareholders' funds.

Revenue profit
Profit before tax, excluding profits on the sale of non-current assets and trading properties, profits on long-term development contracts, valuation movements, fair value movements on interest-rate swaps and similar instruments used for hedging purposes, the adjustment to interest payable resulting from the amortisation of the bond exchange de-recognition, debt restructuring charges and any items of an unusual nature.

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

Reversionary yield
The anticipated yield to which the initial yield will rise (or fall) once the rent reaches the ERV.

Scrip dividend
Land Securities offers its shareholders the opportunity to receive dividends in the form of shares instead of cash. This is known as a scrip dividend.

Security Group
Security Group is the principal funding vehicle for Land Securities and properties held in the Security Group are mortgaged for the benefit of lenders. It has the flexibility to raise a variety of different forms of finance.

Temporary lettings
Lettings for a period of one year or less. These are included within voids.

Topped-up net initial yield
Topped-up net initial yield is a calculation by the Group's external valuers. It is calculated by making an adjustment to net initial yield in respect of the annualised cash rent foregone through unexpired rent-free periods and other lease incentives. The calculation is consistent with EPRA guidance.

Total business return
Dividend paid per share, plus the change in adjusted diluted net asset value per share, divided by the adjusted diluted net asset value per share at the beginning of the year.

Total cost ratio
Total cost ratio represents all costs included within revenue profit, other than rents payable and financing costs, expressed as a percentage of gross rental income before rents payable.

Total development cost (TDC)
Total development cost refers to the book value of the land at the commencement of the project, the 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, together with capitalised interest.

Total property return
Valuation movement, profit/(loss) on property sales and net rental income in respect of investment properties expressed as a percentage of opening book value, together with the time weighted value for capital expenditure incurred during the current year, on the combined property portfolio.

Total Shareholder Return (TSR)
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.

Voids
Voids are expressed as a percentage of ERV and represent all unlet space, including voids where refurbishment work is being carried out and voids in respect of pre-development properties. Temporary lettings for a period of one year or less are also treated as voids.

Weighted average cost of capital (WACC)
Weighted average cost of debt and notional cost of equity, used as a benchmark to assess investment returns.

Yield shift
A movement (negative or positive) in the equivalent yield of a property asset.

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.

Forward-looking statements

This Annual Report and the Land Securities website may contain certain "forward-looking statements" with respect to Land Securities Group PLC and the Group's financial condition, results of operations and business, and certain of Land Securities Group PLC's and the Group's plans, strategy, objectives, goals and expectations with respect to these items and the economies and markets in which Land Securities operates.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as "anticipates", "aims", "due", "could", "may", "should", "will", "would", "expects", "believes", "intends", "plans", "targets", "goal" or "estimates" or, in each case, their negative or other variations or comparable terminology. Forward-looking statements are not guarantees of future performance. By their very nature forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. Many of these assumptions, risks and uncertainties relate to factors that are beyond the Group's ability to control or estimate precisely. There are a number of such factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, changes in the economies and markets in which the Group operates; changes in the legal, regulatory and competition frameworks in which the Group operates; changes in the markets from which the Group raises finance; the impact of legal or other proceedings against or which affect the Group; changes in accounting practices and interpretation of accounting standards under IFRS; and changes in interest and exchange rates.

Any written or verbal forward-looking statements made in this Annual Report or the Land Securities website or made subsequently which are attributable to Land Securities Group PLC or any other member of the Group or persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. Each forward-looking statement speaks only as of the date it is made. Except as required by its legal or regulatory obligations, Land Securities Group PLC does not intend to update any forward-looking statements.

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CERTIFIED CARBON NEUTRAL® Global Standard
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Design by saslondon.com
Words by Tim Rich
Photography by Luke Hayes
Board portraits by John Wildgoose

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